

**Monteray Limited**

**Directors' report and financial  
statements**

**Registered number 4054291**

**For the year ended 31 December 2004**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### Principal activities and business review

The company's principal activity during the year was the provision of facility management services.

The directors anticipate that the company will continue its present role during 2005.

### Profits and dividends

The profit after taxation for the year ended 31 December 2004 was £3,421,000 (2003: £3,327,000).

During the year, a dividend of £4,100,000 (2003: £3,300,000) has been paid.

### Directors and directors' interests

The directors who served during the year were:

M Fellowes  
 TD Kenny  
 RS Ross  
 RJ Masters  
 PM Thompson (resigned 1 May 2004)  
 DT Gearey (appointed 1 May 2004)

The directors who held office at the end of the financial year and their families, other than those whose interests are disclosed in the financial statements of the ultimate holding company, had the following interests in, and options to subscribe for, ordinary shares of 50p each in Carillion plc:

Number of shares	At 31 December 2004		At 1 January 2004 (or later date of appointment)		Share option movements in year (or since appointment)		
	Shares	Share options	Shares	Share options	granted	exercised	lapsed
TD Kenny	-	384,396	-	247,492	136,904	-	-
RS Ross	-	221,767	-	184,585	37,182	-	-
DT Gearey	202	-	202	-	-	-	-

At 31 December 2004 no director had any beneficial interest in the share or loan capital of any subsidiary of Carillion plc.

No director was materially interested during the year in any contract which was significant in relation to the business of the company.

### Payments to suppliers

The company negotiates payments terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by these terms when it is satisfied that the supplier has provided goods or services in accordance with the agreed terms and conditions.

The company does not have a standard code which deals specifically with the payment of suppliers.

Trade creditor days at 31 December 2004 were 13 days (2003: 2 days).

### Employees

Communication and consultation within working teams takes place, as appropriate, as part of the normal pattern of every operation.

The establishment and maintenance of safe working practices at all work places is of greatest importance to the company and special training in health and safety is provided for all employees.

The company is an active and enthusiastic supporter of training and development for all employees.

## **Directors' report** *(continued)*

### **Equal opportunities**

Monteray Limited is an equal opportunities employer.

It is the policy of the company to give the fullest consideration to the employment needs of all prospective and existing employees. To that end, no job applicant or employee receives less favourable treatment than another on grounds of colour, race, nationality, ethnic or national origin, sex, religion or disability where the work content is commensurate with the individual's particular disability.

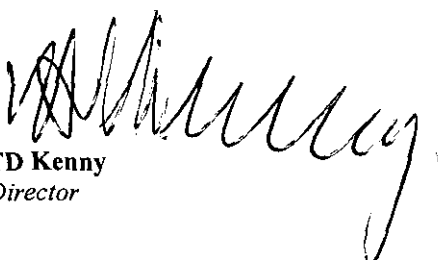
Special attention is given to interviewing, selection, recruitment and training to ensure that there is effective implementation of company policy. Promotion is based upon ability, merit and performance taking into account the future needs of the company. Where necessary training is carried out to assist employees to develop potential.

All aspects of employment are regularly reviewed by management to ensure this policy is achieved.

### **Auditor**

In accordance with Section 385 of the Companies Act 1985 a resolution to re-appoint KPMG Audit Plc as auditor of the company will be proposed at the Annual General Meeting.

Approved by the Board on 9 March 2005 and signed on its behalf by:



**TD Kenny**  
*Director*

Birch Street  
Wolverhampton  
WV1 4HY

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG Audit Plc**

2 Cornwall Street  
Birmingham  
B3 2DL

**Independent auditors' report to the members of Monteray Limited**

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

9 March 2005

**Profit and loss account**  
*for the year ended 31 December 2004*

	<i>Note</i>	<b>2004</b> £000	2003 £000
<b>Turnover</b>	<i>1</i>	<b>112,853</b>	120,707
Cost of sales		<b>(104,779)</b>	(112,470)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>8,074</b>	8,237
Administrative expenses		<b>(3,258)</b>	(3,526)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>4,816</b>	4,711
Net interest receivable	<i>2</i>	<b>61</b>	28
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>3</i>	<b>4,877</b>	4,739
Tax on profit on ordinary activities	<i>6</i>	<b>(1,456)</b>	(1,412)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>3,421</b>	3,327
Dividends paid	<i>7</i>	<b>(4,100)</b>	(3,300)
		<hr/>	<hr/>
<b>Retained (loss)/profit for the financial year</b>	<i>14</i>	<b>(679)</b>	27
		<hr/>	<hr/>


All amounts relate to continuing operations.

There were no recognised gains and losses other than the profit for the current year and the loss for the previous year.

**Balance sheet**  
 at 31 December 2004

	<i>Note</i>	<b>2004</b>		<b>2003</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	8		23		7
<b>Current assets</b>					
Debtors	9	10,481		12,104	
Cash at bank and in hand		3,026		2,722	
<b>Creditors: amounts falling due within one year</b>	10		13,507 (10,173)		14,826 (10,797)
<b>Net current assets</b>			3,334		4,029
<b>Net assets</b>			3,357		4,036
<b>Capital and reserves</b>					
Called up share capital	12		-		-
Profit and loss account	14		3,357		4,036
<b>Equity shareholders' funds</b>	13		3,357		4,036

These financial statements were approved by the Board of directors on 9 March 2005 and were signed on its behalf by:

  
 TD Kenny  
 Director



## Cash flow statement

for the year ended 31 December 2004

	<i>Note</i>	<b>2004</b> <b>£000</b>	2003 £000
Net cash inflow from operating activities	16	5,872	5,331
Returns on investments and servicing of finance	16	61	28
Taxation paid		(1,494)	(1,795)
Capital expenditure and financial investment	16	(35)	(7)
Equity dividends paid		(4,100)	(3,300)
		<hr/>	<hr/>
<b>Increase in cash in the year</b>		<b>304</b>	257
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the year		304	257
Net funds at the start of the period – cash		2,722	2,465
		<hr/>	<hr/>
<b>Net funds at the end of the year – cash</b>		<b>3,026</b>	2,722
		<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

#### *Basis of accounting*

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

#### *Turnover*

Turnover represents the net amount receivable, excluding value added tax for the provision of services supplied to customers during the year. All turnover arises within the UK.

#### *Tangible fixed assets*

Depreciation is based on historic cost less the estimated residual value and the estimated useful economic lives of the assets. The estimated economic lives of the plant and machinery held is between 3 and 10 years.

#### *Taxation*

The charge for taxation is based on the result for each year and takes into account deferred taxation, calculated in accordance with the requirements of FRS19 "Deferred tax". Deferred tax assets or liabilities, which arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, are calculated on a non-discounted full provision basis.

#### *Leased assets*

Operating lease rental charges are charged to the profit and loss account in equal annual instalments over the life of the related lease.

#### *Pensions*

The company participates in a Carillion group-wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

The company also participates in a group wide defined contribution scheme. Contributions to this scheme are charged to the profit and loss account as incurred.

### 2 Net interest receivable

	2004 £000	2003 £000
Bank interest receivable	61	35
Interest payable to group undertakings	-	(7)
	<hr/> 61	<hr/> 28

## Notes (continued)

### 3 Profit on ordinary activities before taxation

	2004 £000	2003 £000
Profit on ordinary activities before taxation is stated after charging		
Depreciation	19	3
Auditors' remuneration - audit	10	12
Rentals under operating leases:		
Hire of vehicles	42	50
	<u>          </u>	<u>          </u>

### 4 Directors' remuneration

The directors neither received nor waived any remuneration during the year.

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2004	2003
Administration	23	23
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	1,088	1,087
Social security costs	126	128
Other pension costs (see note 15)	62	62
	<u>          </u>	<u>          </u>
	1,276	1,277
	<u>          </u>	<u>          </u>

### 6 Tax on profit on ordinary activities

#### (a) Analysis of taxation charge in the year

The taxation charge is based on the profit for the year as follows:

	2004 £000	2003 £000
<i>UK corporation tax</i>		
Current tax on income for the year	1,470	1,450
Adjustment in respect of prior periods	(18)	(30)
	<u>          </u>	<u>          </u>
Total current tax	1,452	1,420
<i>Deferred tax (see note 11)</i>		
Origination/reversal of timing differences	4	(8)
	<u>          </u>	<u>          </u>
Total deferred tax	4	(8)
	<u>          </u>	<u>          </u>
Tax on profit on ordinary activities	1,456	1,412
	<u>          </u>	<u>          </u>

## Notes (continued)

### 6 Tax on profit on ordinary activities (continued)

#### (b) Reconciliation of current taxation charge

The UK standard rate of corporation tax for the year is 30% (2003: 30%). The actual tax rate differs to the standard rate for the reasons set out below:

	2004 £000	2003 £000
Profit on ordinary activities before tax	4,877	4,739
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30% (2003: 30%)	1,463	1,422
Other timing differences	-	8
Permanently disallowable expenses	8	15
Adjustments to tax charge in respect of previous periods	(18)	(30)
Other permanent differences	3	5
Current tax charge for the year (note 6(a))	1,456	1,420

### 7 Dividends paid

	2004 £000	2003 £000
Interim dividend paid at £20,500 per share (2003: £16,500 per share)	4,100	3,300

### 8 Tangible fixed assets

	Plant, machinery and vehicles £000
<b>Cost</b>	
At beginning of year	12
Additions	35
At end of year	47
<b>Depreciation</b>	
At beginning of year	5
Provided during the year	19
At end of year	24
<b>Net book value</b>	
At 31 December 2004	23
At 31 December 2003	7

## Notes (continued)

### 9 Debtors

	2004 £000	2003 £000
<b>Amounts falling due within one year</b>		
Trade debtors	116	87
Amounts owed by group undertakings	9	11
Amounts owed by related parties (see note 17)	9	113
Other debtors	7	2
Deferred taxation (see note 11)	4	8
Prepayments and accrued income	10,336	11,883
	<hr/> 10,481 <hr/>	<hr/> 12,104 <hr/>

### 10 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	206	43
Amounts owed to group undertakings	84	13
Amounts owed to related parties (see note 17)	97	22
Corporation tax	775	817
Other taxation and social security	232	245
Other creditors	1	1
Accruals	8,778	9,656
	<hr/> 10,173 <hr/>	<hr/> 10,797 <hr/>

### 11 Deferred taxation

The deferred tax asset comprises:

	2004 £000	2003 £000
Other timing differences	-	2
Accelerated capital allowances	4	6
	<hr/> 4 <hr/>	<hr/> 8 <hr/>

### 12 Share capital

	2004 £	2003 £
<b>Authorised, allotted, called up and fully paid:</b>		
200 shares of £1 each	200	200
	<hr/>	<hr/>

## Notes (continued)

### 13 Reconciliation of movements in equity shareholders' funds

	2004 £000	2003 £000
Profit for the financial year	3,421	3,327
Dividends paid	(4,100)	(3,300)
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(679)	27
Equity shareholders' funds at beginning of year	4,036	4,009
	<hr/>	<hr/>
Equity shareholders' funds at end of year	3,357	4,036
	<hr/>	<hr/>

### 14 Reconciliation of movement on reserves

	2004 £000	2003 £000
Retained (loss)/profit for the financial year	(679)	27
Profit and loss reserve at start of year	4,036	4,009
	<hr/>	<hr/>
Profit and loss reserve at end of year	3,357	4,036
	<hr/>	<hr/>

### 15 Pension contributions

The pension schemes to which the company contributes are of both the defined benefit and defined contribution types and are for the benefit of all relevant employees of Carillion plc and its UK subsidiary undertakings, associates and joint ventures ("the group").

#### SSAP 24

The company participates in the Carillion Staff Pension Scheme which is a funded defined benefit scheme. Details of the latest actuarial valuation, which was performed by a qualified actuary, of the principal defined benefit schemes are given in the group's consolidated financial statements. Note 18 gives details of how to obtain a copy of the financial statements of Carillion plc.

The contributions to the defined benefit schemes made by the company represent the regular cost of providing the benefits without any recognition of fund surpluses or deficits which are dealt with by Carillion plc. The pension cost for the year was £54,000 (2003: £55,000). Contributions outstanding at 31 December 2004 were £6,032 (2003: £1,469).

The pension charge of the defined contribution schemes were £8,000 (2003: £7,000). Contributions outstanding at 31 December 2004 were £1,301 (2003: £Nil).

#### FRS 17

As the defined benefit scheme is run for the Carillion group as a whole the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Hence, as permitted by FRS 17: *Retirement benefits* the scheme will be accounted for by the company as if the scheme was a defined contribution scheme when the accounting standard is fully adopted.

At 31 December 2004 the scheme has a deficit on an FRS 17 basis of £40.3 million, net of taxation (2003: £49.8 million).

## Notes (continued)

### 16 Analysis of cash flows

	2004 £000	2003 £000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating profit	4,816	4,711
Depreciation	19	3
	<hr/> 4,835	<hr/> 4,714
<b>Decrease/(increase) in debtors</b>	1,619	(110)
<b>(Decrease)/increase in creditors</b>	(582)	727
	<hr/> 5,872	<hr/> 5,331
<b>Returns on investment and servicing of finance</b>		
Net interest received	61	28
	<hr/>	<hr/>
<b>Capital expenditure</b>		
Payment to acquire tangible fixed assets	35	7
	<hr/>	<hr/>

### 17 Related party disclosures

The company is controlled by Carillion Services Limited, its immediate parent company.

At 31 December 2004 and 31 December 2003 the material balances outstanding and transaction totals with related parties, other than dividends, were as follows. Debtor and creditor balances include amounts included in prepayments and accruals:

	2004			
	Debtors	Creditors	Included in cost of sales	Included in turnover
	£000	£000	£000	£000
<b>Related party</b>				
Carillion Services Limited	9	3,615	42,411	86
Reliance Integrated Services Limited	6	2,093	25,869	57
Haden Building Management Limited	3	2,055	24,073	40
	2003			
	Debtors	Creditors	Included in cost of sales	Included in turnover
	£000	£000	£000	£000
<b>Related party</b>				
Carillion Services Limited	11	4,169	46,299	77
Reliance Integrated Services Limited	26	2,133	26,579	57
Haden Building Management Limited	87	2,181	25,690	29

The share capital of the company is held 51% by Carillion Services Limited and 24.5% each by members of the Haden and Reliance groups.

### 18 Ultimate holding company

The company's ultimate controlling company is Carillion plc which is incorporated in Great Britain and registered in England and Wales.

Copies of the group financial statements of Carillion plc are available from 24 Birch Street, Wolverhampton, WV1 4HY.