

Monteray Limited

**Directors' report and financial
statements**

Registered number 4054291

For the year ended 31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 December 2002.

Principal activities and business review

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

The directors anticipate that the company will continue its present role during 2003.

Profits and dividends

The profit after taxation for the year to 31 December 2002 was £3,994,000 (2001: £6,039,000).

During the year, a dividend of £6,024,000 has been paid.

Directors and directors' interests

The directors who served during the year were:

PJ Ackerman	
G Bryden	(resigned 30 October 2002)
M Fellowes	
PJ Ford	(resigned 1 July 2002)
S Weatherson	(resigned 30 October 2002)
TD Kenny	(appointed 30 October 2002)
RS Ross	(appointed 30 October 2002)
GP Haslehurst	(appointed 1 July 2002, resigned 10 January 2003)

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 2002		At 1 January 2002 (or later date of appointment)		Share option movements in year (or since appointment)		
	Shares	Share options	Shares	Share options	granted	exercised	lapsed
PJ Ackerman	6,477	6,523	6,304	4,702	1,821	-	-
TD Kenny	20,000	123,801	-	-	123,801	-	-
RS Ross	-	103,833	-	-	103,833	-	-

At 31 December 2002 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 2002 were 5 days (2001: 1 day).

Directors' report *(continued)*

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.

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.

Auditors

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

Approved by the Board on 12 March 2003 and signed on its behalf by:



RS Ross
Director

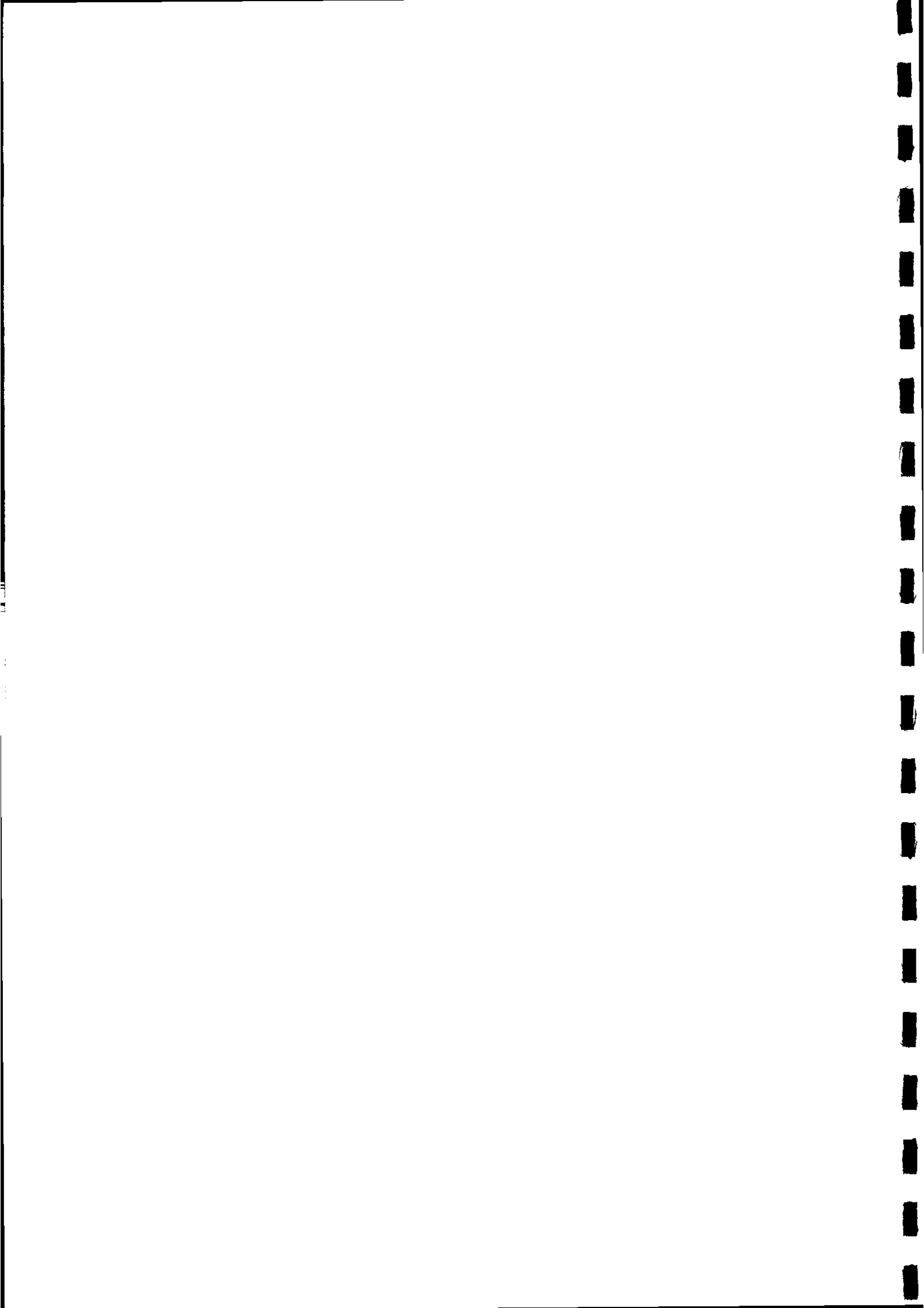
Birch Street
Wolverhampton
WV1 4HY

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 14.

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.

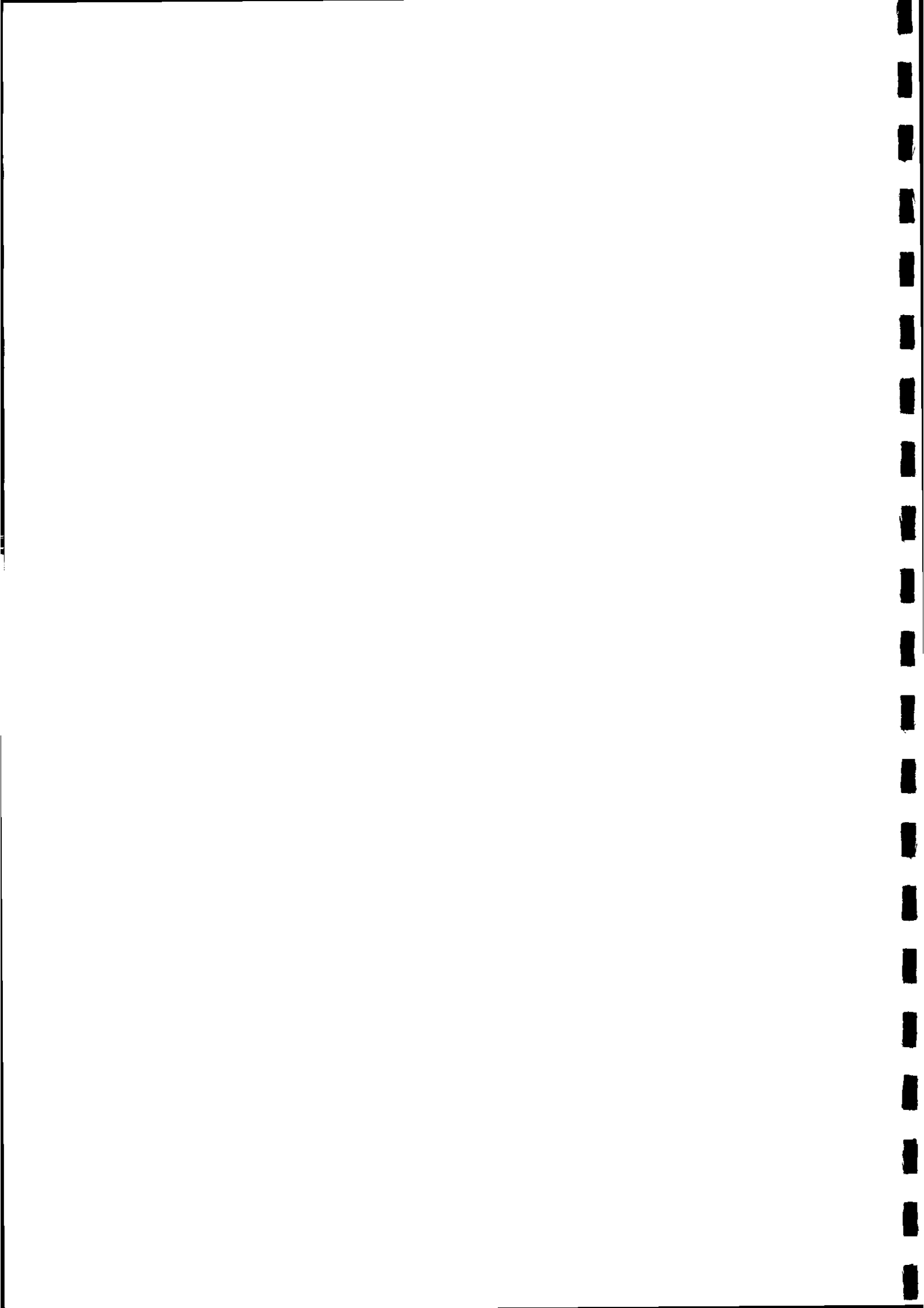
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2002 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

12 March 2003



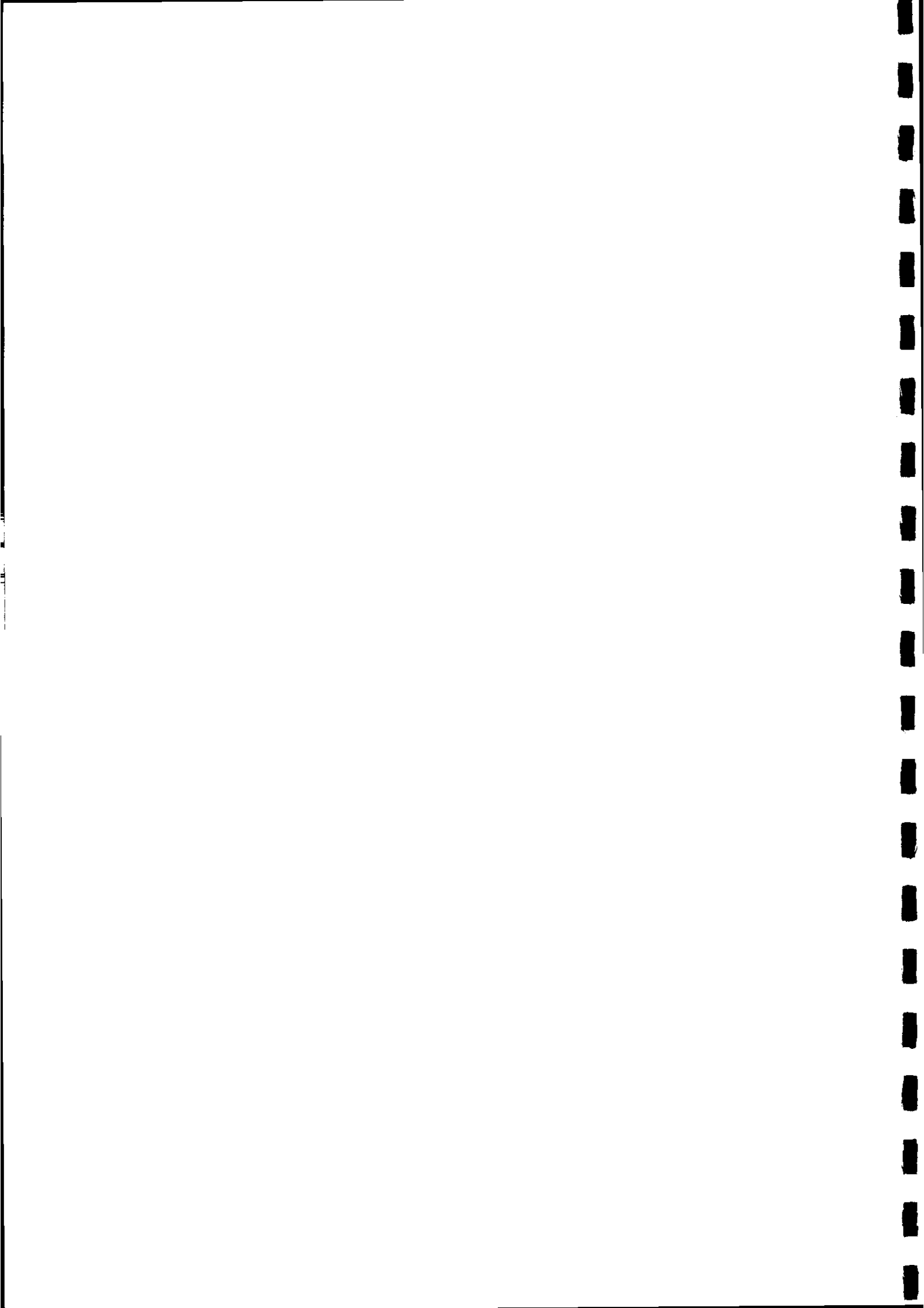
Profit and loss account

for the year ended 31 December 2002

	Note	Year ended 31 December 2002 £000	16 months ended 31 December 2001 £000
Turnover	1	120,492	92,773
Cost of sales		(111,123)	(79,957)
Gross profit		9,369	12,816
Administrative expenses		(3,636)	(4,207)
Operating profit		5,733	8,609
Net interest receivable	2	4	142
Profit on ordinary activities before taxation	3	5,737	8,751
Tax on profit on ordinary activities	6	(1,743)	(2,712)
Profit for the financial period		3,994	6,039
Dividends paid	7	(6,024)	-
Retained (loss)/profit for the financial period	14	(2,030)	6,039

All amounts relate to continuing operations.

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



Balance sheet
at 31 December 2002

	<i>Note</i>	31 December 2002		31 December 2001	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		3		-
Current assets					
Debtors	9	11,986		15,701	
Cash at bank and in hand		2,465		3,289	
Creditors: amounts falling due within one year	10		14,451 (10,445)		18,990 (12,951)
Net current assets			4,006		6,039
Net assets and total assets less current liabilities			4,009		6,039
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	14		4,009		6,039
Equity shareholders' funds	13		4,009		6,039

These financial statements were approved by the Board of directors on 12 March 2003 and were signed on its behalf by:

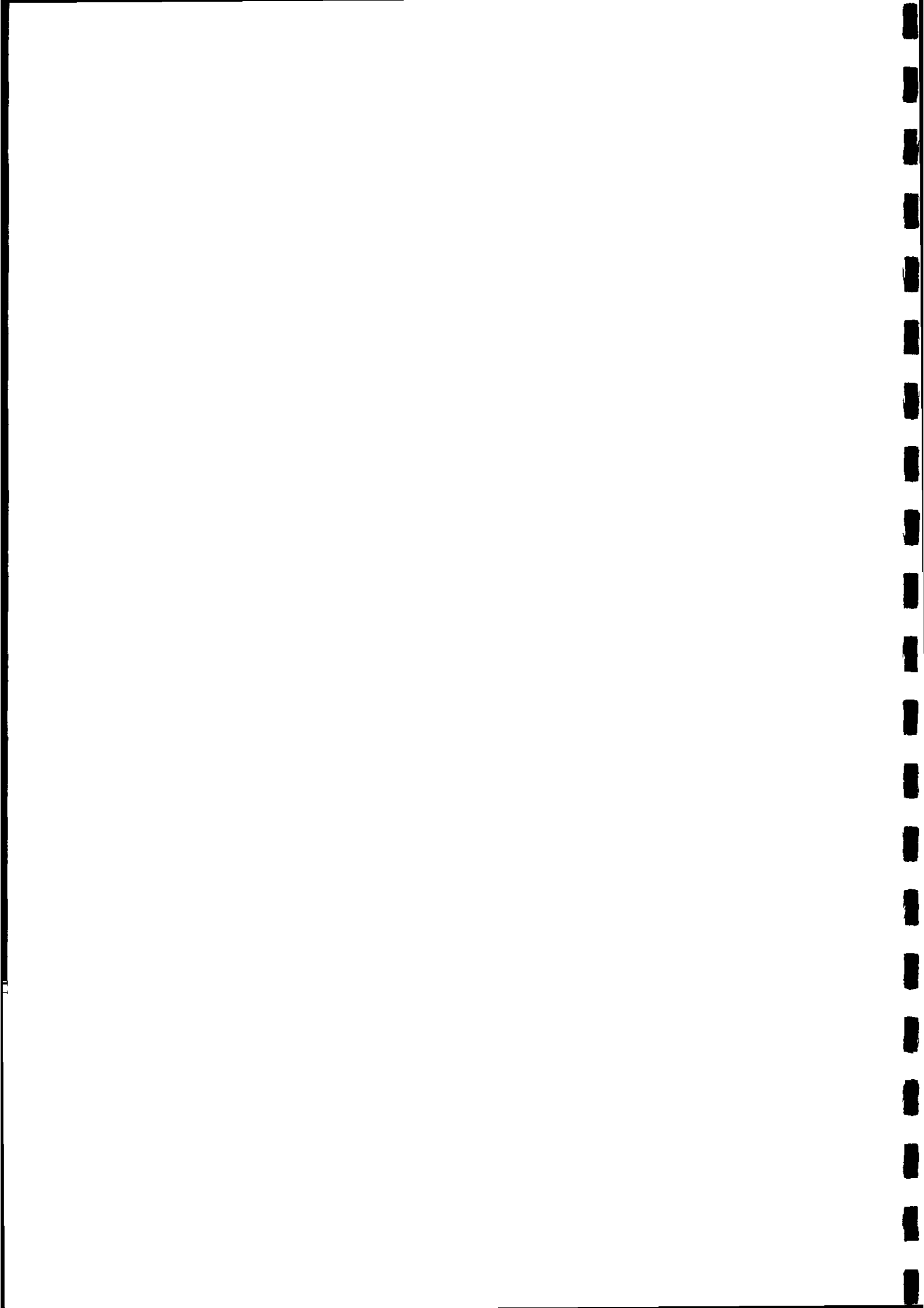


RS Ross
Director

Cash flow statement

for the year ended 31 December 2002

	<i>Note</i>	Year ended 31 December 2002 £000	16 months ended 31 December 2001 £000
Net cash flow from operating activities	16	8,465	3,147
Returns on investments and servicing of finance	16	4	142
Taxation paid		(3,264)	-
Capital expenditure and financial investment		(5)	-
Equity dividends paid		(6,024)	-
		<hr/>	<hr/>
(Decrease)/increase in cash in the period		(824)	3,289
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the period		(824)	3,289
		<hr/>	<hr/>
Movement in net funds in the period		(824)	3,289
Net funds at the start of the period – cash		3,289	-
		<hr/>	<hr/>
Net funds at the end of the period – cash		2,465	3,289
		<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. This policy reflects a change from previous years where deferred tax assets or liabilities were only recognised on a partial provision basis.

The change of accounting policy has had no effect on the results for the current year or previous period.

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.

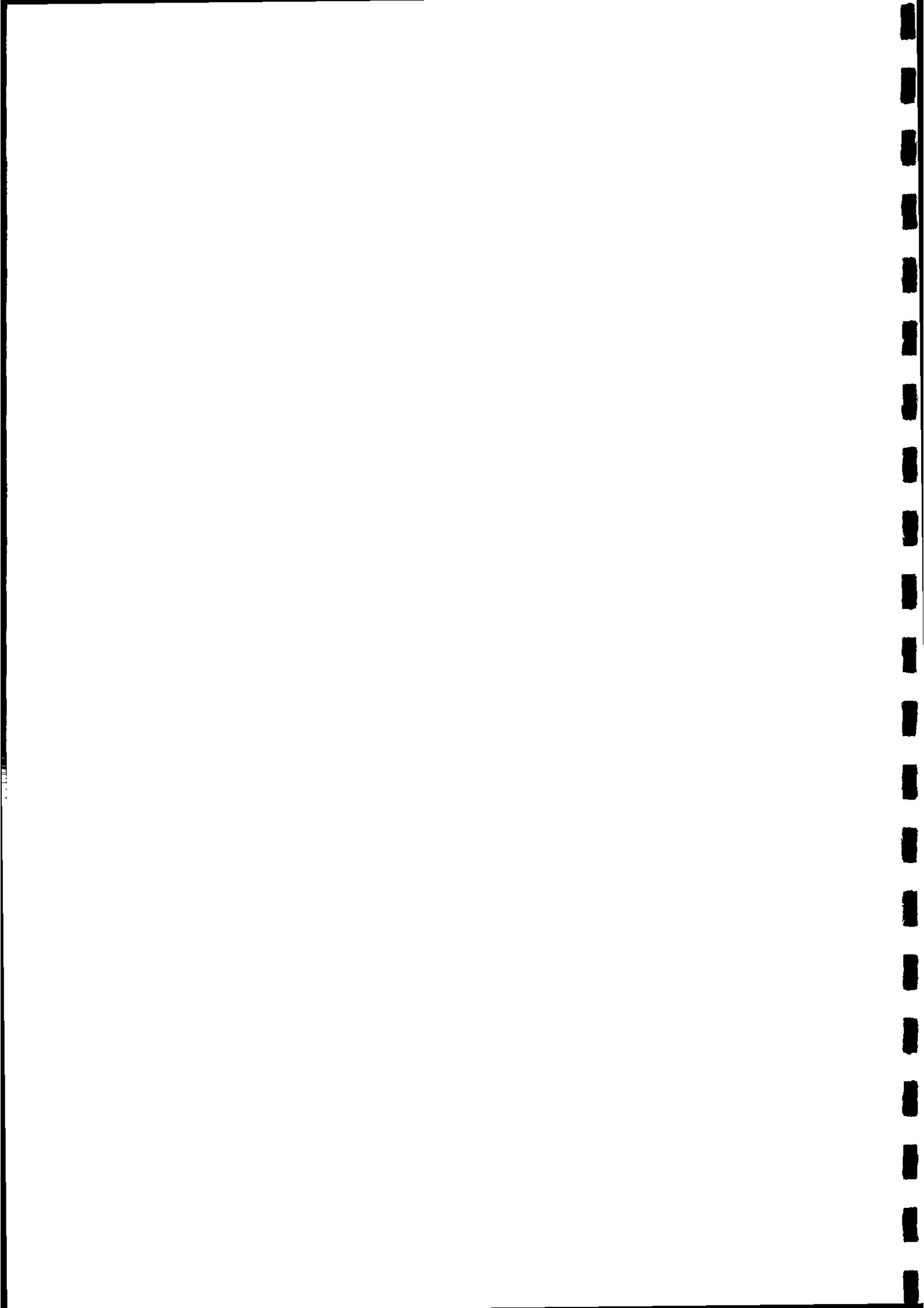
Pensions

The company participates in a 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. Contribution to this scheme are charged to the profit and loss account as incurred.

2 Net interest receivable

	Year ended 31 December 2002 £000	16 months ended 31 December 2001 £000
Interest receivable from group undertakings	-	83
Bank interest receivable	79	59
	<hr/>	<hr/>
	79	142
Interest payable to group undertakings	(75)	-
	<hr/>	<hr/>
	4	142
	<hr/>	<hr/>



Notes (continued)

3 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2002 £000	16 months ended 31 December 2001 £000
Depreciation	2	-
Auditors' remuneration - audit	10	23
- other	2	-
Rentals under operating leases:		
Hire of vehicles	47	86
	<hr/>	<hr/>

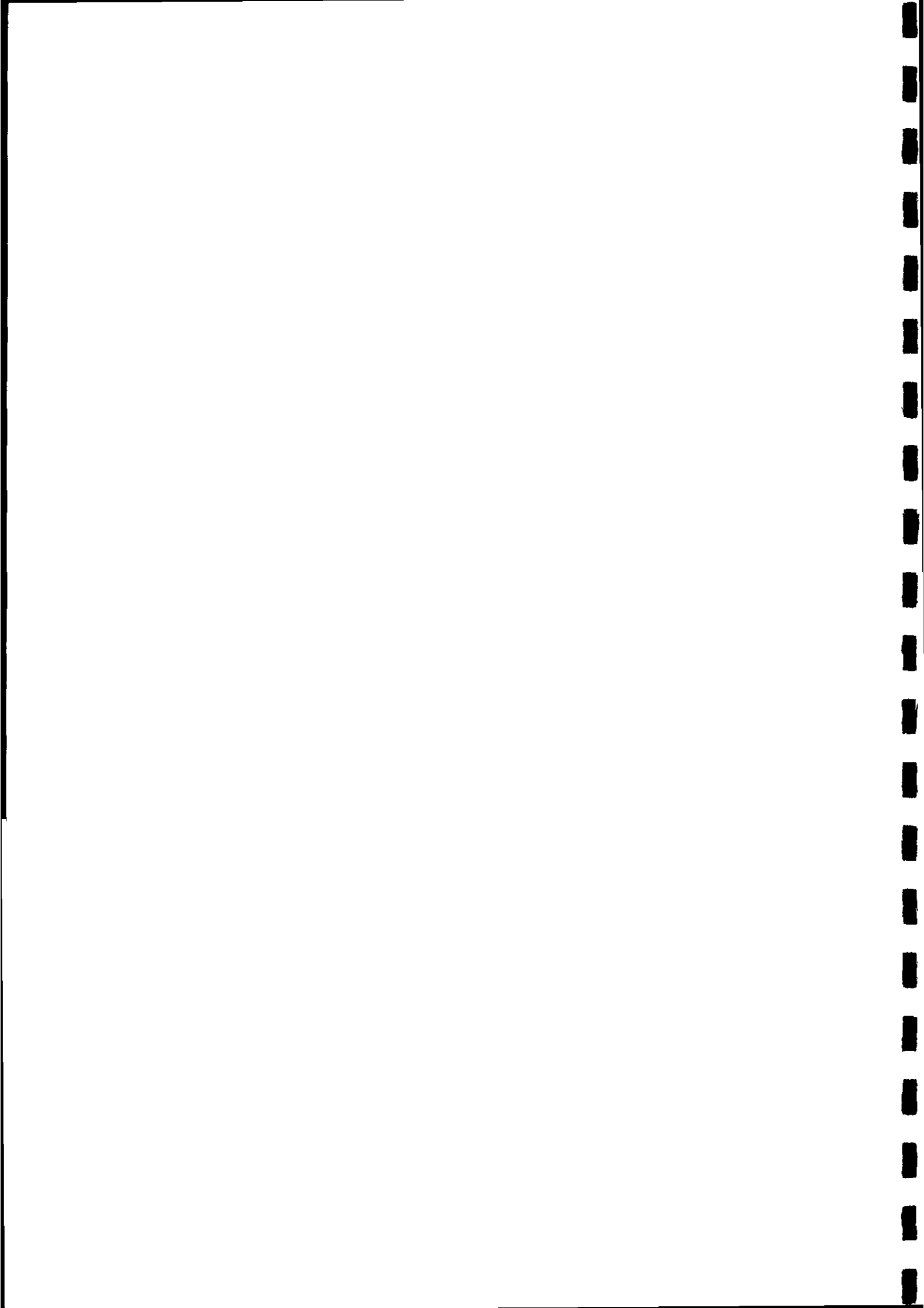
4 Directors' remuneration

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	16 months ended
	Year ended 31 December 2002	31 December 2001
Administration	28	26
	<hr/>	<hr/>
The aggregate payroll costs of these persons were as follows:	2002	2001
	£000	£000
Wages and salaries	1,347	803
Social security costs	123	83
Other pension costs (see note 13)	36	31
	<hr/>	<hr/>
	1,506	917
	<hr/>	<hr/>



Notes (continued)

6 Tax on profit on ordinary activities

(a) Analysis of taxation charge in the period

	Year ended 31 December 2002 £000	16 months ended 31 December 2001 £000
The taxation charge is based on the profit for the period as follows:		
United Kingdom corporation tax based on the profit for the period at 30%	1,743	2,712

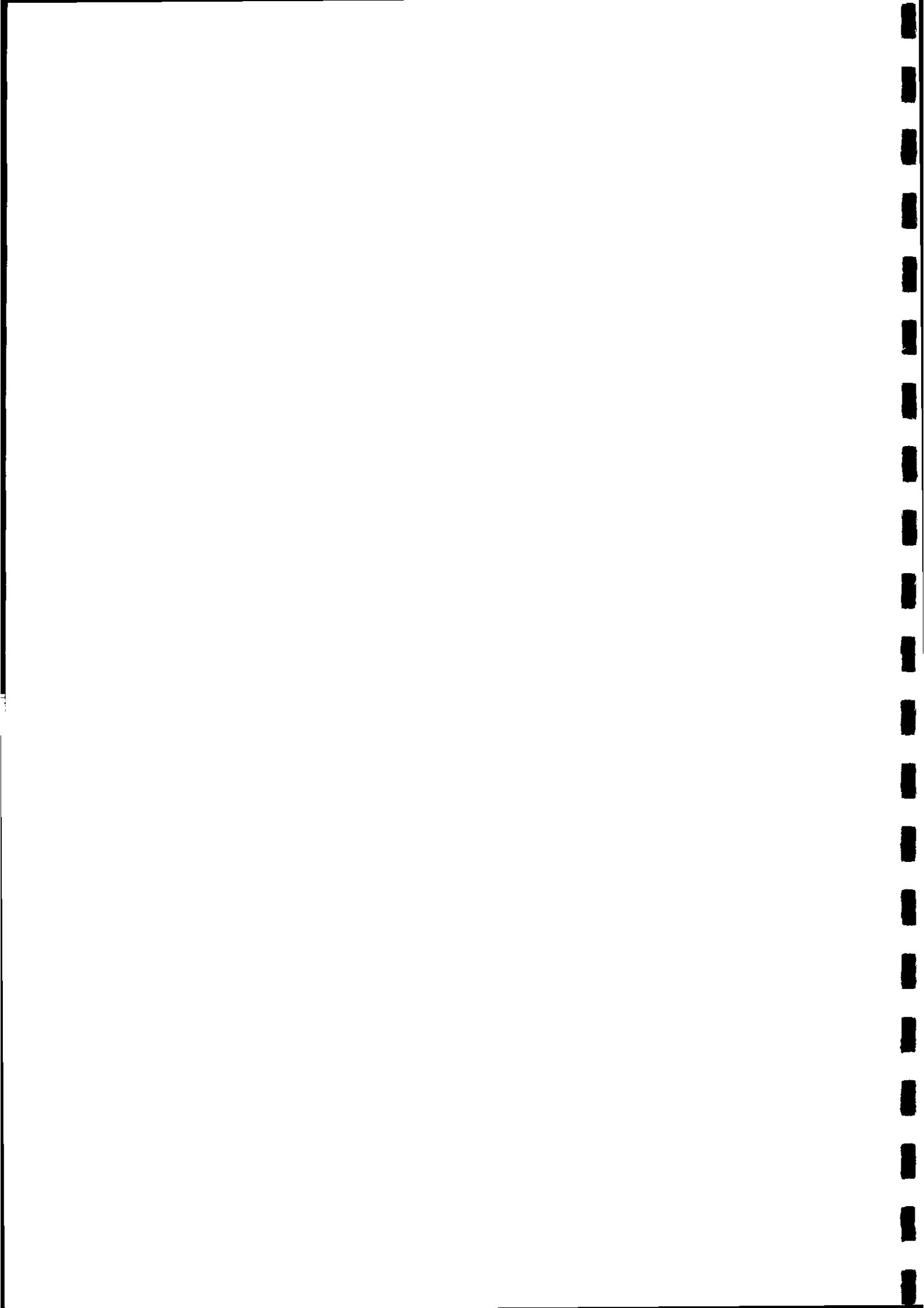
(b) Reconciliation of current taxation charge

The UK standard rate of corporation tax for the year is 30% (2001: 30%). The actual tax rate differs to the standard rate for the reasons set out below:

	Year ended 31 December 2002 £	16 months ended 31 December 2001 £
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30% (2001: 30%)	1,721	2,625
Other timing differences	22	74
Permanently disallowable expenses	4	-
Adjustments to tax charge in respect of previous periods	(13)	-
Other permanent differences	9	13
Current tax charge for the period (note 6(a))	1,743	2,712

7 Dividends paid

	Year ended 31 December 2002 £000	16 months ended 31 December 2001 £000
Interim dividend paid divided equally among the three members and not pro rata to the members' respective shareholdings	2,624	-
Interim dividend paid at £17,000 per share	3,400	-
	6,024	-



Notes (continued)

8 Tangible fixed assets

	Plant, machinery and vehicles £000
<i>Cost</i>	
At beginning of year	-
Additions	5
	<hr/>
At end of year	5
	<hr/>
<i>Depreciation</i>	
At beginning of year	-
Provided during the year	2
	<hr/>
At end of year	2
	<hr/>
<i>Net book value</i>	
At 31 December 2002	3
	<hr/>
At 31 December 2001	-
	<hr/>

9 Debtors

	2002 £000	2001 £000
<i>Amounts falling due within one year</i>		
Trade debtors	327	2,955
Amounts owed by group undertakings	237	215
Amounts owed by related parties (see note 17)	162	306
Other debtors	-	825
Prepayments and accrued income	11,260	11,400
	<hr/>	<hr/>
	11,986	15,701
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	140	166
Amounts owed to group undertakings	526	153
Amounts owed to related parties (see note 17)	8	55
Corporation tax	917	2,712
Consortium relief	275	-
Other taxation and social security	258	37
Other creditors	-	12
Accruals	8,321	9,816
	<hr/> 10,445 <hr/>	<hr/> 12,951 <hr/>

11 Deferred taxation

The company has no provided or unprovided deferred tax liabilities.

12 Share capital

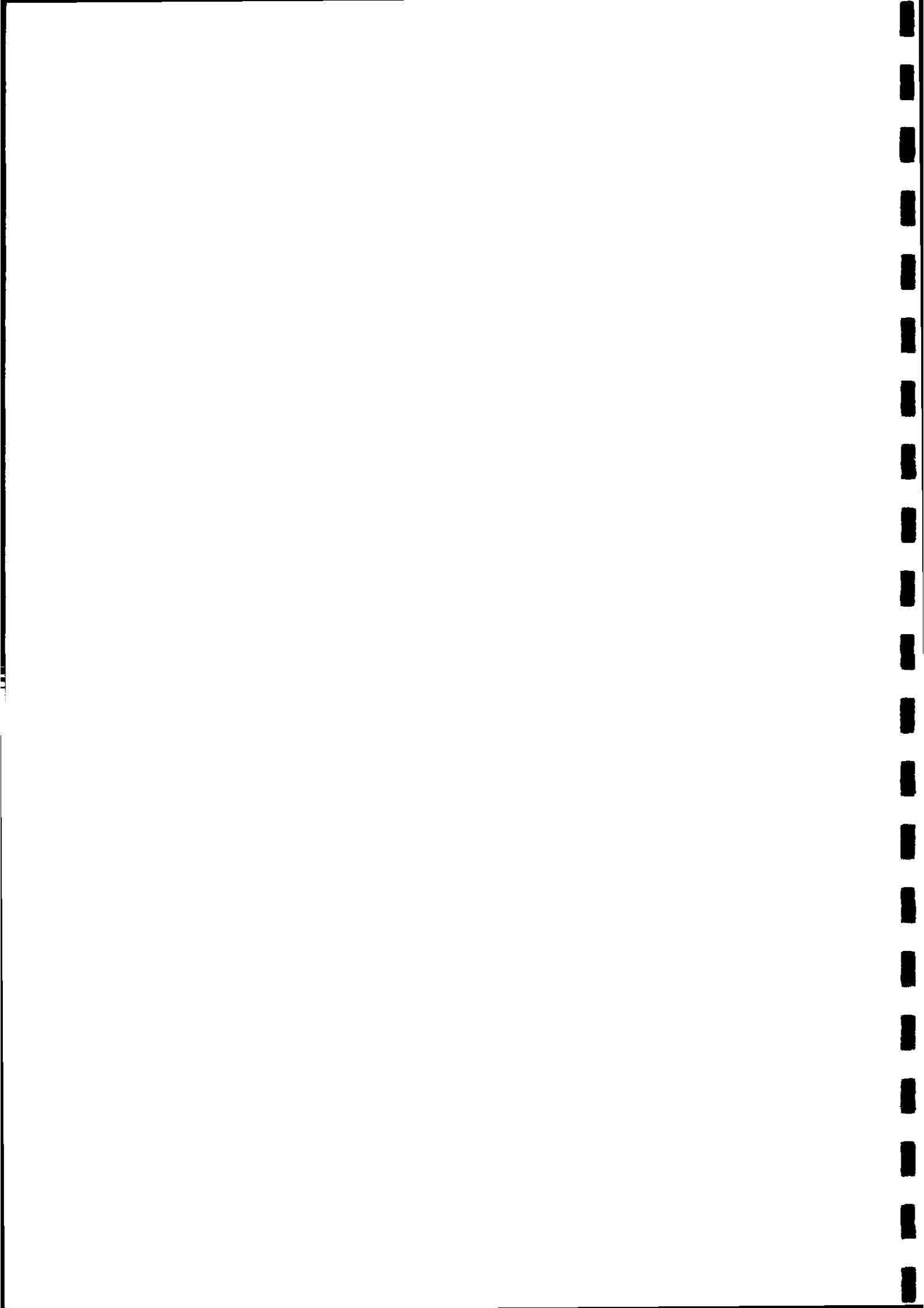
	2002 £	2001 £
<i>Authorised, allotted, called up and fully paid:</i>		
200 shares of £1 each	<hr/> 200 <hr/>	<hr/> 200 <hr/>

13 Reconciliation of movements in equity shareholders' funds

	2002 £000	2001 £000
Profit for the financial year/period	3,994	6,039
Dividends paid	(6,024)	-
Equity shareholders' funds at beginning of year/period	6,039	-
	<hr/> 4,009 <hr/>	<hr/> 6,039 <hr/>

14 Reconciliation of movement on reserves

	2002 £000	2001 £000
Retained (loss)/profit for the financial year/period	(2,030)	6,039
Profit and loss reserve at start of period	6,039	-
	<hr/> 4,009 <hr/>	<hr/> 6,039 <hr/>



Notes (continued)

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"). Details of the latest actuarial valuation of the two principal schemes are given in the Carillion plc consolidated financial statements.

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 £29,000. Contributions outstanding at 31 December 2002 were £5,097 (2001: £Nil).

The pension charge of the defined contribution schemes were £7,000. Contributions outstanding at 31 December 2002 were £1,258 (2001: £4,288).

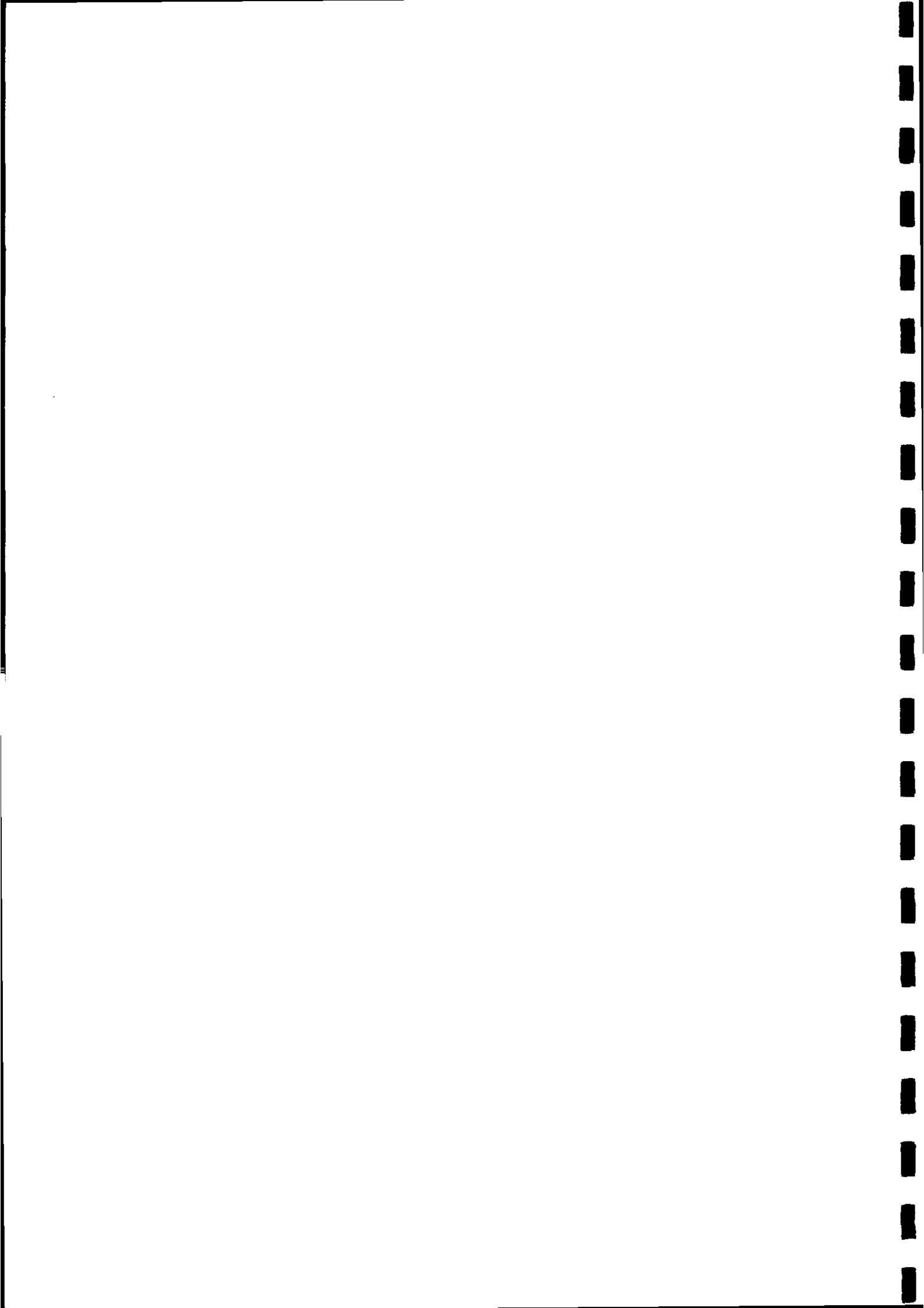
FRS 17

As the 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 2002 the scheme has a deficit on an FRS 17 basis of £35.6 million, net of taxation.

16 Analysis of cash flows

	Year ended 31 December 2002 £000	16 months ended 31 December 2001 £000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	5,733	8,609
Depreciation	2	-
	<hr/> 5,735	<hr/> 8,609
Decrease/(increase) in debtors	3,715	(15,700)
(Decrease)/increase in creditors	(985)	10,238
	<hr/> 8,465	<hr/> 3,147
Net cash flow from operating activities		
Returns on investment and servicing of finance		
Net interest received	4	142
	<hr/> 4	<hr/> 142



Notes (continued)

17 Related party disclosures

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

At 31 December 2002 and for the 16 months ended 31 December 2001 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:

	2002		Costs recharged	Turnover to related parties	Interest received
	Debtors	Creditors			
	£000	£000	£000	£000	£000
Related party					
Carillion Services Limited	237	4,089	47,701	181	-
Reliance Integrated Services Limited	138	1,801	25,867	58	-
Haden Building Management Limited	24	1,891	25,195	87	-
	2001		Costs recharged	Turnover to related parties	Interest received
	Debtors	Creditors			
	£000	£000	£000	£000	£000
Related party					
Carillion Services Limited	464	3,078	33,592	126	83
Reliance Integrated Services Limited	69	2,214	21,127	76	-
Haden Building Management Limited	237	1,821	20,302	210	-

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.

