

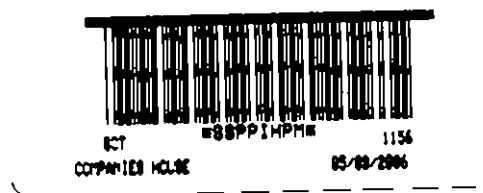
# **CARILLION UTILITY SERVICES LIMITED**

**(formerly Mowlem Utility Services Limited)**

**Directors' report and financial statements**

**Registered number SC136349**

**31 December 2005**



## Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Carillion Utility Services (formerly Mowlem Utility Services Limited)	3
Profit and loss account	6
Balance sheet	7
Notes	8-14

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### Principal activities

The company's principal activity during the year was as a multi-utility contractor in the UK. During the current year Carillion Energy Limited has discontinued sub-contracting work for Gas Transportation which has resulted in reduced trading.

During 2005 the ultimate holding company, Carillion JM Limited (formerly Mowlem plc), restructured its business, as a consequence of which a decision was taken to exit certain non-core businesses, which includes Carillion Utility Services Limited. At the time of signing these accounts the group is pursuing various exit options. Accordingly, the company has made provision for future trading losses, operating expenses, employer redundancy expenses and other closure costs as at 31 December 2005. It is the view of the company's management that the carrying values of all material assets have been stated at their realisable value, all material liabilities have been fairly stated at 31 December 2005 and no material adjustments are expected during settlement of those liabilities. The accounting policies stated below were adopted by the company for preparation of these financial statements before incorporating the above adjustments.

### Results

The results for the year ended 31 December 2005 are disclosed in the financial statements on pages 5 to 13.

The directors do not recommend payment of a dividend (2004 £nil).

### Subsequent Events

Subsequent to the year end, on 23 February 2006 Mowlem Limited (formerly Mowlem plc) was acquired by Carillion Plc.

On 25 May 2006 the company's name was changed to Carillion Utility Services Limited from Mowlem Utility Services Limited.

### Directors and directors' interests

The directors who held office during the period were as follows:

G N Clelland  
G Macdonald (Resigned 5 August 2005)  
A H Moore (Resigned 11 May 2006)  
W B Smith (Resigned 30 April 2006)  
M Strachan  
J McDonough (Appointed 11 May 2006)  
CFG Girling (Appointed 11 May 2006)  
RW Robinson (Appointed 11 May 2006)

The directors who held office at the end of the financial year, other than those whose interests are disclosed in the ultimate holding company, had the following interests in and options to subscribe for in the ordinary share capital of Carillion JM Limited (formerly Mowlem plc), the ultimate holding company, were as follows:

	Ordinary shares of 25p each 31 December 2005		Ordinary shares of 25p each 31 December 2004	
	Beneficially held	Options	Beneficially held	Options
G N Clelland	-	2,923	-	2,923
W B Smith	4,304	74,731	4,304	44,158
A H Moore	25,083	177,524	31,321	89,732

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

### **Directors and directors' interests (continued)**


Except as noted above none of the directors had an interest in the share capital of the company or any other group company.

There were no contracts or arrangements in which the directors of the company had interests which are required to be disclosed under the Companies Act 1985

### **Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board



*Authorised representative  
Carillion Secretariat Limited*

24 Birch Street  
Wolverhampton  
West Midlands  
WV1 4HY

## **Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the 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 that 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 reasonable open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.



KPMG Audit Plc

PO Box 695  
8 Salisbury Square  
London EC4Y 8BB

## **Independent auditors' report to the members of Carillion Utility Services Limited (formerly Mowlem Utility Services Limited)**

We have audited the financial statements of Carillion Utility Services Limited (formerly Mowlem Utility Services) for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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***

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### ***Basis of audit opinion***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.



KPMG Audit Plc

PO Box 695  
8 Salisbury Square  
London EC4Y 8BB

**Independent auditors' report to the members of Carillion Utility Services Limited  
(formerly Mowlem Utility Services Limited) (continued)**

***Opinion***

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985

A handwritten signature in black ink that reads 'KPMG Audit Plc'.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

31 July 2006

**Profit and loss account**  
*for the year ended 31 December 2005*

	<i>Notes</i>	<b>Year ended 31 December 2005 £</b>	<b>Year ended 31 December 2004 £</b>
<b>Turnover</b>	2	<b>3,801,380</b>	1,934,929
Cost of sales		<b>(2,770,875)</b>	(1,413,014)
<b>Gross profit</b>		<b>1,030,505</b>	521,915
Administration expenses		<b>(2,535,032)</b>	(835,533)
<b>Operating loss</b>	3	<b>(1,504,527)</b>	(313,618)
Net interest (payable)/ receivable	6	<b>(44,534)</b>	32
<b>Loss on ordinary activities before taxation</b>		<b>(1,549,061)</b>	(313,586)
Taxation on loss on ordinary activities	7	<b>1,392</b>	87,786
<b>Retained loss for the period</b>	12	<b>(1,547,669)</b>	(225,800)

All the above activities were discontinued during the second half of 2005

The company has no recognised gains or losses other than those shown in the profit and loss account.

There is no difference between the loss on ordinary activities before taxation and the retained loss profit for the financial year and their historical equivalents

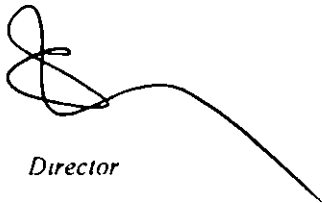


**Balance sheet**  
*at 31 December 2005*

	Notes	2005 £	£	2004 £	£
<b>Fixed assets</b>					
Tangible assets	8		7,548		21,989
<b>Current assets</b>					
Stocks		3,214		-	
Debtors	9	2,476,510		1,835,882	
Cash at bank and in hand		862,320		21,228	
		<u>3,342,044</u>		<u>1,857,110</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(3,637,294)</u>		<u>(619,132)</u>	
<b>Net current (liabilities)/assets</b>			<u>(295,250)</u>		<u>1,237,978</u>
<b>Net (liabilities)/assets</b>			<u>(287,702)</u>		<u>1,259,967</u>
<b>Capital and reserves</b>					
Called up share capital	11		200		200
Profit and loss account	12		(287,902)		1,259,767
<b>Equity shareholders' deficit/funds</b>			<u>(287,702)</u>		<u>1,259,967</u>

These financial statements were approved by the board of directors on its behalf by

2006 and were signed on

CG x  x  
Director

## Notes

*(forming part of the financial statements)*

### 1 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. In these financial statements the following new standard has been adopted for the first time:

- FRS 21 'Events after the balance sheet date'

There has been no effect of the change in accounting policy on the current or prior year.

### *Basis of preparation*

The Company's financial statements, which are expressed in sterling, are prepared under the historical cost convention and in accordance with applicable accounting standards.

During 2005 the ultimate holding company, Carillion JM Limited (formerly Mowlem plc), restructured its business, as a consequence of which a decision was taken to exit certain non-core businesses, which includes Carillion Utility Services Limited. At the time of signing these accounts the group is pursuing various exit options. Accordingly, the company has made provision for future trading losses, operating expenses, employer redundancy expenses and other closure costs as at 31 December 2005. It is the view of the company's management that the carrying values of all material assets have been stated at their realisable value, all material liabilities have been fairly stated at 31 December 2005 and no material adjustments are expected during settlement of those liabilities. The accounting policies stated below were adopted by the company for preparation of these financial statements before incorporating the above adjustments.

### *Loss*

Operating loss comprises the results from carrying out utility contracts in the UK. It includes the results attributable to contracts completed and contracts in progress after deducting amounts recognised in previous years and after making provision for foreseeable losses. Claims receivable are recognised as income when received or certified for payments, except that in estimating the amounts of foreseeable losses, a prudent and reasonable assessment of such claims is made.

### *Leases*

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

### *Depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	3 to 7 years
---------------------	---	--------------

### *Taxation*

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future, except that:

- (i) Provision is not made in respect of revaluation surpluses
- (ii) Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits in the future.

Deferred tax is measured on a non-discounted basis at the tax rate applying on the balance sheet date.

## Notes (continued)

### 1 Accounting policies (continued)

#### Contract work in progress

Included in debtors are amounts recoverable on contracts, including attributable profit determined on the basis of measured work to the balance sheet date. Deductions are made for net foreseeable losses and progress payments received.

This policy is applied irrespective of the length of the contract since, in the opinion of the directors, it is not appropriate to adopt a separate accounting policy for short-term contracts.

Payments received in excess of amounts recoverable on contracts are included in credit balances on long term contracts.

#### Pension scheme

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. This scheme has both a defined benefit and defined contribution section. The assets of the scheme are held separately to those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it was a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Refer to Carillion J M Limited (formerly Mowlem plc) Group accounts for further details of the scheme and disclosure.

The latest actuarial valuation of the Mowlem Staff Scheme was conducted as at 31 December 2004 by a qualified independent actuary and has been projected forward to 31 December 2005. The valuation at that date reflected sufficient assets to cover 74% of the benefits that had accrued to members after allowing for future increases in earnings. The market value of the assets of the scheme at 31 December 2005 was £400.8m. The calculations used for the FRS17 disclosure have been based on these figures.

In 2005 company contributions were paid at the rate of 18.5% of annual salaries. From 1 January 2006 contributions will reduce to 15.3%, augmented by monthly payments totalling £11.4m p.a. to address the deficit.

As at 31 December 2005 the company's contributions to the Pension scheme exceeded the required service cost by £9.9m (2004: £5.8m), which amounts have reduced the pension liability on the balance sheet.

The principal actuarial assumptions used are shown below.

	2005	2004	2003
	%	%	%
Discount rate	4.75	5.40	5.40
Inflation rate	2.75	2.60	2.50
Rate of increase in pensions in payment and deferment	2.75	2.60	2.50
Rate of general increase in salaries	4.25	4.10	4.00

### 2 Turnover

Contracting turnover comprises the value of work executed during the period. The company has only one class of business which is generated in the UK.

## Notes (continued)

### 3 Operating loss

*Operating loss is stated after charging*

	2005 £	2004 £
Auditors' remuneration	6,000	-
Depreciation	14,441	1,172
Hire of plant and machinery	405,565	46,666
Profit on sale of fixed assets	(2,553)	-
	<u>          </u>	<u>          </u>

In 2004 the auditor's remuneration was paid by Carillion JM Limited (formerly Mowlem plc)

### 4 Remuneration of directors

All the directors of the company are employed by Carillion JM Limited (formerly Mowlem plc) and are remunerated by that company in respect of their services to the group as a whole. They receive no emoluments from this company.

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 50 (2004: 25)

The aggregate payroll costs of these persons were as follows

	2005 £	2004 £
Wages and salaries	1,222,602	451,295
Social security costs	32,497	32,436
Pension costs	39,805	35,737
	<u>          </u>	<u>          </u>
	1,294,904	519,468
	<u>          </u>	<u>          </u>

### 6 Net interest (payable)/ receivable

	2005 £	2004 £
<b>Interest payable</b>		
Bank interest	(6)	-
Intercompany interest	(44,528)	-
	<u>          </u>	<u>          </u>
	(44,534)	-
	<u>          </u>	<u>          </u>

	2005 £	2004 £
<b>Interest receivable</b>		
Bank interest	-	32
	<u>          </u>	<u>          </u>
	-	32
	<u>          </u>	<u>          </u>

**Notes (continued)**

**7 Taxation on loss on ordinary activities**

*(i) Analysis of tax charge for the year*

	2005 £	2004 £
UK corporation tax at 30%	-	(88,592)
Prior period adjustment	-	(12,814)
	<hr/>	<hr/>
Current tax	-	(101,406)
Deferred tax - Current Year	(1,392)	13,620
	<hr/>	<hr/>
	(1,392)	(87,786)
	<hr/>	<hr/>

*(ii) Factors affecting tax charge for the year*

	2005 £	2004 £
Loss on ordinary activities before tax	(1,549,061)	(313,586)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 per cent (2003 30 per cent)	(464,718)	(94,076)
Effects of		
Value of tax losses not utilised	462,155	-
Expenses not deductible for tax purposes	1,171	19,104
Depreciation in excess of capital allowances	2,158	-
Capital Allowances in excess of Depreciation	-	(13,620)
Prior period adjustment	-	(12,814)
Profit on sale of fixed assets	(766)	-
	<hr/>	<hr/>
Total current tax	-	(101,406)
	<hr/>	<hr/>

**Notes (continued)**

**8 Tangible fixed assets**

	<b>Plant and Machinery £</b>	<b>Fixtures &amp; Fittings £</b>	<b>Motor Vehicles £</b>	<b>Total £</b>
<i><b>Cost</b></i>				
At 1 January 2005	32,523	28,776	20,134	81,433
Disposals	-	-	(20,134)	(20,134)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	32,523	28,776	-	61,299
	<hr/>	<hr/>	<hr/>	<hr/>
<i><b>Depreciation</b></i>				
At 1 January 2005	12,093	27,219	20,132	59,444
Charge for year	14,439	-	2	14,441
Disposals	-	-	(20,134)	(20,134)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	26,532	27,219	-	53,751
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
<b>At 31 December 2005</b>	<b>5,991</b>	<b>1,557</b>	<b>-</b>	<b>7,548</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	20,430	1,557	2	21,989
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes (continued)**

**9 Debtors**

	2005 £	2004 £
Trade debtors	1,679,391	435,626
Deferred tax (see below)	5,014	3,622
Amounts due from group companies	792,105	1,318,836
Other taxes and social security costs – VAT	-	77,798
	<u>2,476,510</u>	<u>1,835,882</u>

**(i) Deferred tax**

	2005 £	2004 £
At beginning of year	3,622	17,242
Accelerated capital allowances	1,392	(13,620)
At end of year	<u>5,014</u>	<u>3,622</u>

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

	2005 £	2004 £
Trade creditors	366,441	373,452
Corporation tax	148,408	142,296
Amounts due to group companies	2,036,092	-
Other taxes and social security costs	298,303	17,581
Accruals and deferred income	788,050	85,803
	<u>3,637,294</u>	<u>619,132</u>

**11 Called up share capital**

	2005 £	2004 £
<b>Authorised</b>		
Equity Ordinary shares of £1 each	<u>200</u>	<u>200</u>
<b>Allotted, called up and fully paid</b>		
Equity Ordinary shares of £1 each	<u>200</u>	<u>200</u>

**Notes (continued)**

**12 Reserves**

	<b>Profit and loss account £</b>
At 1 January 2005	1,259,767
Retained loss for the year	(1,547,669)
	<hr/>
<b>At 31 December 2005</b>	<b>(287,902)</b>
	<hr/>

**13 Cash flow statement**

Under FRS1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking. A cash flow statement is prepared by the ultimate holding company.

**14 Related party transactions**

As a Group subsidiary of Carillion JM Limited (formerly Mowlem plc) the Company is exempt from the requirements of FRS 8 'Related Party Transactions', to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties.

In September 2005, following his resignation as a director, G MacDonald acquired the company motor car for a consideration of £2,553 plus VAT.

**15 Ultimate holding company**

The results of the company are included in the consolidated accounts of Mowlem Limited (formerly Mowlem plc), its ultimate United Kingdom parent undertaking, a company registered in England, copies of whose accounts can be obtained from The Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

Subsequent to the year-end, on 23 February 2006, Carillion JM Limited (formerly Mowlem plc) was acquired by Carillion Plc.