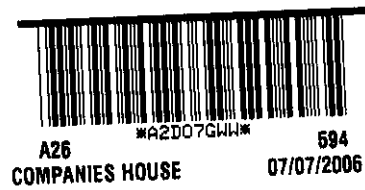


ARM GROUP LIMITED

Report and Financial Statements

Year ended 31 December 2005



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J V Gavan
N R E Kirkby
J McGrory (resigned 6 April 2006)

SECRETARY

P Birch

REGISTERED OFFICE

Lancaster House
Centurion Way
Leyland
Lancashire
PR26 6TX

BANKERS

Bank of Scotland
19-21 Spring Gardens
Manchester
M2 1FB

SOLICITORS

DLA Piper Rudnick Gray Cary
101 Barbirolli Square
Manchester
M2 3DL

Turner Parkinson LLP
Hollins Chambers
64a Bridge Street
Manchester
M3 3BA

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Manchester

DIRECTORS' REPORT

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

ACTIVITIES

The principal activity of the company is that of the holding company of Enterprise Managed Services Limited.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors consider the future prospects of the company to be satisfactory.

RESULTS, DIVIDENDS AND TRANSFER TO RESERVES

The results for the year are set out on page 5.

No interim dividend was paid during the year (2004 – same). The directors paid a final dividend of £3,000,000 in the prior year (2005 - Nil). The retained profit for the year of £nil (2004 - nil) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

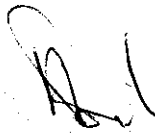
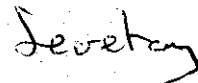
The names of the directors who served during the year are shown on page 1.

As at 31 December 2005, none of the directors had any interest in the share capital of the company. The interests of the directors in the share capital of Enterprise plc, the company's ultimate parent, are shown in that company's accounts.

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board


Director 

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial period 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; 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 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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARM GROUP LIMITED.

We have audited the financial statements of ARM Group Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

The 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 auditors' 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 opinion we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 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.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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 in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 December 2005 and of its result for the year to 31 December 2005 and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Manchester

30 June 2006

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Income from shares in subsidiaries		-	3,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	3,000
Tax on profit on ordinary activities	3	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	3,000
Dividends on equity shares	4	-	(3,000)
RETAINED PROFIT FOR THE YEAR		-	-
Retained profit brought forward		316	316
Retained profit carried forward		316	316

The results derive from a continuing operation.

The company has no recognised gains or losses other than the result for the current and prior years. Accordingly a Statement of Total Recognised Gains and Losses has not been prepared.

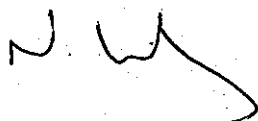
There have been no movements in shareholders' funds other than the result for the current and prior years, and accordingly, no reconciliation of movements in shareholders' funds for the current and prior years is included in these financial statements.

BALANCE SHEET
31 December 2005

	Note	31 December 2005		31 December 2004	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Investments	5		2,609		2,609
CURRENT ASSETS					
Debtors	6	23,485		23,485	
CREDITORS: amounts falling due within one year	7	<u>(22,001)</u>		<u>(22,001)</u>	
NET CURRENT ASSETS			<u>1,484</u>		<u>1,484</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,093</u>		<u>4,093</u>
CAPITAL AND RESERVES					
Called up share capital	8		1,918		1,918
Share premium account			42		42
Other reserves			1,817		1,817
Profit and loss account			<u>316</u>		<u>316</u>
Equity shareholders' funds			<u>4,093</u>		<u>4,093</u>

These financial statements were approved by the Board of Directors on 30 June 2006

Signed on behalf of the Board of Directors



- Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow statement

The company has taken advantage of the exemption included in FRS 1 "Cash Flow Statements" in not producing a cash flow statement as its cash flows are included in the consolidated cash flow statement of the ultimate parent company.

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the company's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profit from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities have not been discounted.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Other than the directors, the company had no employees (2004 – nil). The directors did not receive any emoluments for their services to this company in either the current or prior year.

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no current or prior year corporation tax charge as the dividend from the UK subsidiary is not taxable.

4. DIVIDENDS

	2005 £'000	2004 £'000
Ordinary shares		
Final dividend paid - £nil per ordinary share (2004 - £1.56 per ordinary share)	-	3,000

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

5. INVESTMENTS HELD AS FIXED ASSETS

Shares in
 subsidiaries
 £'000

Cost and net book value

At 1 January 2005 and 31 December 2005

2,609

The company owns the entire issued ordinary share capital of Enterprise Managed Services Ltd (formerly Enterprise Utility Services Ltd), a company incorporated in England and Wales whose principal activity is the provision of management services for the maintenance of utility infrastructures within the telecommunication, water, electricity and gas sectors.

The company has taken advantage of section 228 of the Companies Act 1985 in not producing consolidated financial statements as it is a subsidiary of Enterprise plc, which itself produces consolidated financial statements.

Accordingly these financial statements present information about the company and not the group.

6. DEBTORS

2005
 £'000

2004
 £'000

Amounts owed by group undertakings

23,485

23,485

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

2005
 £'000

2004
 £'000

Amounts owed to group undertakings

22,001

22,001

8. CALLED UP SHARE CAPITAL

2005
 £'000

2004
 £'000

Authorised

1,919,000 ordinary shares of £1 each

1,919

1,919

Called up, allotted and fully paid

1,918,048 ordinary shares of £1 each

1,918

1,918

9. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of ARM Services Group Limited. The ultimate parent company is Enterprise plc, a company registered in England and Wales, whose principal place of business is at Lancaster House, Centurion Way, Leyland, Lancashire PR26 6TX. The consolidated accounts of this group are available to the public and may be obtained from the above address.

10. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 "Related Party transactions" and has not disclosed transactions with group undertakings.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

11. CONTINGENT LIABILITIES

The company is party to a composite guarantee and mortgage debenture in favour of Bank of Scotland to secure the borrowings of Enterprise plc. At 31 December 2005 the borrowings of Enterprise plc secured by this guarantee were £102.4 million (2004 - £59.3 million).