

Carillion (AMBS) Limited

**Directors' report and financial
statements**

Registered number SC20258
For the year ended 31 December 2008

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities

Carillion (AMBS) Limited ("the company") provides facilities management and support services in the UK and Ireland to both public and private sector customers. There have been no significant changes in the principal activities of the company during the year. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Change of name

On 12 March 2008 the company changed its name from Alfred McAlpine Business Services Limited to Carillion (AMBS) Limited.

Business review

On 12 February 2008, Carillion plc acquired the entire issued share capital of the company's then ultimate parent company, Carillion (AM) Limited. From this date, Carillion plc became the company's ultimate parent company.

As a result of this acquisition, the directors of the company have reviewed the operations of the company. This resulted in integration and reorganisation costs being incurred in 2008 relating primarily to redundancy costs and impairment of fixed assets resulting from a review of property requirements. In addition, significant work was carried out in order to identify any risks that existed regarding assets held on the balance sheet and as a result certain contracts were exited and further write-offs were incurred.

As part of the above review, the company decided to dispose of its entire share capital of its external IT services business, Carillion IT Services Limited, on 30 June 2009 and its environmental consulting business, Enviros Group Limited on 12 October 2009. An impairment provision was made against these investments at 31 December 2008.

The underlying operations of the company, excluding any amounts resulting from the above review, have performed well despite more competitive market conditions. Revenue reduced by approximately 11% in the year largely from lower discretionary spend from our customers and contract losses referred to above. However, gross margin remained broadly unchanged as the company introduced Carillion policies and procedures. Integration savings were also realised, resulting in a reduction in administration costs, giving an improvement in the operating loss compared to the prior year. The company remains well placed for growth given the size of the markets that we operate in and the continuing to trend to outsource and through our ability to provide customers with innovative cost effective solutions and from a continuing focus on applying strict contract selectivity and risk management criteria.

The company's loss for the year is £56,092,000 (2007: £71,878,000 as restated). The directors do not recommend the payment of a dividend (2007: £Nil).

Key performance indicators

The directors monitor the performance of the company through the use of Key Performance Indicators which are related to Financial Performance, Health & Safety and Client KPI's.

The company is committed to providing a safe environment for its employees. The company monitors performance using the Accident Frequency Rate (AFR) as defined by RIDDOR 1995 on the number of reportable injuries that have occurred per 100,000 man hours worked, calculated over a rolling 12 month period. The company's performance against this measure was satisfactory.

In addition, client KPI's are monitored. Each contract monitors a variety of operational performance indicators specific to their client and the business monitors overall delivery of these KPI's.

Directors' report (continued)

Principal risks and uncertainties

The principal risks facing the business and the controls in place to mitigate these are follows:

Client retention – a number of contracts will be coming to an end over the next 2-3 years. We are seeking to retain these clients by instigating client retention strategies.

Securing new contracts – the market is very competitive but prospects are good. The numbers of new contracts of significant size (say greater than £20 million revenue per annum) are limited. We continue to invest in customer services via IT and additional services to create a competitive advantage.

Attracting and retaining skilled people for delivery and work winning. In order to attract, develop and retain excellent people and become an employer of choice, Carillion Plc has a wide range of policies and programmes in place. Further details are given in the Carillion Plc Annual Report.

Environment

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies which are described in the Group's 2008 Annual Report which does not form part of this report. The Group is developing standards for the reporting of environmental incidents, the development of waste management plans on contracts and the management of waste. Other Group initiatives designed to minimise the Group's impact on the environment include improving energy use efficiency and reducing the amount of CO₂ emissions.

Employees

It is our policy to communicate with and involve employees on matters affecting their interests at work, and to inform them of the performance of the business. Each business adopts such employee consultation as is appropriate in individual circumstances, including consultative committees, training and development, and communication programmes. This information is complemented by the Carillion plc group newspaper Spectrum.

It is also our policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position, and wherever possible to retrain or provide equipment to employees who become disabled so that they can continue their employment.

Charitable donations

During the year the company made charitable donations of £4,000 (2007: £39,000).

Directors

The directors who held office during the year and subsequently were as follows:

GP Crompton	(resigned 19 December 2008)
CM McGilvray	(resigned 12 February 2008)
V Michie	(resigned 28 April 2008)
I Grice	(resigned 12 February 2008)
A Nominees Limited	(resigned 12 February 2008)
R Adam	(appointed 12 February 2008)
J McDonough	(appointed 12 February 2008)
RW Robinson	(appointed 12 February 2008, resigned 30 June 2009)
TD Kenny	(appointed 14 March 2008)
R Harris	(appointed 14 March 2008)
K Booth	(appointed 30 June 2009)

Directors' report *(continued)*

Payments to suppliers

The company's current policy concerning the payment of its suppliers is to settle the terms of payment with those suppliers when agreeing the terms of each transaction; ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and pay in accordance with its contractual and other legal obligations. The company does not have a standard or code which deals specifically with the payment of suppliers. The company's creditor days at 31 December 2008 was 47 (2007: 35 days).

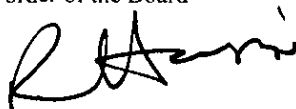
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will, therefore, continue in office.

By order of the Board



R Harris
Director

28 October 2009

Fenick House
1 Lister Way
Hamilton International Technology Park
Blantyre
Glasgow
G72 0FT

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments 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 enable them to ensure that its 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 Carillion (AMBS) Limited

We have audited the financial statements of Carillion (AMBS) Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

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 whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

Independent auditors' report to the members of Carillion (AMBS) 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 2008 of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 October 2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008	2007
		£000	Restated £000
Turnover	3	309,807	343,992
Cost of sales		(292,545)	(324,372)
Gross profit		17,262	19,620
Administrative expenses		(72,980)	(97,441)
Loss on ordinary activities before interest and taxation	4	(55,718)	(77,821)
Interest receivable and similar income	7	421	22
Interest payable and similar charges	8	(4,381)	(2,258)
Loss on ordinary activities before taxation		(59,678)	(80,057)
Tax credit on loss on ordinary activities	9	3,586	8,179
Loss for the financial year	21	(56,092)	(71,878)

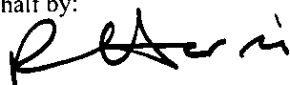
All of the items dealt with in arriving at the operating result relate to continuing operations.

There is no difference between the result on ordinary activities before taxation and the retained result for the year stated above and their historical cost equivalents.

Balance sheet
at 31 December 2008

	Note	2008 £000	2007 £000	Restated £000
Fixed assets				
Intangible assets	10	-	14,535	
Tangible assets	11	2,622	5,565	
Investments	12	42,080	52,902	
			44,702	73,002
Current assets				
Stocks	13	432	2,646	
Debtors	14	189,893	126,152	
Cash at bank and in hand		34,078	5,193	
		224,403	133,991	
Creditors: Amounts falling due within one year	15	(366,105)	(232,155)	
Net current liabilities			(141,702)	(98,164)
Debtors: Amounts falling due after more than one year	14	7,318		6,727
Total assets less current liabilities			(89,682)	(18,435)
Creditors: Amounts falling due after more than one year	16	-		(14,695)
Provision for liabilities	17	-		(549)
Retirement benefit liabilities	19	(296)		-
Net liabilities			(89,978)	(33,679)
Capital and reserves				
Called up share capital	20	23		23
Share premium account	21	43,840		43,840
Capital redemption reserve	21	4		4
Profit and loss account	21	(133,845)		(77,546)
Total equity shareholders' deficit	21	(89,978)		(33,679)

These financial statements were approved by the board of directors on **28th Oct. 2009** and were signed on its behalf by:



R Harris
Director

Registered number SC20258

Statement of total recognised gains and losses
for the year ended 31 December 2008

	2008	2007
	£000	Restated £000
Loss for the financial year	(56,092)	(71,878)
Actuarial losses on defined benefit pension scheme	(192)	-
Deferred tax on actuarial losses	54	-
Exchange losses	(69)	-
Total recognised gains and losses relating to the financial year	(56,299)	(71,878)
Prior year adjustment (see note 2)	(12,201)	
Total gains and losses recognised since last annual report	(68,500)	

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:

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £89,978,000, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Carillion plc, the company's ultimate holding undertaking. Carillion plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

Group financial statements

The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements and deliver them to the Registrar of Companies. The financial statements therefore present information about the company as an individual undertaking and not about its group. The company is included within the consolidated financial statements of Carillion plc, the company's ultimate parent undertaking.

Cash flow statement

Under FRS 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that Carillion plc, the company's ultimate parent undertaking, includes the company's cash flows in its own published consolidated cash flow statement.

Related party transactions

As a wholly owned subsidiary of Carillion plc, the company has taken advantage of the exemption afforded by FRS 8 "Related Party Transactions", not to disclose transactions with entities that are part of the Carillion plc group.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over their estimated economic lives. The estimated economic lives used for this purpose are:

Long leasehold land and buildings	-	50 years or life of lease
Plant and machinery	-	5 - 10 years

Notes (continued)

1 Accounting policies (continued)

Goodwill and intangible fixed assets

Goodwill arising on acquisitions of trade and assets has been capitalised and is amortised over a period of 20 years. The directors regard 20 years as a reasonable reflection of the estimated useful life of goodwill. When it is apparent that the carrying value of goodwill exceeds the estimated recoverable value, an impairment provision is charged against the result for the period.

Fixed asset investments

Investments are stated at cost, less any provisions for impairment in value.

Leases

Rental costs under operating leases are charged to the profit and loss account over the period of the lease.

Assets held under finance leases and hire purchase contracts are included in fixed assets and the capital elements of the commitments are shown as obligations under finance leases and hire purchase contracts. Payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and their useful lives.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Long-term contracts

Long term contracts, which are included in debtors as "amounts recoverable on contracts", are stated at cost, plus attributable profits, less provisions for anticipated losses, less payments receivable on account. The profit attributable to the stage of completion of a long-term contract is recognised if the outcome of the contract can be foreseen with reasonable certainty.

Payments on account received in excess of the value of long term contract work in progress or amounts recoverable on contracts are included within creditors.

Pensions

Pension costs are recognised in the financial statements in accordance with the requirements of FRS 17 "Retirement benefits". Carillion plc, the company's ultimate parent undertaking, administers and takes advice on the group's pension schemes. Regular pension costs in respect of the group's defined benefit pension schemes are established in accordance with the recommendations of independent actuaries and are charged to the profit and loss account based on the current service cost to the group.

The company's contributions to the schemes are paid in accordance with the scheme's rules and the recommendation of the actuary. The charge to the profit and loss account reflects the current service cost of such obligations. The expected return on plan assets and the interest cost on scheme liabilities are included within net interest in the profit and loss account.

The schemes provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the company. The pension scheme surplus or deficit recognised in the balance sheet represents the excess of the fair value of scheme assets over the present value of scheme liabilities and is stated net of deferred tax.

Differences between the actual and expected returns on assets and experience gains/(losses) arising on the scheme liabilities during the year, together with differences arising from changes in assumptions, are recognised in the statement of total recognised gains and losses in the year.

Contributions in respect of defined contribution schemes are charged to the profit and loss account as incurred.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

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 FRS 19 "Deferred tax". Deferred tax assets or liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. Liabilities are calculated on a non-discounted full provision basis. Assets are calculated on the same basis, but are recognised only to the extent that it is probable that they will be recovered.

2 Prior year adjustment

On 12 February 2008, Carillion plc acquired the entire issued share capital of the company's ultimate parent company, Carillion (AM) Limited (formerly Alfred McAlpine plc). From this date, Carillion plc became the company's ultimate parent company.

On that date, the company adopted the accounting policies of Carillion plc and, in particular, changed its accounting policy to write off the costs of the initial set up and resourcing of customer contracts immediately. The previous policy was to capitalise these costs on the balance sheet and amortise them over the life of each contract.

The cumulative effect of this change in accounting policy relating to previous years has been treated as a prior year adjustment and the comparative figures for 2007 have been restated.

The effect of this restatement is as follows:

	Other creditors £000	Other debtors £000	Profit and loss reserves £000
At 31 December 2007 as previously reported	700	5,265	(65,345)
Reclassification between other debtors and other creditors	9,522	9,522	-
Prior year adjustment	-	(12,201)	(12,201)
At 31 December 2007 as restated	10,222	2,586	(77,546)

The loss for the financial year 2007 has decreased by £2,548,000 from £74,426,000 to £71,878,000 as a result of the above prior year adjustment. The opening profit and loss reserves at 1 January 2007 have been restated by £14,479,000.

3 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year and is recognised when goods are shipped and services are provided to the customer.

The turnover is attributable to the one principal activity of the group, substantially all of which is undertaken in the UK.

Notes (continued)

4 Operating loss

	2008	2007
	£000	£000
<i>Operating loss is stated</i>		
<i>after charging/(crediting)</i>		
Depreciation of tangible fixed assets (see note 11)	842	826
Impairment of tangible fixed assets (see note 11)	4,823	15,099
Loss on disposal of unlisted investments (see note 12)	88	-
Impairment of shares in group undertakings (see note 12)	10,714	-
Exceptional costs recharged from subsidiary	-	35,014
Amortisation of goodwill	939	939
Impairment of goodwill (see note 10)	13,596	-
Integration and reorganisation costs	6,191	-
Operating lease charges:		
Property	1,343	1,433
Motor vehicles, plant and machinery	2,749	5,454
Hire of plant and machinery	958	1,337
(Profit)/loss on disposal of fixed assets	(37)	26
	<hr/>	<hr/>
<i>Auditors' remuneration</i>		
Audit services	51	-
	<hr/>	<hr/>

The integration and reorganisation costs in 2008 relate primarily to redundancy costs arising from a review of the company's requirements following the acquisition at the start of the year.

The audit fee for the year ended 31 December 2007 due to KPMG Audit Plc amounting to £43,000 was borne by the ultimate parent undertaking Carillion plc.

Fees paid to the company's auditor, KPMG Audit Plc and its associates, for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of the company's parent at 31 December 2008, Carillion plc, are required to disclose non-audit fees on a consolidated basis.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees	
	2008	2007
Site based operatives	3,241	3,751
Administrative and management	300	322
	<hr/>	<hr/>
	3,541	4,073
	<hr/>	<hr/>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	108,899	112,277
Social security costs	10,631	11,374
Other pension costs	2,196	2,939
	<u>121,726</u>	<u>126,590</u>

6 Directors' remuneration

The directors are paid through fellow group companies and no recharge is made to Carillion (AMBS) Limited in respect of these emoluments.

7 Interest receivable and similar income

	2008 £000	2007 £000
Bank interest receivable	81	12
Inter-company interest receivable	271	10
Expected return on defined benefit pension plan assets	69	-
	<u>421</u>	<u>22</u>

8 Interest payable and similar charges

	2008 £000	2007 £000
Bank interest payable	-	62
Inter-company interest payable	3,421	1,218
Interest payable on other loans	892	978
Interest on defined benefit pension plan obligations	68	-
	<u>4,381</u>	<u>2,258</u>

Interest on other loans represents interest and fees in respect of invoice discounting advances.

Notes (continued)

9 Tax on loss on ordinary activities

Analysis of credit in year

	2008 £000	£000	2007 £000	£000
<i>Current tax</i>				
UK corporation tax	-		-	
Adjustments in respect of prior years	-		(76)	
Total current tax credit		-		(76)
<i>Deferred tax</i>				
Origination/reversal of timing differences	408		(8,109)	
Accelerated capital allowances	(373)		-	
Effect of change of tax rate	-		(46)	
Adjustments in respect of previous years	(3,621)		52	
Total deferred tax		(3,586)		(8,103)
Tax credit on loss on ordinary activities		(3,586)		(8,179)

Factors affecting the tax charge for the current year

The current tax credit for the year is lower (2007: lower) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	2008 £000	2007 Restated £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(59,678)	(80,057)
Current tax at 28.5% (2007: 30%)	(17,008)	(24,017)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3,513	4,623
Depreciation in excess of capital allowances	380	147
Short term timing differences	(416)	2,428
Losses carried forward not recognised	6,336	16,537
Amortisation and impairment of goodwill	4,142	282
Impairment of investment	3,053	-
Adjustments in respect of prior periods	-	(76)
Total current tax credit (see above)	-	(76)

Factors that may affect future charges

The directors are not aware of any significant factors which will affect the company's future tax charge, except for its ability to utilise the deferred tax asset set out in note 18.

Notes (continued)

10 Intangible assets

	Goodwill £000
<i>Cost</i>	
At beginning and end of year	18,839
<i>Aggregate amortisation</i>	
At beginning of year	4,304
Charge for the year	939
Impairment provision	13,596
At end of year	18,839
<i>Net book value</i>	
At 31 December 2008	-
At 31 December 2007	14,535

The goodwill above arose on the acquisition of the trade and assets of AIMS Group Services Limited. During the year, as part of a review of the operations of the company, the directors reviewed the underlying value of the business acquired, resulting in an impairment of the remaining goodwill balance of £13,596,000.

11 Tangible assets

	Long leasehold land and buildings £000	Plant and machinery £000	Total £000
<i>Cost</i>			
At beginning of year	11,622	11,397	23,019
Additions	-	3,663	3,663
Disposals	(3,612)	(9)	(3,621)
At end of year	8,010	15,051	23,061
<i>Accumulated depreciation</i>			
At beginning of year	8,168	9,286	17,454
Charge for the year	295	535	830
Disposals	(2,668)	-	(2,668)
Impairment	1,330	3,493	4,823
At end of year	7,125	13,314	20,439
<i>Net book value</i>			
At 31 December 2008	885	1,737	2,622
At 31 December 2007	3,454	2,111	5,565

The impairment provision of £4,823,000 relates to a review of the carrying value of the former Alfred McAlpine fixed assets following the acquisition by Carillion plc.

Notes (continued)

12 Fixed asset investments

	£000
<i>Shares in group undertakings</i>	
At beginning of year	52,794
Additions during the year	-
Impairment provisions made during the year	(10,714)
At end of year	42,080
<i>Unlisted investments at cost</i>	
At beginning of year	108
Disposals	(108)
At end of year	-
Total fixed asset investments	42,080

The company owns 100% of the £1 ordinary share capital in all its subsidiary undertakings. Details of subsidiary undertakings and holdings in unlisted investments at 31 December 2008 are as follows:

	Percentage holding	Country of incorporation	Principal activities
Carillion Asset Management Limited	100%	England and Wales	Plant and equipment hire
Carillion IT Services Limited	100%	Scotland	IT management services
Enviros Group Limited	100%	England and Wales	Environmental consultancy
Stiell Developments Limited	100%	Scotland	Dormant
Stiell Inframan Limited	100%	Scotland	Dormant
Alba Management Consultants	100%	England and Wales	Dormant
AIMS Group Services Limited	100%	England and Wales	Dormant

During the year, the company's shareholdings in Just Ask Services Limited and Pythagoras International Limited were disposed of for proceeds of £20,000, realising a loss on disposal of £88,000.

During the year, the directors reviewed the carrying values of its holdings in Enviros Group Limited and AIMS Group Services Limited, resulting in an impairment of £10,714,000.

On 30 June 2009, the company disposed of the entire share capital of Carillion IT Services Limited for a total cash consideration of £36 million.

On 12 October 2009, the company entered into an agreement for the sale of the entire share capital of Enviros Group Limited, its environmental consultancy business, for a net cash consideration of some £27 million, subject to completion balance sheet adjustments.

13 Stocks

	2008 £000	2007 £000
Raw materials and consumables	432	2,646

During the year, management wrote off inventory amounting to £2 million following a review of balance sheet risks.

Notes (continued)

14 Debtors

	2008	2007
	£000	Restated £000
Amounts falling due within one year		
Trade debtors	57,431	48,200
Amounts recoverable on contracts	28,299	28,968
Amounts due from group undertakings	60,341	23,541
Group tax relief receivable	3,406	3,406
Prepayments and accrued income	13,780	11,988
Deferred tax asset (see note 18)	10,988	7,463
Other debtors	15,648	2,586
	<hr/>	<hr/>
	189,893	126,152
Amounts falling due after more than one year		
Amounts recoverable on contracts	7,318	6,727
	<hr/>	<hr/>
	197,211	132,879
	<hr/>	<hr/>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

One of the company's key contracts includes an initial fee charged to the customer at commencement but receivable over the life of the contract. The relevant element of the outstanding amount is included in debtors falling due after more than one year.

15 Creditors: Amounts falling due within one year

	2008	2007
	£000	Restated £000
Bank loans and overdrafts	-	2
Trade creditors	31,337	21,297
Other loans	18,888	29,289
Amounts owed to group undertakings	255,884	108,840
Taxation and social security	5,479	15,309
Accruals and deferred income	43,190	47,196
Other creditors	11,327	10,222
	<hr/>	<hr/>
	366,105	232,155
	<hr/>	<hr/>

Amounts due to group undertakings are unsecured, interest free and repayable on demand with the exception of the group loan of £185,840,000 (2007: £38,259,000) which is charged at base rate.

Other loans represent funds drawn down under an invoice discounting facility.

Notes *(continued)*

16 Creditors: Amounts falling due after more than one year

	2008 £000	2007 £000
Amounts owed to group undertakings	-	14,195
Other creditors	-	500
	<u>-</u>	<u>14,695</u>

17 Provisions for liabilities

	Onerous lease £000	Other pension provision £000	Total £000
At beginning of year	189	360	549
Utilised during the year	(189)	(360)	(549)
At end of year	<u>-</u>	<u>-</u>	<u>-</u>

18 Deferred tax asset

Deferred tax recognised in the financial statements is as follows:

	2008 £000	2007 £000
Accelerated capital allowances	2,855	(649)
Retirement benefit obligations	-	101
Unutilised tax losses	6,416	5,932
Other timing differences	1,717	2,079
	<u>10,988</u>	<u>7,463</u>
Deferred tax asset included in note 14	115	-
Defined benefit pension scheme included in note 19	<u>11,103</u>	<u>7,463</u>

	£000
At 1 January 2008	7,463
Credited to profit and loss account (see note 9)	3,586
Credited to statement of total recognised gains and losses	54
At 31 December 2008	<u>11,103</u>

Notes (continued)

19 Pension schemes

The company operates one defined benefit pension scheme, The Alfred McAlpine (Ireland) Pension Plan, and contributes towards six defined contribution schemes. The assets of the funds are held in separate trustee administered funds.

For the defined contribution schemes, the pension cost charge represents contributions paid by the company and amounted to £1,705,000 (2007: £2,939,000). At 31 December 2008, the pension contributions accrued amounted to £190,000 (2007: £352,000).

The Alfred McAlpine (Ireland) Pension Plan (the Plan) was established on 4 September 2006. No comparative figures have been provided in respect of the period ended 31 December 2007 on the grounds of materiality. The present value of funded defined benefit obligations at 31 December 2007 was £299,000. The fair value of plan assets at that date was £331,000 resulting in a surplus before deferred tax of £32,000.

The financial development of the Plan is monitored by the scheme actuary by means of an actuarial valuation which must be carried out every three years. The first valuation can be no later than 4 September 2009. An actuarial review was conducted shortly after the Plan was established by a qualified independent actuary. The actuary recommended the future contribution rate to be paid by the employer such that, if the valuation projections reflect actual experience, contributions would meet future benefit payments as they fall due.

In 2008, company contributions were paid at the recommended rate of 25.4% of annual salaries to the Plan.

The market value of the assets of the Plan at 31 December 2008 was £1,990,000 (2007: £331,000).

The fair value of the plan assets and the return on those assets were as follows:

	2008 £000
Equities	1,003
Bonds	809
Other	178
	<hr/>
	1,990
	<hr/>

The actual return on plan assets was a loss of £149,000.

The weighted averages of the principal assumptions used by the independent qualified actuaries are:

	2008 %
Discount rate	5.75
Rate of increase in salaries	3.00
Inflation rate	2.00
Rate of increase in pensions	2.00
	<hr/>

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- current pensioner aged 65: 20.7 years (male), 23.8 years (female)
- future retiree upon reaching 65: 22.7 years (male), 25.8 years (female)

Notes (continued)

19 Pension schemes (continued)

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown:

	2008 £000
Present value of funded defined benefit obligations	(2,401)
Fair value of plan assets	1,990
Deficit	(411)
Related deferred tax asset	115
Net liability	(296)

Movements in present value of defined benefit obligation

	2008 £000
At beginning of year	(299)
Current service cost	(237)
Interest cost	(68)
Past service cost	(254)
Actuarial gains	26
Transfers in	(1,145)
Contributions by members	(28)
Expenses paid	24
Premiums paid	29
Effect of exchange rate changes	(449)
At end of year	(2,401)

Movements in fair value of plan assets

	2008 £000
At beginning of year	331
Expected return on plan assets	69
Actuarial losses	(218)
Contributions by employer	308
Contributions by members	28
Transfers in	1,145
Expenses paid	(24)
Premiums paid	(29)
Effect of exchange rate changes	380
At end of year	1,990

Notes (continued)

19 Pension schemes (continued)

Expense recognised in the profit and loss account

	2008 £000
Current service cost	(237)
Interest on defined benefit pension plan obligation	(68)
Expected return on defined benefit pension plan assets	69
Past service cost	(254)
	<hr/>
Total	(490)
	<hr/>

The expense is recognised in the following line items in the profit and loss account:

	2008 £000
Administrative expenses	(491)
Interest receivable and similar income	69
Interest payable and similar charges	(68)
	<hr/>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £192,000.

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2008 £000
Present value of scheme liabilities	(2,401)
Fair value of scheme assets	1,990
	<hr/>
Deficit	(411)
	<hr/>

Experience adjustments

	2008 £000
Experience adjustments on scheme liabilities	(96)
As a percentage of scheme liabilities	(4.8%)
Experience adjustments on scheme assets	(218)
As a percentage of scheme assets	(13.3%)
	<hr/>

The company expects to contribute approximately £380,000 to its defined benefit plans in the next financial year.

Notes (continued)

20 Called up share capital

	2008 £000	2007 £000
<i>Authorised:</i>		
100,000 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
22,912 ordinary shares of £1 each	23	23
	<hr/>	<hr/>

21 Reconciliation of movements in shareholders' funds

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 31 December 2006 as previously reported	20	-	4	9,081	9,105
Prior year adjustment – change in accounting policy (see note 2)	-	-	-	(14,749)	(14,749)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006 as restated	20	-	4	(5,668)	(5,644)
Shares issued during the year	3	43,840	-	-	43,843
Loss for the financial year	-	-	-	(71,878)	(71,878)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007 as restated	23	43,840	4	(77,546)	(33,679)
Loss for the financial year	-	-	-	(56,092)	(56,092)
Exchange losses	-	-	-	(69)	(69)
Actuarial losses on defined benefit pension scheme	-	-	-	(138)	(138)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	23	43,840	4	(133,845)	(89,978)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

22 Contingent liabilities

In common with the other group undertakings, the company has granted cross guarantees in respect of bank borrowings.

Notes (continued)

23 Financial commitments

At 31 December 2008, the company had annual commitments under non-cancellable operating leases expiring as follows:

	2008 Property	Motor vehicles, plant and machinery	2007 Property	Motor vehicles, plant and machinery
	£000	£000	£000	£000
Within one year	44	2,800	75	1,138
Between two and five years	41	2,894	227	4,252
After five years	776	-	467	-
	<u>861</u>	<u>5,694</u>	<u>769</u>	<u>5,390</u>

24 Ultimate parent undertaking

The results of the company are included in the consolidated Financial Statements of Carillion plc, its ultimate United Kingdom parent undertaking, a company registered in England, copies of whose Financial Statements can be obtained from: The Register of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

25 Post balance sheet event

On 30 June 2009, the company disposed of the entire share capital of Carillion IT Services Limited for a total cash consideration of £36 million.

On 12 October 2009, the company entered into an agreement for the sale of its entire share capital of Enviros Group Limited, its environmental consultancy business, for a net cash consideration of some £27 million, subject to completion balance sheet adjustments.