Carillion Fleet Management Limited

Annual report and financial statements

Registered number	537677
For the year ended	31 December 2014

Contents

The directors present their annual report together with the audited financial statements for the year ended 31 December 2014.

Principal activities and business review

The company is a wholly owned subsidiary of Carillion plc and its principal activities are those of fleet management within the United Kingdom. This includes the provision of vehicles and the in-life management of servicing, maintenance and accident and incident management. There have not been any significant changes in the company's activities in the year under review. 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.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

Principal risks and uncertainties

The company supplies services to other Carillion plc Group companies and a number of unrelated entities. Approximately 94% of turnover is with Carillion Group subsidiary companies and as such contracts are secure as a result of Group policy to use Carillion Fleet Management as sole supplier. Volumes are subject to contract wins and losses elsewhere in the Carillion Group as this drives the demand for vehicle numbers.

The company maintains customer management plans and holds regular contract reviews to ensure that both inter group and third party contracts are properly managed and we meet customer expectations.

The company supplies ancillary services as part of the contracts. The volume and profitability of these services are closely managed and where appropriate are managed in accordance with client policies.

The Company sells its services into the UK market only. It is therefore exposed to the fluctuations of this economy.

Where appropriate, the company manages this risk with long term contracts, seeking to secure three year contract terms. The company's business may be affected by fluctuations in the price and supply of key skills and supplies, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The company is financed by Group borrowings and its own working capital. Interest is charged on a daily basis on Group borrowings at a market rate. It has no third party debt. The Group risks to which Carillion Fleet Management Limited is exposed are discussed in Carillion's Annual Report which does not form part of this Report.

Profits

As shown in the company's profit and loss account on page 7, the company's turnover has decreased by 14.8% over the prior year to £33,439,000 (2013: £39,263,000) whilst profit on ordinary activities before taxation has increased to £10,054,000 (2013: £9,732,000).

Approved by the Board on 18 September 2015 and signed on its behalf by:

RJ Adam
Director

84 Salop Street
Wolverhampton
WV3 0SR

Directors' report

Directors
The directors serving during the year and subsequently were:

LJ Mills
RJ Adam

Dividends
During the year, an interim dividend of £7,000,000 was paid to Carillion plc (2013: £3,000,000). The directors do not recommend the payment of a final dividend (2013: £nil).

Employees
Communication and consultation with employees takes place, as appropriate, as part of the normal pattern of everyday operations. Employees receive regular publications, such as "Spectrum", which provides information on activities throughout the Carillion Group and is published several times a year.

The establishment and maintenance of safe working practices at all work places are 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 schemes of all types and is providing valuable training and experience to a large number of younger people, as well as increasing its own training commitment to full time employees.

Equal opportunities
The company 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. Carillion continually strives to eliminate all bias and unlawful discrimination in relation to job applicants, employees, business partners and members of the public. Full consideration is given to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position and wherever possible to re-train employees who become disabled, so that they can continue in their employment in another position.

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

Disclosure of information to the auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

Auditor
KPMG Audit Plc resigned as auditor on 4 December 2014 pursuant to section 516 of the Companies Act 2006. On 7 April 2015 the Directors appointed KPMG LLP as auditor of the company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006. KPMG LLP has indicated its willingness to continue in office and a resolution to reappoint it as auditor will be proposed at the next annual general meeting.

Approved by the Board on 18 September 2015 and signed on its behalf by:

RJ Adam
Director

84 Salop Street
Wolverhampton
WV3 0SR

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the strategic report, 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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Carillion Fleet Management Limited

We have audited the financial statements of Carillion Fleet Management Limited for the year ended 31 December 2014 set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Peter Meehan
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

18 September 2015

Profit and loss account
for the year ended 31 December 2014

	Note	2014	2013
		£000	£000
Turnover	*1*	**33,439**	39,263
Cost of sales		**(21,121)**	(25,270)
Gross profit		**12,318**	13,993
Administrative expenses		**(2,446)**	(4,211)
Operating profit		**9,872**	9,782
Interest receivable and similar income	*5*	**332**	343
Interest payable and similar charges	*6*	**(150)**	(393)
Profit on ordinary activities before taxation	*2*	**10,054**	9,732
Tax on profit on ordinary activities	*7*	**(1,940)**	(2,046)
Profit for the financial year	*14*	**8,114**	7,686

All activities relate to continuing operations.

There is no difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis in either the current or preceding financial year.

There were no recognised gains or losses in either the current or preceding financial year other than the profit for those years.

The notes on pages 9 to 16 form part of these financial statements.

Balance sheet
at 31 December 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Tangible assets	*9*		**158**		104
Current assets					
Debtors	*10*	**17,225**		18,798	
Cash at bank and in hand		**2,341**		137	
		19,566		18,935	
Creditors: amounts falling due within one year	*11*	**(12,887)**		(13,316)	
Net current assets			**6,679**		5,619
Net assets			**6,837**		5,723
Capital and reserves					
Called up share capital	*13*		**-**		-
Profit and loss account	*14*		**6,837**		5,723
Equity shareholder's funds	*15*		**6,837**		5,723

The notes on pages 9 to 16 form part of these financial statements.

These financial statements were approved by the Board of Directors on 18 September 2015 and were signed on its behalf by :

RJ Adam
Director

Company registered number 537677

Carillion Fleet Management Limited
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 information.

Basis of accounting
The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Going concern
The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic report.

The company participates in the Carillion plc group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's ultimate parent Carillion plc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Carillion group to continue as a going concern or its ability to continue with the current banking arrangements. 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.

Cash flow statement
Under FRS 1 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.

Tangible fixed assets
Depreciation is based on historical cost or revaluation, less the estimated residual values, and the estimated economic lives of the assets concerned. Freehold land is not depreciated. Other tangible assets are depreciated in equal annual instalments over the period of their estimated economic lives, which are principally as follows:

Plant, machinery, vehicles, and computer equipment	3-10 years

Turnover
Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to all customers including fellow subsidiary undertakings.

In accordance with FRS 5, turnover excludes the recharge of the vehicle lease rental costs incurred in the company's capacity as disclosed agent for the lessor of the vehicles.

Leased assets
Rental charges under operating leases are charged to the profit and loss account on a straight line basis over the life of each lease.
The company has finance lease arrangements on behalf of other group undertakings. The assets relating to the finance leases are included in the financial statements of the group undertakings concerned, as permitted under SSAP 21: "Accounting for leases and hire purchase contracts". The capital element of outstanding finance leases and hire purchase contracts is included in creditors. The finance charge element of rentals is charged to the profit and loss account at a constant periodic rate of charge on the outstanding obligations.

Taxation

The charge for taxation is based on the result for each year and takes into account deferred taxation. 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 which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. 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.

Notes
(forming part of the financial statements)

Foreign currencies
Transactions denominated in foreign currencies are translated into sterling and recorded using the contracted exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

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.

In respect of the schemes where the assets and liabilities relating to the company cannot be readily ascertained on a reasonable and consistent basis as the schemes are for the benefit of the Carillion Group as a whole, the company accounts for the scheme as if they were defined contribution schemes.

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

2. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):	**2014** **£000**	2013 £000
Depreciation of tangible fixed assets:		
-Owned	**59**	87
Operating lease rentals:		
-Plant and machinery	**16**	15
(Profit)/loss on disposal of fixed assets	**(6)**	3

The audit fee for the year ended 31 December 2014, amounting to £8,100 (2013: £9,600) was borne by Carillion Construction Limited, a fellow group subsidiary.

Fees paid to the company's auditor, KPMG LLP 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, Carillion plc, are required to disclose non-audit fees on a consolidated basis.

3. Staff numbers and costs

The average numbers of employees, excluding directors, during the year was 36 (2013: 41). All employees were employed in an administrative function.

The aggregate payroll costs of these persons were as follows:	**2014** **£000**	2013 £000
Wages and salaries	**1,061**	1,181
Social security costs	**101**	111
Other pension costs	**109**	98
	1,271	1,390

4. Directors' remuneration

Some directors of the company, who served during the financial year, are directors of the company's ultimate parent company and as such, details regarding remuneration are disclosed in the financial statements of Carillion plc. The remaining directors are directors or employees of Carillion Construction Limited and are remunerated by that company. For those directors who are employees of Carillion Construction Limited and their remuneration is not disclosed in the financial statements of Carillion Construction Limited, their role as director of Carillion Fleet Management Limited is of a non executive director and no remuneration is apportioned to the company.

5. Interest receivable and similar income

	2014 **£000**	2013 £000
Interest receivable from Group undertakings	**222**	280
Bank interest receivable	**110**	63
	332	343

6. Interest payable and similar charges

	2014	2013
	£000	£000
Interest payable to Group undertakings	**150**	393
	150	393

7. Tax on profit on ordinary activities

(a) Analysis of taxation charge in the year	2014	2013
	£000	£000
UK corporation tax		
Current tax	**1,520**	1,879
Adjustment in respect of prior periods	**368**	141
Total current taxation	**1,888**	2,020
Deferred taxation		
Accelerated capital allowances	**52**	(21)
Adjustment in respect of change in rate	**-**	47
Total deferred taxation	**52**	26
Total taxation on profit on ordinary activities	**1,940**	2,046

(b) Factors affecting the tax charge for the current year

The current year tax charge for the year is lower (2013: lower) than the standard rate of 21.5% (2013: 23.25%). The difference is explained below:

	2014	2013
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before taxation	**10,054**	9,732
Tax on profit on ordinary activities at 21.5% (2013: 23.25%)	**2,162**	2,263
Effects of:		
Permanent differences	**(586)**	(405)
Capital allowances in excess of depreciation	**(56)**	21
Adjustment in respect of previous periods	**368**	141
Current tax charge for the year	**1,888**	2,020

(c) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

The deferred tax asset (as disclosed in note 12) has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

8. Dividends

	2014	2013
	£000	£000
Interim dividend paid on ordinary shares	**7,000**	3,000

9. Tangible fixed assets

	Plant, machinery, vehicles and computer equipment £000
Cost	
At beginning of year	5,803
Additions	136
Disposals	(74)
At end of year	**5,865**
Depreciation	
At beginning of year	5,699
Charge for the year	59
Disposals	(51)
At end of year	**5,707**
Net book value	
At 31 December 2014	**158**
At 1 January 2014	104

10. Debtors

	2014 £000	2013 £000
Trade debtors	459	328
Amounts owed by group undertakings	11,621	12,367
Amounts owed by jointly controlled operations	405	-
Amounts owed by jointly controlled entities	4	480
Other debtors	1,401	1,575
Prepayments and accrued income	3,077	3,738
Deferred tax asset (note 12)	258	310
	17,225	18,798

Amounts owed by fellow group undertakings bear interest at a rate which reflects the cost of borrowing to the group.

11. Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	6,963	6,251
Amounts owed to group undertakings	1,463	1,825
Corporation tax	1,519	1,879
Other tax and social security costs	537	668
Other creditors	124	122
Accruals and deferred income	2,281	2,571
	12,887	13,316

Amounts owed by Group undertakings bear interest at a rate which reflects the cost of borrowing to the Group.

12. Deferred taxation

	£000
At the beginning of the year	310
Transfer to profit and loss account	(52)
At the end of the year	**258**

The elements of deferred taxation are as follows:

	2014	2013
	£000	£000
Accelerated capital allowances	258	310
	258	310

The deferred tax asset is disclosed in debtors (note 10)

13. Called up share capital

	2014	2013
	£	£
Allotted, called up and fully paid:		
190 ordinary shares of £1 each	190	190

14. Reserves

	Profit and loss account £000
At beginning of year	**5,723**
Profit for the financial year	**8,114**
Dividends paid to equity holders	**(7,000)**
At end of the year	**6,837**

15. Reconciliation of movements in shareholder's funds

	2014 £000	2013 £000
Profit for the financial year	**8,114**	7,686
Dividend paid to equity holders	**(7,000)**	(3,000)
Net increase in equity shareholder's funds	**1,114**	4,686
Equity shareholder's funds at the beginning of the year	**5,723**	1,037
Equity shareholder's funds at the end of the year	**6,837**	5,723

16. Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Plant and Machinery	
	2014 £000	2013 £000
Operating leases which expire:		
Within one year	**-**	2
In the second to fifth year inclusive	**556**	5
	556	7

17. Pensions

The company's employees are members of a larger pension scheme, the Carillion Staff Pension Scheme, providing benefits based on final pensionable pay. Details of the scheme's assets and liabilities relating to the company cannot be identified on a consistent and reasonable basis and therefore, as permitted by FRS 17 'Retirement Benefits', the scheme has been accounted for, in these financial statements, as if it were a defined contribution scheme.

The latest actuarial valuation was completed as at 31 December 2013 using the defined accrued benefits method and was updated for FRS17 purposes to 31 December 2014 by a qualified independent actuary. The projected unit credit method was used and the key actuarial assumptions were:

	% Per annum	
	2014	2013
Rate of increase in salaries	**3.55**	3.90
Rate of increase in pensions	**2.95**	3.30
Inflation rate (RPI)	**3.05**	3.40
Inflation rate (CPI)	**2.00**	2.35
Discount Rate	**3.70**	4.60

The market value of the scheme's assets were £610 million the value of which represented approximately 82 per cent of the benefits that had accrued to the members at that date on an on-going basis, after allowing for assumed future increase in salaries.

As at the 31 December 2014, the scheme had a net deficit of £82.7 million on an FRS 17 basis (2013: £45.4 million) net of deferred taxation.

The company's regular ongoing contribution to the scheme were £6.1 million (2013: £nil).

18. Related party transactions

As a wholly-owned subsidiary of Carillion plc, the company has taken advantage of the exemption under FRS 8: "Related party disclosures" not to provide information on related party transactions with other undertakings within the Carillion Group. Note 19 gives details of how to obtain a copy of the published financial statements of Carillion plc.

Sales between the company and joint ventures within the Carillion Group amounted to:

	2014		2013	
	Sales	**Debtor**	Sales	Debtor
	£000	**£000**	£000	£000
CarillionAmey Limited	**763**	**-**	692	80
CarillionAmey (Housing Prime) Limited	**729**	**-**	1,465	142
Carillion Eltel JV Limited	**97**	**4**	436	24
	1,589	**4**	2,593	246

19. Controlling and parent companies

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

Copies of the group financial statements of Carillion plc are available from 84 Salop Street, Wolverhampton, WV3 0SR.