

## **Carillion Utility Services Limited**

Directors' report and financial statements

Registered number 00728599

For the year ended 31 December 2012

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## **Directors' report**

The directors present their annual report together with the audited financial statements for the year ended 31 December 2012

### **Principal activities**

The principal activity of the company is the nationwide multi service provision for major utility clients within the gas, water, electricity and telecoms sector. The service provision in each sector ranges from feasibility and design through to delivery of infrastructure works for asset refurbishment or new build purposes. The company's capability extends from emergency cover, through repair, maintenance and renewal and includes metering capacity.

### **Business review**

Carillion Utility Services Limited is part of Carillion plc, a £5 billion support services and construction company, employing c. 41,000 people worldwide. The principal markets and competencies of the company include:

**Gas** – The Company provides emergency and network services mains repair, replacement, maintenance and connections services.

**Water** – The company provides network repair and maintenance, strategic pipeline distribution mains and flooding works services.

**Electricity** – The company provides a full service provision from Low Voltage ("LV") up to and including 400kV. This includes overhead lines, sub-station and cable projects and cable term contracts.

**Telecommunications** – Within the telecoms sector the company provides design, installation, commissioning and maintenance of underground, overhead and wireless networks. Examples of work include installation of street furniture, commissioning and integration, wireless network and fibre laying and installation.

**Metering** – Metering services is a discrete business unit which provides services for the installation, replacement or repair of domestic gas and electric meters, and has been involved in the installation of smart meters on various trials and for commercial customers.

**Multi-Utility** - The business combines skills and knowledge from the above sectors and offers a multi-utility service to major projects and developments.

As a result of the liquidation of group companies and the write off of intercompany balances the Company has a loss on liquidation of £3,237,000 (2011: £34,380,000 surplus).

### **Profit and dividends**

Loss before taxation on ordinary activities was £11,539,000 (2011: £16,720,000 profit).

The business has seen an element of growth in the year through its interest in the Carillion telent JV which has contributed turnover of £234.3 million (2011: £222.9 million), whilst revenue on other contracts has reduced following their completion during the year. The company continues to target organic growth and has a number of identified pipeline opportunities to continue to extend its operations over the short to medium term. No dividends were paid or proposed during the year (2011: £nil).

### **Creditor payment policy**

The company does not adopt any specific code or standard, however it is the company's policy to pay its suppliers in accordance with the terms and conditions agreed prior to the commencement of trading provided that the supplier has met its contractual obligations. The number of days credit outstanding to suppliers at the year end was 24 days (2011: 22 days).

## Principal risks

The principal risks and uncertainties facing the business include the following

- The ability to win contracts consistent with our target margins in markets that are more competitive In response, the Company continually seeks to differentiate its offering by reviewing its competitive strategy and target markets, listening to customers in order to develop services that meet their needs and focusing on efficiency and cost reduction to remain competitive
- Attracting, developing and retaining excellent people for delivery of contracts and work winning In response, Carillion plc has developed and implemented leadership, personal development and employee engagement programmes that encourage and support all employees to achieve their full potential

## Directors

The directors serving during the year and subsequently were

RJ Adam  
GM Carr  
JJ Ledwidge (resigned 22 November 2012)  
SW Hudson  
MR Routledge  
RJ Howson  
N Taylor

## Employees

The majority of employees are based at site on contracts Communication and consultation within the working teams 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

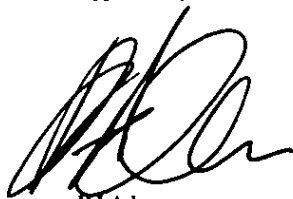
**Disclosure of information to auditors**

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 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

**Auditor**

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

Approved by the Board on 2 May 2013 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'RJ Adam', written over a horizontal line.

RJ Adam  
Director

24 Birch Street  
Wolverhampton  
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 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 Audit Plc**

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

**Independent auditor's report to the members of Carillion Utility Services Limited**

We have audited the financial statements of Carillion Utility Services Limited for the year ended 31 December 2012 set out on pages 9 to 17. 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 to 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](http://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 2012 and of its loss 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of Carillion Utility Services Limited (continued)**

**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



**John Leech**  
**(Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
2 May 2013



**Profit and loss account**  
*for the year ended 31 December 2012*

		2012	2011
		£000	£000
<b>Turnover</b>	<i>1</i>	<b>287,483</b>	292,113
Cost of sales		<u>(278,896)</u>	<u>(288,568)</u>
<b>Gross profit</b>		<b>8,587</b>	3,545
Administrative expenses		<u>(13,779)</u>	<u>(18,935)</u>
<b>Operating loss</b>		<b>(5,192)</b>	(15,390)
Exceptional items	<i>5</i>	<u>(3,237)</u>	<u>34,347</u>
<b>Operating (loss)/profit after exceptional items</b>		<b>(8,429)</b>	18,957
Interest receivable and similar income	<i>6</i>	<b>221</b>	11
Interest payable and similar charges	<i>7</i>	<u>(3,331)</u>	<u>(2,248)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(11,539)</b>	16,720
Tax on (loss)/profit on ordinary activities	<i>8</i>	<u>1,082</u>	<u>(4,149)</u>
<b>(Loss)/profit for the financial year</b>	<i>16</i>	<u><b>(10,457)</b></u>	<u>12,571</u>

All activities relate to continuing operations

There is no difference between the result 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

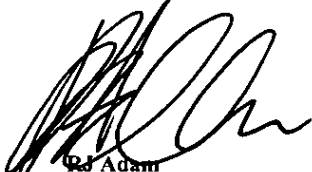
There were no recognised gains or losses in either the current or preceding financial year other than the profit or loss for those years

The notes on pages 11 to 17 form part of the financial statements

**Balance sheet**  
*at 31 December 2012*

	Note	2012 £000	2011 £000
<b>Fixed assets</b>			
Tangible assets	9	461	1,461
Investments	10	-	2
		<u>461</u>	<u>1,463</u>
<b>Current assets</b>			
Stocks	11	491	1,020
Debtors	12	185,842	185,566
Cash at bank and in hand		18,305	14,904
		<u>204,638</u>	<u>201,490</u>
Creditors amounts falling due within one year	13	(223,287)	(210,684)
<b>Net current liabilities</b>		<u>(18,649)</u>	<u>(9,194)</u>
<b>Net liabilities</b>		<u>(18,188)</u>	<u>(7,731)</u>
<b>Capital and reserves</b>			
Called up share capital	15	110	110
Share premium	16	75	75
Profit and loss account	16	(18,373)	(7,916)
<b>Equity shareholder's deficit</b>	17	<u>(18,188)</u>	<u>(7,731)</u>

These financial statements were approved by the Board of Directors on 2 May 2013 and were signed on its behalf by



Rob Adam  
Director

Company registered number 00728599

## **Carillion Utility Services 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 Directors' report

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £18.6 million and net liabilities of £18.2 million, 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 parent 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.

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. The Group renegotiated the banking facilities in February 2011 to continue to cover this requirement. 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 400 of the Companies Act 2006 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 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 and vehicles	3-10 years
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##### **Fixed asset investments**

Fixed asset investments are stated at cost less provisions for any impairment in the carrying value of the investment.

##### **Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value.

#### **Long-term contracts**

When the outcome of a long-term contract can be assessed with reasonable certainty, contract turnover and costs are recognised by reference to the degree of completion of each contract, as measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract

Insurance claims, incentive payments, and variations arising from long-term contracts are included where they have been agreed with the client and where ultimate the value can be assessed with reasonable certainty

The principal estimation technique used by the Group in attributing profit on long-term contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on revenues and costs to complete and enable an assessment to be made of the final. Consistent contract review procedures are in place in respect of contract forecasting

When it is probable that total contract costs will exceed total contract turnover the expected loss is recognised immediately. Contract costs are recognised as expenses in the period in which they are incurred

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as amounts recoverable on contracts within debtors. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as payments received on account within creditors

#### **Joint arrangements**

Where the company is party to a joint arrangement, the company accounts directly for its share of the revenue and expenditure, net assets and liabilities

#### **Turnover**

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to all customers including fellow subsidiary undertakings. In respect of long term contracting activities, turnover reflects the value of work executed during the year. It also includes the company's proportion of work carried out by joint arrangements during the year. All turnover arises in the UK

#### **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

#### **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

Notes (continued)

**2 (Loss)/profit on ordinary activities before taxation**

	2012	2011
	£000	£000
(Loss)/profit on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets		
-Owned	301	962
Operating lease rentals		
-Plant and machinery	1,354	2 240
-Other	957	1,176

The audit fee for the year ended 31 December 2012 amounting to £4,500 (2011 £4,000) was borne by Carillion Construction Limited, a fellow Group subsidiary

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, Carillion plc, are required to disclose non-audit fees on a consolidated basis

**3 Staff numbers and costs**

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

	Number of employees	
	2012	2011
Production	344	432
Administrative	404	507
	<u>748</u>	<u>939</u>

The aggregate payroll costs of these persons were as follows

	2012	2011
	£000	£000
Wages and salaries	23,743	32,885
Social security costs	2,161	1,519
Other pension costs	1,080	1,181
	<u>26,984</u>	<u>35,585</u>

**4 Directors' remuneration**

Certain 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 from that company. For those directors which are employees of Carillion Construction Limited and their remuneration is not disclosed in the financial statement of Carillion Construction Limited, their role as director of Carillion Utility Services Limited is of a non executive director and no remuneration is apportioned to the company

**5 Exceptional items**

	2012	2011
	£000	£000
Restructuring Costs	-	(33)
Loss on liquidation of group undertakings	(3,237)	34 380
	<u>(3,237)</u>	<u>34,347</u>

The loss on liquidation of group undertakings £3,237,000 (2011 £34,380,000 surplus) relates to the write off of amounts owed by group undertakings and the write off of the cost of investment in subsidiary undertakings which were liquidated during the year

**6 Interest receivable and similar income**

	2012	2011
	£000	£000
Interest receivable from group undertakings	53	4
Bank interest receivable	168	7
	<u>221</u>	<u>11</u>

Notes (continued)

**7 Interest payable and similar charges**

	2012 £000	2011 £000
Interest payable to head office	2,805	2,248
Bank interest payable	526	-
	<u>3,331</u>	<u>2,248</u>

**8 Tax on profit on ordinary activities**

**(a) Analysis of taxation credit/(charge) in the year**

	2012 £000	2011 £000
<b>UK corporation tax</b>		
Current tax	(625)	(2,903)
Adjustment in respect of prior periods	2,323	1,350
<b>Total current taxation</b>	<u>1,698</u>	<u>(1,553)</u>

**Deferred taxation**

Accelerated capital allowances	(248)	(225)
Origination and reversal of timing differences	(3,425)	6,321
Adjustment in respect of prior periods	459	(571)
Adjustment in respect of change in rate	434	177
<b>Total deferred taxation</b>	<u>(2,780)</u>	<u>5,702</u>

**Total taxation on (loss)/profit on ordinary activities**

<u>(1,082)</u>	<u>4,149</u>
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**(b) Factors affecting the tax charge/(credit) for the current year**

The current tax charge for the year is lower (2011 lower) than the standard rate of 24.5% (2011 26.5%). The difference is explained below

	2012 £000	2011 £000
<b>Current tax reconciliation</b>		
(Loss)/profit on ordinary activities before taxation	<u>(11,539)</u>	<u>16,720</u>
Tax on (loss)/profit on ordinary activities at 24.5% (2011 26.5%)	<u>(2,827)</u>	<u>4,431</u>
Effects of		
Permanent differences	1,164	1,662
Capital allowances in excess of depreciation	243	221
Adjustment in respect of previous periods	2,323	1,350
Ineligible fixed asset movements	2	(12)
Adjustment in respect of exceptional item	793	(9,205)
<b>Current tax charge/(credit) for the year</b>	<u>1,698</u>	<u>(1,553)</u>

**(c) Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes (continued)

9 Tangible fixed assets

	Plant, machinery and vehicles £000
<b>Cost</b>	
At beginning of year	3,610
Disposals	(1,265)
<b>At end of year</b>	<b>2,345</b>
<b>Depreciation</b>	
At beginning of year	2,149
Charge for the year	301
Disposals	(566)
<b>At end of year</b>	<b>1,884</b>
<b>Net book value</b>	
At 31 December 2012	461
At 31 December 2011	1,461

10 Investments

	Shares in participating interests £000	Loans to participating interests £000	Total £000
<b>Cost</b>			
At beginning and end of year	1	1	2
Disposal	(1)	(1)	(2)
<b>At year end</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>			
At 31 December 2012	-	-	-
At 31 December 2011	1	1	2

During the year the company disposed of various small investments held

11 Stocks

	2012 £000	2011 £000
Raw materials and consumables	491	1,020

Notes (continued)

**12 Debtors**

	2012 £000	2011 £000
Trade debtors	5,101	6,748
Contract debtors	30,141	34,395
Amounts owed by group undertakings	115,674	117,741
Corporation tax	1,205	2,903
Other debtors	13,110	4,639
Prepayments and accrued income	15,620	16,929
Deferred tax asset (note 14)	4,991	2,211
	<u>185,842</u>	<u>185,566</u>

Included within debtors are the following amounts falling due after more than one year

	2012 £000	2011 £000
Deferred taxation	<u>4,991</u>	<u>2,211</u>
	<u>4,991</u>	<u>2,211</u>

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

**13 Creditors amounts falling due within one year**

	2012 £000	2011 £000
Trade creditors	18,141	15,076
Contract creditors	12,336	5,715
Amounts owed to group undertakings	154,136	147,210
Other tax and social security costs	3,027	2,830
Other creditors	26,799	18,683
Accruals and deferred income	8,848	21,170
	<u>223,287</u>	<u>210,684</u>

**14 Deferred taxation**

	£000
At the beginning of the year	2,211
Transfer to profit and loss account	2,780
At the end of the year	<u>4,991</u>

The elements of deferred taxation are as follows

	2012 £000	2011 £000
Accelerated capital allowances	1,840	2,211
Losses	<u>3,151</u>	<u>-</u>
	<u>4,991</u>	<u>2,211</u>

The deferred tax asset is disclosed in debtors (note 12)

The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's deferred tax asset accordingly.

**15 Called up share capital**

	2012 £000	2011 £000
Allotted, called up and fully paid		
110,000 ordinary shares of £1 each	<u>110</u>	<u>110</u>



Notes (continued)

16 Reserves

	Share premium account	Profit and loss account	Total
	£000	£000	£000
At beginning of year	75	(7,916)	(7,841)
Loss for the financial year	-	(10,457)	(10,457)
<b>At the end of the year</b>	<b>75</b>	<b>(18,373)</b>	<b>(18,298)</b>

17 Reconciliation of movements in shareholder's funds

	2012 £000	2011 £000
(Loss)/profit for the financial year	(10,457)	12,571
Net (decrease)/increase in equity shareholder's funds	(10,457)	12,571
Equity shareholder's deficit at the beginning of the year	(7,731)	(20,302)
<b>Equity shareholder's deficit at the end of the year</b>	<b>(18,188)</b>	<b>(7,731)</b>

19. Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	2012		2011	
	Land & buildings	Other	Land & buildings	Other
	£000	£000	£000	£000
Operating leases which expire				
Within one year	47	439	54	449
In the second to fifth year inclusive	152	457	269	1,499
After five years	487	5	773	-
	<b>686</b>	<b>901</b>	<b>1,096</b>	<b>1,948</b>

20 Pensions

The company operates defined contribution pension schemes for all qualifying employees. The total contributions made during the year were £1,080,000 (2011 £1,181,000). As at 31 December 2012 no contributions in respect of the current reporting period had not been paid over to the schemes.

21. Related party transactions

As a wholly-owned subsidiary of Canllion 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 Canllion Group. Note 22 gives details of how to obtain a copy of the published financial statements of Canllion plc.

22 Controlling and parent companies

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

Copies of the group financial statements of Canllion plc are available from 24 Birch Street, Wolverhampton, WV1 4HY.