Carillion Utility Services S.E. Limited

Annual report and financial statements
Registered number 2355338
For the year ended 31 December 2015

Contents

Strategic report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

Business review and principal activities
The company is no longer active following the transfer of it's pension obligations to a fellow Carillion plc subsidiary in 2014. Profit before taxation for year was £Nil (2014: £16,362,000), with 2014 including a settlement gain of £17,000,000 following the transfer of pension obligations.

Principal risks
The company's main financial risk relates to debtor and creditor balances with fellow subsidiaries of the ultimate parent, Carillion plc, which has confirmed its continued financial support to relevant subsidiaries.

Approved by the Board on 23 September 2016 and signed on its behalf by:

RL Adam
Director

84 Salop Street
Wolverhampton
WV3 0SR

Directors' Report

Directors
The directors serving during the year and subsequently were:

LJ Mills
RJ Adam
A Green
R Howson
N Taylor
Z Khan
A Hayward

Dividends
The directors do not recommend the payment of a dividend (2014: £nil).

Political donations
During the year the company made no political donations (2014: £nil).

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
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 23 September 2016 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, the 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), including FRS 101 Reduced Disclosure Framework.

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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 Utility Services S.E. Limited

We have audited the financial statements of Carillion Utility Services S.E. Limited for the year ended 31 December 2015 set out on pages 7 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), including FRS 101 Reduced Disclosure Framework.

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 to express and 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 2015 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 the 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.

23 September **2016**

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

Profit and loss account
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Administrative expenses		-	(52)
Operating loss		-	(52)
Exceptional items	5	-	17,000
Operating profit after exceptional items		-	16,948
Interest payable and similar charges	6	-	(586)
Profit on ordinary activities before taxation	2	-	16,362
Taxation on ordinary activities	7	73	(3,227)
Profit for the financial year		73	13,135

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.

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

Statement of comprehensive income
for the year ended 31 December 2015

	2015	2014
	£000	£000
Profit for the financial year	**73**	13,135
Items that will not be reclassified subsequently to the profit or loss:		
Remeasurement of net defined benefit pension liabilities	**-**	(331)
Movement in deferred tax relating to defined benefit pension liabilities	**-**	66
Total recognised gains for the year	**73**	12,870

Balance sheet
as at 31 December 2015

	Note	£000	2015 £000	£000	2014 £000
Fixed assets					
Investments	*8*		**1**		1
Current assets					
Debtors	*9*	**27,807**		28,272	
Creditors: amounts falling due within one year	*10*	**(17,755)**		(18,293)	
Net current assets			**10,052**		9,979
Net assets			**10,053**		9,980
Capital and reserves					
Called up share capital	*12*		**20,100**		20,100
Profit and loss account			**(10,047)**		(10,120)
Equity shareholders' funds			**10,053**		9,980

These financial statements were approved by the Board of Directors on 23 September 2016 and were signed on its behalf by:

RJ Adam
Director

Company registered number 2355338

Statement of changes in equity
for the year ended 31 December 2015

	Called up share capital £000	Profit and loss account £000	Total £000
Balance at 1 January 2014	20,100	(22,990)	**(2,890)**
Profit for the year	-	13,135	**13,135**
Other comprehensive income			
Remeasurement of net defined benefit pension liabilities	-	(331)	**(331)**
Movement in deferred tax relating to defined benefit pension liabilities	-	66	**66**
Total other comprehensive income	-	(265)	**(265)**
Balance at 31 December 2014	20,100	(10,120)	**9,980**
Profit for the year	-	**73**	**73**
Balance at 31 December 2015	**20,100**	**(10,047)**	**10,053**

Carillion Utility Services S.E. 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
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The transition to FRS 101 has not had an material impact on the profit for the current year or net assets as disclosed in note 15.

In these financial statements, the company has applied the exemptions under FRS101 in respect of the following disclosures:
- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effect of new but not yet effective IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- disclosures in respect of compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Carillion plc include the equivalent disclosures, the company has also taken the exemptions under FRS101 available in respect of the following disclosures:
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument disclosures.

The financial statements are prepared in pounds sterling. They are prepared on the historical cost basis except where specified certain assets and liabilities are stated at their fair value noted below.

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.

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

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

Taxation
Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes *(continued)*

2. Profit on ordinary activities before taxation

The audit fee for the current and prior year 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 number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Operations	-	-

The aggregate payroll costs of these persons were as follows:	**2015**	2014
	£000	£000
Wages and salaries	-	-
Social security costs	-	-
Other pension costs	-	89
	-	89

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 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 Utility Services S.E. Limited is of a non executive director and no remuneration is apportioned to the company.

5. Exceptional items

	2015	2014
	£000	£000
Transfer of pension scheme liability	-	17,000
	-	17,000

In June 2014, the company transferred its obligations in respect of the Carillion Group section of the Electricity Supply Pension Scheme (ESPS) following the completion of a flexible apportionment arrangement with a fellow subsidiary of Carillion plc.

Notes *(continued)*

6. Interest payable and similar charges

	2015	2014
	£000	£000
Interest payable to head office	-	207
Interest cost on retirement plan obligations	-	379
	-	586

7. Taxation on ordinary activities

(a) Analysis of taxation (credit)/charge	2015	2014
	£000	£000
UK corporation tax		
Current tax	(262)	(539)
Total current taxation	(262)	(539)
Deferred taxation		
Origination and reversal of timing differences	189	3,766
Total deferred taxation	189	3,766
Total taxation (credit)/charge on profit on ordinary activities	(73)	3,227

(b) Reconciliation of total tax (credit)/charge

The total tax (credit)/charge for the year is higher (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015	2014
	£000	£000
Total tax reconciliation		
Profit on ordinary activities before taxation	-	16,362
Tax on profit on ordinary activities at 20.25% (2014: 21.5%)	-	3,518
Effects of:		
Permanent differences	(73)	(291)
Total tax (credit)/charge for the year	(73)	3,227

(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. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 December 2015 has been calculated based on the rate in the period in which it is expected to unwind.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

8. Investments

	£000
Shares in subsidiary	
Cost and net book value	
At 31 December 2014 and 2015	**1**

The shares are held in Electricity Pension Trustees Limited and represent less than 5% of the issued share capital

9. Debtors

	2015	2014
	£000	£000
Amounts owed by group undertakings	27,545	27,545
Corporation tax - group relief	262	538
Deferred tax asset (note 11)	-	189
	27,807	28,272

Notes *(continued)*

10. Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Amounts owed to group undertakings	17,755	18,293

Included within creditors are intercompany loans which bear interest at a rate which reflects the cost of borrowings to the group.

11. Deferred taxation

	2015	2014
	£000	£000
At the beginning of the year	189	3,889
Deferred tax charge in the profit and loss account	(189)	(3,766)
Recognised directly in the statement of recognised gains and losses	-	66
At the end of the year	-	189

The elements of deferred taxation are as follows:

	2015	2014
	£000	£000
Pensions (note 13)	-	189
	-	189

12. Called up share capital	2015	2014
	£000	£000
Allotted, called up and fully paid:		
20,100,000 ordinary shares of £1 each	20,100	20,100

Notes *(continued)*

13. Pensions
Following the completion of the a flexible apportionment arrangement with a fellow subsidiary of Carillion plc in June 2014, the company's obligations in respect of the Carillion Group section of the Electricity Supply Pension Scheme (ESPS) were transferred to Carillion Services Limited.

	2015	2014
	£000	£000
Present value of funded defined benefit obligations	-	-
Fair value of plan assets	-	-
Deficit	-	-
Related deferred tax asset	-	-
Net liability	-	-

Movements in present value of defined benefit obligation

	2015	2014
	£000	£000
At beginning of year	-	(87,182)
Current service cost	-	(89)
Interest cost	-	(1,990)
Actuarial losses	-	(1,744)
Benefits paid	-	1,445
Contributions by members	-	(27)
Transfer of scheme	-	89,587
At end of year	-	-

Movements in fair value of plans assets

	2015	2014
	£000	£000
At beginning of year	-	69,631
Expected return on plan assets	-	1,611
Actuarial gains	-	1,413
Contributions by employer	-	1,350
Contributions by members	-	27
Benefits paid	-	(1,445)
Transfer of scheme	-	(72,587)
At end of year	-	-

Expenses recognised in the profit and loss account

	2015	2014
	£000	£000
Current service cost	-	(89)
Interest on defined benefit pension plan obligation	-	(1,990)
Expected return on defined benefit pension plan assets	-	1,611
Total	-	(468)

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

	2015	2014
	£000	£000
Administrative expenses	-	(89)
Interest payable and similar charges	-	(379)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £Nil (2014: £331,000 loss).

Cumulative actuarial gains/losses reported in the statement of recognised gains and losses recognised since 1 January 2004 are £16,740,000 loss (2014: £16,740,000 loss).

Notes *(continued)*

14. Related parties

As a wholly-owned subsidiary of Carillion plc, the company has taken advantage of the exemption under FRS 101 not to provide information on related party transactions with other undertakings within the Carillion Group. Note 16 gives details of how to obtain a copy of the published financial statements of Carillion plc.

15. Impact of transition to FRS 101

At the date of transition to FRS 101 on 1 January 2014, there was no impact upon reported net liabilities. However, the result for 2014 was restated, with the reported profit for the year increased by £31,000 and remeasurement of net defined benefit pension schemes decreased by £31,000, reflecting the differing treatment of pension scheme administrative expenses under FRS 101. The pension scheme was transferred to a fellow group subsidiary of Carillion plc on 1 July 2014.

16. 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.