Carillion Services 2006 Limited

Annual report and financial statements

Registered number 02684154

For the year ended 31 December 2016

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Strategic report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2016.

Principal activities
The principal activity of the company during the year was the provision of support services, primarily within facilities management.

Business review
The company has performed satisfactorily despite competitive market conditions. Revenue decreased to £25.2 million compared to £29.2 million in 2015 primarily due to the termination of a contract and loss of additional works in 2016. However, we continued to heavily focus on cost control, driving efficiency and reducing contractors and agency staff. Consequently, we delivered an improved operating profit of £1.4 million (2015: £0.4 million). The private sector facilities management contracts and the facilities management contracts in the public sector market continue to perform in line with expectations.

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

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 Lost Time Incident Frequency Rate (LTIFR) based on the number of reportable injuries that have occurred per 200,000 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.

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

• Securing new contracts – the market is very competitive and the numbers of new contracts of significant size are limited. It is possible that future contracts will be undertaken by other subsidiaries of Carillion plc.

• 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

• Health and safety performance – poor health and safety performance could generate adverse publicity and have a negative impact on the company's reputation and its ability to win new business. However, the Carillion Group gives absolute priority to health and safety, demonstrated by the Target Zero initiative which has the ambition of reducing reportable accidents to zero.

• The company also has to manage the pension scheme to ensure that scheme liabilities are within a range appropriate to the capital base. In response, investment policies are reviewed regularly to ensure that employee and company contributions, together with scheme benefits, remain appropriate.

• Impacts arising from a potential lack of access to the pool of European labour and financing provided by the European investment bank as a result of the UK leaving the European Union.

Approved by the Board on 21/9/17 and signed on its behalf by:

Director

84 Salop Street
Wolverhampton
WV3 0SR

Directors' report

Directors

The directors serving during the year and subsequently were:

RJ Adam (resigned 31 October 2016)
ZI Khan (appointed 31 October 2016, resigned 11 September 2017)
RJ Howson
M Kasher (resigned 30 June 2016)
RG Lumby
C Macpherson (resigned 14 October 2016)
PE Shepley
JC Platt

Dividends

The directors do not recommend the payment of a dividend (2015: £nil).

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 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 21/9/17 and signed on its behalf by:

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

Independent auditor's report to the members of Carillion Services 2006 Limited

We have audited the financial statements of Carillion Services 2006 Limited for the year ended 31 December 2016 set out on pages 7 to 19. 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 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 2016 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.

21 September 2017

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 2016

	Note	2016 £000	2015 £000
Turnover	*1*	**25,200**	29,194
Cost of sales		**(22,698)**	(28,564)
Gross profit		**2,502**	630
Administrative expenses		**(1,104)**	(268)
Operating profit		**1,398**	362
Interest receivable and similar income	*5*	**1,021**	787
Interest payable and similar charges	*6*	**(25)**	-
Profit on ordinary activities before taxation	*2*	**2,394**	1,149
Tax on profit on ordinary activities	*7*	**(548)**	(1,153)
Profit/(loss) for the financial year		**1,846**	(4)

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 19 form part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2016

		2016		2015
	£000	£000	£000	£000
Profit/(loss) for the financial year		**1,846**		(4)
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (losses)/gains on defined benefit pension asset	(12,429)		4,191	
Deferred tax relating to the defined benefit pension asset	2,451		(738)	
	(9,978)		3,453	
Other comprehensive (expense)/income for the year		(9,978)		3,453
Total comprehensive (expense)/income for the year		(8,132)		3,449

Balance sheet
at 31 December 2016

	Note	£000	2016 £000	£000	2015 £000
Current assets					
Stocks	*8*	**95**		55	
Debtors: Amounts recoverable within one year	*9*	**13,927**		19,214	
Cash at bank and in hand		**567**		1,205	
		14,589		20,474	
Creditors: Amounts falling due within one year	*10*	**(38,052)**		(42,390)	
Net current liabilities, being total assets less current liabilities			**(23,463)**		(21,916)
Provisions for liabilities	*11*		**(849)**		(2,461)
Pension surplus	*14*		**5,785**		13,982
Net liabilities			**(18,527)**		(10,395)
Capital and reserves					
Called up share capital	*13*		**-**		-
Profit and loss account			**(18,527)**		(10,395)
Equity shareholders' deficit			**(18,527)**		(10,395)

These financial statements were approved by the Board of Directors on 21/9/17 and were signed on its behalf by :

Director

Company registered number: 02684154

Statement of changes in equity
for the year ended 31 December 2016

	Called up share capital £000	Profit and loss account £000	Total £000
Balance at 1 January 2015	-	(13,844)	(13,844)
Loss for the year	-	(4)	(4)
Other comprehensive income/(expense)	-	-	-
Actuarial gain on defined benefit pension scheme	-	4,191	4,191
Deferred tax on actuarial gain on defined benefit pension schemes	-	(738)	(738)
Total other comprehensive income	-	3,453	3,453
Balance at 31 December 2015	-	(10,395)	(10,395)
Profit for the year	-	1,846	1,846
Other comprehensive income/(expense)			
Actuarial loss on defined benefit pension liabilities		(12,429)	(12,429)
Deferred tax on actuarial loss on defined benefit pension schemes	-	2,451	2,451
Total other comprehensive expense	-	(9,978)	(9,978)
Balance at 31 December 2016	-	(18,527)	(18,527)

Carillion Services 2006 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 preparation
Carillion Services 2006 Limited (the "Company") is a company incorporated and domiciled in the UK.

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.

The Company's ultimate parent undertaking, Carillion PLC includes the Company in its consolidated financial statements. The consolidated financial statements of Carillion PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 84 Salop Street, Wolverhampton, WV3 0SR.

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 IFRS7 Financial Instrument disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

No judgements have been made by the directors, in the application of these accounting policies that have significant effect on the financial statements and there are no estimates with a significant risk of material adjustment in the next year.

The financial statements are presented 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 financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £18,611,000, 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 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. 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.

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

Notes *(continued)*

1. Principal accounting policies (continued)

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 in revenue where it is probable that they will be recovered and are capable of being reliably measured.

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

Pre-contract costs
Pre-contract costs are expensed as incurred until the company is appointed preferred bidder. Provided the contract is expected to generate sufficient net cash inflows to enable recovery and the award of the contract is virtually certain, pre-contract costs incurred post the appointment as preferred bidder are included in contract debtors. Where pre-contract bid costs are reimbursed at financial close, the proceeds are initially applied against the asset included in contract debtors. Any excess recoveries of costs are carried forward as deferred income and released to profit and loss. Only virtually certain, pre-contract costs incurred post the appointment as

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

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.

Pensions
For defined contribution pension schemes, amounts payable are charged to the profit and loss account as incurred.

For defined benefit pension scheme, the cost of providing benefits is calculated annually.by independent actuaries using the projected unit credit method. The charge to the income statement reflects the current service cost of such obligations, and where applicable, past service costs, and is included within administrative expenses.

The net interest expense in the income statement is calculated by applying a discount rate to the net defined benefit obligation. Certain costs associated with the administration of the pension schemes are included within administrative expenses.

The retirement benefit obligation recognised in the balance sheet represents the excess of the present value of scheme liabilities over the fair value of scheme assets. When the calculation results in an asset to the company, the amount recognised is limited where the company does not have unconditional right to the refund of any

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.

All turnover and profits relate to support services provided in the United Kingdom.

Notes *(continued)*

2. Profit on ordinary activities before taxation

The audit fee for the year ended 31 December 2016 amounted to £8,500 (2015: £8,500) and was borne by Carillion Construction Limited.

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 (including directors) during the year was 393 (2015: 531). The directors have categorised all staff as contract based employees.

The aggregate payroll costs of these persons were as follows:	**2016**	2015
	£000	£000
Wages and salaries	**6,549**	8,796
Social security costs	**477**	747
Other pension costs	**1,159**	1,866
	8,185	11,409

4. Directors' remuneration

These directors performed no material qualifying services for the company in respect of the current period and therefore received no emoluments.

5. Interest receivable and similar income

	2016	2015
	£000	£000
Interest receivable from group undertakings	**397**	498
Expected return on retirement plan assets	**624**	289
	1,021	787

6. Interest payable and similar charges

	2016	2015
	£000	£000
Interest receivable from group undertakings	**25**	-
	25	-

Notes *(continued)*

7. Tax on profit on ordinary activities
(a) Analysis of taxation charge in the year

	2016	2015
Recognised in the Profit and Loss Account	**£000**	£000
UK corporation tax		
Current tax	**(268)**	(422)
Adjustment in respect of prior periods	**(23)**	825
Total current taxation	**(291)**	403
Deferred taxation		
Accelerated capital allowances	**35**	45
Origination and reversal of timing differences	**804**	734
Adjustment in respect of change in rate	**-**	(29)
Total deferred taxation	**839**	750
Total taxation on profit on ordinary activities	**548**	1,153

(b) Factors affecting the tax charge for the current year
The total tax charge for the year is higher (2015: higher) than the standard rate of 20% (2015: 20.25%). The difference is explained below:

	2016	2015
	£000	£000
Total tax reconciliation		
Profit on ordinary activities before taxation	**2,394**	1,149
Tax on profit on ordinary activities at 20% (2015: 20.25%)	**480**	233
Effects of:		
Permanent differences	**91**	124
Adjustment in respect of previous periods	**(23)**	825
Adjustment in respect of change in rate	**-**	(29)
Total tax charge for the year	**548**	1,153

(c) Factors that may affect future tax charges
The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the company's future tax charge accordingly.

The deferred tax liability at 31 December 2016 has been calculated based on these rates.

Notes *(continued)*

8. Stocks

	2016	2015
	£000	£000
Raw materials and consumables	95	55

9. Debtors

	2016	2015
	£000	£000
Trade debtors	5,184	4,983
Contract debtors	2,134	2,043
Amounts owed by Group undertakings	4,194	10,126
Corporation tax	268	422
Other debtors	2,147	1,604
Prepayments and accrued income	-	36
	13,927	19,214

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

10. Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	2,229	1,398
Amounts owed to Group undertakings	28,216	34,331
Other tax and social security costs	178	439
Other creditors	2,813	2,268
Accruals and deferred income	4,616	3,954
	38,052	42,390

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

11. Provisions for liabilities

	2016	2015
	£000	£000
Deferred tax liability (note 12)	849	2,461

Notes *(continued)*

12. Deferred taxation

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to temporary differences relating to the following:

	Assets		Liabilities		Net	
	2016	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**161**	196	**-**	-	**161**	196
Employee benefits	**-**	-	**(1,010)**	(2,657)	**(1,010)**	(2,657)
Tax assets/(liabilities)	**161**	196	**(1,010)**	(2,657)	**(849)**	(2,461)
Net tax assets/(liabilities)	**161**	196	**(1,010)**	(2,657)	**(849)**	(2,461)

Unrecognised deferred tax assets

There is no unrecognised deferred tax as at 31 December 2016 (2015: none).

Movements in temporary differences during the year are as follows:

	Balance 1 January 2016	**Recognised in income**	**Recognised in equity**	**Balance 31 December 2016**
	£000	**£000**	**£000**	**£000**
Property, plant and equipment	**196**	**(35)**	**-**	**161**
Employee benefits	**(2,657)**	**(804)**	**2,451**	**(1,010)**
	(2,461)	**(839)**	**2,451**	**(849)**

	Balance 1 January 2015	Recognised in income	Recognised in equity	Balance 31 December 2015
	£000	£000	£000	£000
Property, plant and equipment	251	(55)	-	196
Employee benefits	(1,224)	(695)	(738)	(2,657)
	(973)	(750)	(738)	(2,461)

13. Called up share capital	**2016**	2015
	£'000	£'000
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	**-**	-

Notes *(continued)*

14. Pensions

The company operates one defined benefit pension scheme, the Mowlem (1993) Pension Scheme and contributes towards the Mowlem Staff Pension and Life Assurance Scheme. The assets of the schemes are held in separate trustee administered funds.

Mowlem Staff Pension and Life Assurance Scheme

The principal employer of the Mowlem Staff Pension and Life Assurance Scheme is Carillion JM Limited, a fellow subsidiary of Carillion plc. Contributions to the scheme are accounted for in these financial statements on a defined contribution basis.

An actuarial valuation of the Mowlem Staff scheme was undertaken by independent actuaries as at 31 December 2013 using the projected unit credit method. The market value of the schemes assets at that date were £509.0 million, representing approximately 72 per cent of the benefits that had accrued to members at that date on an ongoing basis, after allowing for future increases in salaries. Regular on going contributions are no longer payable as the scheme was closed to future accrual on the 5 April 2009. The next actuarial valuation as at 31 December 2016 is currently ongoing.

Mowlem (1993) Pension Scheme

The company is a participating employer of the Mowlem (1993) Pension Scheme. An actuarial valuation of the Mowlem (1993) scheme was undertaken by independent actuaries as at 31 December 2014 using the attained age method. The market value of the schemes' assets at that date were £112.5 million, representing approximately 95 per cent of the benefits that had accrued to members at that date on an ongoing basis, after allowing for future increases in salaries. The next actuarial valuation of the scheme will be undertaken by the Trustees' independent actuaries as at 31 December 2017.

Details of the position of the scheme as at 31 December 2016 on an IAS 19 basis are set out below.

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

	2016	2015
	£000	£000
Equities	**39,668**	35,342
Gilts	**45,646**	39,232
Bonds	**24,638**	22,162
Other	**24,245**	19,182
	134,197	115,918

The principal assumptions used by the independent qualified actuaries are:

	2016	2015
	%	%
Discount rate	**2.70**	3.95
Rate of increase in salaries	**3.20**	3.55
Inflation Rate (RPI)	**3.20**	3.05
Inflation Rate (CPI)	**2.15**	2.00
Rate of increase in pensions	**3.10**	3.00

Notes (continued)
14. Pensions (continued)

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: 20.9 years (male).
• future retiree upon reaching 65: 22.2 years (male).

	2016	2015
	£000	£000
Present value of funded defined benefit obligations	**(128,412)**	(101,936)
Fair value of plan assets	**134,197**	115,918
Net surplus	**5,785**	13,982

Movements in present value of defined benefit obligation

	2016	2015
	£000	£000
At beginning of year	**(101,936)**	(105,313)
Current service cost	**(919)**	(1,200)
Interest cost	**(3,990)**	(3,870)
Actuarial (losses)/gains	**(24,318)**	5,821
Benefits paid	**2,926**	2,813
Contributions by members	**(175)**	(187)
At end of year	**(128,412)**	(101,936)

Movements in fair value of plan assets

	2016	2015
	£000	£000
At beginning of year	**115,918**	111,432
Expected return on plan assets	**4,614**	4,159
Actuarial gains	**11,889**	(1,630)
Contributions by employer	**4,891**	5,073
Contributions by members	**175**	187
Benefits paid	**(2,926)**	(2,813)
Administrative expenses paid from plan assets	**(364)**	(490)
At end of year	**134,197**	115,918

The actual return on plan assets was a gain of £16,503,000 (2015: £2,529,000).

Expenses recognised in the profit and loss account:

	2016	2015
	£000	£000
Current service cost	**(919)**	(1,200)
Interest cost on defined benefit pension plan obligation	**(3,990)**	(3,870)
Expected return on defined benefit pension plan assets	**4,614**	4,159
Administrative expenses paid from plan assets	**(364)**	(490)
Total	**(659)**	(1,401)

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

	2016	2015
	£000	£000
Administrative expenses	**(1,283)**	(1,690)
Interest receivable and similar income	**624**	289

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is £12,429,000 loss (2015: £4,191,000 gain).

Cumulative actuarial losses reported in the statement of comprehensive income since 1 January 2005 are £22,407,000 (2015: £9,978,000 loss).

Notes (continued)

15. Controlling and ultimate 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.