Carillion Services Limited

Annual report and financial statements
Registered number 3011791
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.

Principal activities

The company's principal activity is to provide property management and service delivery solutions to customers across a variety of sectors including health, government, defence and commercial. The company is a management-led business with world class propriety information systems that add value to our core services, which include facilities management and project management for corporate estates.

Business review

The underlying operations of the company have performed satisfactorily despite more competitive market conditions. Revenue increased during the year to £183.6 million (2014: £174.0 million) due to additional works. Operating profit margin increased to 10.7 percent (2014: 9.5 percent) as a result of efficient cost management and a reduction in administrative expenses. The company remains well placed for growth given the size of the markets that it operates in, the continuing trend to outsource, its ability to provide customers with innovative cost effective solutions and from a continuing focus on applying strict contract selectivity and risk management criteria.

The markets in which the company operates are very competitive but prospects are good. We continue to develop opportunities with Carillion Plc within the Public Private Partnership markets. We continue to invest in customer services via IT and additional services to create a competitive advantage.

Pension obligations

In June 2014 the company became the sole employer of the Carillion Group section of the Electricity Supply Pension Scheme (ESPS) following the completion of a flexible apportionment arrangement with the previous employers, who are fellow subsidiaries of Carillion plc. Further information on ESPS can be found in note 16 of the financial statements.

Following the adoption of a new accounting framework in the UK, FRS 101 Reduced Disclosure Framework, the company, as the principal employer to the Carillion Public Sector Scheme, has recognised the scheme's net liabilities at the date of the transition of £17.1 million (net of deferred taxation) on its balance sheet.

Key Performance Indicators ("KPIs")

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 KPIs. The company is committed to providing a safe environment for its employees. The company monitors performance using the Lost Time Incident Frequency Rate (LTIFR), which is an internationally recognised measure of safety performance. The company's performance against this measure was satisfactory.

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

Principal risks

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

- Failure to win and retain contracts on satisfactory terms and conditions in our existing and new target markets and geographies, due to changes in customer requirements, increase competition or reduction in overall demand due to macro-economic factors

- Managing contracts to ensure that they are delivered on time, to budget and to the required standards

- Ability to attract, develop and retain excellent people to support existing business requirements and our future growth plans

- Maintenance of high standards of ethics and compliance in respect of managing contracts and meeting regulatory requirements

- Information security breach leading to a lack of availability of systems and/or loss of confidential data belonging to the company and its customers

- Ineffective management of health and safety issues leads to serious injury to or death of an employee and or damage to client property

- Ineffective management practices leading to human rights violations by the company, its suppliers or partners.

- Pension scheme management - the company 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 contributions, together with scheme benefits, remain appropriate.

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

Approved by the Board on 9 May 2016 and signed on its behalf by:

BJ Adam
Director

84 Salop Street
Wolverhampton
WV3 0SR

Directors' report

Directors

The directors serving during the year and subsequently were:

RJ Adam
RG Lumby
RJ Howson
M Kasher
C Macpherson
JC Platt

Dividends

No dividends were paid or proposed in the year (2014: £nil).

Political donations

During the year the company made no political donations (2014: £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

Carillion Services Limited 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. To that end, no job applicant or employee receives less favourable treatment than another on grounds of colour, race, nationality, ethnic or national origin, sex, religion or disability where the work content is commensurate with the individual's particular disability. 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 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 auditors are 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 9 May 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, 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, 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 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 LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

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

We have audited the financial statements of Carillion Services Limited for the year ended 31 December 2015 set out on pages 7 to 21. 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 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 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.

9 May 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	2014
		£000	£000
Turnover	*1*	**183,579**	174,043
Cost of sales		**(140,314)**	(133,316)
Gross profit		**43,265**	40,727
Administrative expenses		**(23,558)**	(24,231)
Operating profit		**19,707**	16,496
Interest receivable and similar income	*5*	**547**	2,090
Interest payable and similar charges	*6*	**(4,578)**	(4,589)
Profit on ordinary activities before taxation	*2*	**15,676**	13,997
Taxation	*7*	**(3,259)**	(3,705)
Profit for the financial year		**12,417**	10,292

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 21 form part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2015

		2015		2014
	£000	**£000**	£000	£000
Profit for the year		**12,417**		10,292
Items that will not be reclassified subsequently to the profit or loss:				
Transfer in of defined benefit pension scheme liabilities (net of deferred tax)	**-**		(13,600)	
Remeasurement of net defined benefit pension liabilities	**3,815**		(13,309)	
Deferred tax relating to defined benefit pension liabilities	**(1,065)**		2,662	
Equity-settled transactions (net of deferred tax)	**60**		20	
	2,810		(24,227)	
Other comprehensive income/(expense) for the year		**2,810**		(24,227)
Total comprehensive income/(expense) for the year		**15,227**		(13,935)

Balance sheet
at 31 December 2015

	Note	£000	2015 £000	£000	2014 £000
Fixed assets					
Tangible assets	*8*		**98**		164
Investments	*9*		**23,386**		23,386
			23,484		23,550
Current assets					
Stocks	*10*	**1,588**		1,129	
Debtors (including £7,561,000 (2014: £9,203,000) due after more than one year)	*11*	**128,441**		144,876	
Cash at bank and in hand		**11,749**		13,641	
		141,778		159,646	
Creditors: amounts falling due within one year	*12*	**(107,809)**		(132,760)	
Net current assets			**33,969**		26,886
Total assets less current liabilities			**57,453**		50,436
Pension liability	*16*		**(37,804)**		(46,014)
Net assets			**19,649**		4,422
Capital and reserves					
Called up share capital	*14*		**1,000**		1,000
Profit and loss account			**18,649**		3,422
Equity shareholders' funds			**19,649**		4,422

These financial statements were approved by the Board of Directors on 9 May 2016 and were signed on its behalf by:

RJ Adam
Director

Company registered number 3011791

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	1,000	17,357	18,357
Profit for the year	-	10,292	10,292
Other comprehensive income	-	-	-
Transfer in of defined benefit pension scheme liabilities (net of deferred tax)		(13,600)	(13,600)
Remeasurement of net defined benefit pension scheme liabilities	-	(13,309)	(13,309)
Deferred tax on remeasurement of defined benefit pension scheme liabilities	-	2,662	2,662
Equity-settled transactions (net of deferred tax)	-	20	20
	-	(24,227)	(24,227)
Total comprehensive income	-	(13,935)	(13,935)
Balance at 31 December 2014	1,000	3,422	4,422
Profit for the year	-	12,417	12,417
Other comprehensive income	-	-	-
Remeasurement of net defined benefit pension scheme liabilities	-	3,815	3,815
Deferred tax on remeasurement of defined benefit pension scheme liabilities	-	(1,065)	(1,065)
Equity-settled transactions (net of deferred tax)	-	60	60
Total comprehensive income	-	2,810	2,810
Balance at 31 December 2015	1,000	18,649	19,649

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
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. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 19.

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;
IFRS 2 'Share-based payment' in respect of Group settled share-based payments.

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 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.

Group financial statements
These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the Group accounts of Carillion Plc. The Group accounts of Carillion Plc are available to the public and can be obtained as set out in note 18.

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

Assets held under finance leases are depreciated over the shorter of the term of the lease or the expected useful life of the asset.

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.

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 creditors.

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 over the life of the contract. Only virtually certain, pre-contract costs incurred post the appointment as preferred bidder are included in contract debtors.

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 and profits relate to support services provided in the United Kingdom

Leased assets

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Any lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Share based payments

Members of the company's senior management team are entitled to participate in the Leadership Equity Award Plan (LEAP) and Sharesave schemes. The fair value of the LEAP and Sharesave schemes at the date of grant are estimated using the Black-Scholes pricing model. For all schemes the fair value determined at grant date is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest.

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 an unconditional right to the refund of any surplus which may exist.

Notes *(continued)*

2. Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging:	**2015** **£000**	2014 £000
Depreciation of tangible fixed assets:	**121**	270
Operating lease rentals:		
-Plant and machinery	**58**	78
Auditor's remuneration - audit of the financial statements	**34**	34

The operating lease disclosure includes both long term commitments (see note 15) and short term plant and machinery rentals

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 ultimate 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
Contract based	**4,733**	4,366
Administration	**85**	78
	4,818	4,444

The aggregate payroll costs of these persons including those subcontracted during the year were as follows:

	2015 **£000**	2014 £000
Wages and salaries	**92,199**	82,917
Social security costs	**8,327**	7,307
Other pension costs	**6,846**	6,427
Equity-settled transactions	**63**	17
	107,435	96,668

4. Directors' remuneration

RJ Adam and RJ Howson, who served during the financial year, are directors of the company's ultimate parent company and as such, details regarding their 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 statements of Carillion Construction Limited, their role as director of Carillion Services Limited is of a non executive director and no remuneration is apportioned to the company.

5. Interest receivable and similar income

	2015 **£000**	2014 £000
Interest receivable from group undertakings	**547**	1,712
Bank interest receivable	**-**	378
	547	2,090

Notes *(continued)*

6. Interest payable and similar charges

	2015 £000	2014 £000
Interest payable to group undertakings	1,724	3,045
Other financial expenses	1,288	752
Interest cost on retirement plan obligations	1,566	792
	4,578	4,589

7. Tax on profit on ordinary activities

(a) Analysis of taxation charge in the year

	2015	2014
	£000	£000
UK corporation tax		
Current tax	3,270	2,824
Adjustment in respect of prior periods	(978)	(268)
Total current taxation	2,292	2,556
Deferred taxation		
Accelerated capital allowances	43	30
Origination and reversal of timing differences	867	1,707
Adjustment in respect of prior periods	23	(588)
Adjustment in respect of change in rate	34	-
Total deferred taxation	967	1,149
Total taxation on profit on ordinary activities	3,259	3,705

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

The current tax charge for the year is higher (2014: higher) than the standard rate of 20.25% (2014: 21.50%). The difference is explained below:

	2015 £000	2014 £000
Total tax reconciliation		
Profit on ordinary activities before taxation	15,676	13,997
Tax on profit on ordinary activities at 20.25% (2014: 21.50%)	3,174	3,009
Effects of:		
Permanent differences	1,006	1,552
Adjustment in respect of previous periods	(955)	(856)
Adjustment in respect of change in rate	34	-
Total tax charge for the year	3,259	3,705

(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. Tangible fixed assets

	Plant, machinery, vehicles and computer equipment £000
Cost	
At beginning of year	2,872
Additions	55
Disposals	(106)
At end of year	**2,821**
Depreciation	
At beginning of year	2,708
Charge for the year	121
Eliminated in respect of disposals	(106)
At end of year	**2,723**
Net book value	
At 31 December 2015	**98**
At 1 January 2015	164

9. Investments

Investments in subsidiary undertakings	Shares in subsidiary undertakings £000
Cost and net book value	
At 31 December 2015 and 2014	**23,386**

All undertakings are incorporated in the UK, unless otherwise indicated and operate mainly in the country of incorporation. The company's interest is in equity share capital and is stated as at 31 December 2015. The subsidiaries are as follows;

Subsidiary undertaking	Principal activity	Interest %
Carillion Integrated Services Limited	Facilities management and support services	100
Carillion Specialist Services Limited	Architectural and engineering activities and related technical consultancy	100

10. Stocks

	2015 £000	2014 £000
Raw materials and consumables	**1,588**	1,129
	1,588	1,129

11. Debtors

	2015 £000	2014 £000
Trade debtors	**15,285**	26,781
Contract debtors	**17,418**	15,822
Amounts owed by group undertakings	**70,162**	89,802
Amounts owed by joint ventures	**6,277**	65
Other debtors	**951**	75
Prepayments	**10,822**	2,770
Deferred tax asset (note 13)	**7,526**	9,561
	128,441	144,876

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

Notes *(continued)*

12. Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	**9,882**	9,568
Amounts owed to group undertakings	**83,373**	81,759
Corporation tax	**3,290**	3,244
Other tax and social security costs	**5,665**	5,461
Other creditors	**2,305**	-
Accruals and deferred income	**3,294**	32,728
	107,809	132,760

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

13. Deferred tax asset

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

	Assets		Liabilities		Net	
	2015	2014	**2015**	2014	**2015**	2014
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**274**	352	**-**	-	**274**	352
Employee benefits	**7,237**	9,203	**-**	-	**7,237**	9,203
Equity-settled transactions	**15**	6	**-**	-	**15**	6
Tax assets/(liabilities)	**7,526**	9,561	**-**	-	**7,526**	9,561
Net tax assets/(liabilities)	**7,526**	9,561	**-**	-	**7,526**	9,561

Unrecognised deferred tax assets
There is no unrecognised deferred tax as at 31 December 2015 (2014: none).

Movements in temporary differences during the year are as follows:

	Balance 1 January 2015	**Recognised on transfer of pension obligations**	**Recognised in income**	**Recognised in equity**	**Balance 31 December 2015**
	£000	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**352**	**-**	**(78)**	**-**	**274**
Employee benefits	**9,203**	**-**	**(901)**	**(1,065)**	**7,237**
Equity-settled transactions	**6**	**-**	**12**	**(3)**	**15**
	9,561	**-**	**(967)**	**(1,068)**	**7,526**

	Balance 1 January 2014	Recognised on transfer of pension obligations	Recognised in income	Recognised in equity	Balance 31 December 2014
	£000	£000	£000	£000	£000
Property, plant and equipment	382	-	(30)	-	352
Employee benefits	4,262	3,400	(1,028)	2,569	9,203
Equity-settled transactions	1	-	2	3	6
	4,645	3,400	(1,056)	2,572	9,561

Notes *(continued)*

14. Called up share capital

	2015	2014
	£000	£000
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	**1,000**	1,000
	1,000	1,000

15. Commitments under operating leases

Payments under non-cancellable operating leases are as follows:

	2015	2014
	Plant and machinery	Plant and machinery
	£000	£000
Operating leases which expire:		
Within one year	**58**	65
In the second to fifth year inclusive	**102**	85
	160	150

16. Pensions

The pension schemes to which the company contributes are of both defined benefit and defined contribution types.

Employees of the company participate in the Carillion Staff Scheme (Staff) and the Carillion "B" Scheme ("B"), which are defined benefit plans. The principal employer of these schemes is a fellow subsidiary of the Carillion plc Group, with contributions paid to these schemes accounted for in these financial statements on a defined contribution basis.

The company is a member of two other defined contribution schemes. During the year, payments of £2,603,000 (2014: £2,327,000) were made to defined contribution schemes. Contributions outstanding at 31 December 2015 were £nil (2014: £nil).

Carillion Public Sector Scheme

The company's employees are members of the Carillion Public Sector Scheme, providing benefits based on final pensionable pay. The company is considered to be the principal employer of the Carillion Public Sector Scheme and therefore this has been accounted for as a defined benefit pension plan.

An actuarial valuation of the Carillion Public Sector Scheme was undertaken by the Trustees' independent actuaries as at 31 December 2010 using the projected unit credit method. The market value of the schemes' assets at that date was £131.8 million, which represented approximately 82 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 by the Trustees' independent actuaries at 31 December 2013, is currently being undertaken.

Notes *(continued)*

16. Pensions *(continued)*

Electricity Supply Pension Scheme
Following the completion of a flexible apportionment arrangement in 2014 with the previous employers, who are all fellow subsidiaries of Carillion plc, the company became the sole employer of the Carillion Group section of the Electricity Supply Pension Scheme (ESPS). The ESPS is a defined benefit pension scheme, the assets of which are held in separate trustee administered funds.

An actuarial valuation of the scheme was undertaken by the Trustees' independent actuaries as at 31 March 2013 using the projected unit credit method. The market value of the plan assets at that date were £50.3 million, which represented approximately 76 per cent of the benefits that had accrued to members at that date. The next actuarial valuation of the scheme by the Trustees' independent actuaries is due as at 31 March 2016.

During 2015, the company made payments totalling £10,757,000 to its defined benefit schemes and in 2016 expects to make payments of approximately £8,856,000.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The weighted average of the principal assumptions used by the independent qualified actuaries in providing the IAS19 position were:

	2015	2014
Rate of increase in salaries	**3.55%**	3.55%
Rate of increase in pensions	**3.00%**	2.95%
Inflation rate - Retail Price Index	**3.05%**	3.05%
Inflation rate - Consumer Price Index	**2.00%**	2.00%
Discount rate	**3.95%**	3.70%

The average life expectancies at 65 for males ages 45-65 for all schemes are shown below:

	Life expectancies (years)	
	Public Sector	**ESPS**
Retired member (currently 65 years)	23.8	22.4
Non-retired member (currently 45 years)	25.6	24.1

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

	Public Sector £000	**ESPS £000**	**Total £000**
Equities	**120,628**	**27,852**	**148,480**
Government Debt	**46,968**	**37,235**	**84,203**
Bonds	**18,732**	**2,425**	**21,157**
Other	**1,490**	**22,369**	**23,859**
	187,818	**89,881**	**277,699**

Notes *(continued)*

16. Pensions *(continued)*

	2015	2014
	£000	£000
Present value of funded defined benefit obligations	(299,353)	(305,674)
Fair value of plan assets	277,699	270,952
Deficit	(21,654)	(34,722)
Effect of asset ceiling	(16,150)	(11,292)
	(37,804)	(46,014)
Related deferred tax asset	7,237	9,203
Net liability	(30,567)	(36,811)

Movements in present value of defined benefit obligation

	2015	2014
	£000	£000
At beginning of year	(305,674)	(189,327)
At date of transfer	-	(89,587)
Current service cost	(4,243)	(3,220)
Interest cost	(11,224)	(10,610)
Actuarial losses	14,321	(19,705)
Benefits paid	7,789	7,142
Contributions by members	(322)	(367)
At end of year	(299,353)	(305,674)

Movements in fair value of plans assets

	2015	2014
	£000	£000
At beginning of year	270,952	169,241
At date of transfer	-	72,587
Expected return on plan assets	10,076	9,874
Actuarial losses/(gains)	(6,066)	16,406
Contributions by employer	10,757	10,520
Contributions by members	322	367
Benefits paid	(7,789)	(7,142)
Administrative expenses paid from plan assets	(553)	(901)
At end of year	277,699	270,952

Expenses recognised in the profit and loss account

	2015	2014
	£000	£000
Current service cost	(4,243)	(3,220)
Administrative expenses paid from plan assets	(553)	(901)
Interest on defined benefit pension plan obligation	(11,224)	(10,610)
Interest on minimum funding requirement	(418)	(56)
Expected return on defined benefit pension plan assets	10,076	9,874
Total	(6,362)	(4,913)

Expenses recognised in the statement of comprehensive income

	2015	2014
	£000	£000
Return on scheme assets (excluding amounts included in net financial expense)	(6,066)	16,406
Changes in assumptions relating to scheme liabilities	14,321	(19,705)
Changes relating to the minimum funding requirement	(4,440)	(10,010)
Total	3,815	(13,309)

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is a £3,815,000 gain (2014: £13,309,000 loss)

Notes *(continued)*

17. Related party transactions

As a wholly owned subsidiary of Carillion plc the company has taken advantage of the exemption under Financial Reporting Standard 101.8(k) not to provide information on related party transactions with other undertakings within the Carillion plc group. Note 18 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 plc group amount to:

	2015 Turnover £000	Debtors £000	2014 Turnover £000	Debtors £000
CarillionAmey Limited	5,545	4,764	3,698	65
inspiredspaces Nottingham Limited	629	84	-	-
inspiredspaces STaG Limited	1,754	189	-	-
inspiredspaces Rochdale Limited	1,878	259	-	-
inspiredspaces Tameside Limited	6,146	981	-	-
	15,952	6,277	3,698	65

18. 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.

Notes *(continued)*

19. Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition was therefore 1 January 2014.

Reconciliation of equity

Note		At 1 January 2014 £000	At 31 December 2014 £000
	Equity reported under UK GAAP	35,407	36,799
	Adjustments to equity on transition to FRS 101		
1	Actuarial losses on additional defined benefit pension liabilities	(21,312)	(36,730)
1	Deferred tax on actuarial loss on additional defined benefit pension liabilities	4,262	7,346
2	Reversal of 2014 administration costs relating to the Carillion Public Sector Pension Scheme		(2,993)
	Equity reported under FRS 101	18,357	4,422

Reconciliation of profit and loss for the year ended 31 December 2014

Note		£000
	Profit for the year under UK GAAP	11,718
	Adjustments to profit and loss on transition to FRS 101	
2	Net increase in administration cost relating to additional defined benefit pension contributions	(544)
3	Increase in finance costs in relation to defined benefit pension schemes	(490)
	Increase in deferred tax charge relating to defined benefit pension movement	(392)
	Profit for the year under FRS101	10,292

Notes to the reconciliation of equity and profit and loss

1 **Actuarial losses on additional defined benefit pension liabilities**

Carillion Services Limited is the principal employer of the Carillion Public Sector Pension Scheme, a defined benefit scheme whose members are employed by several statutory entities in the Carillion Plc Group. As a result, the assets and liabilities of the pension scheme relating to the company could not be readily ascertained and therefore in accordance with previous UK GAAP the company accounted for these schemes as if they were defined contribution schemes. On transition to FRS 101 the company as principal employer has recognised the whole of the assets and liabilities in relation to the scheme on its balance sheet, together with the associated deferred tax asset.

2 **Reversal of 2014 contributions relating to the Carillion Public Sector Pension Scheme**

Pension contributions relating to the Carillion Public Sector Pension Scheme were borne by Carillion Construction Limited in 2014, and accounted for as a defined contribution scheme under UK GAAP. On transition to FRS 101 this scheme is now recognised as a defined benefit pension scheme and so these contributions have been recognised as part of the pension liability.

3 **Increase in finance costs relation to additional defined benefit pension contributions**

This adjustments reflects a change in the way interest is calculated, which under UK GAAP was calculated based on estimated returns specific to each class of asset in the scheme, whereas under FRS101, the interest charge is calculated by applying the discount rate to the net pension scheme liability.