

**Energy Networks Limited**

**Directors' report and financial  
statements**

**Registered number 4207088**

**For the year ended 31 December 2006**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

### Principal Activities

The company did not trade during 2006 and the directors do not foresee any changes in activities in the future

### Results

The results for the year ended 31 December 2006 are disclosed in the financial statements on pages 6 to 11

The directors do not recommend payment of a dividend (2005 £Nil)

### Significant event

On 23 February 2006, Carillion JM Limited (formerly Mowlem plc) was acquired by Carillion plc

### Directors and directors' interests

The directors who held office during the year were as follows

AH Moore	(resigned 11 May 2006)
W B Smith	(resigned 30 April 2006)
M Strachan	(resigned 31 July 2006)
J McDonough	(appointed 11 May 2006)
CFG Gurling	(appointed 11 May 2006)
RW Robinson	(appointed 11 May 2006)

None of the directors had any interest in the share capital of the company

None of the directors who held office at the end of the financial year or their families, other than those whose interests are disclosed in the financial statements of the ultimate holding company, had interests in, and options to subscribe for, ordinary shares of 50p each in Carillion plc

As at 1 January 2006, the directors may have held interests in Carillion JM Limited (formerly Mowlem plc), the ultimate holding company at that time

Following the acquisition of Carillion JM Limited, on 23<sup>rd</sup> February 2006, participants of the deferred award under the Share Matching Plan 2003 and the 2003 and 2004 Save As You Earn (SAYE) schemes were entitled to exercise their options for a period of six months following the acquisition for cash or shares in accordance with the offer document, which can be obtained from 24 Birch Street, Wolverhampton, WVI 4HY

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

## Directors' report *(continued)*

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board



*Authorised Representative*  
Carillion Secretariat Limited  
*Secretary*

Birch Street  
Wolverhampton  
WV1 4HY

7 March 2007

## **Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG Audit Plc**

2 Cornwall Street  
Birmingham  
B3 2DL  
United Kingdom

## **Independent auditors' report to the members of Energy Networks Limited**

We have audited the financial statements of Energy Networks Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report to the members of Energy Networks Limited** *(continued)*

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

7 March 2007

**Profit and loss account**  
*for the year ended 31 December 2006*

	<i>Note</i>	<b>2006</b> £	<b>2005</b> £
<b>Loss on ordinary activities before taxation</b>		-	-
Taxation on loss on ordinary activities	5	-	60
<b>Retained profit for the year</b>	8	-	60

There were no trading activities during the year

The company has no recognised gains or losses other than those shown in the profit and loss account

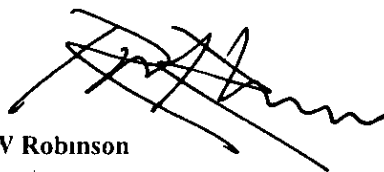
There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year and their historical cost equivalents



**Balance sheet**  
*at 31 December 2006*

	<i>Notes</i>	<b>2006</b>		<b>2005</b>	
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Current assets</b>					
Debtors	6	100		100	
<b>Creditors</b> amounts falling due within one year	7	(206,280)		(206,280)	
<b>Net current liabilities</b>			(206,180)		(206,180)
<b>Net liabilities</b>			(206,180)		(206,180)
<b>Capital and reserves</b>					
Called up share capital	10	100		100	
Profit and loss account	8	(206,280)		(206,280)	
<b>Equity shareholders' deficit</b>	9	(206,180)		(206,180)	

These financial statements were approved by the board of directors on 7 March 2007 and were signed on its behalf by



**RW Robinson**  
*Director*

## Notes

*(forming part of the financial statements)*

### 1 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 statements

#### *Basis of accounting*

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain tangible fixed assets comprising land and buildings, and in accordance with applicable UK accounting standards

#### *Going concern*

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £206,180, 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 Carillon plc, the company's ultimate parent undertaking. Carillon plc has indicated that for at least twelve 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. 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.

#### *Cash flow statement*

Under FRS 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that Carillon plc, the company's ultimate parent undertaking, includes the company's cash flows in its own published consolidated cash flow statement.

#### *Profit recognition*

Profit on long term contracts is calculated in accordance with applicable accounting standards. In determining the attributable profit on contracts to a particular accounting period the company utilises estimation techniques. The principal estimation technique used is the preparation of profit and cash flow forecasts on a contract by contract basis which enables an assessment to be made of the final outturn on each contract. Profit is then recognised when the outcome of the contract can be foreseen with reasonable certainty and is attributed in line with the degree of completion of each contract.

#### *Taxation*

The charge for taxation is based on the result for each year and takes into account deferred taxation. Deferred tax assets or liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Liabilities are calculated on a non-discounted full provision basis. Assets are calculated on the same basis, but are recognised only to the extent that it is probable that they will be recovered.

#### *Long term contract balances*

Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit less any foreseeable losses. Payments received on account of contracts are deducted from amounts recoverable on contracts in debtors or long term contract balances in stock. Where such amounts have been received and exceed amounts recoverable, the net amounts are included in creditors.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 stocks. Where pre-contract bid costs are reimbursed at financial close, the proceeds are initially applied against the asset included in stocks. Any excess recoveries of costs are carried forward as deferred income and released to profit over the period of the contract to which the pre-contract costs relate.

#### *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.

### 2 Turnover

Turnover comprises of transportation charges relating to ownership of gas networks. The Company had only one class of business, which was generated in the UK.

### 3 Operating loss

The audit fee for the year ending 31 December 2006 amounting to £500 was borne by Carillion JM Limited (formerly Mowlem plc).

Fees paid to the company's auditor, KPMG Audit Plc, and its associates for 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. In 2005, the auditors' remuneration was paid by Carillion JM Limited (formerly Mowlem plc), the ultimate holding company at that time.

### 4 Remuneration of directors

All directors of the company are employed by Carillion plc (formerly Mowlem plc) and are remunerated by that company in respect of their services to the group as a whole. They receive no emoluments from this company.

### 5 Taxation on loss on ordinary activities

#### *Analysis of tax credit for the period*

	2006 £	2005 £
<i>UK corporation tax</i>		
Current tax	-	-
Adjustments made in previous year	-	31
	<hr/>	<hr/>
Current tax	-	31
<i>Deferred tax</i>		
Current tax	-	-
Adjustments made in previous year	-	29
	<hr/>	<hr/>
	-	60
	<hr/>	<hr/>

## Notes (continued)

### 5 Taxation on loss on ordinary activities (continued)

#### Factors affecting tax charge for the year

The tax assessed differs from the application of the standard rate of corporation tax in the UK of 30% (2005 30%) to the company's profit before taxation for the following reasons

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	-	-
	<hr/>	<hr/>
Current tax at 30% (2005 30%)	-	-
<i>Effects of</i>		
Expenses not deductible for tax	-	-
Depreciation in excess of capital allowances	-	-
Prior period adjustment	-	31
	<hr/>	<hr/>
Current tax	-	31
	<hr/>	<hr/>

### 6 Debtors

	2006 £	2005 £
Other debtors including taxation and social security	100	100
	<hr/>	<hr/>

### 7 Creditors amounts falling due within one year

	2006 £	2005 £
Amounts due to group companies	206,280	188,906
Corporation tax payable	-	17,374
	<hr/>	<hr/>
	206,280	206,280
	<hr/>	<hr/>

### 8 Reserves

	Profit and loss account £
At beginning of year	(206,280)
Retained profit for the year	-
	<hr/>
At end of year	(206,280)
	<hr/>

## Notes (continued)

### 9 Reconciliation of movements in equity shareholders' funds

	2006 £	2005 £
Profit for the financial year	-	60
Opening shareholders' deficit	(206,180)	(206,240)
	<hr/>	<hr/>
Closing shareholders' deficit	(206,180)	(206,180)
	<hr/>	<hr/>

### 10 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
Equity Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

### 11 Related party transactions

As a subsidiary of Carillion plc (formerly Mowlem plc), the Company is exempt from the requirements of FRS 8 'Related Party Transactions', to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties

### 12 Ultimate holding company

The company's ultimate controlling company is Carillion plc which is incorporated in Great Britain

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