Carillion (Aspire Services) Limited

Directors' report and financial statements
Registered number 05704254
For the year ended 31 December 2011

Contents

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2011

Principal activities
The company is a special purpose entity which has been set up for the Ministry of Defence's Allenby and Connaught project The project is a 35 year concession beginning in 2006 to maintain the estates in Aldershot and the Salisbury Plain areas under the Government's Private Finance Initiative ("PFI") The project covers the provision of both hard services such as maintaining the estates including utilities, and soft services including cleaning catering office support stores management transport management and ancillary services These activities are delivered through the Aspire Defence Services ("ADS") unincorporated joint venture which is a 50/50 joint venture between KBR (Aspire Services) Limited and Carillion (Aspire Services) Limited

Review of the period
The performance of the company is set out in the profit and loss account set out on page 8 The directors consider the result for the year to be satisfactory

Key risks and uncertainties
The principal risks of the business revolve around its ability to maintain the accommodation at the required standard and to manage the cost of carrying out the maintenance and building improvement and the ongoing provision of the soft services Through 2011 the operational risks continued to be robustly addressed, without impact to the business performance

Key performance indicators
The board monitors the performance of the company through the use of key performance indicators, which are related to financial performance, health and safety performance and a number of other factors In addition the contract requires detailed reporting to the client (MoD) with respect to performance measures covering a number of areas In respect of the year ended 31 December 2011, the company's performance against these measures was satisfactory

Financial Performance
The company has modelled the anticipated financial outcome of the Project and develops detailed annual budgets, which are reviewed regularly The company monitors actual financial performance against anticipated performance As at 31 December 2011, the company's performance against these measures was satisfactory

Safety Performance
The company is committed to providing a safe environment for its employees and those impacted by its activities In respect of the year ended 31 December 2011, the company's performance against these measures was satisfactory

Profits and dividends
The profit on ordinary activities before taxation was £1,462 000 (2010 £1,290,000)

A dividend of £2 314 000 was paid during the year (2010 £1 381 000)

Directors
The directors serving during the year and subsequently were

R Howson
R Lumby
M Kasher
M Gill (resigned 21 July 2011)

Payment to suppliers
The company negotiates payment terms with its suppliers when it enters into binding purchase contracts The company seeks to abide by the terms when it is satisfied that the supplier has provided goods or services in accordance with the agreed terms and conditions The company does not have a standard code which deals specifically with the payment of suppliers

Trade creditor days at 31 December 2011 were 33 days (2010 53 days)

Employees
The company does not directly employ staff

Staff are either employed through Aspire Defence Services Limited and charged to the company or paid by other direct Carillion legal entities

Disclosure of information to auditors

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

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office

Approved by the Board on 23 August 2012 and signed on its behalf by

R Lumby
Director

24 Birch Street
Wolverhampton
WV1 4HY

Statement of directors' responsibilities in respect of the directors' report and the financial statements
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

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

We have audited the financial statements of Carillion (Aspire Services) Limited for the year ended 31 December 2011 set out on pages 8 to 16 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 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 (APB'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 APB's web-site at www frc org uk/apb/scope/private cfm

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 2011 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 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

30 August 2012

MT Hopton
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

Profit and loss account
for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Turnover	*1*	**69,444**	67,124
Cost of sales		**(68,071)**	(65,851)
Gross profit		**1,373**	1,273
Administrative expenses		**(13)**	(13)
Operating profit		**1,360**	1,260
Interest receivable and similar income	*3*	**177**	94
Interest payable and similar charges	*4*	**(75)**	(64)
Profit on ordinary activities before taxation	*2*	**1,462**	1,290
Tax on profit on ordinary activities	*7*	**(318)**	1,046
Profit for the financial year	*12*	**1,144**	2,336

All activities relate to continuing operations

There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis in either the current or preceding financial year

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

Balance sheet
at 31 December 2011

	Note	£000	2011 £000	£000	2010 £000
Current assets					
Debtors	*8*	3,236		7,898	
Cash at bank and ın hand		5,613		7,033	
		8,849		14,931	
Credıtors amounts fallıng due wıthın one year	*9*	(6,884)		(10,247)	
Net current assets			1,965		4,684
Credıtors amounts fallıng due after more than one year	*10*		(1,620)		(3,169)
Net assets			345		1,515
Capıtal and reserves					
Called up share capıtal	*11*		-		-
Profit and loss account	*12*		345		1,515
Equıty shareholders' funds	*13*		345		1,515

These financıal statements were approved by the Board of Dırectors on and were sıgned on ıts behalf by

R Lumby
Dırector

Company regıstered number 05704254

Carillion (Aspire Services) Limited
Notes
(forming part of the financial statements)

1 Principal accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial information

Basis of accounting
The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

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

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

Going concern
The company's business activities, together with the factors likely to affect its future development and position are set out in the Business Review section of the Directors' report

The company participates in the Carillion plc group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries The directors, having assessed the responses of the directors of the company's ultimate parent Carillion plc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Carillion group to continue as a going concern or its ability to continue with the current banking arrangements The Group renegotiated the banking facilities in February 2011 to continue to cover this requirement As with any company placing reliance on other group entities for financial support the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate

Related Party transactions
As 100% of the Company's voting rights are controlled within the group headed by Carillion plc, the company has taken advantage of the exemption in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Carillion plc, within which this company is included, can be obtained from the address given in note 16

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 relates to services provided in the United Kingdom and to the company's only business segment, being construction services

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 the 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 it attributed in line with the degree of completion of each contract Where a loss is foreseen it is recognised in full immediately

In preparing contract forecasts a prudent and reasonable evaluation of claims is included in the assessment of the final outturn

Taxation
The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes
Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19

Notes *(continued)*

2 Profit on ordinary activities before taxation

	2011 £000	2010 £000
Profit on ordinary activities is stated after charging		
Auditors remuneration		
Audit of these financial statements	**1**	1

Fees paid to the company's auditor, KPMG Audit Plc and its associates, for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of the company's parent, Carillion plc, are required to disclose non-audit fees on a consolidated basis

3 Interest receivable and similar income

	2011 £000	2010 £000
Interest receivable from group undertakings	**1**	62
Bank interest receivable	**176**	8
Interest receivable on loan to Aspire Defence Services Limited	**-**	24
	177	94

4 Interest payable and similar charges

	2011 £000	2010 £000
Interest payable to group undertakings	**15**	16
Interest payable on loan from Aspire Defence Limited	**59**	48
	74	64

5 Directors remuneration

The directors of the company are employed by another subsidiary of Carillion plc and are remunerated by that subsidiary for their services to group companies as a whole They receive no emoluments in respect of services provided to the company

6 Staff numbers and costs

The company does not directly employ staff

Staff are either employed through Aspire Defence Services Limited and charged to the company or paid by other direct Carillion legal entities

Notes *(continued)*

7 Tax on profit on ordinary activities

(a) Analysis of taxation credit/(charge) in the year	**2011**	2010
	£000	£000
UK corporation tax		
Current tax	**388**	(404)
Adjustment in respect of prior periods	**(70)**	(642)
Total current taxation	**318**	(1,046)
Total taxation on profit on ordinary activities	**318**	(1,046)

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

The current tax charge/(credit) for the year is lower (2010 lower) than the standard rate of 26 5 % (2010 28%) The difference is explained below

	2011	2010
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before taxation	**1,462**	1,290
Tax on profit on ordinary activities at 26 5% (2010 28%)	**388**	361
Effects of		
Group relief not paid for	**-**	(8)
Permanent differences	**-**	(757)
Adjustment in respect of previous periods	**(70)**	(642)
Current tax charge/(credit) for the year	**318**	(1,046)

(c) Factors that may affect future tax charges

On 5 July 2011 the Finance (No 3) Act 2011 was substantively enacted, implementing from 1 April 2012 a reduction in the corporation tax rate from 26% to 25% This was superseded by a further reduction to 24% also effective from 1 April 2012, which was announced in the 2012 Budget on 21 March 2012, and substantively enacted on 26 March 2012 Further 2% rate reductions over the next 2 years will reduce the UK corporation tax rate to 22% This will reduce the company's future current tax charge accordingly

Notes *(continued)*

8 Debtors

	2011 £000	2010 £000
Trade debtors	**1,063**	1 551
Amounts owed by group undertakings	**217**	4,239
Amounts owed by jointly controlled entities	**1,150**	1 585
Corporation tax	**-**	404
Other debtors	**806**	112
Prepayments and accrued income	**-**	7
	3,236	7,898

	2011 £000	2010 £000
Included within debtors are the following amounts falling due after more than one year		
Amounts owed by jointly controlled entities	**810**	1,585
	810	1,585

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

Notes *(continued)*

9 Creditors amounts falling due within one year

	2011	2010
	£000	£000
Trade creditors	**6,051**	9,523
Amounts owed to group undertakings	**233**	691
Corporation tax	**400**	-
Accruals and deferred income	**200**	33
	6,884	10,247

10 Creditors amounts falling due after more than one year

	2011	2010
	£000	£000
Amounts owed to related parties	**1,620**	3,169
	1,620	3 169

Amounts due to Aspire Defence Limited of £1,620,354 (2010 £3,169,000) bear interest at a rate indexed to inflation

11 Called up share capital	**2011**	2010
	£	£
Allotted, called up and fully paid		
1 ordinary share of £1	**1**	1

Notes *(continued)*

12. Reserves

	Profit and loss account
	£000
At beginning of year	1,515
Profit for the financial year	1,144
Dividends paid to equity holders	(2,314)
At the end of the year	**345**

13. Reconciliation of movements in shareholders' funds

	2011	2010
	£000	£000
Profit for the financial year	**1,144**	2,336
Dividend paid to equity holders	**(2,314)**	(1,381)
Net (decrease)/increase in equity shareholders' funds	**(1,170)**	955
Equity shareholders' funds at the beginning of the year	**1,515**	560
Equity shareholders' funds at the end of the year	**345**	1,515

14 Capital commitments

There were no capital commitments at 31 December 2011 (2010 £Nil)

Notes *(continued)*

15. Related party transactions

The company has the following related party transactions and balances due from joint ventures

	Aspire Defence Limited	Aspire Defence Services Limited	Aspire Defence Capital Works
	£000	£000	£000
2011:			
Turnover	81,274	-	27
Purchases	-	45,142	-
Debtors	1,636	1,620	8
Creditors	810	4,922	-
2010:			
Turnover	67,095	-	29
Purchases	-	45,175	-
Debtors	1,656	3,169	7
Creditors	1,584	8,430	-

At 31 December 2011 a loan of £1,620,354 (2010 £3,169,000) was due to Aspire Defence Limited

16 Controlling and parent companies

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

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