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## **SURREY LIGHTING SERVICES LIMITED**

**DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2011**

**Registered Number 7007467**

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## **SURREY LIGHTING SERVICES LIMITED**

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### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

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## **SURREY LIGHTING SERVICES LIMITED**

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### **DIRECTORS AND ADVISORS**

#### **Directors**

J Whnn	
A S Pearson	
D R Bradbury	(appointed 1 March 2011)
J M N Rutland	(appointed 17 January 2012)
M J Mercer-Deadman	(resigned 1 March 2011)
C James	(resigned 17 January 2012)

#### **Company secretary and registered office**

R K Miller  
Allington House  
150 Victoria Street  
London  
SW1E 5LB

#### **Auditor**

Deloitte LLP  
Chartered Accountants  
London

#### **Principal bankers**

Lloyds TSB Bank plc  
25 Gresham Street  
London  
EC2V 7HN

#### **Solicitors**

Addleshaw Goddard  
Milton Gate  
60 Chiswell Street  
London  
EC1Y 4AG

## **SURREY LIGHTING SERVICES LIMITED**

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### **DIRECTORS' REPORT**

The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2011

The Directors' report has been prepared in accordance with the special provisions relating to small companies under section 417 of the Companies Act 2006

The Company is a wholly owned subsidiary of SLS Holding Company Limited, which in turn is owned by John Laing Investments Limited (50%) and Skanska Infrastructure Investment UK Limited (50%)

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The Company is principally engaged in the performance of a PFI contract with Surrey County Council for the design, installation, refurbishment and maintenance of certain street lighting

Financial close was reached on 27 November 2009. The concession period is 25 years. Construction commenced in March 2010. A sample of completed individual street lights are checked by an independent certifier who deems all lights completed as certified, therefore the construction is effectively completed in monthly phases

### **GOING CONCERN**

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. In reaching this conclusion, the Directors have specifically considered the Company's relationships with its immediate parent company. More information is provided in note 1 to the financial statements

### **FUTURE DEVELOPMENTS**

Final construction is forecast for completion in March 2015, after which the Company will continue to finance, operate and maintain the street lighting until the end of the concession

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who is a Director at the date of approval of this report confirms that

- as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006

### **DIRECTORS**

The Directors who served throughout the year, except as noted, are shown on page 1

### **EMPLOYEES**

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 9

### **AUDITOR**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an AGM

On behalf of the Board



A S Pearson  
Director  
24 May 2012

## **SURREY LIGHTING SERVICES LIMITED**

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### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 year. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SURREY LIGHTING SERVICES LIMITED**

We have audited the financial statements of Surrey Lighting Services Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 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, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies in the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 United Kingdom 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 period 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, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report.



Ross Howard (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

21 May 2012

**SURREY LIGHTING SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 £000	Period from 2 September 2009 to 31 December 2010 £000
Turnover	2	27,479	18,470
Cost of sales		(26,908)	(18,028)
<b>Operating profit</b>	3	<b>571</b>	<b>442</b>
Net interest receivable / (payable)	6	222	(117)
<b>Profit on ordinary activities before taxation</b>		<b>793</b>	<b>325</b>
Tax on profit on ordinary activities	7	(210)	(91)
<b>Profit for the financial year</b>	12	<b>583</b>	<b>234</b>

A reconciliation of movements in shareholder's funds is given in note 13

All items in the profit and loss account relate to continuing operations

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents

All gains and losses are recognised in the profit and loss account in both the current and preceding period, and therefore no separate statement of total recognised gains and losses has been presented

# SURREY LIGHTING SERVICES LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011 £000	2010 £000
<b>Current assets</b>			
Debtors		38,133	15,307
- due within one year	8	2,296	1,433
- due after more than one year	8	35,837	13,874
Cash at bank and in hand		2,782	313
		<b>40,915</b>	<b>15,620</b>
<b>Current liabilities</b>			
<b>Creditors</b> amounts falling due within one year	9	(6,958)	(3,579)
<b>Net current assets</b>		<b>33,957</b>	<b>12,041</b>
<b>Total assets less current liabilities</b>		<b>33,957</b>	<b>12,041</b>
<b>Creditors</b> amounts falling due after more than one year	9	(33,140)	(11,807)
<b>Net assets</b>		<b>817</b>	<b>234</b>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	817	234
<b>Shareholder's funds</b>	13	<b>817</b>	<b>234</b>

The financial statements of Surrey Lighting Services Limited, registered number 7007467, were approved by the Board of Directors and authorised for issue on 24 May 2012. They were signed on its behalf by



A S Pearson  
Director  
24 May 2012



## SURREY LIGHTING SERVICES LIMITED

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### Notes to the financial statements for the year ended 31 December 2011

#### 1 ACCOUNTING POLICIES

##### a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding period, is shown below.

The Company is a wholly owned subsidiary undertaking of SLS Holding Company Limited and as such is exempt under FRS1 (revised 1996) from the requirement to prepare its own cash flow statement.

The current economic conditions create some uncertainty, including with respect to  
(a) the ability of the debt provider to continue to meet its contractual commitments, and  
(b) the ability of the SWAP provider to continue to meet their commitments.

The Directors have considered the ability of key sub-contractors to continue to meet contractual commitments and do not consider this to be a material risk.

The Directors have also considered the ability of government authorities to continue to pay unitary fees due to the Company and do not consider this to be a material risk.

The Company's forecasts and projections, taking account of reasonably possible changes in counterparty performance, show that the Company expects to be able to continue to operate.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

##### b) Turnover

Turnover is recognised so as to spread the total profit expected to be earned on the PFI contract equally over the life of the project.

During the construction phase of the project all attributable expenditure, including finance costs, is included in amounts recoverable on contracts and turnover. Upon becoming operational the costs are transferred to the finance debtor.

During the operational phase income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income is allocated to the finance debtor.

Turnover is net of VAT and is entirely derived in the United Kingdom.

##### c) Finance debtor

The Company is an operator under a PFI contract. Under the terms of the contract, substantially all the risks and rewards of ownership of the property asset remain with Surrey County Council. The underlying asset is therefore not a fixed asset of the Company under FRS5 Application Note F and SSAP 21.

##### d) Finance debtor and income recognition

During the construction phase of the project, all attributable expenditure including finance costs are included in amounts recoverable on contracts and turnover. Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor.

##### e) Operating costs

Operating costs are added to amounts recoverable on contracts during the construction period. Following certification, regular operating and maintenance costs and central costs will be expensed to the profit and loss account as incurred.

##### f) Interest payable

Interest costs on borrowings used to fund the construction of the assets are added to the amounts recoverable on contract during the construction period. Interest is then written off to the profit and loss account over the period of concession.

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SURREY LIGHTING SERVICES LIMITED

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Notes to the financial statements for the year ended 31 December 2011 (continued)

1 ACCOUNTING POLICIES (continued)

g) Debt issue costs

Costs incurred following the issue of debt are held on the balance sheet and charged to the profit and loss account over the period that the relevant debt is held using an effective interest rate

h) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

In accordance with FRS19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted

i) Financial Instruments

The Company uses financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes

j) Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

**SURREY LIGHTING SERVICES LIMITED**

**Notes to the financial statements for the year ended 31 December 2011 (continued)**

**2 TURNOVER**

	Period from 2 September 2009 to 31 December 2010	
	2011	2010
	£000	£000
Turnover in the year is analysed as follows		
Construction revenue	22,814	14,936
Service fee revenue	3,672	2,917
Other operating income	993	617
	<u>27,479</u>	<u>18,470</u>

**3 OPERATING PROFIT**

	Period from 2 September 2009 to 31 December 2010	
	2011	2010
	£000	£000
Operating profit is stated after charging		
Fees payable to the Company's auditor for the audit of the accounts of the Company and Parent Company	10	10
Construction costs	22,814	14,936
Operating and maintenance costs	2,885	2,479
Other operating costs	<u>1,199</u>	<u>603</u>

**4 DIRECTORS' REMUNERATION**

No Directors received any remuneration for services to the Company during the current or prior period. The Company is managed by secondees from the shareholders under a management services contract.

**5 STAFF NUMBERS**

The Company had no employees during the year (2010 - nil)

**6 NET INTEREST RECEIVABLE / (PAYABLE)**

	Period from 2 September 2009 to 31 December 2010	
	2011	2010
	£000	£000
<b>Interest receivable and similar income</b>		
Interest receivable on finance debtor	<u>1,483</u>	<u>157</u>
	1,483	157
<b>Interest payable and similar charges</b>		
Interest payable on bank loans and overdrafts	(1,503)	(523)
Amortised debt issue costs	(58)	(45)
Capitalised interest	<u>300</u>	<u>294</u>
	(1,261)	(274)
Net interest receivable / (payable)	<u>222</u>	<u>(117)</u>

**SURREY LIGHTING SERVICES LIMITED**

Notes to the financial statements for the year ended 31 December 2011 (continued)

**7 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	Period from 2 September 2009 to 31 December 2010	
	2011 £000	2010 £000
<u>Analysis of tax charge for the year</u>		
<b>Current tax</b>		
Group relief payable	(210)	(91)
<b>Total tax charge on profit on ordinary activities</b>	<u>(210)</u>	<u>(91)</u>

*Factors affecting tax charge for the current year*

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	Period from 2 September 2009 to 31 December 2010	
	2011 £000	2010 £000
Profit on ordinary activities before taxation	<u>793</u>	<u>325</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	(210)	(91)
<b>Total current tax charge for the year</b>	<u>(210)</u>	<u>(91)</u>

For the year ended 31 December 2011, the blended UK rate of 26.5% is applied due to the change in the UK corporation tax rate from 28% to 26% with effect from 1 April 2011

The Finance Bill 2012 announced a reduction in the main rate of Corporation tax for the financial year beginning 1 April 2012 from 25% to 24%. The Finance Act 2012 also announced a further reduction in the main rate of corporation tax for the financial year beginning 1 April 2013 from 24% to 23%.

**8 DEBTORS**

	2011 £000	2010 £000
<b>Due within one year</b>		
Other taxation and social security	588	307
Amounts recoverable on contracts	1,621	1,062
Prepayments and accrued income	<u>87</u>	<u>64</u>
	<u>2,296</u>	<u>1,433</u>
<b>Due after more than one year</b>		
Finance debtor	32,630	8,318
Amounts recoverable on contracts	<u>3,207</u>	<u>5,556</u>
	<u>35,837</u>	<u>13,874</u>

**SURREY LIGHTING SERVICES LIMITED**

**Notes to the financial statements for the year ended 31 December 2011 (continued)**

**9 CREDITORS**

	2011 £000	2010 £000
<b>Amounts falling due within one year</b>		
Less unamortised debt issue costs	(83)	(58)
Trade creditors	4,906	1,903
Group relief payable	129	91
Accruals and deferred income	2,006	1,843
	<u>6,958</u>	<u>3,579</u>
<b>Amounts falling due after more than one year</b>		
Bank loans (note 10)	30,941	11,487
Less unamortised debt issue costs	(1,830)	(1,912)
Unitary charge control account	4,029	2,232
	<u>33,140</u>	<u>11,807</u>
<b>Analysis of debt</b>		
Debt can be analysed as falling due		
Between two and five years	12,056	10,034
In five years or more	18,885	1,453
	<u>30,941</u>	<u>11,487</u>
Less unamortised debt issue costs	(1,913)	(1,970)
	<u>29,028</u>	<u>9,517</u>

**10 LOANS**

**Bank loans**

The Company has the facilities shown below provided by Barclays Bank plc and Lloyds TSB Bank plc in order to finance the construction of the project. The loans are repayable in instalments based on an agreed percentage amount of the total facilities per annum from 2013 to 2033.

The loans are secured by a fixed and floating charge over all the assets of the Company and a charge over the shares of the Company.

Interest on the facility is charged at rates linked to LIBOR. The Company has entered into fixed interest rate swaps to mitigate its interest rate exposure which have a negative fair value at 31 December 2011 of £19,470,158 (2010: £6,178,013). The fixed interest rate on the facility, including all margins, is 7.36%. The Company does not hold or issue derivative financial instruments for speculative purposes.

The loans are secured by a fixed and floating charge over all the assets of the Company and a charge over the shares of the Company. The interest rate is fixed for the life of the loan.

**11 CALLED UP SHARE CAPITAL**

	2011 £000	2010 £000
<b>Allotted, called up and fully paid</b>		
100 ordinary shares of £1 each	<u>-</u>	<u>-</u>

**SURREY LIGHTING SERVICES LIMITED**

**Notes to the financial statements for the year ended 31 December 2011 (continued)**

**12 MOVEMENT IN RESERVES**

	Profit and loss account £'000
At 1 January 2011	234
Profit for the financial year	583
At 31 December 2011	<u>817</u>

**13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**

	2011 £000	2010 £000
Profit for the financial year	583	234
Net addition to shareholder's funds	<u>583</u>	234
Opening shareholder's funds	234	-
Closing shareholder's funds	<u>817</u>	<u>234</u>

**14 TRANSACTIONS WITH RELATED PARTIES**

As a wholly owned subsidiary of SLS Holding Company Limited, the Company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the SLS Holding Company Limited Group. Note 15 gives details of how to obtain a copy of the published financial statements of SLS Holding Company Limited.

**16 ULTIMATE PARENT UNDERTAKING**

The Company's ultimate and immediate parent company and controlling entity, and the largest and smallest group in which its results are consolidated is SLS Holding Company Limited, a company incorporated in Great Britain and registered in England and Wales, whose registered office is Allington House, 150 Victoria Street, London SW1E 5LB.