Carillion Eltel JV Limited

Directors' report and financial statements

Registered number 07966837

For the period from incorporation on 28 February 2012 to 31 December 2012

Contents

Directors' report

The directors present their first directors' report and financial statements for the period from incorporation on 28 February 2012 to 31 December 2012

Date of incorporation and commencement of trade

The company was incorporated as a private limited company registered in England and Wales, and commenced trading on 28 February 2012

Principal activities

The company undertakes certain repairs and upgrade work of pylons and conductors in the UK for National Grid plc under an Area Alliance Agreement

The company is the vehicle for a joint venture arrangement between Carillion Utility Services Limited and Eltel Networks UK Limited

Business review

The statement of comprehensive income is set out on page 6 and relates to the operating activities commenced during the year

The directors consider the performance of the company during the period, the financial position at the end of the period and its prospects for the future to be in line with their expectations of the first period of operation

Principle risks and uncertainties

The company's principal activity is detailed above The principle operational and financial risks, and the measures taken to mitigate them, are as detailed in the following section

Contract delivery risk

The contracts that are undertaken can take up to 12 months to complete all aspects The company invests time and resource into up-front planning and subsequent monitoring of progress on individual contracts on an on-going basis, including regular two-way communication with the sole customer, to ensure the quality and timeliness of work delivered remains at the standards required

Health and safety risk

The nature of the contract work includes working in a number of differing hazardous and difficult environments The company has adopted the strict health and safety requirements of the customer, National Grid, and implemented rigorous monitoring procedures to ensure these are maintained at all times throughout the duration of each contract

Inflation risk

The contract operates on annual works orders and target costs for particular contracts sourcing and pricing jobs with goods at delivered prices There is specification within the contract that some price volatile items, such as fuel, are not subject to pain or gain and are fully reimbursable

Proposed dividend

The directors do not recommend the payment of a dividend

Directors

The directors who held office during the year were as follows

TF George	(appointed 28 February 2012, resigned 28 March 2012)
LJ Mills	(appointed 28 February 2012, resigned 28 March 2012)
GM Carr	(appointed 28 March 2012)
P Forsyth	(appointed 16 May 2012)
JJ Ledwidge	(appointed 28 February 2012, resigned 16 May 2012)
A Hjarne	(appointed 28 March 2012)
M Dahlgren	(appointed 28 March 2012, resigned 31 December 2012)
A Joy	(appointed 1 April 2012)
LF Menander	(appointed 31 December 2012)

Directors' report *(continued)*

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year

Disclosure of information to auditor

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 auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

During the year, KPMG LLP was appointed to fill the vacancy arising on incorporation

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

By order of the board

Graham Carr
Director

24 Birch Street
Wolverhampton
WV1 4HY
United Kingdom

20 March 2013

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 IFRSs as adopted by the EU 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 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 they have been prepared in accordance with IFRSs as adopted by the EU, 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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

Independent auditor's report to the members of Carillion Eltel JV Limited

We have audited the financial statements of Carillion Eltel JV Limited for the period from incorporation on 28 February 2012 to 31 December 2012 set out on pages 6 to 18 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

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 3, 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 2012 and of its result for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, 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

Independent auditor's report to the members of Carillion Eltel JV Limited *(continued)*

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

John Leech (Senior Statutory Auditor) 20 March 2013
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Statement of Comprehensive Income
for period ended 31 December 2012

	Note	**Period ended 31 December 2012 £000**
Revenue	*1,2*	**8,280**
Cost of sales		**(7,669)**
Gross profit		**611**
Administrative expenses		**(611)**
Operating profit and profit before tax	*3*	**-**
Taxation	*6*	**-**
Profit for the period		**-**
Total comprehensive income for the period		**-**

All results relate to continuing operations

Statement of Financial Position
at 31 December 2012

	Note	2012 £000
Non-current assets		
Property, plant and equipment	7	894
		894
Current assets		
Trade and other receivables	8	319
Cash and cash equivalents		587
		906
Total assets		1,800
Current liabilities		
Trade and other payables	10	(1,799)
Total liabilities		(1,799)
Net assets		1
Equity		
Share capital	11	1
Retained earnings	11	-
Total equity		1

These financial statements were approved by the board of directors on 20 March 2013 and were signed on its behalf by

Graham Carr
Director

Company registered number 7966837

Statement of Changes in Equity
for the period ended 31 December 2012

	Share capital £000	Retained earnings £000	Total equity £000
Total comprehensive income for the period	-	-	-
Issue of shares	1	-	1
Balance at 31 December 2012	1	-	1

Cash Flow Statement
for the period ended 31 December 2012

	Note	2012 £000
Cash flows from operating activities		
Profit for the year		-
Adjustments for		
Depreciation		147
		147
Increase in trade and other receivables		(319)
Increase in trade and other payables		1,799
		1,480
Net cash from operating activities		1,627
Cash flows from investing activities		
Acquisition of property, plant and equipment		(1,041)
Net cash from investing activities		(1,041)
Cash flows from financing activities		
Proceeds from the issue of share capital		1
Net cash from financing activities		1
Net increase in cash and cash equivalents		587
Cash and cash equivalents at 28 February 2012		-
Cash and cash equivalents at 31 December 2012		587

Notes
(forming part of the financial statements)

1 Accounting policies

Carillion Eltel JV Limited (the "company") is a company incorporated and domiciled in the UK The company was incorporated on 28 February 2012

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

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

1 2 Measurement convention

The financial statements are prepared on the historical cost basis Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell

1 3 Going concern

The financial statements are prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future

The directors have reviewed the company's cash flow forecasts and profit projections over the following 12 months The forecasts demonstrate that the company expects to meet its liabilities as they fall due for the foreseeable future The directors believe it is appropriate for the financial statements to be prepared on a going concern basis

1 4 Foreign currency

Transactions in foreign currencies are translated to the company's functional currencies at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

1.5 Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

(b) where the instrument will or may be settled in the company s own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company s own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Notes *(continued)*

1 Accounting policies *(continued)*

1 6 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables

Trade and other receivables

Trade and other receivables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses

Trade and other payables

Trade and other payables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost using the effective interest method

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement

1 7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment Land is not depreciated The estimated useful lives are as follows

Plant and equipment 2 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

1 8 Contract receivables

Contract receivables represent the gross unbilled amount for contract work performed to date They are measured at cost plus profit recognised to date (see the revenue accounting policy) less a provision for foreseeable losses and less progress billings Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the company's contract activities based on normal operating capacity

Construction contract receivables are presented as part of trade and other receivables in the balance sheet If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet

Notes *(continued)*

1 Accounting policies *(continued)*

1 9 Impairment excluding deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate Interest on the impaired asset continues to be recognised through the unwinding of the discount When a subsequent event causes the amount of impairment loss to decrease the decrease in impairment loss is reversed through profit or loss

Non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment If any such indication exists, then the asset's recoverable amount is estimated

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the ' cash-generating unit")

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount Impairment losses are recognised in profit or loss Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

1 10 Revenue

Revenue represents the net amount receivable, excluding value added tax, for goods and services supplied to all customers In respect of long term contracting activities, revenue reflects the value of work executed during the year on a percentage of completion basis

1 11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable or receivable on the taxable income or loss 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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised

Notes *(continued)*

2 Revenue

	Period ended 31 December 2012 £000
Contract revenue arising in the UK, being total revenues	8,280

3 Expenses and auditors' remuneration

Included in profit/loss are the following

	Period ended 31 December 2012 £000
Auditors' remuneration	
Audit of these financial statements	20
Amounts receivable by the auditors and their associates in respect of	
Other services relating to taxation	8
Other services pursuant to legislation	4

4 Staff numbers and costs

All employees providing services to the company are employed by the joint venture partners and costs relating to such employees are recharged to the company Total costs borne by the company in this respect during the period were £5 5 million

5 Directors' remuneration

All directors providing services to the company in the period are employed by the joint venture partners and costs are recharged to the company Total costs borne by the company in the period in this respect were £0 1 million

6 Taxation

Recognised in the income statement

	Period ended 31 December 2012 £000
Current tax expense	-
Tax expense in income statement	-
Total tax expense	-

Notes *(continued)*

6 Taxation *(continued)*

Reconciliation of effective tax rate

	Period ended 31 December 2012 £000
Result for the year	-
Total tax expense	-

7 Property, plant and equipment

	Plant and equipment £000
Cost	
Balance at 28 February 2012	-
Additions	1,041
Balance at 31 December 2012	1 041
Depreciation	
Balance at 28 February 2012	-
Depreciation charge for the year	147
Balance at 31 December 2012	147
Net book value	
At 31 December 2012	**894**

8 Trade and other receivables

	2012 £000
Trade receivables due from related parties	216
Other receivables and prepayments	103
	319

Notes *(continued)*

9 Trade and other payables

	2012 £000
Trade payables	408
Other payables and deferred income	1,239
Accrued expenses	161
	1,799

10 Capital and reserves

Share capital

	Ordinary shares 2012
Issued for cash	1,000
On issue at 31 December – fully paid	1,000

	£000
Allotted, called up and fully paid	
1,000 ordinary shares of £1 each	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company

During the year the company issued 1,000 £1 ordinary shares for a consideration of £1,000, settled in cash

11 Retained earnings

	Retained earnings £000
Other comprehensive income in the period	-
Income tax on other comprehensive income in the period	-
Retained earnings at 31 December 2012	-

Notes *(continued)*

12 Financial instruments

Financial instruments

The company's financial instruments comprise cash, bank loans and overdrafts and various items such as trade receivables and trade payables which arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations

Financial assets

	2012 Carrying Value £000
Trade and other receivables	319
Cash	587
	906

Financial liabilities

	2012 Carrying Value £000
Trade and other payables	1,799
	1,799

At 31 December 2012, there was no significant difference between the carrying value of the company's financial assets and liabilities and their fair value

Capital Risk

The Company operates within the policies and procedures governed by its parent companies, Carillion Utility Services Limited and Eltel Networks UK Limited Within the scope of these policies and procedures, the company manages its capital with the objective to enable the business to continue as a going concern and maximise returns to stakeholders The assets and liabilities of the company that are managed as capital comprise trade and other receivables, cash and cash equivalents, and trade and other payables

Financial Risk

The company's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, price risk and credit risk) and liquidity risk The company's risk management programme seeks to minimise potential adverse effects on the company's financial performance

Liquidity Risk

The company manages liquidity risk by continuously monitoring forecast and actual cash flows Future cash requirements are forecast on a monthly basis

The maturity analysis for the Company's financial liabilities is contractually as follows

31 December 2012	Carrying Value £000	Less than 3 months £000	3-6 months £000	6-12 months £000	Over 12 months £000
Trade and other payables	1,799	1,799	-	-	-

Notes *(continued)*

12 Financial instruments *(continued)*

Market risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities

The carrying amount of financial assets represents the maximum credit exposure Therefore, the maximum exposure to credit risk at the balance sheet date was £0 9 million being the total of the carrying amount of financial assets, excluding equity investments, shown in the table above

The concentration of credit risk for trade receivables at the balance sheet date by customer was

	2012 Carrying Value £000
National Grid	**216**

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was

31 December 2012	**Carrying Value £000**	**Less than 3 months £000**	**3-6 months £000**	**6-12 months £000**	**Over 12 months £000**
Trade Receivables	**216**	**216**	-	-	-

Interest rate risk

Given that the company holds no significant loans or borrowings, interest rate risk is considered to be minimal in the year ended 31 December 2012 The company does not therefore utilise interest rate swaps or other hedging instruments

13 Commitments

Capital commitments

At 31 December 2012 the company had no capital commitments

Notes *(continued)*

14 Related parties

During the period, the company undertook related party transactions with both partners to the joint venture, Carillion Utility Services Limited and Eltel Networks UK Limited

	Administrative expenses incurred from 2012 £000
Carillion Utility Services Limited	2,979
Eltel Networks UK Limited	2,526
	5,505

	Receivables outstanding 2012 £000	Payables due 2012 £000
Carillion Utility Services Limited	163	(234)
Eltel Networks UK Limited	97	-
	260	(234)

15 Ultimate parent undertakings and controlling party

The company is a joint venture undertaking of Carillion Utility Services Limited and Eltel Networks UK Limited

The ultimate parent company of Carillion Utility Services Limited is Carillion plc, a company registered in England and Wales and listed on the London Stock Exchange

The ultimate parent company of Eltel Networks UK Limited is Eltel Group Oy, a company registered in Finland

No other group financial statements include the results of the company

In the opinion of the directors, there is no ultimate controlling party