

Carillion Specialist Services Limited

Directors' report and financial statements

Registered number 2574792

For the year ended 31 December 2012

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Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2012

Principal activities

The business of the company consists of architectural and engineering activities and related technical consultancy

Business review

This business has remained stable in 2012 with an operating profit of £192,000 (2011: £130,000). Profits are expected to remain stable into the foreseeable future. There have been no significant events since the balance sheet date which should be considered for a proper understanding of these statements. The results of the company are set out in the profit and loss account on page 8.

Key performance indicators

Various Key Performance Indicators (KPI's) are used to monitor the company's business - these include:

- (a) Gross margin, staff utilisation, PBIT %
- (b) Balance sheet controls (work in progress & debtor day indicators)
- (c) Secured order book figures - which include a series of numbers relating to probable work and possible work measured against historical figures

Results and dividends

The profit for the year after taxation amounted to £184,000 (2011: £133,000). A dividend of £1,400,000 was paid during the year (2011: £Nil).

Principal risks

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

Client retention - a number of contracts will be coming to an end over the next 2-3 years. The company is seeking to retain these clients by instigating client retention strategies and have been successful in retaining all our work currently undertaken.

Attracting and retaining skilled people for delivery and work winning. In order to attract, develop and retain excellent people and become an employer of choice, the company has a wide range of policies and programmes in place.

Directors

The directors serving during the year and subsequently were:

TDE Robinson	(resigned 6 June 2012)
LJ Mills	(appointed 25 March 2013)
RF Tapp	(appointed 22 November 2012)
JJ Ledwidge	(resigned 22 November 2012)
A Green	(appointed 14 June 2012 and resigned 25 March 2013)

Creditor payment policy

Where contracts with clients specify terms of payment to suppliers, it is company policy to pay in accordance with those terms. Where no such contractual requirement exists, it is company policy to comply with suppliers' terms and conditions.

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

The company 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. Carillion continually strives to eliminate all bias and unlawful discrimination in relation to job applicants, employees, business partners and members of the public. Full consideration is given to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position and wherever possible to re-train employees who become disabled, so that they can continue in their employment in another position.

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 their full potential. All aspects of employment are regularly reviewed by management to ensure this policy is achieved.

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 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 auditor is 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 *27 September 2013* and signed on its behalf by



LJ Mills
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 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 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 Specialist Services Limited

We have audited the financial statements of Carillion Specialist Services Limited for the year ended 31 December 2012 set out on pages 8 to 15. 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 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 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 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.

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



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

27 September

2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	<i>1,2</i>	2,028	1,962
Cost of sales		(1,214)	(1,186)
Gross profit		814	776
Administrative expenses		(622)	(646)
Operating profit		192	130
Interest receivable and similar income	<i>6</i>	52	51
Profit on ordinary activities before taxation	<i>3</i>	244	181
Tax on profit on ordinary activities	<i>7</i>	(60)	(48)
Profit for the financial year	<i>11</i>	184	133

All amounts 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 2012

	Note	£000	2012 £000	2011 £000
Current assets				
Debtors	8	1,205	2,442	
Cash at bank and in hand		<u>168</u>	<u>85</u>	
		1,373	2,527	
Creditors amounts falling due within one year	9	<u>(1,169)</u>	<u>(1,107)</u>	
Net current assets, being net assets			<u>204</u>	<u>1,420</u>
Capital and reserves				
Called up share capital	10	-	-	-
Profit and loss account	11	204	1,420	
Equity shareholders' funds	12	<u>204</u>	<u>1,420</u>	

These financial statements were approved by the Board of Directors on 21 September 2013 and were signed on its behalf by


LJ Mills
Director

Company registered number 2574792

Carillion Specialist 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

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 a wholly-owned subsidiary of Carillion plc the company has taken advantage of the exemption under FRS 8. Related party disclosures not to provide information on related party transactions with other undertakings within the Carillion Group. Note 14 gives details of how to obtain a copy of the published financial statements of Carillion plc.

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.

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.

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.

Pensions

Pension costs are recognised in the financial statements in accordance with the requirements of FRS 17 'Retirement benefits'. Carillion plc, the company's ultimate parent undertaking, administers and takes advice on the group's pension schemes. Regular pension costs in respect of the group's defined benefit pension schemes are established in accordance with the recommendations of independent actuaries and are charged to the profit and loss account based on the current service cost to the group.

In respect of the 'Staff', 'B' and 'Public Sector' pension schemes, the assets and liabilities of the schemes relating to the company cannot be readily ascertained on a reasonable and consistent basis as the schemes are for the benefit of the Carillion Group as a whole. Consequently, the company accounts for these schemes as if they were defined contribution schemes.

Contributions in respect of defined contribution schemes are charged to the profit and loss account as incurred.

Long-term contracts

The principal estimation technique used by the Group in attributing profit on long-term contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on revenues and costs to complete and enable an assessment to be made of the final out-turn of each contract. Consistent contract review procedures are in place in respect of contract forecasting.

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.

Notes (continued)

2 Turnover

Turnover during the year was generated from work wholly carried out in the United Kingdom

3 Profit on ordinary activities before taxation

The audit fee for the year ended 31 December 2012 amounting to £4,500 (2011 £4,000) was borne by Carillion Construction Limited, a fellow group subsidiary

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

4 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 2012	2011
Technical staff	<u>24</u>	<u>23</u>

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	908	907
Social security costs	101	102
Other pension costs	<u>140</u>	<u>127</u>
	<u>1,149</u>	<u>1,136</u>

5 Directors' remuneration

Certain directors of the company, who served during the financial year, were directors of Carillion Construction Limited and are remunerated from that company. For those directors who 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 Specialist Services Limited is of a non executive director and no remuneration is apportioned to the company.

6 Interest receivable and similar income

	2012 £000	2011 £000
Interest receivable from group undertakings	50	50
Bank interest receivable	<u>2</u>	<u>1</u>
	<u>52</u>	<u>51</u>

Notes (continued)

7 Tax on profit on ordinary activities

(a) Analysis of taxation charge in the year

	2012 £000	2011 £000
UK corporation tax		
Current tax	60	48
Total charge on profit on ordinary activities	60	48

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

The current tax charge for the year is the same as (2011 the same as) the standard rate of 24.5% (2010 26.5%) as shown below

	2012 £000	2011 £000
Current tax reconciliation		
Profit on ordinary activities before taxation	244	181
Tax on profit on ordinary activities at 24.5% (2011 26.5%)	60	48
Current tax charge for the year	60	48

(c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge accordingly.

Notes (continued)

8 Debtors

	2012	2011
	£000	£000
Trade debtors	148	201
Amounts recoverable on contracts	164	197
Amounts owed by group undertakings	893	2,040
Prepayments and accrued income	-	4
	<u>1,205</u>	<u>2,442</u>

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

9 Creditors: amounts falling due within one year

	2012	2011
	£000	£000
Payments on account	382	-
Trade creditors	1	1
Amounts owed to group undertakings	628	619
Corporation tax	60	48
Other tax and social security costs	43	39
Accruals and deferred income	55	400
	<u>1,169</u>	<u>1,107</u>

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

10 Called up share capital

	2012	2011
	£	£
Authorised allotted, called up and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

11 Reserves

	Profit and loss account £000
At beginning of year	1,420
Profit for the financial year	184
Dividends paid to equity holders	(1 400)
At the end of the year	<u>204</u>

12 Reconciliation of movements in shareholders' funds

	2012	2011
	£000	£000
Profit for the financial year	184	133
Dividends paid to equity holders	(1,400)	-
Equity shareholders' funds at the beginning of the year	<u>1,420</u>	<u>1 287</u>
Equity shareholders' funds at the end of the year	<u>204</u>	<u>1 420</u>

Notes (continued)

13 Pensions

The company is a member of three larger group pension schemes, the Carillion Staff Scheme the Carillion "B" scheme and the Carillion Public Sector Scheme, providing benefits based on final pensionable pay. Details of the schemes' assets and liabilities relating to the company cannot be identified on a consistent and reasonable basis and therefore as permitted by FRS17 'Retirement Benefits', the schemes have been accounted for, in these financial statements as if they were defined contribution schemes.

The principal assumptions used by the independent qualified actuary in providing the FRS 17 position were

	% Per annum	
	2012	2011
Discount Rate	4.55	4.8
Rate of increase in salaries	3.4	3.5
Rate of increase in pensions	2.9	3
Inflation rate (RPI)	2.9	3
Inflation rate (CPI)	2.05	1.9

An actuarial valuation of the Staff and 'B' schemes was undertaken by the Trustees' independent actuaries as at 31 December 2008 using the projected unit credit method. The market value of the schemes' assets at that date were £507.0 million and £98.9 million respectively, which represented approximately 97 per cent and 76 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 schemes by the Trustees independent actuaries, as at 31 December 2011, is currently underway.

An actuarial valuation of the Carillion Public Sector Scheme was undertaken by the Trustees' independent actuaries as at 31 December 2007 using the attained age 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, due at 31 December 2013, is currently underway. The company's regular on-going contribution to the Carillion Public Sector Scheme was £75,000 (2011: £67,537).

Regular ongoing contributions are no longer payable following the closure of the Staff and 'B' schemes to future accrual on 5 April 2009. Payments representing 33.8 per cent of pensionable salaries will be paid into the Carillion Public Sector Scheme in 2012.

At the 31 December 2011 the Carillion Staff, the Carillion "B" and the Carillion Public Sector Scheme had net deficits on an FRS 17 basis of £26.9 million, £10.4 million and £16.9 million respectively (2011: £17.5 million, £12.6 million and £20.0 million) net of deferred taxation.

The company is a member one of the group's defined contribution schemes. During the year contributions of £65,000 (2011: £59,891) were made to the scheme. Contributions outstanding at 31 December 2012 were nil (2011: £nil).

14 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.