

Routledge Focus on Business and Management:
Financial Failures & Scandals: From Enron to Carillion
By Krish Bhaskar and John Flower
Chapter 6 Carillion: The Collapse

Endnotes

¹ Ralph, A., 'Hedge funds made £200 million short-selling Carillion shares', *The Times*, 15 January 2018.

Available at:

<https://www.thetimes.co.uk/article/hedge-funds-made-200-million-short-selling-carillion-shares-sh5cgbv7>

Accessed July 2018.

² Goodley, S., 'Carillion chair planned 'upbeat' message before £845m writedown', *The Guardian*, 1 March 2018.

Available at:

<https://www.theguardian.com/business/2018/mar/01/carillion-chair-planned-upbeat-message-before-845m-writedown>

Accessed July 2018.

³ House of Commons. Business, Energy and Industrial Strategy and Work and Pensions Committees. Carillion Second Joint report from the Business, Energy and Industrial Strategy and Work and Pensions Committees of Session 2017–19. HC 769. Published on 16 May 2018. by authority of the House of Common.

Available at:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/769/769.pdf>

Accessed July 2018.

⁴ These allegations were contained in a report by FTI Consulting, which had been hired by Carillion in September 2017 to advise on further financing.

Project Ray: Independent Business review, FTI Consulting, 15 January 2017.

The conclusion was:

However, as whole, the Group has been poorly managed for a considerable period, during which time significant underperformance and contract issues have been masked by aggressive accounting and working capital management. As a result, the balance sheet and liquidity position of the Group is stretched and unsustainable.

Available at:

<https://www.parliament.uk/documents/commons-committees/work-and-pensions/Carillion/Project-Ray-FTI-consulting-15-January-2018.pdf>

Accessed July 2018.

⁵ Collingridge, J., 'Carillion board vetoed rescue plan', *The Sunday Times*, 13 May 2018.

Available at:

<https://www.thetimes.co.uk/article/carillion-board-vetoed-rescue-plans-ghbq6kn22>

Accessed July 2018.

⁶ Sky News, 2018, 'Carillion used suppliers to prop up failing business say MPs: Bosses at the failed company used credit for companies to hide its true levels of debt, according to an inquiry into its collapse'. Sky News, 14 May 2018.

Available at:

<https://news.sky.com/story/carillion-used-suppliers-to-prop-up-failing-business-say-mps-11372066>

Accessed July 2018.

⁷ Reverse factoring is when a bank, interposes itself between a company and its suppliers and commits to pay the company's invoices to the suppliers at an accelerated rate in exchange for a discount.

⁸ See Carillion Annual Report, 2016, page 47

Available at:

http://www.annualreports.co.uk/HostedData/AnnualReports/PDF/LSE_CLLN_2016.pdf

Accessed July 2018.

This report may be more difficult to download in the future.

⁹ Ibid. Carillion Annual Report, 2016, page 31

¹⁰ Shoaib, A., 2018, 'Carillion inquiry: missed red flags, aggressive accounting and the pension deficit. In a series of meetings the joint parliamentary committee grilled Carillion directors, pension regulators and KPMG and Deloitte auditors on accounting methods, problem contracts, and oversights. This is the story so far.', *Accountancy Age*, 26 February 2018

Available at:

<https://www.accountancyage.com/2018/02/26/carillion-inquiry-missed-red-lights-aggressive-accounting-pension-deficit/>

Accessed July 2018.

¹¹ IFRS 11 has since 2016 been superseded by IFRS 15 which deals with revenues recognition from contracts with customers.

¹² Ibid FTI Report 2018.

Available at:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/769/769.pdf>

Accessed July 2018.

¹³ There is one other area of aggressive accounting under the heading 'Traded but not certified'. This is defined as revenue that clients had not yet signed off, such as for claims and variations, and therefore it was inherently uncertain whether payment would be received. In December 2016, the company was recognising £294 million of traded not certified revenue, an increase of over £60 million since June 2014, and accounting for over 10% of total revenue from construction contracts. The amount of revenue that was traded not certified was never publicly disclosed in financial statements, but was included in papers reviewed quarterly by the audit committee. SC Page 43

Available at:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/769/769.pdf>

Accessed July 2018.

¹⁴ Ibid.