

**Carillion Services 2006 Limited (formerly Mowlem  
Services Limited)**

**Director's report and financial  
statements**

Registered number 2684154

For the year ended 31 December 2006



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## Director's report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2006

### Change of control and name

On 23 February 2006, Carillion JM Limited (formerly Mowlem plc), the company's parent company, was acquired by Carillion plc. The company changed its name to Carillion Services 2006 Limited from Mowlem Services Limited on 24 May 2006

### Principal activities

The principal activity of the company during the year was the provision of support services, primarily within facilities management. The directors do not foresee any changes in activities in the future.

### Business review

The year has seen reduction in volumes as a result of the effect of the Ministry of Defence rolling out its programme of Regional Prime Contracts. This has meant that the contracts under the old Establishment Works Consultants and Works Services Manager contracts have ceased in 2006 resulting in the decline in volume.

The company also has a contract for the refurbishment of a significant number of occupied social housing units on an estate in the North of England. The contract still has approximately 4 years to run. The contract is divided into a number of packages with each package containing a contractual completion date. The project has been significantly behind programme. An assessment of the contract has established that it is loss making and accordingly a provision has been made. This has resulted in the significant deterioration of performance of the company's results. The company is not pursuing any other such opportunities within the social housing sector.

In addition to financial measures, the main Key Performance Indicators (KPI's) regularly monitored by the company are

- (a) Accident Frequency Rate (AFR). This is defined by RIDDOR 1995 as the number of reportable injuries that have occurred per 100,000 man hours worked, calculated over a rolling 12 month period. The AFR is measured on a contract by contract basis and is showing improvements compared to prior year.
- (b) Client KPI's. Each contract monitors a variety of operational performance indicators specific to their client and the business monitors overall delivery of these KPI's.

The company is part of the Facilities Management and Services division of Carillion plc and the performance of this sector including future outlook is discussed in Carillion plc's Annual Report which does not form part of this Report.

Since the balance sheet date a significant contract undertaken by the company was re-bid and won by another subsidiary company of Carillion plc. There have been no other significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

### Principal Risks

Carillion plc continues to be active in the Defence and Education markets. It is probable that such future contracts will be undertaken by other subsidiaries of Carillion rather than through this particular company.

As such, the company will continue to manage and maintain its existing portfolio of Facilities Management contracts. The main risk facing the business is to ensure that the delivery of the social housing contract is delivered and to within the latest forecast. To this end we have significantly changed operational procedures, refreshed the management teams and renegotiated supply chain contracts. The programme performance has improved significantly and is expected to catch up with the contractual programme by mid 2008.

The company has a clear aim to reduce accidents to zero by taking a zero tolerance approach to Health and Safety risks at work. Each contract has its own Target Zero Improvement Plan. All managers are required to undertake periodic Safety Tours and in addition Safety Action Groups meet on a regular basis to identify and resolve Health and Safety related issues.

### Uncertainties facing the Business

Other than those items mentioned above there are no other major uncertainties facing the business.

## **Director's report** *(continued)*

### **Business review** *(continued)*

#### **Results and dividend**

The loss for the year was £6,145,000 (2005 profit £1,695,000) No dividend was paid or proposed (2005 £Nil)

#### **Director and director's interests**

The director serving during the year was

Carillion Management Limited (formerly Mowlem Management Limited)

The director does not have any interests in the share capital of the company, its ultimate holding company, Carillion plc or any other group company

#### **Supplier 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.

As at 31 December 2006, the number of creditor days outstanding was 18 (2005 15 days). Creditor days have been calculated based on trade creditors as at the balance sheet date compared to direct cost of sales for the year.

#### **Employment of disabled persons**

The company's policy on the employment of disabled persons is to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities, as well as safety and environmental circumstances and, where practicable, to continue the employment of, and arrange appropriate training for, employees of the company who become disabled during their employment. It is also policy to encourage the training and career development of all personnel employed by the company, including disabled persons.

#### **Employee involvement**

Appropriate employment policies are developed to comply with the requirements of the law and to suit local conditions.

The company recognises the importance of good communications and relations with employees and encourages the development of employee participation practices.

#### **Risk management**

AON Risk Services have continued to act as insurance brokers and risk managers and are assisting in a continuous programme to reduce progressively the direct and indirect costs in respect of those matters for which it is usual to carry insurance.

#### **Disclosure of information to auditors**

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

## Director's report *(continued)*

### Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company will be proposed at the Annual General Meeting

Approved by the Board on 7 March 2007 and signed on its behalf by



*Authorised representative*  
**Carillion Secretariat Limited**  
*Secretary*

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 the directors have elected to prepare the group and the parent company financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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**

2 Cornwall Street  
Birmingham  
B3 2DL  
United Kingdom

**Independent auditors' report to the members of Carillion Services 2006 Limited  
(formerly Mowlem Services Limited)**

We have audited the financial statements of Carillion Services 2006 Limited (formerly Mowlem Services Limited) for the year ended 31 December 2006 which comprise the profit and loss account the balance sheet statement of total recognised gains and losses reconciliation of movements in equity shareholders' deficit and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Carillion Services 2006 Limited  
(formerly Mowlem Services Limited) *(continued)***

**Opinion**

**In our opinion**

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

7 March 2007



**Profit and loss account**  
*for the year ended 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>£000</b>	<b>2005 (restated)</b> <b>£000</b>	<b>£000</b>
<b>Turnover</b>	2		131,224		195,323
Raw materials and consumables		(3,433)		(5,186)	
Other external charges		(110,687)		(154,938)	
Staff costs	5	(28,343)		(28,507)	
Depreciation	3	(377)		(384)	
Other operating credits/(charges)		833		(3,599)	
			<u>(142,007)</u>		<u>(192,614)</u>
<b>Operating (loss)/profit</b>			<b>(10,783)</b>		<b>2,709</b>
Interest receivable and similar income	6		2,339		2,156
Interest payable and similar charges	7		(3,141)		(2,896)
			<u></u>		<u></u>
<b>(Loss)/profit on ordinary activities before taxation</b>	2		<b>(11,585)</b>		<b>1,969</b>
Tax on (loss)/profit on ordinary activities	8		5,718		(274)
			<u></u>		<u></u>
<b>(Loss)/profit for the financial year</b>			<b>(5,867)</b>		<b>1,695</b>

There is no material difference between the loss as disclosed in the profit and loss account and the loss on an unmodified historical cost basis

All activities in the year are continuing

**Balance sheet**  
*at 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>£000</b>	<b>2005</b> <b>£000</b>	<b>£00</b>
<b>Fixed assets</b>					
Tangible assets	9		687		782
Investments	10		-		-
			<u>687</u>		<u>782</u>
<b>Current assets</b>					
Debtors	11	46,223		64,595	
Cash at bank and in hand		16		7,184	
		<u>46,239</u>		<u>71,779</u>	
<b>Creditors</b> amounts falling due within one year	12	<u>(51,218)</u>		<u>(70,113)</u>	
<b>Net current (liabilities)/assets</b>			<u>(4,979)</u>		<u>1,666</u>
<b>Total assets less current liabilities</b>			<u>(4,292)</u>		<u>2,448</u>
Pension liability net of tax	13		<u>(9,290)</u>		<u>(12,740)</u>
<b>Net liabilities</b>			<u><u>(13,582)</u></u>		<u><u>(10,292)</u></u>
<b>Capital and reserves</b>					
Called up share capital	15		-		-
Profit and loss account			<u>(13,582)</u>		<u>(10,292)</u>
<b>Equity shareholders' deficit</b>			<u><u>(13,582)</u></u>		<u><u>(10,292)</u></u>

These financial statements were approved by the board of directors on 7 March 2007 and signed on its behalf by

  
 Carillion Management Limited  
 Director

**Statement of total recognised gains and losses**  
*for the year ended 31 December 2006*

	2006 £000	2005 £000
(Loss)/profit for the financial year	(5,867)	1 695
Actuarial gain/(loss) on defined benefit scheme	4,055	(4 600)
Taxation thereon	(1,478)	1 380
<b>Total recognised gains and losses since last financial statements</b>	<b>(3,290)</b>	<b>(1 525)</b>

**Reconciliation of movements in equity shareholders' deficit**  
*for the year ended 31 December 2006*

	2006 £000	2005 £000
(Loss)/profit for the financial year	(5,867)	1 695
Other recognised gains/(losses) relating to the year	2,577	(3 220)
<b>Net reduction in shareholders' funds</b>	<b>(3,290)</b>	<b>(1,525)</b>
Opening shareholders' deficit	(10,292)	(8 767)
<b>Closing shareholders deficit</b>	<b>(13,582)</b>	<b>(10 292)</b>

## 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 with the exception of the fair value requirements of FRS 26 and in accordance with applicable UK accounting standards

#### *Basis of preparation*

The financial statements have been prepared on the going concern basis which assumes that the company will be able to continue for the foreseeable future. The validity of this basis is dependent upon the continued support from its parent company which has given an agreement to fund the deficit on the Mowlem (1993) Scheme over time and to Carillion plc its ultimate holding company which has undertaken to provide support to the company to enable it to meet its liabilities as they fall due for the foreseeable future. Therefore the directors consider it appropriate to prepare the financial statements on the going concern basis

#### *Cash flow statement*

Under FRS 1 (revised 1996) 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

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Leasehold land and buildings	life of lease
Plant and machinery	3 to 5 years

#### *Leases*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

#### *Pension costs*

The company operates a defined benefit scheme for the benefit of a number of companies which previously formed part of the Carillion JM Limited group. The assets of the scheme are held separately from those of the company. Details of this scheme the Mowlem (1993) scheme are shown in note 18, together with the company's contributions. Figures have been restated for the financial year 2005 to gross up the expected asset return and interest cost within the scheme.

#### *Taxation*

The charge for taxation is based on the 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 provided in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future except that

- (i) Provision is not made in respect of revaluation surpluses
- (ii) Deferred tax assets are recognised only to the extent that it is more likely than not that these will be relieved by suitable taxable profits in the future

Deferred tax is measured on a non-discounted basis at the tax rate applying on the balance sheet date

## Notes (continued)

### 1 Accounting policies (continued)

#### 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.

### 2 Analysis of turnover and (loss)/profit on ordinary activities before taxation

	2006	Attributable	2005	Attributable
	Turnover	pre-tax loss	Turnover	pre-tax profit
	£000	£000	£000	£000
<i>By activity</i>				
Support services	131,224	(11,585)	195,323	1,969
	<hr/>	<hr/>	<hr/>	<hr/>
<i>By geographical market</i>				
United Kingdom	131,224	(11,585)	195,253	1,969
Australasia	-	-	70	-
	<hr/>	<hr/>	<hr/>	<hr/>
	131,224	(11,585)	195,323	1,969
	<hr/>	<hr/>	<hr/>	<hr/>

### 3 Operating (loss)/profit

	2006	2005
	£000	£000
<i>Operating (loss)/profit is stated</i>		
<i>after charging</i>		
Auditors' remuneration	50	81
Depreciation	377	384
Loss on disposal of fixed assets	55	-
Amounts payable under operating leases		
Land and buildings	621	754
	<hr/>	<hr/>

Fees paid to the company's auditor, KPMG Audit Plc, and its associates for other than the statutory audit of the company are not declared 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.

**Notes (continued)**

**4 Remuneration of directors**

Carillion Management Limited (formerly Mowlem Management Limited) operated as the sole director through 2006 and received no remuneration (2005 £Nil)

**5 Staff numbers and costs**

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows

	Number of employees	
	2006	2005
Direct labour and operatives	253	277
Managerial and administrative staff	619	623
	<u>872</u>	<u>900</u>

The aggregate payroll costs of these persons were as follows

	2006	2005 (Restated)
	£000	£000
Wages and salaries	24,527	24 603
Social security costs	2,036	2 205
Other pension costs (see note 18)	1,780	1,699
	<u>28,343</u>	<u>28 507</u>

**6 Interest receivable and similar income**

	2006	2005
	£000	£000
Bank interest receivable	71	256
Expected return on pension scheme assets	2,268	1 900
	<u>2,339</u>	<u>2 156</u>

**7 Interest payable and similar charges**

	2006	2005
	£000	£000
Interest payable to group undertakings	446	496
Interest cost on pension scheme liabilities	2,695	2 400
	<u>3,141</u>	<u>2 896</u>

**Notes (continued)**

**8 Taxation**

**(a) Analysis of taxation credit/(charge)**

	2006 £000	2005 £000
<i>UK corporation tax</i>		
Current tax	3,842	-
Adjustments in respect of previous periods	1,326	-
	<hr/>	<hr/>
Total tax credit/(charge) on (loss)/profit on ordinary activities	5,168	-
<i>Deferred tax (see note 14)</i>		
Current year credit	(126)	(274)
Prior year adjustment	676	-
	<hr/>	<hr/>
Tax on (loss)/profit on ordinary activities	5,718	(274)
	<hr/>	<hr/>

**(b) Reconciliation of current taxation charge/(credit)**

The UK standard rate of corporation tax for the year is 30% (2005 30%) The actual tax rate differs to the standard rate for the reasons set out below

	2006 £000	2005 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before taxation	(11,585)	1 969
	<hr/>	<hr/>
Current tax at 30% (2005 30%)	3,475	(591)
<i>Effects of</i>		
Expenses not deductible for tax purposes	(37)	(7)
Depreciation for period lower than/(in excess of) capital allowances	126	(39)
Other timing differences	278	-
Prior year tax losses utilised	-	637
Prior year adjustments Group relief	1,326	-
	<hr/>	<hr/>
Current tax credit/(charge) for the year	5,168	-
	<hr/>	<hr/>

**Notes** *(continued)*

**9 Tangible fixed assets**

	Land and buildings £000	Plant and machinery £000	Total £000
<i>Cost</i>			
At beginning of year	469	2,446	2 915
Additions	-	346	346
Disposals	-	(1 257)	(1,257)
	<hr/>	<hr/>	<hr/>
At end of year	469	1 535	2,004
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	182	1,951	2 133
Charge for the year	64	313	377
Disposals	-	(1 193)	(1,193)
	<hr/>	<hr/>	<hr/>
At end of year	246	1,071	1 317
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2006	223	464	687
	<hr/>	<hr/>	<hr/>
At 31 December 2005	287	495	782
	<hr/>	<hr/>	<hr/>

**10 Fixed asset investments**

	Shares in group undertakings £000
<i>Ordinary shares of £1 each</i>	
Cost at beginning and end of year	6
	<hr/>

	Nature of business	Country of incorporation, registration and operation	Percentage held at 31 December 2006
Noreast BM Limited	Dormant	England	100
Aqumen Investments Limited	Dormant	England	100
Aqumen Defence Limited	Dormant	England	100

In the opinion of the director, the investments in subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet



**Notes (continued)**

**11 Debtors**

	2006 £000	2005 £000
Trade debtors	11,501	15,071
Amounts owed by group undertakings	30,060	36,442
Other debtors	2,187	1,904
Prepayments and accrued income	1,891	11,144
Deferred taxation (see note 14)	584	34
	<u>46,223</u>	<u>64,595</u>

**12 Creditors: amounts falling due within one year**

	2006 £000	2005 £000
Trade creditors	7,113	7,722
Contract provisions to complete	2,575	-
Amounts owed to group undertakings	17,338	38,553
Other creditors	291	831
Other taxes and social security	925	1,762
Accruals and deferred income	22,976	21,245
	<u>51,218</u>	<u>70,113</u>

**13 Creditors: amounts falling due after more than one year**

	2006 £000	2005 £000
Pension liability	13,272	18,200
Related deferred tax asset	(3,982)	(5,460)
	<u>9,290</u>	<u>12,740</u>

**14 Deferred taxation asset**

	2006 £000	2005 £000
At beginning of year	34	308
Credit/(charge) to the profit and loss account for the year	550	(274)
	<u>584</u>	<u>34</u>

## Notes (continued)

### 14 Deferred taxation asset (continued)

The amounts recognised for deferred taxation are set out below

	2006 £000	2005 £000
Difference between accumulated depreciation and capital allowances	569	133
Other timing differences	15	(99)
	<u>584</u>	<u>34</u>

### 15 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
100 000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	<u>-</u>	<u>-</u>

### 16 Commitments and contingent liabilities

Annual commitments under non-cancellable operating leases are as follows

	2006 Land and buildings £000	2005 Land and buildings £000
Operating leases which expire		
In two to five years	122	148
In more than five years	285	428
	<u>407</u>	<u>576</u>

### 17 Related party disclosures

As a wholly owned subsidiary of Carillion plc, 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 Carillion plc group. Note 19 gives details of how to obtain a copy of the published financial statements of Carillion plc.

## Notes (continued)

### 18 Pension schemes

The company operates one defined benefit pension scheme, the Mowlem (1993) Pension Scheme and contributes towards the Mowlem Staff Pension and Life Assurance Scheme. The assets of the funds are held in separate trustee administered funds.

The service cost of the 1993 Scheme was £2.3 million (2005: £1.9 million – restated) of which £0.4 million (2005: £0.7 million) was charged in this company's financial statements. Both operating profit and net interest costs have been increased by £0.4 million in 2006 (2005: £0.5 million as restated) to reflect the grossing up of net outgoings previously included in pension costs.

Contributions of £1.4 million (2005: £1.5 million) were made to the Staff Scheme which consists of a defined benefits scheme (closed on 1 January 2003) and a defined contribution scheme commencing from that date. Refer to Carillion JM Limited (formerly Mowlem Limited) financial statements for further details of the scheme and disclosure.

The latest actuarial valuations of the 1993 Scheme was conducted as at 31 December 2004 by a qualified independent actuary and has been projected forward to 31 December 2006. The valuation at that date reflected sufficient assets to cover 77% of the benefits that had accrued to members after allowing for future increases in earnings. The market value of the assets of the 1993 Scheme at 31 December 2006 was £46.0 million.

In 2005, company contributions were paid at a rate of approximately 25% of annual salaries to the 1993 Scheme and from 1 January 2006 contributions have been, on average, 24.6% augmented by monthly payments totalling £1.6 million pa to address the deficit.

As at 31 December 2006, the company's contributions to the 1993 scheme exceeded the required service cost by £1.3 million (2005: £Nil) which amounts have reduced the pension liability in the balance sheet.

The principal actuarial assumptions used are shown below:

	2006 %	2005 %	2004 %
Discount rate	5.00	4.75	5.40
Inflation rate	2.75	2.75	2.60
Rate of increase in pensions in payment and deferment	2.75	2.75	2.60
Rate of general increase in salaries	4.25	4.25	4.10

The expected long term rates of return on the main asset classes were:

	Mowlem (1993) Pension Scheme		
	2006 %	2005 %	2004 %
Equities	6.65	6.30	6.70
Bonds	4.15	3.50	3.70
Property	6.65	n/a	n/a
Other – cash	4.78	3.70	3.95

**Notes (continued)**

**18 Pension schemes (continued)**

The assets in the scheme were

	<b>Mowlem (1993) Pension Scheme</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	36.8	30.1	26.7
Bonds	4.6	4.2	2.8
Property	4.1	3.2	-
Other – cash	0.5	0.2	0.6
	<hr/>	<hr/>	<hr/>
Total market value of assets	46.0	37.7	30.1
Actuarial value of liabilities	(59.3)	(55.9)	(43.7)
	<hr/>	<hr/>	<hr/>
Recoverable deficit in the scheme	(13.3)	(18.2)	(13.6)
Related deferred tax asset	4.0	5.5	4.1
	<hr/>	<hr/>	<hr/>
Net pension liability	(9.3)	(12.7)	(9.5)
	<hr/>	<hr/>	<hr/>

Analysis of the amount which would be charged to operating profit under FRS 17

	<b>Mowlem (1993) Pension Scheme</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Service cost	(2.3)	(1.9)	(1.8)
Past service cost	-	-	-
	<hr/>	<hr/>	<hr/>
Total operating charge	(2.3)	(1.9)	(1.8)
	<hr/>	<hr/>	<hr/>

Analysis of net outgoings on pension schemes

	<b>Mowlem (1993) Pension Scheme</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Expected return on pension scheme assets	2.3	1.9	1.6
Interest on pension liabilities	(2.7)	(2.4)	(2.0)
	<hr/>	<hr/>	<hr/>
Net outgoings	(0.4)	(0.5)	(0.4)
	<hr/>	<hr/>	<hr/>

Analysis of amount to be recognised in statement of total recognised gains and losses ("STRGL") with full adoption of FRS 17

	<b>Mowlem (1993) Pension Scheme</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Actual return less expected return on assets	3.2	3.9	1.4
Experience gains/(losses) on liabilities	(0.5)	1.8	-
Changes in assumptions	1.3	(10.3)	(0.7)
	<hr/>	<hr/>	<hr/>
Actuarial gain/(loss) to be recognised in STRGL	4.0	(4.6)	0.7
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 18 Pension schemes (continued)

#### Movement in deficit during the year

	Mowlem (1993) Pension Scheme		
	2006 £m	2005 £m	2004 £m
Deficit in scheme at beginning of year	(18.2)	(13.6)	(14.3)
Movement in year			
Current service cost	(2.3)	(1.9)	(1.8)
Contributions	3.6	2.4	2.2
Net interest cost	(0.4)	(0.5)	(0.4)
Actuarial gains/(losses)	4.0	(4.6)	0.7
Deficit in scheme at end of year	(13.3)	(18.2)	(13.6)

#### History of experience gains and losses

	Mowlem (1993) Pension Scheme		
	2006 £m	2005 £m	2004 £m
Difference between expected and actual return on scheme assets			
Amount (£m)	3.2	3.9	1.4
Percentage of scheme assets	7%	10%	5%
Experience gains/(losses) on scheme liabilities			
Amount (£m)	(0.5)	1.8	-
Percentage of scheme liabilities	(1%)	3%	-
Total amount recognised in STRGL			
Amount (£m)	4.0	(4.6)	0.7
Percentage of scheme assets	9%	(12%)	2%

### 19 Controlling and ultimate parent company

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 Birch Street, Wolverhampton, WV1 4HY.