Carillion Services 2006 Limited

Directors' report and financial statements
Registered number 2684154
For the year ended 31 December 2010

Contents

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2010

Principal activities
The principal activity of the company during the year was the provision of support services, primarily within facilities management

Business review
This year has seen a reduction in revenue of some 30% largely from the contract that the company has for the refurbishment of a significant number of occupied social housing units on an estate in the North of England, which has come to an end with only remedial work outstanding. The private sector facilities management contracts and the facilities management contracts in the public sector market continue to perform satisfactorily Gross margin has decreased principally from the end of the social housing contract As a result of the restructuring in the Carillion Business Services business group, allocation of administration expenses has been reassessed in the current year This has resulted in variances against prior year across the business group

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements

Profit and dividends
The profit on ordinary activities before taxation was £367,000 (2009 £1,864,000) The directors do not recommend the payment of a dividend (2009 nil)

Key performance indicators
The directors monitor the performance of the company through the use of Key Performance Indicators which are related to Financial Performance, Health & Safety and Client KPI's

The company is committed to providing a safe environment for its employees The company monitors performance using the Accident Frequency Rate (AFR) as defined by RIDDOR 1995 on the number of reportable injuries that have occurred per 100,000 man hours worked, calculated over a rolling 12 month period The company's performance against this measure was satisfactory

In addition, client KPI's are monitored Each contract monitors a variety of operational performance indicators specific to their client and the business monitors overall delivery of these KPI's

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

• Securing new contracts – the market is very competitive and the numbers of new contracts of significant size are limited We continue to invest in customer services via IT and additional services to create a competitive advantage It is probable that future contracts will be undertaken by other subsidiaries of Carillion plc

• 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, Carillion plc has a wide range of policies and programmes in place Further details are given in the Carillion plc Annual Report

• 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.

• Health and safety performance – poor health and safety performance could generate adverse publicity and have a negative impact on the company's reputation and its ability to win new business However, the Carillion Group gives absolute priority to health and safety, demonstrated by the Target Zero initiative which has the ambition of reducing reportable accidents to zero

• The company also has to manage the pension scheme to ensure that scheme liabilities are within a range appropriate to the capital base In response, investment policies are reviewed regularly to ensure that employee and company contributions, together with scheme benefits, remain appropriate

Creditor payment policy
The company does not adopt any specific code or standard, however it is the company s policy to pay its suppliers in accordance with the terms and conditions agreed prior to the commencement of trading provided that the supplier has met its contractual obligations The number of days credit outstanding to suppliers at the year end was 20 days (2009 13 days)

Directors
The directors serving during the year and subsequently were

TF George		
L Mills		
RJ Adam		
RH Harris	resigned	28 September 2010
TD Kenny	resigned	31 August 2010
J McDonough		
RF Tapp		
RJ Howson	appointed	15 December 2010
RI Sykes	appointed	15 December 2010

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 auditors

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 auditors are 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 auditors are 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 28 March 2011 and signed on its behalf by

RJ Adam
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 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 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 Services 2006 Limited

We have audited the financial statements of Carillion Services 2006 Limited for the year ended 31 December 2010 set out on pages 9 to 21 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

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 2010 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

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

MT Hopton
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
28 March 2011

Profit and loss account
for the year ended 31 December 2010

	Note	2010 £000	2009 £000
Turnover	*1*	**36,157**	51,870
Cost of sales		**(32,931)**	(48,044)
Gross profit		**3,226**	3,826
Administrative expenses		**(2,620)**	(1,454)
Operating profit		**606**	2,372
Interest receivable and similar income	*5*	**4,195**	3,620
Interest payable and similar charges	*6*	**(4,318)**	(3,434)
Profit on ordinary activities before taxation	*2*	**483**	2,558
Tax on profit on ordinary activities	*7*	**(116)**	(694)
Profit for the financial year	*16*	**367**	1,864

All activities 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

Balance sheet
at 31 December 2010

	Note	2010 £000	2010 £000	2009 £000	2009 £000
Fixed assets					
Tangible assets	*9*		-		14
Investments	*10*		-		-
			-		14
Current assets					
Stocks	*11*	30		115	
Debtors	*12*	19,936		29,837	
Cash at bank and in hand		8,848		8,639	
		28,814		38,591	
Creditors amounts falling due within one year	*13*	(41,198)		(47,900)	
Net current liabilities			(12,384)		(9,309)
Pension liabilities	*18*		(1,591)		(4,972)
Net liabilities			(13,975)		(14,267)
Capital and reserves					
Called up share capital	*15*		-		-
Profit and loss account	*16*		(13,975)		(14,267)
Equity shareholders' deficit	*17*		(13,975)		(14,267)

These financial statements were approved by the Board of Directors on 28 March 2011 and were signed on its behalf by

RJ Adam
Director

Company registered number 2684154

Statement of total recognised gains and losses
for the year ended 31 December 2010

	2010	2009
	£000	£000
Profit for the financial year	**367**	1,864
Actuarial losses on defined benefit pension schemes	**(74)**	(7 010)
Deferred tax thereon	**(1)**	1,963
Total recognised gains/(losses) for the year	**292**	(3 183)

Carillion Services 2006 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 financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £14 0 million, which the directors believe to be appropriate for the following reasons The company is dependent for its working capital on funds provided to it by Carillion plc, the company's ultimate parent undertaking Carillion plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

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

Group financial statements
The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements and deliver them to the Registrar of Companies The financial statements therefore present information about the company as an individual undertaking and not about its group The company is included within the consolidated financial statements of Carillion plc, the company's ultimate parent undertaking

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

Tangible fixed assets
Depreciation is based on historical cost, less the estimated residual values, and the estimated economic lives of the assets concerned Freehold land is not depreciated Other tangible assets are depreciated in equal annual instalments over the period of their estimated economic lives, which are principally as follows

Freehold buildings	40-50 years
Leasehold buildings and improvements	Period of lease
Plant, machinery and vehicles	3-10 years

Assets held under finance leases are depreciated over the shorter of the term of the lease or the expected useful life of the asset

Stocks
Stocks and work in progress are valued at the lower of cost and net realisable value

Long-term contracts

When the outcome of a long-term contract can be assessed with reasonable certainty, contract turnover and costs are recognised by reference to the degree of completion of each contract, as measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract

Insurance claims, incentive payments, and variations arising from long-term contracts are included where they have been agreed with the client

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

Pre-contract costs

Pre-contract costs are expensed as incurred until the company is appointed preferred bidder Provided the contract is expected to generate sufficient net cash inflows to enable recovery and the award of the contract is virtually certain, pre-contract costs incurred post the appointment as preferred bidder are included in stocks Where pre-contract bid costs are reimbursed at financial close, the proceeds are initially applied against the asset included in stocks Any excess recoveries of costs are carried forward as deferred income and released to profit and loss Only virtually certain, pre-contract costs incurred post the appointment as preferred bidder are included in stocks

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 a similar 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

The company's contributions to the schemes are paid in accordance with the scheme's rules and the recommendation of the actuary The charge to the profit and loss account reflects the current service cost of such obligations The expected return on plan assets and the interest cost on scheme liabilities are included within net interest in the profit and loss account

The schemes provide benefits based on final pensionable pay The assets of the schemes are held separately from those of the company The pension scheme surplus or deficit recognised in the balance sheet represents the excess of the fair value of scheme assets over the present value of scheme liabilities and is stated net of deferred tax

Differences between the actual and expected returns on assets and experience gains/(losses) arising on the scheme liabilities during the year, together with differences arising from changes in assumptions, are recognised in the statement of total recognised gains and losses in the year

In respect of the schemes where the assets and liabilities 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, the company accounts for the scheme as if they were defined contribution schemes

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

Fixed asset investments

Fixed asset investments are stated at cost less provisions for any impairment in the carrying value of the investment

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year and is recognised when goods are shipped and services are provided to the customer

All turnover and profits relate to support services provided in the United Kingdom

Notes *(continued)*

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging	**2010** **£000**	2009 £000
Depreciation of tangible fixed assets		
-Owned	**14**	53
Loss on disposal of fixed assets	**-**	7
Auditors' remuneration - audit work	**30**	30

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 ultimate parent Carillion plc, are required to disclose non-audit fees on a consolidated basis

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 682 (2009 857) The directors have categorised all staff as contract based employees

The aggregate payroll costs of these persons were as follows	**2010** **£000**	2009 £000
Wages and salaries	**9,486**	14,480
Social security costs	**772**	1,198
Other pension costs	**2,478**	2,440
	12,736	18,118

4 Directors' remuneration

Some directors of the company, who served during the financial year, are directors of the company's ultimate parent company and as such, details regarding remuneration are disclosed in the financial statements of Carillion plc. The remaining directors are directors or employees of Carillion Construction Limited and are remunerated from that company For those directors which are employees of Carillion Construction Limited and their remuneration is not disclosed in the financial statement of Carillion Construction Limited, their role as director of Carillion Services 2006 Limited is of a non executive director and no remuneration is apportioned to the company

5 Interest receivable and similar income

	2010 **£000**	2009 £000
Interest receivable from group undertakings	**85**	-
Bank interest receivable	**126**	225
Other financial income	**-**	-
Expected return on retirement plan assets	**3,984**	3,395
	4,195	3,620

Notes *(continued)*

6 Interest payable and similar charges

	2010 £000	2009 £000
Interest payable to group undertakings	413	70
Interest payable on external borrowings	9	-
Interest cost on retirement plan obligations	3,896	3,364
	4,318	3,434

7 Tax on profit on ordinary activities

(a) Analysis of taxation charge in the year

	2010 £000	2009 £000
UK corporation tax		
Current tax	(1,025)	(777)
Adjustment in respect of prior periods	(300)	(23)
Total current taxation	(1,325)	(800)
Deferred taxation		
Accelerated capital allowances	84	94
Origination and reversal of timing differences	1,343	1,400
Adjustment in respect of prior periods	1	-
Adjustment in respect of change in rate	13	-
Total deferred taxation	1,441	1,494
Total taxation on profit on ordinary activities	116	694

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

The current year tax credit for the year is lower (2009 lower) than the standard rate of 28 % (2009 28%) The difference is explained below

	2010 £000	2009 £000
Current tax reconciliation		
Profit on ordinary activities before taxation	484	2,558
Tax on profit on ordinary activities at 28% (2009 28%)	135	716
Effects of		
Permanent differences	267	1
Capital allowances in excess of depreciation	(84)	(94)
Other timing differences	(1,343)	(1,400)
Adjustment in respect of previous periods	(300)	(23)
Current tax credit for the year	(1,325)	(800)

(c) Factors that may affect future tax charges

The Budget on 23 March 2011 announced that the UK corporation tax rate will reduce from 28% to 23% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 21 July 2010 and will be effective from 1 April 2011 This will reduce the company's future current tax charge accordingly It has not yet been possible to quantify the full anticipated effect of the announced further 4% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liabilities/assets accordingly

Notes *(continued)*

9 Tangible fixed assets

	Plant and machinery £000
Cost	
At beginning of year	417
Disposals	(226)
At end of year	**191**
Depreciation	
At beginning of year	403
Charge for the year	14
Disposals	(226)
At end of year	**191**
Net book value	
At 31 December 2010	-
At 31 December 2009	14

10 Investments

During the year dormant entities Aqumen Investments and Aqumen Defence Limited were liquidated The net book value of these entities in 2009 was £4 The company holds no other investments

11 Stocks	**2010**	2009
	£000	£000
Raw materials and consumables	**30**	115

12 Debtors

	2010	2009
	£000	£000
Trade debtors	**4,307**	5,650
Contract debtors	**11,819**	10,967
Amounts owed by group undertakings	**2,086**	9,835
Corporation tax	**1,024**	777
Other debtors	**78**	1,823
Prepayments and accrued income	**286**	352
Deferred tax asset (note 14)	**336**	433
	19,936	29,837

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

Notes *(continued)*

13 Creditors amounts falling due within one year

	2010	2009
	£000	£000
Trade creditors	1,774	1,767
Amounts owed to group undertakings	25,732	36,991
Other tax and social security costs	798	1,899
Other creditors	2,048	1,849
Accruals and deferred income	10,846	5,394
	41,198	47,900

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

14 Deferred taxation

	£000
At the beginning of the year	2,367
Transfer to profit and loss account	(1,441)
Recognised directly in equity	(1)
At the end of the year	925

The elements of deferred taxation are as follows

	2010	2009
	£000	£000
Accelerated capital allowances (see note 12)	336	433
Deferred tax on pension deficit (see note 18)	589	1,934
	925	2,367

Deferred taxation recognised directly in equity comprises £20,000 arising on actuarial loss on the pension scheme less £21,000 arising on the change in tax rate

15 Called up share capital	2010	2009
	£	£
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

Notes *(continued)*

16 Reserves

	Profit and loss account
	£000
At beginning of year	(14,267)
Profit for the financial year	367
Actuarial loss on pension scheme	(74)
Deferred taxation thereon	(1)
At the end of the year	**(13,975)**

17 Reconciliation of movements in shareholders' deficit

	2010	2009
	£000	£000
Profit for the financial year	**367**	1,864
Actuarial loss on pension scheme	**(74)**	(7,010)
Deferred taxation thereon	**(1)**	1,963
Net increase/(decrease) in equity shareholders' funds	**292**	(3,183)
Equity shareholders' deficit at the beginning of the year	**(14,267)**	(11,084)
Equity shareholders' deficit at the end of the year	**(13,975)**	(14,267)

Notes *(continued)*

18 Pensions

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.

Mowlem Staff Pension and Life Assurance Scheme

Details of the Mowlem Staff Pension and Life Assurance Scheme's 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 scheme has been accounted for, in these financial statements, as if it were a defined contribution scheme

An actuarial valuation of the Mowlem Staff scheme was undertaken by independent actuaries as at 31 December 2008 using the attained age method The market value of the schemes assets at that date were £381 7 million, representing approximately 73 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 is due at 31 December 2011 Regular on going contributions are no longer payable as the scheme was closed to future accrual on the 5 April 2009

At 31 December 2010, on an FRS 17 basis the Mowlem Staff Scheme and Life Assurance had a deficit of £73 0 million (2009 £63 9 million deficit) net of deferred taxation

Mowlem (1993) Pension Scheme

An actuarial valuation of the Mowlem (1993) scheme was undertaken by independent actuaries as at 31 December 2008 using the attained age method The market value of the schemes' assets at that date were £49 1 million, representing approximately 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 scheme by the Trustees' independent actuaries is due at 31 December 2011

The fair value of the plan assets and the return on those assets were as follows

	2010	2009
	£000	£000
Equities	**37,055**	28,288
Gilts	**7,706**	6,409
Bonds	**25,135**	21,572
Other	**1,424**	2,029
	71,320	58,298

The actual return on plan assets was a gain of £8,158,000 gain (2009 £4,428,000 gain)

The principal assumptions used by the independent qualified actuaries are

	2010	2009
	%	%
Discount rate	5 4	5 8
Rate of increase in salaries	4 4	4 4
Inflation Rate (RPI)	3 4	3 4
Rate of increase in pensions	3 4	3 4

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows

• current pensioner aged 65 20 2 years (male), 23 0 years (female)
• future retiree upon reaching 65 22 1 years (male), 24 8 years (female)

	2010 £000	2009 £000
Present value of funded defined benefit obligations	(73,500)	(65,200)
Fair value of plan assets	71,320	58,298
(Deficit)	(2,180)	(6,902)
Related deferred tax asset	589	1,930
Net liability	(1,591)	(4,972)

Movements in present value of defined benefit obligation

	2010 £000	2009 £000
At beginning of year	65,200	53,000
Current service cost	1,934	1,623
Interest cost	3,896	3,364
Actuarial losses	4,248	8,039
Benefits paid	(2,188)	(1,257)
Contributions by members	410	431
At end of year	73,500	65,200

Movements in fair value of plans assets

	2010 £000	2009 £000
At beginning of year	58,298	48,094
Expected return on plan assets	3,984	3,395
Actuarial gains	4,174	1,033
Contributions by employer	6,642	6,602
Contributions by members	410	431
Benefits paid	(2,188)	(1,257)
At end of year	71,320	58,298

Expenses recognised in the profit and loss account

	2010 £000	2009 £000
Current service cost	1,934	1,623
Interest on defined benefit pension plan obligation	3,896	3,364
Expected return on defined benefit pension plan assets	(3,984)	(3,395)
Total	1,846	1,592

The expense is recognised in the following line items in the profit and loss account

	2010 £000	2009 £000
Adminstrative expenses	1,934	1,623
Interest receivable and similar income	3,896	3,364
Interest payable and similar charges	(3,984)	(3,395)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £74,000 loss (2009 £7,006,000 loss)

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses since 1 January 2005 are £4,474,000 loss (2009 £4,400,000 loss)

History of plan

The history of the plan for the current and prior periods is as follows
Balance sheet

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Present value of scheme liabilities	**(73,500)**	(65,200)	(53,000)	(61,900)	(59,300)
Fair value of scheme assets	**71,320**	58,300	48,094	52,436	46,028
Deficit	**(2,180)**	(6,900)	(4,906)	(9,464)	(13,272)

Experience adjustments

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Experience adjustment on scheme liabilities	**843**	1,161	(2,896)	1,170	(520)
As a percentage of scheme liabilities	**1 1%**	1 8%	(5 5%)	1 9%	(0 9%)
Experience adjustment on scheme assets	**4,174**	1,033	(13,803)	(107)	3,156
As a percentage of scheme assets	**5 9%**	1 7%	(28 7%)	(0 2%)	6 9%

The company expects to contribute approximately 27 7% of pensionable pay plus £3 9 million deficit recovery payments, paid in equal monthly instalments to its defined benefit plan in the next financial year

The company also contributes to the Group's defined contributions schemes and made payments of £544,121 (2009 £816,712) during the year

19 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 20 gives details of how to obtain a copy of the published financial statements of Carillion plc

20 Controlling and ultimate 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