

## **Planned Maintenance Engineering Limited**

Directors' report and financial statements

Registered number 737307

For the year ended 31 December 2010

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## 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 activities of the company continue to be those of facility management, maintenance, servicing and installation of building services

### Review of the business

Turnover showed a reduction due to a continued focus of selecting profitable contracts and the ongoing difficult trading conditions resulting in lower volumes particularly in the discretionary projects

A number of projects were undertaken during the year to restructure the business as a result of this volume reduction, the one off costs of £3,384,000 (2009 £Nil) were reflected in the exceptional items in the profit and loss account (see Note 5 for further details)

At 31 December 2010, the assets and liabilities of the company's subsidiary Building Environmental Hygiene Limited, fellow Carillion company PME Partnerships Limited and certain elements of Carillion Construction Limited were transferred into Planned Maintenance Engineering Limited at book value, the consideration was settled by intra group loans

### Profit and dividends

The loss on ordinary activities before tax was £23,030,000 (2009 loss £18,705,000) The directors do not recommend the payment of a dividend (2009 £Nil)

### Principal risks and uncertainties

The support services market continues to be a highly competitive market The company sells its services into the UK market only, which is experiencing ongoing difficult trading conditions Where appropriate the company manages this risk with long term contracts of three to five year contract terms The company is financed by group borrowings and its own working capital Interest is charged on a daily basis on group borrowings at an interest which reflects the cost of borrowing to the group It has no third party debt The group risks to which Planned Maintenance Engineering Limited is exposed are discussed in Carillion's Annual Report which does not form part of this report

### 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

### Directors

The directors serving during the year and subsequently were

KJ Booth	(appointed 15 December 2010)
NP Taylor	(appointed 15 December 2010)
DR Shorrocks	
SP Wickens	
TD Kenny	(resigned 31 August 2010)
RH Harris	(resigned 28 September 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.

### **Charitable donations**

During the year the company made charitable donations of £3,976 (2009 £7,594)

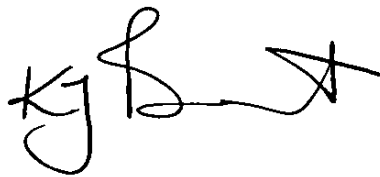
### **Disclosure of information to auditors**

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



**KJ Booth**  
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 Planned Maintenance Engineering Limited**

We have audited the financial statements of Planned Maintenance Engineering Limited for the year ended 31 December 2010 set out on pages 8 to 20. 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 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 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](http://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 loss 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*

		2010	2009
	Note	£000	£000
Turnover	1	144,771	184,434
Cost of sales		(138,956)	(173,587)
<b>Gross profit</b>		<b>5,815</b>	<b>10,847</b>
Administrative expenses		(24,204)	(27,163)
<b>Operating loss before exceptional items</b>		<b>(18,389)</b>	<b>(16,316)</b>
Exceptional items	5	(3,464)	-
<b>Operating loss</b>		<b>(21,853)</b>	<b>(16,316)</b>
Interest receivable and similar income	6	3,153	2,513
Interest payable and similar charges	7	(4,330)	(4,902)
<b>Loss on ordinary activities before taxation</b>		<b>(23,030)</b>	<b>(18,705)</b>
Tax on loss on ordinary activities	8	1,732	4,745
<b>Loss for the financial year</b>	16	<b>(21,298)</b>	<b>(13,960)</b>

All activities relate to continuing operations

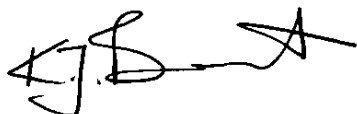
There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis in either the current or preceding financial year

## Balance sheet

at 31 December 2010

	Note	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	9	1,210	1,654
Investments	10	20	100
		<u>1,230</u>	<u>1 754</u>
<b>Current assets</b>			
Stock	11	297	243
Debtors	12	80,522	54,016
Cash at bank and in hand		12,086	8,710
		<u>92,905</u>	<u>62,969</u>
Creditors amounts falling due within one year	13	(128,628)	(79 230)
<b>Net current liabilities</b>		<u>(35,723)</u>	<u>(16,261)</u>
Provision for liabilities	18	(2,131)	-
Pension liability	20	(7)	(1,679)
<b>Net liabilities</b>		<u>(36,631)</u>	<u>(16,186)</u>
<b>Capital and reserves</b>			
Called up share capital	15	2,978	2,978
Share premium account	16	3,085	3,085
Profit and loss account	16	(42,694)	(22 249)
<b>Equity shareholders' funds</b>	17	<u>(36,631)</u>	<u>(16 186)</u>

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



**KJ Booth**  
Director

Company registered number 737307

**Statement of total recognised gains and losses**

*for the year ended 31 December 2010*

	2010 £000	2009 £000
<b>Loss for the financial year</b>	<b>(21,298)</b>	<b>(13,960)</b>
Actuarial gain/(loss) on defined benefit pension scheme	1,185	(3,882)
Deferred tax on (gain)/loss on defined benefit pension scheme	(332)	1,087
<b>Total recognised losses for the year</b>	<b>(20,445)</b>	<b>(16,755)</b>

## Planned Maintenance Engineering 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 £36,631,000, 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	4%	per annum (straight line)
Improvements to premises	15%	per annum (reducing balance)
Plant, machinery and equipment	15%	per annum (reducing balance)
Computer equipment	25% and 50%	per annum (straight line)
Motor vehicles	20%	per annum (straight line)

##### Fixed asset investments

Fixed asset investments are stated at cost less provisions for any impairment in carrying value.

##### 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

#### **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

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

#### **Leased assets**

Rental charges under operating leases are charged to the profit and loss account on a straight line basis over the life of each lease

#### **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

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 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

Notes (continued)

**2 Loss on ordinary activities before taxation**

	2010 £000	2009 £000
Loss on ordinary activities before taxation is stated after charging		
Depreciation of tangible assets	477	491
Operating lease rentals		
- Plant and machinery	66	125
- Other	5,688	5,571
Loss on disposal of fixed assets	273	-
Auditors' remuneration - audit work	41	41

The operating lease disclosure includes both long term commitments (see note 19) and short term plant and machinery rentals

The audit fee for the year ended 31 December 2010 amounting to £41 000 (2009 £41 000) 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

**3 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	
	2010	2009
Administration and Management	282	323
Contract based	1,573	1,800
	<u>1,855</u>	<u>2,123</u>

The aggregate payroll costs of these persons were as follows

	2010 £000	2009 £000
Wages and salaries	63,047	77,972
Social security costs	6,239	7,783
Pension costs (note 20)	1,364	1,842
	<u>70,650</u>	<u>87,597</u>

**4 Directors' remuneration**

	2010 £000	2009 £000
Directors' emoluments	131	323
Money purchase schemes	13	30
	<u>144</u>	<u>353</u>

Certain 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 statements of Carillion Construction Limited their role as director of Planned Maintenance Engineering Limited is of a non executive director and no remuneration is apportioned to the company.

**5 Exceptional items**

	2010 £000	2009 £000
Restructuring costs	3,384	-
Loss on impairment of investments (note 10)	80	-
	<u>3,464</u>	<u>-</u>

Following a reduction in volume within the business a number of projects were undertaken during the year to restructure the business and the one off cost of £3,384,000 was reflected as an exceptional item. The loss on the impairment of investments of £80,000 relates to the write off of the cost of investment in subsidiary undertakings which were liquidated during the year.

Notes (continued)

**6 Interest receivable and similar income**

	2010 £000	2009 £000
Bank interest receivable	80	-
Expected return on retirement plan assets	3,073	2,513
	<b>3,153</b>	<b>2,513</b>

**7 Interest payable and similar charges**

	2010 £000	2009 £000
Interest payable to group undertakings	1,144	2,171
Interest cost on retirement plan obligations	3,186	2,731
	<b>4,330</b>	<b>4,902</b>

**8 Tax on loss on ordinary activities**

*(a) Analysis of taxation credit in the year*

	2010 £000	2009 £000
<b>UK corporation tax</b>		
Current tax	(3,539)	(5,912)
Adjustment in respect of prior periods	1,504	761
<b>Total current taxation</b>	<b>(2,035)</b>	<b>(5,151)</b>

**Deferred taxation**

Accelerated capital allowances	(21)	28
Origination and reversal of timing differences	318	678
Adjustment in respect of prior periods	-	(300)
Adjustment in respect of change in rate	6	-
<b>Total deferred taxation</b>	<b>303</b>	<b>406</b>

**Total taxation on loss on ordinary activities**

	<b>(1,732)</b>	<b>(4,745)</b>
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*(b) Factors affecting the tax credit for the current year*

The current 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
<b>Current tax reconciliation</b>		
Loss on ordinary activities before taxation	(23,030)	(18,705)
<b>Tax on loss on ordinary activities at 28% (2009: 28%)</b>	<b>(6,448)</b>	<b>(5,237)</b>
<b>Effects of:</b>		
Permanent differences	3,206	31
Capital allowances less than/(in excess of) depreciation	21	(28)
	(318)	(678)
Adjustment in respect of previous periods	1,504	761
<b>Current tax credit for the year</b>	<b>(2,035)</b>	<b>(5,151)</b>

*(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

	Short leasehold Land & Buildings	Plant, machinery, vehicles and computer equipment	Total
	£000	£000	£000
<b>Cost</b>			
At beginning of year	1,393	3,382	4,775
Additions	-	143	143
Group transfers	485	865	1,350
Disposals	(551)	(797)	(1,348)
<b>At end of year</b>	<b>1,327</b>	<b>3,593</b>	<b>4,920</b>
<b>Depreciation</b>			
At beginning of year	953	2,168	3,121
Charge for the year	54	423	477
Group transfers	377	810	1,187
Disposals	(346)	(729)	(1,075)
<b>At end of year</b>	<b>1,038</b>	<b>2,672</b>	<b>3,710</b>
<b>Net book value</b>			
At 31 December 2010	289	921	1,210
At 31 December 2009	440	1,214	1,654

10 Fixed Asset Investments

	Shares in subsidiary undertakings £000
<b>Cost</b>	
At beginning of year	100
On liquidation (note 5)	(80)
At end of year	20
<b>Provisions</b>	
At beginning and end of year	-
<b>Net book value</b>	
At 31 December 2010	20
At 31 December 2009	100

At 31 December 2010, the subsidiary undertakings were as follows

Name of subsidiary undertaking	Proportion of ordinary shares held	Country of incorporation	Nature of business
Building Environmental Hygiene Limited	100%	England and Wales	Dormant
Planned Maintenance Special Services Limited	100%	England and Wales	Dormant

Planned Maintenance Mobile Services Limited, Planned Maintenance Regional Services Limited, Planned Maintenance Facilities Limited, Planned Maintenance Operations Support Limited, PME Facilities Management Limited, Contract Facilities Management Limited and Planned Maintenance Limited were liquidated during the year

11 Stocks

	2010	2009
	£000	£000
Raw materials and consumables	297	243

Notes (continued)

12 Debtors

	2010	2009
	£000	£000
Trade debtors	29,859	18,452
Contract debtors	24,530	15,930
Amounts owed by group undertakings	15,921	4,193
Corporation tax - group relief	4,477	11,277
Other debtors	3,201	2,534
Prepayments and accrued income	2,357	1,468
Deferred tax asset (note 14)	177	162
	<u>80,522</u>	<u>54,016</u>

13 Creditors amounts falling due within one year

	2010	2009
	£000	£000
Trade creditors	8,847	10,923
Contract creditors	14,044	2,484
Amounts owed to group undertakings	95,205	56,731
Other tax and social security costs	6,588	4,159
Other creditors	68	199
Accruals and deferred income	3,876	4,734
	<u>128,628</u>	<u>79,230</u>

14 Deferred taxation

	2010	2009
	£000	£000
At the beginning of the year	815	134
Transfer to profit and loss account	(303)	(406)
Recognised directly in equity	(332)	1087
At the end of the year	<u>180</u>	<u>815</u>

Netted against pension liability (note 20) 3 653

The deferred tax asset is disclosed in debtors (note 12)

	2010	2009
	£000	£000
Accelerated capital allowances	177	162
Timing differences on pension liabilities	3	653
	<u>180</u>	<u>815</u>

15 Called up share capital

	2010	2009
	£	£
Allotted, called up and fully paid		
2,977,869 ordinary shares of £1 each	<u>2,978</u>	<u>2,978</u>

Notes (continued)

16 Reserves

	Share premium account	Profit and loss account	Total
	£000	£000	£000
At beginning of year	3,085	(22,249)	(19,164)
Loss for the financial year	-	(21,298)	(21,298)
Actuarial gain on pension scheme	-	1,185	1,185
Deferred tax on actuarial gain on pension scheme	-	(332)	(332)
<b>At the end of the year</b>	<b>3,085</b>	<b>(42,694)</b>	<b>(39,609)</b>

17 Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
Loss for the financial year	(21,298)	(13,960)
Actuarial gain/(loss) on pension scheme	1,185	(3,882)
Deferred tax on actuarial gain/(loss) on pension scheme	(332)	1,087
<b>Net decrease in equity shareholders' funds</b>	<b>(20,445)</b>	<b>(16,755)</b>
Equity shareholders' funds at the beginning of the year	(16,186)	569
<b>Equity shareholders' funds at the end of the year</b>	<b>(36,631)</b>	<b>(16,186)</b>

18 Provisions for liabilities

	2010 £000	2009 £000
<b>Restructuring</b>		
At beginning of year	-	(4,500)
Provisions created	(2,514)	-
Provisions utilised	1,285	4,500
<b>At year end</b>	<b>(1,229)</b>	<b>-</b>
<b>Onerous leases</b>		
At beginning of year	-	-
Provisions created	(902)	-
Provisions utilised	-	-
<b>At year end</b>	<b>(902)</b>	<b>-</b>
<b>Provisions for liabilities</b>	<b>(2,131)</b>	<b>-</b>

The restructuring provision created during the year relates to a review of the Company's requirements following a rationalisation of the operating structure. We expect this provision to be utilised within twelve months.

The onerous lease provision relates to a number of properties which became surplus as a result of changes in the group's activities. The maximum outstanding period for the leases is three years and the provision is based upon the discounted committed head lease expenditure offset by committed and estimated sub lease income.

19 Financial commitments

Annual commitments under non-cancellable operating leases as follows

	2010		2009	
	Land & buildings	Other	Land & buildings	Other
	£000	£000	£000	£000
Operating leases which expire				
Within one year	-	160	98	6
In the second to fifth year inclusive	327	2,182	313	2,179
	<b>327</b>	<b>2,342</b>	<b>411</b>	<b>2,185</b>

**Notes (continued)**

**20 Pensions**

Employees of the company participate in the PME Staff Pension Scheme and Life Assurance Pension Scheme on a defined benefit basis. The Scheme is closed to new entrants and existing members no longer accrue benefits for future service with effect from 5 April 2009.

An actuarial valuation of the scheme was undertaken by the Trustee's independent actuaries as at 31 December 2008 using the attained age method. The market value of the scheme's assets at that date was £46.0 million, which represented approximately 78 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.

The information disclosed below is in respect of the whole of the plans for which the company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2010 £000	2009 £000
Equities	24,558	21,889
Government bonds	13,962	18,215
Corporate bonds	13,547	8,562
Other	(30)	101
Fair value of plan assets	52,037	48,767
Present value of funded defined benefit obligations	(52,047)	(51,099)
	(10)	(2,332)
Related deferred tax asset	3	653
Net pension liability	(7)	(1,679)

The actual return on plan assets is £4,345,000 (2009: £3,748,000).

**Movement in present value of defined benefit obligations**

	2010 £000	2009 £000
At beginning of year	(51,099)	(44,457)
Current service cost	-	(189)
Interest cost	(3,186)	(2,731)
Actuarial losses	(87)	(6,398)
Contributions by members	-	(171)
Benefits paid	2,325	2,847
At end of year	(52,047)	(51,099)

**Movement in fair value of plan assets**

	2010 £000	2009 £000
At beginning of year	48,767	45,989
Expected return on plan assets	3,073	2,513
Actuarial gains	1,272	1,235
Contributions from employer	1,250	1,706
Contributions from members	-	171
Benefits paid	(2,325)	(2,847)
At end of year	52,037	48,767

	2010 £000	2009 £000
<b>Charge to operating profit</b>		
Current service cost	-	(189)
<b>Total</b>	<u>-</u>	<u>(189)</u>
<b>Charge to other finance income</b>		
Expected return on pension scheme assets	3,073	2,513
Interest cost on pension scheme liabilities	(3,186)	(2,713)
<b>Net finance cost</b>	<u>(113)</u>	<u>(200)</u>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a gain of £1,185,000 (2009 £3 882,000 loss)

The cumulative actuarial loss reported in the statement of total recognised gains and losses since 1 January 2005 is £12,776,600 loss (2009 £13 961,000 loss)

The market values of the schemes' assets, which are not intended to be realised in the short term, may be subject to significant change before they are realised. The present values of the schemes' liabilities are calculated by reference to the investment return on Grade AA corporate bonds. The assumption used does not necessarily represent the investment return that may be achieved.

The weighted average of 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
Rate of increase in pensions	3.4	3.4
Inflation rate (RPI)	3.4	3.4
Inflation rate (CPI)	2.8	N/A

The inflation assumption for certain benefits in relation to this scheme is now based on Consumer Price Index (CPI) rather than the Retail Price Index (RPI) following a change announced by the UK Government in 2010.

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

The assumptions relating to longevity underlying the pension liabilities at the balance 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: 21.9 years (male), 24.7 years (female)  
Future retiree upon reaching 65: 23.8 years (male), 26.6 years (female)

The history of the plans for the current and prior periods is as follows:

Balance sheet	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of scheme liabilities	(52,047)	(51,099)	(44,457)	(54,908)	(52,250)
Fair value of scheme assets	52,037	48,767	45,989	52,721	49,663
<b>(Deficit)/surplus</b>	<u>(10)</u>	<u>(2,332)</u>	<u>1,532</u>	<u>(2,187)</u>	<u>(2,587)</u>

#### Experience adjustments

	2010 £000/%	2009 £000/%	2008 £000/%	2007 £000/%	2006 £000/%
Experience adjustment on scheme liabilities (as a percentage of scheme liabilities)	2,187 4.0	(3,862) -7.0	(1,028) -2.3	(2,614) -4.8	(204) -0.4
Experience adjustment on scheme assets (as a percentage of scheme assets)	1,272 2.0	1,235 3.0	(11,511) -25.0	(1,111) -2.1	98 -0.2

The company expects to contribute approximately £900,000 to its defined benefit plans in the next financial year.

The company is also a member of a larger group pension scheme, the Mowlem Staff Pension and Life Assurance Scheme, providing benefits on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

The latest full valuation was carried out at 31 December 2008. The deficit in the scheme at 31 December 2010 was £100,040,000 (2009: £88,771,000). Regular ongoing contributions are no longer payable following the closure of the scheme to future accrual on 5 April 2009 (2009: £629).

#### Defined contribution pension scheme

The company is a member of a number of defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the Company to the schemes and amounted to £1,364,000 (2009: £1,653,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

#### 21 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 23 gives details of how to obtain a copy of the published financial statements of Carillion plc.

#### 22 Acquisition

On 31 December 2010, the trade, assets and liabilities of Building Environmental Hygiene Limited, fellow Carillion company PME Partnerships Limited and certain elements of Carillion Construction Limited were acquired for a consideration of £15,062,000. The assets and liabilities acquired were as follows:

	£000
Tangible fixed assets	163
Stocks	34
Work in progress	16,622
Debtors	17,217
Cash	10,239
Creditors falling due within one year	(29,213)
Net assets acquired	15,062
Total consideration for the acquisition comprising intercompany loan	15,062

#### 23 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.

#### 24 Post balance sheet events

On 1 January 2011 the assets and liabilities of fellow Carillion company PME Technical Services Limited were transferred into the company at book value of £81,000.