**Planned Maintenance Engineering Limited**

Annual report and financial statements

Registered number 737307

For the year ended 31 December 2015

**Contents**

The directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

**Principal activities**

The principal activities of the company continue to be those of facilities management, maintenance, servicing and installation of building services.

**Business review**

Revenue has shown a decrease in the year to £37,470,000 (2014: £58,083,000) and operating profit has decreased to a £1,777,000 loss (2014: £316,000 profit), primarily due to additional project works in 2014 that were not repeated in 2015.

**Key performance indicators ('KPIs')**

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 Lost Time Incident Frequency Rate (LTIFR), which is an internationally recognised measure of safety performance. The company's performance against this measure was satisfactory.

**Principal risks and uncertainties**

The support services market continues to be highly competitive. 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 duration. 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 rate which reflects the cost of borrowing to the group. It has no third party debt. 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.

Approved by the Board on 23 September 2016 and signed on its behalf by:

**RJ Adam**
Director

84 Salop Street
Wolverhampton
WV3 0SR

**Directors**
The directors serving during the year and subsequently were:

RJ Howson
M Kasher
LJ Mills
JC Platt
RJ Adam
PE Shepley
ZI Khan

**Dividends**
The directors do not recommend the payment of a dividend. (2014: £nil).

**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.

**Political donations**
During the year the company made no political donations (2014: £nil).

**Disclosure of information to the auditor**
The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditor**
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 23 September 2016 and signed on its behalf by:

**RJ Adam**
Director

84 Salop Street
Wolverhampton
WV3 0SR

**Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

The directors are responsible for preparing the Strategic report, 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), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has 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 LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

**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 2015 set out on pages 7 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), including FRS 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express 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 Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2015 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 Strategic Report and 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.

**Peter Meehan**
***(Senior Statutory Auditor)***
**for and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants

23 September 2016

## Profit and loss account

*for the year ended 31 December 2015*

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Turnover** | *1* | **37,470** | 58,083 |
| Cost of sales | | **(36,244)** | (49,249) |
| **Gross profit** | | **1,226** | 8,834 |
| Administrative expenses | | **(3,003)** | (8,518) |
| **Operating (loss) / profit** | | **(1,777)** | 316 |
| Interest receivable and similar income | *5* | **749** | 900 |
| Interest payable and similar charges | *6* | **(4,574)** | (4,594) |
| **Loss on ordinary activities before taxation** | *2* | **(5,602)** | (3,378) |
| Taxation | *7* | **924** | 593 |
| **Loss for the financial year** | | **(4,678)** | (2,785) |

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.

The notes on pages 11 to 20 form part of these financial statements.

**Statement of comprehensive income**
*for the year ended 31 December 2015*

| | | 2015 | | 2014 |
|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 |
| **Loss for the year** | | **(4,678)** | | (2,785) |
| **Items that will not be reclassified subsequently to the profit or loss:** | | | | |
| Remeasurement of net defined benefit pension liabilities | **2,104** | | (5,521) | |
| Deferred tax relating to defined benefit pension liabilities | **(541)** | | 1,104 | |
| | **1,563** | | (4,417) | |
| **Other comprehensive income / (expense) for the year** | | **1,563** | | (4,417) |
| **Total comprehensive expense for the year** | | **(3,115)** | | (7,202) |

## Balance sheet
*at 31 December 2015*

| | Note | 2015 £000 | 2015 £000 | 2014 £000 | 2014 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments | *8* | | **10** | | 10 |
| | | | **10** | | 10 |
| **Current assets** | | | | | |
| Stocks | *9* | **550** | | 465 | |
| Debtors (including £2,286,000 (2014: £nil) due after more than one year) | *10* | **24,867** | | 37,974 | |
| Cash at bank and in hand | | **5,934** | | 7,264 | |
| | | **31,351** | | 45,703 | |
| Creditors: amounts falling due within one year | *11* | **(133,094)** | | (144,496) | |
| **Net current liabilities** | | | **(101,743)** | | (98,793) |
| **Total assets less current liabilities** | | | **(101,733)** | | (98,783) |
| Pension liability | *14* | | **(12,029)** | | (11,864) |
| **Net liabilities** | | | **(113,762)** | | (110,647) |
| **Capital and reserves** | | | | | |
| Called up share capital | *13* | | **2,978** | | 2,978 |
| Share premium account | | | **3,085** | | 3,085 |
| Profit and loss account | | | **(119,825)** | | (116,710) |
| **Equity shareholders' deficit** | | | **(113,762)** | | (110,647) |

*These financial statements were approved by the Board of Directors on* 23 September 2016 *and were signed on its behalf by*

**RJ Adam**
Director

Company registered number 737307

**Statement of changes in equity**
*for the year ended 31 December 2015*

| | Called up share capital £000 | Share premium £000 | Profit and loss reserve £000 | Total £000 |
|---|---|---|---|---|
| **Balance at 1 January 2014** | 2,978 | 3,085 | (109,508) | (103,445) |
| **Loss for the year** | - | - | (2,785) | (2,785) |
| **Other comprehensive income** | | | | |
| Remeasurement of net defined benefit pension liabilities | - | - | (5,521) | (5,521) |
| Deferred tax on remeasurement of net defined benefit pension liabilities | - | - | 1,104 | 1,104 |
| **Total other comprehensive income** | - | - | (4,417) | (4,417) |
| **Balance at 31 December 2014** | 2,978 | 3,085 | (116,710) | (110,647) |
| **Loss for the year** | - | - | (4,678) | (4,678) |
| **Other comprehensive income** | | | | |
| Remeasurement of net defined benefit pension liabilities | | | 2,104 | 2,104 |
| Deferred tax on remeasurement of net defined benefit pension liabilities | - | - | (541) | (541) |
| **Total other comprehensive income** | - | - | 1,563 | 1,563 |
| **Balance at 31 December 2015** | 2,978 | 3,085 | (119,825) | (113,762) |

**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 preparation**
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 17.

In these financial statements, the company has applied the exemptions under FRS101 in respect of the following disclosures:
- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effect of new but not yet effective IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- disclosures in respect of compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Carillion plc include the equivalent disclosures, the company has also taken the exemptions under FRS101 available in respect of the following disclosures:
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS7 Financial Instrument disclosures.

**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 £113,627,000 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. 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.

The financial statements are presented in pounds sterling. They are prepared on the historical cost basis except where specified certain assets and liabilities are stated at their fair value noted below.

**Group financial statements**
These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the Group accounts of Carillion Plc. The Group accounts of Carillion Plc are available to the public and can be obtained as set out in note 15.

**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 in revenue where it is probable that they will be recovered and are capable of being reliably measured.

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**
Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Pensions**
For defined contribution pension schemes, amounts payable are charged to the profit and loss account as incurred.

For defined benefit pension scheme, the cost of providing benefits is calculated annually by independent actuaries using the projected unit credit method. The charge to the income statement reflects the current service cost of such obligations, and where applicable, past service costs, and is included within administrative expenses.

The net interest expense in the income statement is calculated by applying a discount rate to the net defined benefit obligation. Certain costs associated with the administration of the pension schemes are included within administrative expenses.

The retirement benefit obligation recognised in the balance sheet represents the excess of the present value of scheme liabilities over the fair value of scheme assets. When the calculation results in an asset to the company, the amount recognised is limited where the company does not have unconditional right to the refund of any surplus which may exist.

**2. Loss on ordinary activities before taxation**

| Loss on ordinary activities before taxation is stated after charging: | **2015** **£000** | 2014 £000 |
|---|---|---|
| Operating lease rentals: | | |
| - Other | **-** | 33 |
| Loss on disposal of fixed assets | **-** | 22 |
| Auditors' remuneration - audit of the financial statements | **23** | 23 |

Fees paid to the company's auditor, KPMG LLP 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, Carillon 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** | |
|---|---|---|
| | **2015** | 2014 |
| Contract based | **604** | 751 |
| | **604** | 751 |

| The aggregate payroll costs of these persons were as follows: | **2015** **£000** | 2014 £000 |
|---|---|---|
| Wages and salaries | **24,347** | 28,968 |
| Social security costs | **2,201** | 2,349 |
| Pension costs (note 14) | **1,000** | 980 |
| | **27,548** | 32,297 |

**4. Directors' remuneration**

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 their 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. Interest receivable and similar income**

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Bank interest receivable | **-** | 111 |
| Interest receivable from Group undertakings | **749** | 789 |
| | **749** | 900 |

**6. Interest payable and similar charges**

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Interest payable to Group undertakings | **4,048** | 4,154 |
| Interest cost on retirement plan obligations | **526** | 440 |
| | **4,574** | 4,594 |

**7. Tax on loss on ordinary activities**

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

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| **UK corporation tax** | | |
| Current tax | (1,124) | (934) |
| Adjustment in respect of prior periods | (17) | 104 |
| **Total current taxation** | (1,141) | (830) |
| **Deferred taxation** | | |
| Accelerated capital allowances | 63 | 72 |
| Origination and reversal of timing differences | 139 | 182 |
| Adjustment in respect of prior periods | - | (17) |
| Adjustment in respect of change in rate | 15 | - |
| **Total deferred taxation** | 217 | 237 |
| **Total taxation credit on loss on ordinary activities** | (924) | (593) |

***(b) Factors affecting the tax credit for the year***

The total tax credit for the year is higher (2014: higher) than the standard rate of 20.25% (2014: 21.5%). The difference is explained below:

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| **Total tax reconciliation** | | |
| Loss on ordinary activities before taxation | (5,602) | (3,378) |
| Tax on loss on ordinary activities at 20.25% (2014: 21.5%) | (1,134) | (726) |
| Effects of: | | |
| Permanent differences | 212 | 46 |
| Adjustment in respect of previous periods | (17) | 87 |
| Adjustment in respect of change in rate | 15 | - |
| ***Total tax credit for the year*** | (924) | (593) |

***(c) Factors that may affect future tax charges***

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 December 2015 has been calculated based on the rate in the period in which it is expected to unwind.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

**8. Fixed asset investments**

| | **Shares in subsidiary undertaking £000** |
|---|---|
| **Cost** | |
| At beginning and end of year | 10 |
| **Provisions** | |
| At beginning and end of year | - |
| **Net book value** | |
| **At 31 December 2015** | 10 |
| At 1 January 2015 | 10 |

Details relating to the company's subsidiary undertaking are 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 |

**9. Stocks**

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Raw materials and consumables | **550** | 465 |

**10. Debtors**

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Trade debtors | **4,109** | 8,334 |
| Contract debtors | **2,853** | 4,645 |
| Amounts owed by group undertakings | **5,588** | 19,349 |
| Amounts owed by joint ventures | **3,258** | - |
| Corporation tax - group relief | **1,124** | 832 |
| Other debtors | **1,381** | 507 |
| Prepayments | **3,995** | 3,956 |
| *Deferred tax asset (note 12)* | **2,559** | 351 |
| | **24,867** | 37,974 |

Amounts owed by fellow Group undertakings attract interest at a rate which reflects the cost of borrowing to the Group.

**11. Creditors: amounts falling due within one year**

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Trade creditors | **4,119** | 7,649 |
| Amounts owed to group undertakings | **125,790** | 129,920 |
| Other tax and social security costs | **664** | 3,174 |
| Other creditors | **168** | 1,196 |
| Accruals and deferred income | **2,353** | 2,557 |
| | **133,094** | 144,496 |

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

**12. Deferred taxation**

*Deferred tax assets and liabilities are attributable to temporary differences relating to the following:*

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2015 £000** | 2014 £000 | **2015 £000** | 2014 £000 | **2015 £000** | 2014 £000 |
| Property, plant and equipment | **273** | 351 | - | - | **273** | 351 |
| Employee benefits | **2,286** | 2,966 | - | - | **2,286** | 2,966 |
| Tax assets/(liabilities) | **2,559** | 3,317 | - | - | **2,559** | 3,317 |
| **Net tax assets/(liabilities)** | **2,559** | 3,317 | - | - | **2,559** | 3,317 |

**Unrecognised deferred tax assets**
There is unrecognised deferred tax of £3,370,000 as at 31 December 2015 (2014: £3,370,000).

Movements in temporary differences during the year are as follows:

| | **Balance 1 January 2015 £000** | **Recognised in income £000** | **Recognised in equity £000** | **Balance 31 December 2015 £000** |
|---|---|---|---|---|
| Property, plant and equipment | **351** | **(78)** | **-** | **273** |
| Employee benefits | **2,966** | **(139)** | **(541)** | **2,286** |
| | **3,317** | **(217)** | **(541)** | **2,559** |

| | Balance 1 January 2014 £000 | Recognised *in income* £000 | Recognised *in equity* £000 | Balance 31 December 2014 £000 |
|---|---|---|---|---|
| Property, plant and equipment | 406 | (55) | - | 351 |
| Employee benefits | 2,044 | (182) | 1,104 | 2,966 |
| | 2,450 | (237) | 1,104 | 3,317 |

| **13. Called up share capital** | **2015 £000** | 2014 £000 |
|---|---|---|
| Allotted, called up and fully paid: | | |
| 2,977,869 ordinary shares of £1 each | **2,978** | 2,978 |

**14. 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 2011 and 2013 using the attained age method. The market value of the scheme's assets at 31 December 2013 was £59.0 million, which represented approximately 77 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 is due as at 31 December 2016.

The principal assumptions used by independent qualified actuaries to determine the IAS 19 position as at 31 December 2015 are shown below:

| | **2015** | 2014 |
|---|---|---|
| | **% per annum** | % per annum |
| Discount rate | **3.95** | 3.70 |
| Rate of increase in pensions | **3.00** | 2.95 |
| Inflation rate (RPI) | **3.05** | 3.05 |
| Inflation rate (CPI) | **2.00** | 2.00 |

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 the cost under an agreed group policy throughout the periods shown:

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Equities | **29,793** | 29,548 |
| Government bonds | **14,998** | 16,827 |
| Corporate bonds | **14,393** | 14,733 |
| Other | **2,924** | 2,598 |
| Fair value of plan assets | **62,108** | 63,706 |
| Present value of funded defined benefit obligations | **(74,137)** | (78,536) |
| Net pension liability | **(12,029)** | (14,830) |

*Movement in present value of defined benefit obligations:*

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| At beginning of year | **(78,536)** | (68,804) |
| Interest cost | **(2,840)** | (3,111) |
| Actuarial gains / (losses) | **3,696** | (8,989) |
| Benefits paid | **3,543** | 2,368 |
| At end of year | **(74,137)** | (78,536) |

Movement in fair value of plan assets:

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| At beginning of year | **63,706** | 58,585 |
| Expected return on plan assets | **2,314** | 2,671 |
| Actuarial (losses) / gains | **(1,592)** | 3,468 |
| Contributions from employer | **1,362** | 1,735 |
| Administrative expenses paid from plan assets | ***(139)*** | *(385)* |
| Benefits paid | **(3,543)** | (2,368) |
| At end of year | **62,108** | 63,706 |

| | | |
|---|---|---|
| **Charge to other finance income** | | |
| Expected return on pension scheme assets | **2,314** | 2,671 |
| Interest cost on pension scheme liabilities | **(2,840)** | (3,111) |
| **Net finance expense** | **(526)** | (440) |

**14. Pensions (continued)**

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is a gain of £2,104,000 (2014: £5,521,000 loss).

The cumulative actuarial loss reported in the statement of comprehensive income since 1 January 2005 is £28,963,000 (2014: £31,067,000).

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 do not necessarily represent the investment return that may be achieved.

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: 23.2 years (male)
Future retiree upon reaching 65: 24.9 years (male)

The company expects to contribute approximately £1,350,000 to its defined benefit plan in the next financial year.

**Defined contribution pension schemes**

Employees of the company are also members of a larger group pension scheme, the Mowlem Staff Pension and Life Assurance Scheme, providing benefits on final pensionable pay basis. The principal employer of this scheme is a fellow subsidiary of the Carillion Plc Group, with the scheme accounted for in these financial statements as if it were a defined contribution scheme. Employees of the company are also members 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 £1,000,000 (2014: £980,000).

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

**15. Related party transactions**

As a wholly-owned subsidiary of Carillion plc, the company has taken advantage of the exemption under FRS 101 not to provide information on related party transactions with other undertakings within the Carillion Group. Note 16 gives details of how to obtain a copy of the published financial statements of Carillion plc.

Sales between the company and joint ventures within the Carillion Group amounted to:

| | 2015 | 2015 | 2014 | 2014 |
|---|---|---|---|---|
| | Sales | Debtors | Sales | Debtors |
| | £000 | £000 | £000 | £000 |
| Carillion Breathe Limited | 3,265 | 3,258 | - | - |

**16. 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 84 Salop Street, Wolverhampton, WV3 0SR.

**17. Explanation of transition to FRS 101**

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition was therefore 1 January 2014.

**Reconciliation of equity**

| Note | | At 1 January 2014 £000 | At 31 December 2014 £000 |
|---|---|---|---|
| | Equity reported under UK GAAP | 103,445 | 110,647 |
| | **Adjustments to equity on transition to FRS 101** | | |
| 1 & 2 | Actuarial losses on defined benefit pension liabilities | - | 495 |
| | Deferred tax on actuarial loss on defined benefit pension scheme | - | (99) |
| | Movement in loss for the year (see below) | - | (396) |
| | Equity reported under FRS 101 | 103,445 | 110,647 |

**Reconciliation of profit and loss for the year ended 31 December 2014**

| Note | | £000 |
|---|---|---|
| | Loss for the year under UK GAAP | (2,389) |
| | **Adjustments to profit and loss on transition to FRS 101** | |
| 1 | Administration cost relating to defined benefit pension scheme | (385) |
| 2 | Increase in finance costs relation to additional defined benefit pension schemes | (110) |
| 3 | Increase in deferred tax charge relating to defined benefit pension scheme | 99 |
| | Loss for the year under FRS101 | (2,785) |

**Notes to the reconciliations**

1 **Actuarial losses on defined benefit pension scheme**

This adjustment reflects the change in accounting treatment of administrative expenses relating to defined benefit pensions schemes, which under UK GAAP were netted off the return on assets within interest receivable, whereas under FRS101 they are disclosed within administrative expenses, together with the change in the method for calculating the interest return on scheme assets noted below.

2 **Increase in finance costs relation to additional defined benefit pension contributions**

This adjustments reflects a change in the way interest is calculated, which under UK GAAP was calculated based on estimated returns specific to each class of asset in the scheme, whereas under FRS101, the interest charge is calculated by applying the discount rate to the net pension scheme liability.

3 **Increase in deferred tax charge relating to defined benefit pension scheme**

This adjustment reflects the deferred tax balance in relation to the defined benefit pension scheme changes, as a result of the accounting treatment of FRS101.