

Planned Maintenance Engineering Limited

Annual report and financial statements

Registered number 00737307

For the year ended 31 December 2016



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Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2016.

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 £27.1m (2015 £37.5m) with the reduction of £10.4m primarily driven by the loss of contracts and reduction in scope and services. Operating profit for the year was £1.3m (2015: £1.8m operating loss).

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.

Directors

The directors serving during the year and subsequently were:

RJ Howson

M Kasher (Resigned 30 June 2016)

LJ Mills

JC Platt (Resigned 8 March 2017)

RJ Adam (Resigned 31 October 2016)

PE Shepley

ZI Khan

Dividends

The directors do not recommend the payment of a dividend. (2015: £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 (2015: £nil).

Directors' report (continued)

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(2) 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

7 September 2017

and signed on its behalf by:



L.J. Mills
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 2016 set out on pages 7 to 19. 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 2016 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report have been prepared in accordance with the Companies Act 2006.

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

7 September 2017

Profit and loss account

for the year ended 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Turnover		27,073	37,470
Cost of sales		<u>(25,506)</u>	<u>(36,244)</u>
Gross profit		1,567	1,226
Administrative expenses		295	(3,003)
Exceptional items	2	(665)	-
Operating profit / (loss)		<u>1,197</u>	<u>(1,777)</u>
Interest receivable and similar income	5	430	749
Interest payable and similar charges	6	<u>(4,783)</u>	<u>(4,574)</u>
Loss on ordinary activities before taxation	2	(3,156)	(5,602)
Taxation	7	<u>657</u>	<u>924</u>
Loss for the financial year		<u><u>(2,499)</u></u>	<u><u>(4,678)</u></u>

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 19 form part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2016

	2016	2015
	£000	£000
Loss for the year	(2,499)	(4,678)
Items that will not be reclassified subsequently to the profit or loss:		
Remeasurement of net defined benefit pension liabilities	(13,388)	2,104
Deferred tax relating to defined benefit pension liabilities	2,161	(541)
	<u>(11,227)</u>	<u>1,563</u>
Other comprehensive income / (expense) for the year	(11,227)	1,563
Total comprehensive expense for the year	<u>(13,726)</u>	<u>(3,115)</u>

Balance sheet

at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Investments	8	10	10
		<u>10</u>	<u>10</u>
Current assets			
Stocks	9	1,561	550
Debtors	10	22,301	24,867
Cash at bank and in hand		1,138	5,934
		<u>25,000</u>	<u>31,351</u>
Creditors: amounts falling due within one year	11	<u>(127,815)</u>	<u>(133,094)</u>
Net current liabilities		(102,814)	(101,743)
Total assets less current liabilities		(102,804)	(101,733)
Pension liability	14	<u>(24,683)</u>	<u>(12,029)</u>
Net liabilities		<u>(127,487)</u>	<u>(113,762)</u>
Capital and reserves			
Called up share capital	13	2,978	2,978
Share premium account		3,085	3,085
Profit and loss account		(133,550)	(119,825)
Equity shareholders' deficit		<u>(127,487)</u>	<u>(113,762)</u>

These financial statements were approved by the Board of Directors on

7 September 2017

and were signed on its behalf by


L. Lewis
Director

Company registered number: 00737307

Statement of changes in equity
for the year ended 31 December 2016

	Called up share capital £000	Share premium £000	Profit and loss account £000	Total £000
Balance at 1 January 2015	<u>2,978</u>	<u>3,085</u>	<u>(116,710)</u>	<u>(110,647)</u>
Loss for the year	-	-	(4,678)	(4,678)
Other comprehensive income / (expense)				
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	<u>-</u>	<u>-</u>	<u>1,563</u>	<u>1,563</u>
Balance at 31 December 2015	<u>2,978</u>	<u>3,085</u>	<u>(119,825)</u>	<u>(113,762)</u>
Loss for the year	-	-	(2,499)	(2,499)
Other comprehensive (expense) / income				
Remeasurement of net defined benefit pension liabilities	-	-	(13,388)	(13,388)
Deferred tax on remeasurement of net defined benefit pension liabilities	-	-	2,161	2,161
Total other comprehensive expense	<u>-</u>	<u>-</u>	<u>(11,227)</u>	<u>(11,227)</u>
Balance at 31 December 2016	<u>2,978</u>	<u>3,085</u>	<u>(133,551)</u>	<u>(127,488)</u>

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

Basis of preparation

Planned Maintenance Engineering Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 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.

The Company's ultimate parent undertaking, Carillion PLC includes the Company in its consolidated financial statements. The consolidated financial statements of Carillion PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 84 Salop Street, Wolverhampton, WV3 0SR.

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.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

No judgements have been made by the directors, in the application of these accounting policies that have significant effect on the financial statements and there are no estimates with a significant risk of material adjustment in the next year.

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 £127,487,000 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.

Notes (continued)

1. Principal accounting policies (continued)

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 16.

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.

Notes (continued)

2. Loss on ordinary activities before taxation

	2016	2015
	£000	£000
Loss on ordinary activities before taxation is stated after charging:		
Auditor's remuneration - audit of the financial statements	23	23
Exceptional items - restructuring costs	<u>665</u>	<u>-</u>

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, 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	
	2016	2015
Contract based	<u>640</u>	<u>604</u>
	<u>640</u>	<u>604</u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	25,686	24,347
Social security costs	2,164	2,201
Pension costs (note 14)	<u>946</u>	<u>1,000</u>
	<u>28,796</u>	<u>27,548</u>

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.

Notes (continued)

5. Interest receivable and similar income

	2016 £000	2015 £000
Interest receivable from Group undertakings	430	749
	<u>430</u>	<u>749</u>

6. Interest payable and similar charges

	2016 £000	2015 £000
Interest payable to Group undertakings	4,331	4,048
Interest cost on retirement plan obligations	452	526
	<u>4,783</u>	<u>4,574</u>

7. Tax on loss on ordinary activities

(a) Analysis of taxation credit in the year

	2016 £000	2015 £000
UK corporation tax		
Current tax	(914)	(1,124)
Adjustment in respect of prior periods	68	(17)
Total current taxation	<u>(846)</u>	<u>(1,141)</u>
Deferred taxation		
Accelerated capital allowances	49	63
Origination and reversal of timing differences	140	139
Adjustment in respect of change in rate	-	15
Total deferred taxation	<u>189</u>	<u>217</u>
Total taxation credit on loss on ordinary activities	<u>(657)</u>	<u>(924)</u>

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

The total tax credit for the year is higher (2015: higher) than the standard rate of 20% (2015: 20.25%). The difference is explained below:

	2016 £000	2015 £000
Total tax reconciliation		
Loss on ordinary activities before taxation	(3,156)	(5,602)
Tax on loss on ordinary activities at 20% (2015: 20.25%)	(631)	(1,134)
Effects of:		
Permanent differences	(94)	212
Adjustment in respect of previous periods	68	(17)
Adjustment in respect of change in rate	-	15
Total tax credit for the year	<u>(657)</u>	<u>(924)</u>

(c) Factors that may affect future tax charges

The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the company's future tax charge accordingly.

The deferred tax asset at 31 December 2016 has been calculated based on these rates.

Notes (continued)

8. Fixed asset investments

	Shares in subsidiary undertaking £000
Cost	
At beginning and end of year	<u>10</u>
Provisions	
At beginning and end of year	<u>-</u>
Net book value	
At 31 December 2016	<u><u>10</u></u>
At 1 January 2016	<u><u>10</u></u>

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

The head office of Building Environmental Hygiene Limited is Carillion House, 84 Salop Street, Wolverhampton, WV3 0SR.

9. Stocks	2016 £000	2015 £000
Raw materials and consumables	<u>1,561</u>	<u>550</u>

Notes (continued)

10. Debtors

	2016 £000	2015 £000
Trade debtors	3,899	4,109
Contract debtors	4,087	2,853
Amounts owed by group undertakings	2,656	5,588
Amounts owed by JANES	564	-
Amounts owed by joint ventures	225	3,258
Corporation tax - group relief	913	1,124
Other debtors	1,684	1,381
Prepayments	3,742	3,995
Deferred tax asset (note 12)	4,531	2,559
	<u>22,301</u>	<u>24,867</u>

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

	2016 £000	2015 £000
Trade creditors	3,401	4,119
Amounts owed to group undertakings	122,835	125,790
Other tax and social security costs	364	664
Other creditors	459	168
Accruals and deferred income	756	2,353
	<u>127,815</u>	<u>133,094</u>

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	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Property, plant and equipment	224	273	-	-	224	273
Employee benefits	4,307	2,286	-	-	4,307	2,286
Tax assets	4,531	2,559	-	-	4,531	2,559

Unrecognised deferred tax assets

There is unrecognised deferred tax of £3,370,000 as at 31 December 2016 (2015: £3,370,000).

Movements in temporary differences during the year are as follows:

	Balance 1 January 2016 £000	Recognised in income £000	Recognised in equity £000	Balance 31 December 2016 £000
	Property, plant and equipment	273	(49)	-
Employee benefits	2,286	(140)	2,161	4,307
	<u>2,559</u>	<u>(189)</u>	<u>2,161</u>	<u>4,531</u>

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

Notes (continued)

13. Called up share capital	2016	2015
	£000	£000
Allotted, called up and fully paid:		
2,977,869 ordinary shares of £1 each	<u>2,978</u>	<u>2,978</u>

Notes (continued)

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 as at 31 December 2016 is currently being undertaken.

The principal assumptions used by independent qualified actuaries to determine the IAS 19 position as at 31 December 2016 are shown below:

	2016 % per annum	2015 % per annum
Discount rate	2.70	3.95
Rate of increase in pensions	3.10	3.00
Inflation rate (RPI)	3.20	3.05
Inflation rate (CPI)	2.15	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:

	2016 £000	2015 £000
Equities	33,141	29,793
Government bonds	19,117	14,998
Corporate bonds	14,783	14,393
Other	1,911	2,924

Fair value of plan assets	68,952	62,108
Present value of funded defined benefit obligations	(93,635)	(74,137)
Net pension liability	(24,683)	(12,029)

Movement in present value of defined benefit obligations:

	2016 £000	2015 £000
At beginning of year	(74,137)	(78,536)
Interest cost	(2,879)	(2,840)
Actuarial (losses)/gains	(19,144)	3,696
Benefits paid	2,525	3,543
At end of year	(93,635)	(74,137)

Movement in fair value of plan assets:

	2016 £000	2015 £000
At beginning of year	62,108	63,706
Expected return on plan assets	2,427	2,314
Actuarial gains/(losses)	5,756	(1,592)
Contributions from employer	1,326	1,362
Administrative expenses paid from plan assets	(140)	(139)
Benefits paid	(2,525)	(3,543)
At end of year	68,952	62,108

Charge to other finance income

Expected return on pension scheme assets	2,427	2,314
Interest cost on pension scheme liabilities	(2,879)	(2,840)

Net finance expense

	(452)	(526)
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Notes (continued)

14. Pensions (continued)

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is a loss of £13,388,000 (2015: £2,104,000 gain).

The cumulative actuarial loss reported in the statement of comprehensive income since 1 January 2005 is £42,351,000 (2015: £28,963,000).

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 £1,218,000 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 £946,000 (2015: £1,000,000).

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:

	2016	2016	2015	2015
	Sales	Debtors	Sales	Debtors
	£000	£000	£000	£000
Carillion Breathe Limited	1,169	225	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.