October 2010

Alfred McAlpine Pension Plan
Actuarial valuation as at:
31 December 2008

MERCER

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Summary

An actuarial valuation of the Alfred McAlpine Pension Plan has been carried out as at 31 December 2008.

The key conclusions from the valuation are:

- The Plan had assets of £233.4m at 31 December 2008.
- The Plan showed a deficit of £123m at the valuation date based on the assumptions made for calculating its technical provisions. This measure compares the Plan's assets with the value of the past service benefits at 31 December 2008. It represents a funding level of 65% relative to the Plan's funding target.
- If the Plan had been discontinued at the valuation date, there would have been insufficient Plan assets to buy out all the benefits with an insurance company. The estimated wind-up funding level at the valuation date was 47%.
- The Employer and the Trustee have agreed that the Employer will contribute at the following rates towards the funding shortfall: £9.283m in 2009 and £9.506m per annum from 1 January 2010 to 30 June 2022.
- In addition, the Employer has agreed to meet the levy paid by the Trustee to the Pension Protection Fund and with effect from 2013 the investment expenses, either directly or maybe via funding reserves.
- Further, the Employer has agreed to pay an annual allowance, of currently £0.5m, towards the expenses of running the Plan. An allowance has been made for the remaining expenses of running the Plan until the next actuarial valuation via a £2.0m reserve included in the Plan's technical provisions. This reserve will be reviewed at subsequent valuations.
- With effect from 31 December 2009, all active members of the Passport Section transferred out of the Plan to the Carillion Public Sector Pension Scheme and a...
transfer payment of £0.44m was paid from the Plan on 1 February 2010 in respect of the nineteen transferring members and their accrued liabilities.

- As the members of the Passport Section were the only members accruing future service benefits, the Plan being closed to future accrual for the vast majority of members from 31 July 2003, an Employer future service cost has not been calculated at this valuation.

- In addition, salary linkage for the employed members ceased with effect from 31 December 2009, with these members receiving deferred benefit entitlements. This change to benefits served to release reserves of circa £4m on the technical provisions basis.

- The past service liability calculations and corresponding contribution schedules in this valuation report make no allowance for the above post valuation date events at 31 December 2009 which together will have served to improve the funding of the Plan.

- If the assumptions made for assessing the recovery plan are borne out in practice, the agreed deficit contributions will eliminate the shortfall of £123m against the technical provisions by 30 June 2022 and will improve the wind-up funding position of the Plan.

- These contributions are set out in the schedule of contributions and recovery plan enclosed as appendices.

Signature

Scheme Actuary

Date of signing

Qualification

Fellow of the Institute and Faculty of Actuaries
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This report is addressed to the Trustee and has been prepared in accordance with the version of the Board for Actuarial Standards' Guidance Note 9: Funding Defined Benefits – Presentation of Actuarial Advice current at the date this report is signed. "Technical Actuarial Standard R: Reporting Actuarial Information" and "Technical Actuarial Standard D: Data" issued by the Board for Actuarial Standards also apply to this report and the report complies with its requirements, where relevant.

The calculations in the report use methods and assumptions appropriate for reviewing the financial position of the Plan and determining the appropriate contribution rate for the future. Mercer does not accept liability to any third party in respect of this report; nor does Mercer accept liability to the Trustee if the advice is used for any purpose other than that stated (for example for company accounting or corporate mergers/acquisitions).

The report may be disclosed to members and others who have a statutory right to see it. It may also be disclosed to any participating employer and, if the Trustee and Mercer consent, it may be disclosed to other third parties.
Introduction

1.1 This report sets out the results of the actuarial valuation of the Alfred McAlpine Pension Plan ("the Plan") as at 31 December 2008. It makes no allowance for the post valuation date events at 31 December 2009: the cessation of salary-link for employed members and the transferring-out of the active Passport Section members.

Purpose of the valuation

1.2 The primary aims of the valuation are to review the financial position of the Plan and to determine appropriate Employer contributions to the Plan for the future. In particular, the valuation aims to:

- Assess the Plan's funding position relative to the statutory funding objective.
- Assess whether the Plan would have sufficient resources were it to discontinue.
- Determine the appropriate future level of Employer contributions, taking the above into account.

1.3 Under the provisions of Rule 3.5 of the Trust Deed and Rules, Employer contributions are determined by the Actuary on a basis agreed between the Trustee and the Company.

"Each Participating Employer will pay to the Trustee from time to time such contributions as are: –

a. determined by the Actuary to be required, together with Members' Compulsory Contributions, to provide the benefits of the Scheme and

b. calculated on a basis agreed between the Trustee and the Principal Employer."
1.4 In accordance with Part 3 of the Pensions Act 2004 and the Code of Practice on funding defined benefits issued by the Pensions Regulator the Trustee would aim to agree the contribution rate with the Employer. After discussion with the Employer the Trustee has consented to the future contributions schedule proposed by the Employer.

1.5 The valuation has been carried out on the instruction of the Trustee and in accordance with Rule 12.2 of the Definitive Trust Deed and Rules and Section 224 of the Pensions Act 2004.

1.6 The previous actuarial valuation of the Plan was carried out as at 31 December 2005 by Philip Tranter.

**Funding objective**

1.7 The Pensions Act 2004 and the Scheme Funding Regulations issued in 2005 require schemes to adopt the statutory funding objective – to have sufficient and appropriate assets to cover their "technical provisions". The technical provisions are an estimate of the assets needed to make provision for benefits already accrued under a scheme.

1.8 The Trustee has decided on a funding objective and agreed it with the Employer. This is set out in the statement of funding principles, enclosed as Appendix D.

1.9 In summary, the agreed funding objective is to reach by 30 June 2022 and then maintain, assets equal to the technical provisions, assessed on an ongoing basis.

1.10 The funding objective values the liabilities of the Plan by reference to the return on a portfolio of government bonds ("gilts") of appropriate duration plus an additional out-performance assumption reflecting the expected return on the assets over the lifetime of the Plan grossed-up to take account of investment expenses being met separately from 2013 onwards. The previous valuation in 2005 valued the liabilities with respect to the expected return on a portfolio of AA rated corporate bonds.

1.11 The funding objective uses an assumption for future life expectancy for current pensioners which has been improved since the previous valuation to reflect the results of the mortality analysis undertaken in October 2008.

1.12 Under legislation, the assumptions underlying the technical provisions are set by the Trustee with the agreement of the Employer. The assumptions include margins for prudence that the Trustee considers appropriate given the Employer's willingness and ability to support the Plan (the "employer covenant"). I have provided advice to the Trustee on margins for prudence. The acquisition of Alfred McAlpine Plc by Carillion Plc on 12 February 2008 is an important consideration in this regard.

**Employer and Trustee negotiations**

1.13 This valuation was not completed within fifteen months of the effective date as required by legislation. After extensive discussions between the Employer and
Trustee a technical provisions basis and contributions were agreed upon which defers several issues to be reviewed at the next actuarial valuation.

1.14 The recovery plan, the schedule of contributions and a summary of the valuation will be submitted to the Pensions Regulator. This submission will not occur within the fifteen month period from the effective date of the valuation as required by legislation, due to the extended Employer and Trustee discussions regarding the basis to be used for the technical provisions and the level of contribution input from the Employer. The Pensions Regulator was notified of this delay in advance of the 31 March 2010 deadline and was provided with regular updates from both parties up to the point agreement was reached.

1.15 In particular, it was agreed to defer: an adjustment to the discount rate to allow for likely potential future de-risking of investments; a further strengthening of the mortality assumption to include long cohort projections and/or a floor to future improvements; and the preliminary results of an analysis of data from the administrator which indicates, albeit only covering a short period, that members are currently taking only approximately one half of the maximum cash allowance compared with the full allowance assumed for this valuation. The potential financial impact of these issues are illustrated in more detail in Section 7.
Funding results – technical provisions

2.1 The market value of the Plan’s assets at the valuation date is compared with the Plan’s technical provisions below. The funding position at the previous valuation is shown for comparison.

2.2 The shortfall against the technical provisions at the valuation date was £123m. This represents a funding level of 65% relative to the technical provisions.

2.3 The benefits valued for the technical provisions include allowance for salary increases up to normal retirement age for active and employed members. However, salary linkage ceased with effect from 31 December 2009, with employed members receiving deferred benefit entitlements. This change to benefits served to release reserves of some £4m on the technical provisions basis, the effect of which will be allowed for in the next formal actuarial valuation of the Plan.

2.4 The technical provisions are not the same as the cost of securing the benefits on a wind-up. The wind-up position is described in Section 5.
Analysis of change in funding position

2.5 The key factors influencing the change in the deficit since the previous valuation are shown below:

<table>
<thead>
<tr>
<th>Analysis of movement in deficit</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficit at 31 December 2005</td>
<td>(106.3)</td>
</tr>
<tr>
<td>Interest on deficit</td>
<td>(15.7)</td>
</tr>
<tr>
<td>Lower than expected investment returns</td>
<td>(56.4)</td>
</tr>
<tr>
<td>Higher than expected salary increases</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Higher than expected pension increases</td>
<td>(7.1)</td>
</tr>
<tr>
<td>Employer contributions in excess of cost of benefit accrual</td>
<td>22.9</td>
</tr>
<tr>
<td>Section 75 debts</td>
<td>8.0</td>
</tr>
<tr>
<td>Change in financial assumptions</td>
<td>30.3</td>
</tr>
<tr>
<td>Allowance for commutation by deferreds</td>
<td>10.2</td>
</tr>
<tr>
<td>Impact of improved life expectancy</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Miscellaneous/membership movements</td>
<td>2.6</td>
</tr>
<tr>
<td>Three year allowance for capitalisation of future expenses</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Deficit at 31 December 2008 against technical provisions</td>
<td>(123.0)</td>
</tr>
</tbody>
</table>

2.6 The above analysis highlights a number of material developments affecting the Plan since the previous valuation:

- Employer contributions in excess of the cost of benefits accruing.
- The change to the financial assumptions.
- The change to the pensioner mortality assumption.
- An allowance for deferred members to commute benefits at retirement.

2.7 It also highlights the key differences between what was assumed at the previous valuation and experience since then:

- Investment performance has been significantly lower than assumed.
- Salary and pension increases have been higher than assumed.
Funding results – contribution requirements

3.1 The contributions payable by the Employer are set out in the recovery plan (Appendix F) and the schedule of contributions (Appendix E).

3.2 The active members of the Local Government and PCSPS sections bulk transferred-out of the Plan with effect from 31 December 2009. As these were the only members who were continuing to accrue pensionable service in the Plan, the Plan being closed to future accrual for the majority of members from 31 July 2003, it is no longer relevant to calculate a normal contribution. The contributions are therefore to address the shortfall against the technical provisions.

3.3 The Employer has also agreed to pay an annual allowance, of currently £0.5m per annum, towards the expenses of running the Plan and an allowance for the remaining running expenses has been capitalised and included as a reserve held in the technical provisions for the period until 2013. The running expenses have been assumed to be met by the Employer (in a manner to be considered as part of the 2011 valuation) in full together with investment management expenses thereafter.

3.4 The cost of future PPF levies are met directly by the Employer and are therefore payable in addition.

Contributions to address shortfall

3.5 The recovery plan and the schedule of contributions set out the overall contribution rates agreed, including those to meet the shortfall against the Plan’s technical provisions over the recovery period ending 30 June 2022, agreed between the Trustee and Employer. Details on the timing and frequency of contributions are given, together with the date on which the revised contributions commence.

3.6 In the absence of detailed analysis of the likely future cashflows from the fund, the calculation of this recovery period makes no explicit allowance for them. As the Plan is maturing and is closed to future accrual, the Plan is cashflow negative.
and allowing for this would reduce the level of assets and hence asset performance over the recovery period.

3.7 The contributions agreed for the period to the next formal actuarial valuation include the following amounts towards the shortfall against the Plan’s technical provisions:

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>£9.283m</td>
</tr>
<tr>
<td>2010</td>
<td>£9.506m</td>
</tr>
<tr>
<td>2011</td>
<td>£9.506m</td>
</tr>
</tbody>
</table>

3.8 Over the longer term (i.e. beyond the next formal actuarial valuation) and on the assumptions set out in the statement of funding principles, the contributions required to meet the Plan’s funding objective are £9.506m per annum from 1 January 2012 to 30 June 2022.

Limitations on advice

3.9 I have drawn the Trustee’s attention to the issues it should consider when setting the recovery plan and contribution rate under paragraphs 75, 79 and 102 of the Pensions Regulator’s Code of Practice No. 3 (Funding defined benefits). Having informed the Trustee in advance, I have not provided advice on the following matters:

- The Employer’s business plans and the likely effect any potential recovery plan would have on the future viability of the Employer.
- The ability of the trustee to pursue an employer to make good a deficiency in the event of a scheme wind-up. If the trustee might have difficulty pursuing an employer to recover a debt (for example, if the employer or its parent is based overseas), it should usually seek a shorter recovery period.
- The Employer’s expenditure commitments. For example, some “back-end loading” might be acceptable when the Employer’s payments towards redeeming a commercial mortgage are due to end in the near future or a vital one-off investment in new equipment is being made in the next year.
- Reports of industry regulators (in the case of certain regulated industries).
- The value of any contingent security provided by the Employer bearing in mind both the term and enforceability. A longer recovery period or one structured with a degree of back-end loading may be appropriate where security has been provided in the event of insolvency.
- Whether there are any impending member movements which would have a potentially significant effect on funding, such as major retirements or bulk transfers (in or out).

- The anticipated level of the risk-based element of the Pension Protection Fund levy, year on year, over the course of the recovery period and how this is met by the Employer.
Method and assumptions

Funding method

4.1 At the previous valuation the funding method used was the projected unit method under which salary increases were assumed for each active member and projected until the member was assumed to leave active service. This method is no longer applicable as the active members of the Local Government and PCPS sections transferred-out with effect from 31 December 2009 and consequently future service benefits are no longer accruing in the Plan.

4.2 The funding method adopted, therefore, is known as the Defined Accrued Benefits method, under which benefit payments for accrued service are estimated for each member at the date when the member is assumed to die or retire, but allowing for employed and active members continuing to benefit from increases to pensionable salary on their accrued pensions (based on service to 31 July 2003 for the vast majority of members). This is described in the enclosed Statement of Funding Principles.

Assumptions

4.3 The financial and demographic assumptions used to assess the technical provisions and the recovery plan are set out in the statement of funding principles (Appendix D).

4.4 The table below sets out a summary of the market yields at the valuation date, together with the yields at the date of the previous valuation:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2008</th>
<th>31 December 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-dated gilt yield</td>
<td>3.75%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Long-dated index-linked gilt yield</td>
<td>0.75%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
The assumptions to which the valuation results are particularly sensitive are shown below. A number of changes have been made to the assumptions used, compared with the previous valuation and these are highlighted below:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>2008 technical provisions</th>
<th>2005 technical provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment return</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-retirement</td>
<td>5.10% p.a.</td>
<td>4.7% p.a.</td>
</tr>
<tr>
<td>Post-retirement</td>
<td>5.10% p.a.</td>
<td>4.7% p.a.</td>
</tr>
<tr>
<td>Price inflation (RPI)</td>
<td>2.6% p.a.*</td>
<td>2.9% p.a.</td>
</tr>
<tr>
<td>Salary increases</td>
<td>3.8% p.a.</td>
<td>3.9% p.a.</td>
</tr>
<tr>
<td>Pension increases in payment (5% LPI)</td>
<td>2.8% p.a.</td>
<td>2.9% p.a.</td>
</tr>
<tr>
<td>Mortality base table</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- non-pensioners</td>
<td>PA92 (YOB)</td>
<td>PA92 (YOB)</td>
</tr>
<tr>
<td>- pensioners</td>
<td>PA92 (YOB) +2 years</td>
<td>PA92 (YOB) +3/4 years for M/F</td>
</tr>
<tr>
<td>Mortality – future improvements</td>
<td>Medium cohort projections</td>
<td>Medium cohort projections</td>
</tr>
</tbody>
</table>

* allowing for an inflation risk premium of 0.2% in 2008.

The contributions payable under the recovery plan are calculated using the same assumptions as those used to calculate the technical provisions with the exception that, during the period of the recovery plan, the investment return on the Plan’s existing assets and future contributions is assumed to be 6.0% per annum.
4.7 As an illustration of the mortality rates assumed, the further life expectancies at
65 for males currently aged 45 and 65 are shown below:

<table>
<thead>
<tr>
<th>Non-retired member</th>
<th>PA92(YOB) MC + 0yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>(age 45 currently)</td>
<td>23.1 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retired member</th>
<th>PA92(YOB) MC + 2yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>(age 65 currently)</td>
<td>20.3 years</td>
</tr>
</tbody>
</table>

4.8 A mortality analysis of the Carillion Group was undertaken and the results for
each scheme were presented at the Trustee Forum on 28 October 2008. After
discussions, the Trustee decided to adopt the baseline assumption
recommended by the analysis for current pensioners, but to maintain the mortality
assumption for non-pensioners (as using the recommendation for non-pensioners
would have served to weaken the Trustee's assumption used for the 2005
valuation). In addition, allowance continues to be made for life expectancy
improvements by using medium cohort projections. Overall, this represents a
strengthening of the mortality assumption compared with the previous valuation.

4.9 The basis of valuing the assets (market value) is consistent with that of valuing
the liabilities.
Wind-up funding results

5.1 The wind-up funding level of the Plan at the valuation date has been estimated as 47%. This has deteriorated marginally from 48% since the previous valuation. The additional contributions paid by the Employer and the reduction in insurance company buy-out costs has been offset by a fall in the value of the Plan's assets.

5.2 Had the statutory funding objective been exactly met on the valuation date (i.e. assets equal to technical provisions), the wind-up funding level would have been 72%.

5.3 As the Plan is less than 100% funded on the wind-up basis at 31 December 2008, not all members could have received their full benefits from the assets had the Plan wound up on that date.

5.4 If the Plan had been wound up on the valuation date, the priority order currently applicable would have had the following approximate impact on the different categories of benefit.
5.5 There is now a liability on employers on wind-up of a scheme based on the cost of meeting benefits in full. The estimated shortfall at the valuation date amounted to £261.3 million.

5.6 The above measures look at the Plan's funding on the assumption that it had been discontinued on the valuation date and the benefits bought out with an insurance company.

5.7 In doing this, it is assumed that no further benefits accrue, no further contributions are paid and active members are entitled to benefits on the basis they had left service on the valuation date. There is no allowance for any discretionary benefits being paid in the future.

5.8 Given the Trustee's current investment policy, the wind-up position on a given date may be significantly different from the position estimated at the valuation date.

5.9 The funding level is only an estimate since it is not based on an actual quotation. The true position could only be established by completing a buy-out.

5.10 The assessments above have been carried out using experience of recent buy-out quotations and understanding of the factors affecting this market. A detailed analysis of the reserves that would need to be held has not been carried out. Consideration has been given to the market terms for the financial instruments in which providers would be expected to invest and an approximate allowance has been made for the reserves a provider would maintain to cover the risks involved and the statutory reserving requirements. These results are, therefore, only a guide to the wind-up position and should not be taken as a quotation. Market changes, both in interest rates and in supply and demand for buy-out business, mean that if a buy-out ultimately proceeds, actual quotations may differ. The assumptions used are as follows:
### Financial

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensioners Investment return</td>
<td>4.3% p.a.</td>
</tr>
<tr>
<td>Pension increases (LPI 5%)</td>
<td>3.2% p.a.</td>
</tr>
<tr>
<td>Non-pensioners Investment return pre-retirement</td>
<td>3.8% p.a.</td>
</tr>
<tr>
<td>Increases pre-retirement</td>
<td>3.1% p.a.</td>
</tr>
<tr>
<td>Investment return post-retirement</td>
<td>3.9% p.a.</td>
</tr>
<tr>
<td>Increases post-retirement (LPI 5%)</td>
<td>3.1% p.a.</td>
</tr>
</tbody>
</table>

### Demographic

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Normal retirement age</td>
<td>PA92 (YOB) for non-pensioners PA92 (YOB) +2 years for pensioners</td>
</tr>
<tr>
<td>Mortality – future improvements Males</td>
<td>Medium cohort projections with 1.5% p.a. minimum improvement per annum starting from 2007</td>
</tr>
<tr>
<td>Mortality – future improvements Females</td>
<td>Medium cohort projections with 1% p.a. minimum improvement per annum starting from 2007</td>
</tr>
<tr>
<td>Commutation</td>
<td>None</td>
</tr>
<tr>
<td>Proportion married</td>
<td>90%</td>
</tr>
<tr>
<td>Spouse’s age</td>
<td>Wives three years younger than husbands. Husbands 2 years older than wives.</td>
</tr>
</tbody>
</table>

5.11 Allowance has been made for expenses as 2% of the liability value.

5.12 If the assumptions used for the recovery plan are borne out over the next three years, the agreed contributions are paid and there are no changes to the wind-up assumptions, the wind-up funding level at the next formal actuarial valuation (as at 31 December 2011) is estimated to be 56%. It is expected that the proportion of benefits in each priority class will have changed to the figures shown below.

<table>
<thead>
<tr>
<th>Benefit category</th>
<th>Coverage of benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits up to level covered by PPF</td>
<td>76%</td>
</tr>
</tbody>
</table>
Pension Protection Fund (PPF)

6.1 If the Plan winds up when the Employer is insolvent, it may be eligible for the PPF. The Plan's assets and liabilities would only transfer to the PPF if the assets were insufficient to buy out the benefits provided by the PPF.

6.2 The benefits that the PPF could provide would be broadly 100% of pension for members over pension age and 90% of a capped amount of pension for members under pension age. Under the current PPF provisions:

- Pensions in payment will be increased annually, at the lower of 2.5% and the change in the retail prices index (RPI)*, in respect of service after 5 April 1997 only. Pensions accrued before April 1997 are not increased.
- All deferred pensions will be revalued over the period to retirement in line with the increase in the RPI over the same period, or 5% per annum if less.
- Spouses' pensions will be 50% of members' PPF benefits.
- The pensions of members aged less than their scheme's normal pension age when the scheme enters the PPF will be capped. The cap depends on the member's age and will increase in line with earnings. For example, in 2009/10 the cap is £31,936 at age 65 so that the maximum amount of compensation for members retiring at age 65 will be 90% of this, i.e. £28,742.

6.3 Based on the PPF benefits, and the financial and demographic assumptions prescribed by the PPF, the Plan is estimated to be 63% funded at the valuation date.

6.4 In this case, had an insolvency event occurred (and no Employer debt payment been recovered), it is likely that the PPF would have been required to assume responsibility for the Plan.

* this may alter to CPI following the Government's recent announcements.

Mercer
Variability and risks

7.1 The Employer contributions set out in the recovery plan and schedule of contributions are based on the valuation results set out in Sections 2 and 3 of this report. These in turn depend on the financial and demographic assumptions set out in the statement of funding principles.

7.2 It is likely, especially in the short term, that these assumptions will not be borne out in practice. It is therefore important to consider the potential impact on the funding position and the Employer contribution rate of actual experience differing from what has been assumed.

Sensitivity to key assumptions

7.3 Investment return, inflation, salary increase and life expectancy assumptions impact significantly on the funding position.

7.4 The following table illustrates the broad sensitivity to variations in these key assumptions over the long term. The starting points are the technical provisions of £356.4m shown in Section 2.1. Each row of the table considers one change in isolation, with all other assumptions being unaltered. An equivalent change in the assumption in the opposite direction would decrease the liability value by a similar amount.
### Change in assumption

<table>
<thead>
<tr>
<th>Change in assumption</th>
<th>Increase in technical provisions at 31 December 2008</th>
<th>£ m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-retirement investment return reduced by 0.25% p.a.</td>
<td></td>
<td>5.5</td>
</tr>
<tr>
<td>Post-retirement investment return reduced by 0.25% p.a.</td>
<td></td>
<td>8.6</td>
</tr>
<tr>
<td>Life expectancy increased by one year</td>
<td></td>
<td>10.2</td>
</tr>
</tbody>
</table>

## Value at risk

7.5 If the valuation assumptions are borne out in practice and the Employer paid £9.283m in respect of the recovery plan, the deficit one year after the valuation date is expected to reduce to £118m. However, if experience differs from that assumed, the position could be very different.

7.6 One way of understanding the risk associated with a pension scheme is to consider a “value at risk” (VaR) analysis. This measures the financial impact of a possible adverse change in various risk factors (such as interest rates) and is a way of measuring different risks so that they can be compared and prioritised, allowing the Trustee to focus on the most relevant.

7.7 An indicative total value at risk for the Plan could be estimated, for example, by looking at how much the deficit could increase given a 1 in 20 chance. Any analysis would be considered as no more than a range-finding exercise to give the Trustee an indication of the order of magnitude of Plan’s risk.

7.8 The technical provisions are derived from the yield on gilts with a percentage addition. The assets are invested in a range of asset classes, but predominantly equities. The current investment strategy involves holding approximately 60% of the assets in equities and 40% in bonds (and bond-like investments). The bonds and gilts held have a shorter duration than the liabilities.

7.9 Given the above investment strategy, this means that the assumption is that the yield on the equities held will exceed that on gilts by approximately 1.7% per annum or less allowing for expected out-performance by corporate bonds. Allowing for expected equity out-performance over gilts of 3.5% per annum and a certain volatility in this return, the probability of the return on equities exceeding that on gilts by 1.7% per annum or more over ten years is approximately 60%.

7.10 Two scenarios have been considered to illustrate the risk from the investment mismatch:

- An immediate fall in UK and overseas equity markets of 20%, with no change in the yields on fixed interest and index-linked gilts and bonds.
An immediate fall in yields on fixed interest and index-linked gilts and bonds of 1% per annum at all durations, with no change in the prices of UK and overseas equities.

7.11 The table below shows the effect on the technical provisions based on the current investment strategy:

<table>
<thead>
<tr>
<th>Increase in deficit</th>
<th>£28m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity fall 20%</td>
<td></td>
</tr>
<tr>
<td>Yield fall 1% p.a.</td>
<td>£54m</td>
</tr>
</tbody>
</table>

Equivalent changes in the opposite direction would decrease the deficit by similar amounts.

7.12 The discussion above focuses on financial risks. In reality the total value at risk is a combination from different risk factors, including:

- **Equity risk.** This obviously affects the value of the assets, and will be a significant component for a scheme with a high allocation of equities.

- **Interest rate and inflation risk.** Interest rates affect both the actual value of the bond assets and the value of the technical provisions. For schemes with a lower proportion of equities, this risk is likely to dominate.

- **Longevity risk.** This will affect the value of the technical provisions and can arise because either or both of the starting point (the base table) or the future improvements are "incorrect". This is likely to be a more significant proportion of the total risk for less mature schemes and those with low investment risk.

7.13 A more detailed analysis could be carried out to show how the indicative value at risk is split between these three main risk factors.

**Risks contained in the agreed funding strategy**

7.14 It was agreed to value the technical provisions using a discount rate of 5.1% p.a. which has been calculated gross of investment expenses. This is a change in approach compared with the previous valuation, which used a net discount rate to value the technical provisions. The 2005 valuation used the yield on an AA corporate bond to determine the discount rate. Using a consistent method at the 2008 valuation would have led to a discount rate of between 5.6% p.a. and 5.8% p.a.. However, given the increase in AA yields at the valuation date it would be inappropriate to use the AA yield at 31 December 2008. The Trustees preference would be to use a discount rate of 1% p.a. above the appropriate gilt yield for the duration of the liabilities. This would be 4.75% p.a. at this valuation and thus, in order to reflect the grossing up for investment expenses, there has been an addition of 0.35% p.a. to the discount rate, which has served to reduce the technical provisions by £20m at this valuation. This reduction in liability is in...
effect a capitalised estimate of the expected future investment expenses assumed to be at the rate of £1.8m per annum.

7.15 The above technical provisions of £356.4m at 31 December 2008 has been calculated using an underlying discount rate of 4.75% p.a. (before grossing up for investment expenses) which has been derived from a long-dated gilt yield of 3.75% plus 1.0% allowance for investment out-performance. The allowance for out-performance has been based on the Scheme’s current investment strategy. It is likely that over time investment strategy will be altered to have a greater weighting in gilts and bonds. If the allowance was reduced to reflect this expectation to 0.4% above gilts, say, the discount rate would be 4.15% p.a. and the value of liabilities would increase by £59m to £415.4m.

7.16 The mortality assumption adopted for this valuation is based on medium-cohort projections with no underpin for the rate of future improvements. If the technical provisions were calculated with a floor of 1.5% per annum for males and 1.0% per annum for females, the above liability of £356.4m would increase by circa £9.6m to £366m. Alternatively, if long-cohort projections were introduced with no underpin, the above liability of £356.4m would increase by circa £22m to £378.4m.

7.17 The technical provisions currently assume that all members take the maximum cash allowance at retirement. However, the more recent retirement data supplied thus far by the administrator shows on average members take only about half the maximum allowance available. This analysis of data is based on a relatively short period of time and the data has still to be confirmed in some cases. However, if the commutation assumption was revised in line with the preliminary results of this analysis, the above technical provisions of £356.4m would increase by circa £5m to £361.4m.

Risks that the statutory funding objective will not be met

7.18 The Trustee’s policy for meeting the Plan’s statutory funding objective carries a number of risks outside the Trustee’s control. The following paragraphs comment on some potentially material risks.

7.19 If the Employer becomes unable to pay contributions or to make good deficits in the future, the Plan’s assets will be lower than expected and the funding level will be worse than expected. If the reason for the Employer not paying the agreed contributions is one of financial difficulties, the Trustee’s focus would switch to the results on the wind-up basis, as set out in Section 5.

7.20 If the future investment return on assets falls short of the rates assumed in the calculation of the technical provisions and the recovery plan, the funding position of the Plan will be worse than expected. It is likely that an increase in future Employer contributions will be required.

7.21 If gilt yields change such that the liability values increase by more (or decrease by less) than the assets, the funding position against the technical provisions and on the wind-up basis will be worse than expected. An increase in Employer contributions will be expected as a result. A quantitative illustration of such a change was shown by the sensitivity analyses in Section 7.11.
7.22  If improvements in mortality are faster than assumed, the cost of benefits will increase because members are living longer than expected. This will mean the funding position against the technical provisions and on the wind-up basis will be worse than expected and an increase in Employer contributions will be expected as a result. A quantitative illustration of such a change was shown by the sensitivity analyses in Section 7.4.

7.23  If members make decisions around their options which increase the Plan’s liabilities, the wind-up funding position and the progress towards the statutory funding objective would be worse than expected. As a result, future Employer contributions may need to be increased. An example would be if members do not commute the maximum possible pension for cash, as is being assumed.
Appendix A

Assets and financial transactions

A.1 The market value of the Plan's assets (excluding additional voluntary contributions (AVCs) which are separately invested) was £233.4 million on the valuation date.

A.2 The distribution of the assets by asset class is shown below:

![Asset Distribution Chart]

- UK equities: 32.7%
- Overseas equities: 10.0%
- UK gilts: 18.2%
- Index linked bonds: 10.0%
- Property: 5.7%
- Cash: 1.1%
- Other fixed interest: 22.0%

A.3 During the inter-valuation period, the investment return has been -2.1% per annum.

A.4 The details of the assets at the valuation date and the financial transactions during the inter-valuation period have been obtained from the audited accounts for the Plan.

A.5 Following the previous valuation, a revised Schedule of Contributions was agreed from 26 June 2007. The Employer agreed to pay 42% of Pensionable Salaries in respect of future benefit accrual less member contributions, plus the contributions detailed in the table overleaf in order to correct the deficit. The expenses of running the Plan plus the cost of future PPF levies as well as life assurance premiums were payable in addition. The audited accounts confirm that contributions have been paid at least at these rates during the inter-valuation period.
Actuarial valuation as at 31 December 2008

Alfred McAlpine Pension Plan

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>£9.2m (this contribution represents a payment of £6.6m in respect of 2007 and £2.6m in respect of 2006. The Company also paid a contribution of c £4.0m deficit funding contribution to the Plan during 2006)</td>
</tr>
<tr>
<td>2008</td>
<td>£8.5m</td>
</tr>
</tbody>
</table>

Member contributions and AVCs were payable in addition.

During 2008, there was a Section 75 debt contribution of £7,580k (2007: £199k) as a result of the sale of Alfred McAlpine Slate Limited.

A.6 The Trustee held a group life insurance policy which insured the lump sum benefit payable on death-in-service up to 31 December 2009.

A.7 More detailed asset information is shown below:

<table>
<thead>
<tr>
<th>Market value at valuation date</th>
<th>£000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed interest</td>
<td>12,418</td>
</tr>
<tr>
<td>Equities</td>
<td>35,452</td>
</tr>
<tr>
<td>Index linked</td>
<td>11,841</td>
</tr>
<tr>
<td>Pooled vehicles</td>
<td>170,881</td>
</tr>
<tr>
<td>Other (including derivatives)</td>
<td>1,234</td>
</tr>
<tr>
<td>Cash balance and net current assets</td>
<td>1,596</td>
</tr>
<tr>
<td>Total</td>
<td>233,422</td>
</tr>
</tbody>
</table>

Mercer
Appendix B

Benefits

B.1 The benefits valued are as set out in the consolidated Trust Deed and Rules dated 29 January 2001 plus supplemental deeds.

B.2 No allowance has been made for discretionary benefits.

B.3 The benefits that will emerge from AVCs paid by members have been excluded, as have the corresponding assets, since the value of these liabilities is exactly matched by these assets.

B.4 UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. There is no consensus or legislative guidance as to what adjustments have to be made to scheme benefits to correct these inequalities for ongoing schemes which are not in the PPF. The valuation makes no allowance for removal of these inequalities. It is consequently possible that additional funding will be required for equalisation once the law has been clarified. It is recommended that the Trustee seeks further professional advice if they are concerned about this issue.
Appendix C

Membership data

C.1 The membership data is summarised below, with figures at the previous valuation shown for comparison.

<table>
<thead>
<tr>
<th>Active and employed members</th>
<th>Valuation date</th>
<th>Previous valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>378</td>
<td>758</td>
</tr>
<tr>
<td>Total Pensionable Salaries (£000s p.a.)</td>
<td>15,883</td>
<td>28,867</td>
</tr>
<tr>
<td>Average Pensionable Salaries (£ p.a.)</td>
<td>42,019</td>
<td>38,083</td>
</tr>
<tr>
<td>Average age (weighted)</td>
<td>50.3</td>
<td>49.7</td>
</tr>
<tr>
<td>Average past service (years)</td>
<td>9.7</td>
<td>9.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred pensioners</th>
<th>Valuation date</th>
<th>Previous valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>2,557</td>
<td>2,530</td>
</tr>
<tr>
<td>Total deferred pensions (£000s p.a. revalued to valuation date)</td>
<td>7,541</td>
<td>6,455</td>
</tr>
<tr>
<td>Average deferred pension (£ p.a.)</td>
<td>2,949</td>
<td>2,551</td>
</tr>
<tr>
<td>Average age (weighted)</td>
<td>50.1</td>
<td>48.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pensioners</th>
<th>Valuation date</th>
<th>Previous valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>1,675</td>
<td>1,503</td>
</tr>
<tr>
<td>Total pensions payable (£000s p.a.)</td>
<td>12,791</td>
<td>10,622</td>
</tr>
<tr>
<td>Average pension (£ p.a.)</td>
<td>7,636</td>
<td>7,067</td>
</tr>
<tr>
<td>Average age (weighted)</td>
<td>71.0</td>
<td>69.9</td>
</tr>
</tbody>
</table>

C.2 The above data excludes deferred pensions in respect of transfers-in to the Plan.
C.3 The average Pensionable Salary increase for the Plan members who were in service for the whole of the inter-valuation period was 5.2% per annum.

C.4 Pensions in payment in excess of Guaranteed Minimum Pensions (GMPs) were increased as guaranteed under the Plan as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2009</td>
<td>5.0%</td>
</tr>
<tr>
<td>1 January 2008</td>
<td>3.9%</td>
</tr>
<tr>
<td>1 January 2007</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

C.5 Data in relation to members of the Plan was provided by the Trustee, via the Plan's administrator and its accuracy has been relied on. Whilst reasonableness checks on the data have been carried out, they do not guarantee the completeness or the accuracy of the data. Consequently Mercer does not accept any liability in respect of its advice where it has relied on data which is incomplete or inaccurate.
Appendix D

Statement of funding principles

This statement of funding principles sets out the policies of Alfred McAlpine Pension Trustees Limited (“the Trustee”) for securing that the statutory funding objective is met.

It has been prepared by the Trustee to satisfy the requirements of section 223 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Plan. It will be taken into account in the actuarial valuation as at the effective date of 31 December 2008.

This statement of funding principles has been agreed by the Employer, Carillion AM Limited, on behalf of all relevant employers.

The statutory funding objective

The statutory funding objective is that the Plan has sufficient and appropriate assets to pay its benefits as they fall due (the technical provisions).

Calculation of the technical provisions

The principal method and assumptions to be used in the calculation of the technical provisions are set out later on in this Statement.

The general principles adopted by the Trustee are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid and to reflect the commitments which will arise from members’ accrued pension rights. The basis will include appropriate margins to allow for the possibility of events turning out worse than expected and will only be adopted after considering how it compares with the assumptions used to assess the Plan’s solvency position.

In particular, a prudent margin will be included in the discount rate, and demographic assumptions will be based on prudent principles. Other assumptions will be based on best estimates of future experience, within the constraint of the basis being prudent overall. However, the Trustee does not intend for the method and assumptions to remove completely the risk that the technical provisions could be insufficient to provide benefits in the future.
Policy on discretionary increases and funding strategy

No allowance has been included in the assumptions for paying discretionary benefits or making increases to benefits that are not guaranteed under the Plan rules. The Trustee will generally not provide discretionary benefits unless the Employer agrees to finance them or there is no shortfall against the technical provisions.

Rectifying a failure to meet the statutory funding objective and ongoing liabilities

If the assets of the Plan are less than the technical provisions at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the Employer to meet the shortfall. The Trustee and the Employer have agreed that any such funding shortfalls should be eliminated over time periods taking into account what the Employer can reasonably afford.

Additional contributions will be expressed as monetary amounts.

In determining the actual recovery period at any particular valuation, the Trustee will take into account the following factors:

- the size of the funding shortfall;
- the business plans of the Employer;
- the Trustee’s assessment of the financial covenant of the Employer (and in making this assessment the Trustee will make use of appropriate credit assessment providers);
- any contingent security offered by the Employer.

Based on these principles and assuming the assumptions are borne out in practice, the technical provisions shortfall calculated at the 31 December 2008 valuation will be met over the period to 30 June 2022.

Calculating the normal cost of the Plan

The Plan was closed to future accrual with effect from 31 July 2003 for the majority of members and the small number of remaining members who continued to accrue benefits in the Plan through the participation of the Employer in Government contracts bulk transferred out of the Plan with effect from 31 December 2009. There is therefore no future normal cost to the Plan.

Arrangements for other parties to make payments to the Plan

In some circumstances, someone other than the Employer or a plan member may contribute to the Plan.
Policy on reduction of cash equivalent transfer values (CETVs)

The Trustee will ask the actuary to advise them at each valuation the extent to which assets are sufficient to provide CETVs for all non-pensioners without adversely affecting the security of the benefits of other members and beneficiaries. Where coverage (as calculated on the CETV set of assumptions) is less than 90% of benefits in excess of the first priority slice (broadly those benefits which would be provided were the Scheme to be admitted to the Pension Protection Fund), the Trustee will consider reducing CETVs as permitted under legislation, after obtaining actuarial advice.

If at any other time, after obtaining advice from the actuary, the Trustee is of the opinion that the payment of CETVs at a previously agreed level may adversely affect the security of the benefits of other members and beneficiaries, the Trustee will commission a report from the actuary and will use the above criterion to decide whether, and to what extent, CETVs should be reduced.

A report was commissioned by the Trustee in October 2009 and a decision was taken to reduce transfer values to 100% of the transfer value of the non-money purchase benefits covered by the Pension Protection Fund plus 2% of the transfer value of the non-money purchase benefits not covered by the PPF.

Payments to the Employer

If the Plan is not being wound-up and the assets of the Plan exceed the actuary’s estimate of the cost of buying out the benefits of all beneficiaries from an insurance company, including the expenses involved in buying out, benefits may be enhanced but the Employer may not receive a refund of the excess.

Frequency of valuations and circumstances for extra valuations

An actuarial valuation is being carried out as at 31 December 2008 and subsequent valuations will in normal circumstances be carried out at least every three years thereafter. An actuarial report on developments affecting the Plan’s technical provisions and funding level since the previous valuation will be obtained as at 31 December each other year.

The Trustee may call for a full actuarial valuation instead of an actuarial report when, after considering the actuary’s advice, it is of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions. However, the Trustee will consult the Employer before doing so.

Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the schedule of contributions and/or recovery plan in a way satisfactory to the Trustee on the advice of the actuary.
This statement of funding principles, dated 29 October 2010 has been agreed by Carillion AM Limited, on behalf of all relevant employers, and the Trustee of the Alfred McAlpine Pension Plan:

Signed on behalf of Carillion AM Limited.................................................................
Name .......................................................... J. K. DAWSON ..........................................................
Position .......................................................... HEADCUSTodian .................................
Date  .......................................................... 29.10.10 ..........................................................

Signed on behalf of the Trustee of the Alfred McAlpine Pension Plan.................................................................
Name .......................................................... ROBIN C. ELLISON .................................
Position .......................................................... CHAIRMAN .................................
Date  .......................................................... 29 October 2010 ..........................................................

This statement of funding principles, dated 29 October 2010 has been agreed by the Trustee of the Alfred McAlpine Pension Plan after obtaining actuarial advice from the Scheme Actuary:

Signed .......................................................... ..........................................................
Name .......................................................... ..........................................................
Position .......................................................... Actuary to the Alfred McAlpine Pension Plan
Date  .......................................................... 29 October 2010
Method and assumptions used in calculating the technical provisions

Method
The actuarial method to be used in the calculation of the technical provisions is the Defined Accrued Benefits method, under which benefit payments for accrued service are estimated for each member at the date when the member is assumed to die or retire but allowing for active and employed members continuing to benefit from increases to pensionable salary on their accrued pensions (based on pensionable service to 31 July 2003 for the vast majority of members).

Financial assumptions

Investment return pre-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 1.35% p.a. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields based on maintenance of the current asset mix and thus ignoring any potential future changes to the portfolio. The rate is a grossed up rate which assumes the investment management expenses are met separately by the Employer.

Investment return post-retirement (discount rate)
The redemption yield on UK Government conventional gilt stocks adjusted to reflect the appropriate duration of the liabilities, plus 1.35% p.a. The addition to the yield reflects the prudent allowance the Trustee has agreed for the additional investment returns in excess of gilt yields based on maintenance of the current asset mix and thus ignoring any potential future changes to the portfolio. The rate is a grossed up rate which assumes the investment management expenses are met separately by the Employer.

Inflation
The inflation assumption will be taken to be the investment market’s expectation for inflation as indicated by the difference between yields on conventional and index-linked UK Government bonds (gilts) adjusted to reflect an appropriate duration of the liabilities, but reduced by an inflation risk premium (0.2% p.a. at this valuation).

Salary increases
The assumption for real salary increases (salary increases in excess of price inflation) will be determined after consulting the Employer, but as a starting point the Trustee will use an assumption of 1.0% p.a.. This assumption is no longer relevant post 31 December 2009.

Pension increases
The Plan guarantees to increase that part of the pension in excess of the Guaranteed Minimum Pension (GMP) in payment in line with inflation, subject to a maximum yearly increase of 5% (LPI increases). For the purpose of this valuation, I have assumed that these increases would be granted in line with price inflation.

Other pension increases have been assumed where appropriate and members accepted alternative benefits in the Plan. Increases on the GMP accrued since 6 April 1988 are
assumed at 3% per annum and GMP accrued before that date is assumed not to increase in payment.

**Demographic assumptions**

**Mortality**

The mortality assumptions will be based on information published by the Continuous Mortality Investigation Bureau, making allowance for future improvements in longevity and the experience of the Plan. The mortality tables used are PA92 Year of Birth with medium cohort improvements. Current pensioners are treated as though they were two years older than their actual age. An illustration of the life expectancies derived from these tables is set out below:

<table>
<thead>
<tr>
<th>Life expectancy from 65</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Males</strong></td>
</tr>
<tr>
<td>Pensioner (age 65 currently)</td>
</tr>
<tr>
<td>Non-pensioner (age 45 currently)</td>
</tr>
</tbody>
</table>

**Retirement**

- The assumed age at which members retire early has been chosen to reflect the benefits available on early retirement. In particular, members who joined the Plan before 1 August 1991, retiring at age 60 or above, will receive a pension without actuarial reduction in relation to service accrued on a Normal Pension Age (NPA) of 62.

- Members in active service on 1 January 2001 had the option of retaining a NPA of 62 (and pay higher contributions) or move to NPA 65 with no increase in member contributions.

- For members who joined the Plan before 1 August 1991, 20% of male members and 100% of female members reaching age 60 are assumed to retire immediately without actuarial reduction. All remaining members are assumed to retire at their NPA.

- The early retirement assumption is designed to apply over the lifetime of the Plan. The assumption will be reviewed at future valuations in the light of the experience.

**Withdrawals**

This assumption relates to those members who leave the Plan with an entitlement to a deferred pension or transfer value. Prior to 31 December 2009, it will be assumed that members in service will leave the Plan at the following sample rates:
Actuarial valuation as at 31 December 2008

<table>
<thead>
<tr>
<th>Age</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>10.4</td>
<td>18.4</td>
</tr>
<tr>
<td>35</td>
<td>3.5</td>
<td>5.6</td>
</tr>
<tr>
<td>45</td>
<td>0.6</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Commutation
It will be assumed that all members take the maximum cash allowed at retirement.

Proportion married and age difference
It will be assumed that in 90% of deaths a dependant's pension will be payable and that dependants are of the opposite sex to the members, with wives being three years younger, on average, than members and husbands being two years older.

Expenses
The Employer will pay an annual allowance, of currently £0.5m, towards the running of the Plan and the Trustee will meet any additional running expenses of the Plan until 2013. With the Employer's agreement, an allowance of £2.0m in respect of a capitalised estimate of three years' future expenses has been made in the valuation of the technical provisions.

PPF levies incurred by the Plan are payable by the Employer in addition to any contributions set out in the Recovery Plan.

Investment expenses will be met by the Trustee until 2013.
Summary of key assumptions used for calculating technical provisions as at 31 December 2008

<table>
<thead>
<tr>
<th>Principal actuarial assumptions for valuation as at 31 December 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>— Investment return pre-retirement 5.1% p.a.</td>
</tr>
<tr>
<td>— Investment return post-retirement 5.1% p.a.</td>
</tr>
<tr>
<td>— RPI price inflation 2.8% p.a.</td>
</tr>
<tr>
<td>— Salary increases 3.8% p.a.</td>
</tr>
<tr>
<td>— Pension increases in payment (5% LPI) 2.8% p.a.</td>
</tr>
<tr>
<td>— Non-retired members' mortality PA92(YOB) mc +0 years</td>
</tr>
<tr>
<td>— Retired members' mortality PA92(YOB) mc +2 years</td>
</tr>
</tbody>
</table>

Method and assumptions used in calculating the cost of future accrual

As the Plan closed to future accrual for the vast majority of members with effect from 31 July 2003 and the remaining active Passport Section members transferred-out with effect from 31 December 2009, the calculation of the cost of future accrual is no longer applicable.

Assumptions used in calculating contributions payable under the recovery plan

The contributions payable under the recovery plan will be calculated using the same assumptions as those used to calculate the technical provisions, with the exception of the following during the period of the recovery plan:

Investment return on existing assets and future contributions

The redemption yield on UK Government conventional gilt stocks, plus 2.25% p.a., reflecting the current underlying investment strategy of the Plan and, in particular, the assets of the Plan that underlie the non-pensioner liabilities.
Schedule of Contributions, incorporating actuarial certificate

Status of this document
This schedule has been prepared by the Trustee of the Alfred McAlpine Pension Plan to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Plan appointed by the Trustee.

This document is the first schedule of contributions put in place for the Plan following the 31 December 2008 valuation. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustee and the Employer, Carillion AM Limited, on behalf of all relevant employers, on 29 October 2010.

The Trustee and the Employer have signed this schedule to indicate that it represents an accurate record of the agreed pattern of contributions. The schedule is effective from the date it is certified by the Scheme Actuary.

Contributions to be paid to the Plan from 31 December 2008 to 30 June 2012

Members' contributions
No contributions are payable by members after 31 December 2009.

Employer's contributions in respect of future accrual of benefits
No contributions in respect of future accrual are payable by the Employer after 31 December 2009.
**Employer's contributions in respect of the shortfall in funding as per the recovery plan of 29 October 2010**

The Employer shall pay shortfall correction additional contributions of at least the following amounts no less frequently than monthly: £9.283m in 2009 and £9.506m per annum from 1 January 2010 to 30 June 2022.

**Employer's contributions in respect of benefit augmentations**

In addition the Employer shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the Employer and approved by the Trustee.

**Employer's contributions in respect of administration and other costs**

The Employer shall reimburse the Trustee for the cost of meeting levies payable to the Pension Protection Fund. Until 2013 other expenses will be paid directly from the Plan; save an annual allowance, of currently £0.5m, to be paid by the Employer towards the Plan’s running expenses. The Employer will also meet in full the general running costs of the Plan from 2013 onwards and will also cover the investment management costs either directly, or by explicit funding reserves from 2013. The precise methodology will be considered at the next valuation.

**Other Employer contributions**

The Employer may pay additional contributions on a regular or one off basis if it chooses.
**Dates of review of this schedule**

This schedule of contributions will be reviewed by the Trustee and the Employer no later than 15 months after the effective date of each actuarial valuation, due at least every three years.

This schedule of contributions has been agreed by the Employer, Carillion AM Limited, on behalf of all relevant employers, and the Trustee of the Alfred McAlpine Pension Plan on 29 October 2010.

Signed on behalf of Carillion AM Limited

Name

Position

Date of signing

Signed on behalf of the Trustee of the Alfred McAlpine Pension Plan

Name

Position

Date of signing
Certification of schedule of contributions

Name of Scheme
Alfred McAlpine Pension Plan

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2008 to be met by the end of the period specified in the recovery plan dated 29 October 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 29 October 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were to be wound-up.

Signature
E S Topper

Scheme Actuary

Date of signing
29 October 2010

Name of Employer
Mercer Limited

Address
Clarence House,
Clarence Street
Manchester
M2 4DW

Qualification
Fellow of the Institute and Faculty of Actuaries
Recovery Plan

This Recovery Plan has been prepared by the Trustee of the Alfred McAlpine Pension Plan ("the Trustee") on 29 October 2010 to satisfy the requirements of section 226 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the Actuary to the Plan. It is part of the Trustee's plan for meeting the statutory funding objective (defined in section 222 of the Pensions Act 2004), which is that the Plan must have sufficient and appropriate assets to cover its technical provisions.

This Recovery Plan has been drawn up by the Trustee and the Employer, on behalf of all relevant employers.

The Recovery Plan follows the actuarial valuation of the Plan as at 31 December 2008, which revealed a shortfall in the assets, when measured against the Plan's technical provisions, of £123m. It will be reviewed, and may be revised, following the Trustee's next valuation under section 224 of the Pensions Act 2004, or earlier if the Trustee and Carillion AM Limited agree.

Steps to be taken to ensure that the statutory funding objective is met

To correct the shortfall, the Employer, Carillion AM Limited, will pay contributions of £9.283m in 2009 and £9.506m per annum from 1 January 2010 to 30 June 2022.

The above amounts will be paid no less frequently than monthly. PPF levies incurred by the Plan will be met by the Employer in addition to the amounts above and essentially all expenses with effect from 2013.

Period in which the statutory funding objective should be met

The shortfall is expected to be eliminated by 30 June 2022. This is 13 years 6 months from the effective date of the valuation or, equivalently, 11 years 8 months from the date of signing this valuation report and schedule of contributions. This expectation is based on the following:
the technical provisions will be calculated according to the method and assumptions set out in the statement of funding principles dated 29 October 2010;

- the return on existing assets and the return on new contributions during the period will be 6.0% per annum;

- the current investment allocation is held indefinitely and contributions are invested in line with this allocation;

- no allowance for benefit cashflows during the period;

- assumed investment expenses of £0.8m p.a. to be met by the fund until 2012 and to be met separately from 2013 onwards.

**Progress towards the statutory funding objective being met**

It is expected that 50% of the above additional contributions will be paid in 6 years 9 months, which is by 30 September 2015.

Signed on behalf of Carillion AM Limited...[signature]

Name...J. K. Dawson

Position...Head of Reward

Date...29.10.10

Signed on behalf of the Trustee of the Alfred McAlpine Pension Plan...[signature]

Name...Robin C. Ellison

Position...Chairman

Date...29 October 2010
This Recovery Plan, dated 29 October 2010 has been agreed by the Trustee of the Alfred McAlpine Pension Plan after obtaining actuarial advice from the Scheme Actuary:

Signed

Name

Position Actuary to the Alfred McAlpine Pension Plan

Date 29 October 2010
Certificate of technical provisions

Name of Scheme: Alfred McAlpine Pension Plan

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Plan's technical provisions as at 31 December 2008 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Plan and set out in the Statement of Funding Principles dated 29 October 2010.

Signature: [Signature]

Name: E S Topper

Date of signing: 29 October 2010

Address: Mercer Limited
Clarence House
Clarence Street
Manchester
M2 4DW

Qualification: Fellow of the Institute and Faculty of Actuaries