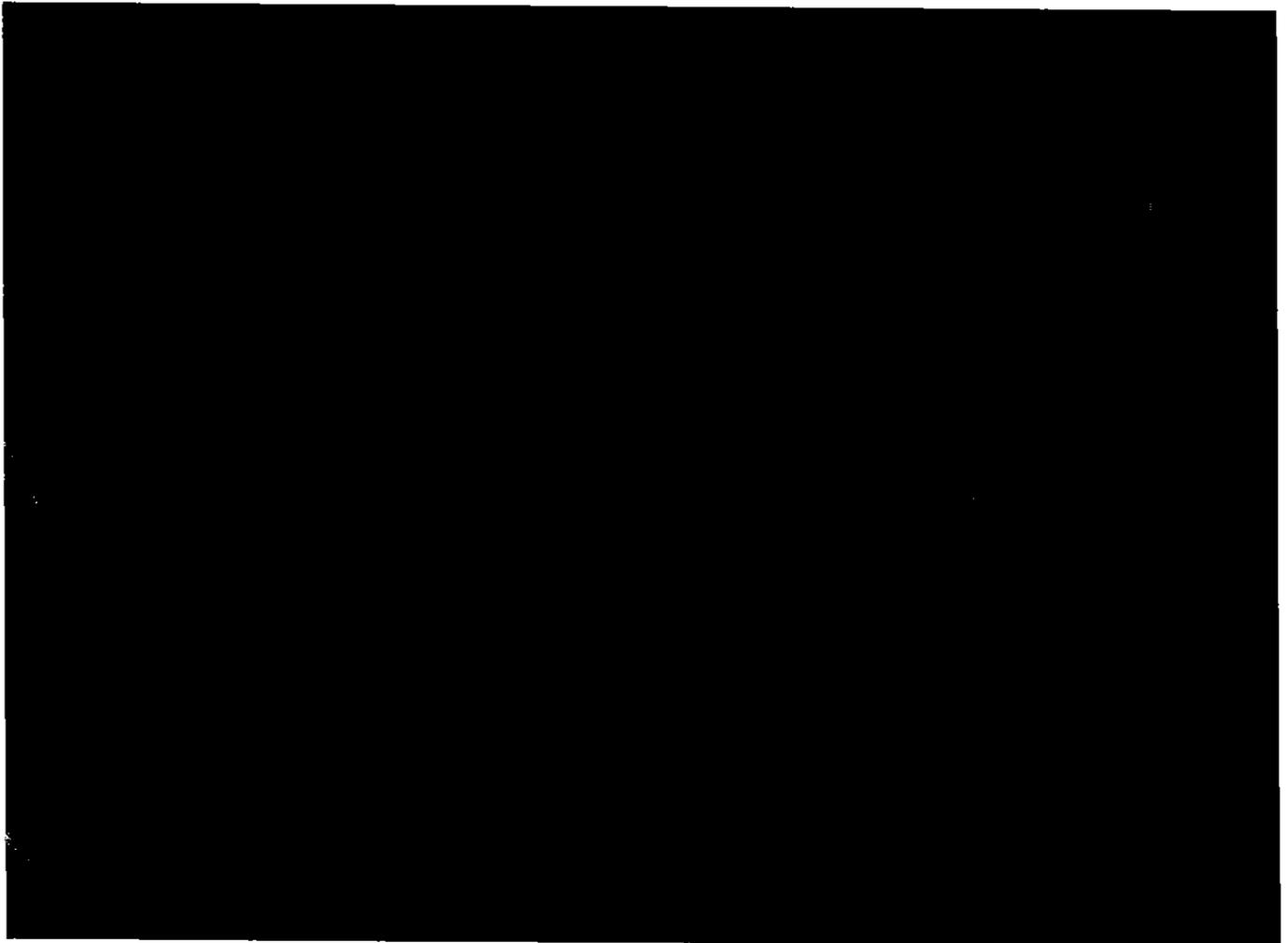


Carillion 'B' Pension Scheme

Report and Financial Accounts

Year ended 31 December 2011

Registrar of Occupational and Personal Pension Schemes Registration Number 10246760



Carillion 'B' Pension Scheme

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Carillion 'B' Pension Scheme

Advisers
Year ended 31 December 2011

Administrative details

Scheme Actuary

Edwin Topper, FIA
Mercer Limited

Scheme Administrators

MNPA Limited

Auditors

KPMG LLP

Bankers

National Westminster Bank plc

AVC providers

Prudential Group
BlackRock Pensions Ltd

Investment managers

BlackRock Advisors (UK) Limited
Taube Hodson Stonex Partners Unit Trust Management Company Limited
Odey Asset Management LLP

Investment advisor

Mercer Limited

Custodian

RBC Dexia Investor Services Bank S.A.
J P Morgan Chase & Co
Northern Trust

Secretary to the Trustee

Tina Rushworth, Pensions Manager
Carillion plc
Birch Street
Wolverhampton
WV1 4HY

Solicitors

Sacker & Partners LLP

Carillion 'B' Pension Scheme

Advisers
Year ended 31 December 2011

Advisers (continued)

Principal employer
Carillion plc

Contact address
MNPA Limited
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET

Carillion 'B' Pension Scheme

Trustee report Year ended 31 December 2011

Introduction

The Carillion 'B' Pension Scheme ("the Scheme") was established on 1 October 1999 to provide pension benefits for new members and members transferring from the Tarmac Staff Pension Scheme under the demerger arrangements from the Tarmac Group. The Scheme closed to new entrants with effect from 31 March 2003 and to future accrual on 5 April 2009. All active members of the Scheme on 5 April 2009 became employed deferred members.

The Trustee presents its report and the audited financial statements of the Scheme for the year ended 31 December 2011. The Scheme provides defined pension benefits to members and their dependants on retirement and on death.

Details of the Scheme are described in the member's handbook. The Trust Deed and Rules governing the Scheme are available for inspection on application to the administrator.

HMRC approval

The Scheme is a "registered pension scheme" for tax purposes.

The principal employer

The principal employer is Carillion plc. Other participating employers with eligible employees who are entitled to be members of the Scheme are Carillion Construction Limited and Carillion Services Limited.

Appointment and removal of Trustee/management of the Scheme

Until 31 March 2011 the Scheme was managed by the Trustee, Carillion Pensions Limited, a company whose function is to act as the Trustee of the Scheme. The Trust Deed and Rules, the legal document which governs the Scheme, provides for the appointment and removal of Trustee Directors. The board of the Trustee is made up of six Directors, three of whom are appointed by the Principal Employer and three are member representatives. The Member Nominated Directors (MNDs) serve for a period of four years, and are then eligible for re-election.

The Directors of Carillion Pensions Limited until 31 March 2011 were:

Appointed by the employer

Robin Herzberg	Group Head of Risk, Carillion plc (Chairman)
Lee Mills	Head of Treasury & Tax, Carillion plc
Susan Morton	Group HR Director, Carillion plc

Appointed by the members

David Benson	Programme Manager, Carillion Business Development
Simon Eastwood	Managing Director, Carillion Developments
Quentin Leiper	Pensioner Representative

From 1 April 2011, Carillion Pensions Limited was replaced by Carillion (DB) Pension Trustee Limited. This company's function is to act as Trustee to the Scheme and to 5 other Carillion Group schemes. The Articles of this company provide for the appointment and removal of Trustee directors. The board of the Trustee is made up of 16 directors, six of whom are appointed by the Principal Employer, one of whom is the independent chair and ten are member representatives. The original MNDs were co-opted from the previous Trustee companies of five of the six schemes for which it acts as Trustee. Nominations for MNDs were sought during 2011 and the elections, where required, were completed by 31 March 2012.

Carillion 'B' Pension Scheme

Trustee report Year ended 31 December 2011

The directors of Carillion (DB) Pension Trustee Limited since 1 April 2011 are:

Appointed by the employer:

Robin Ellison (Independent Chair)	Head of Strategic Development for Pensions, Pinsent Masons LLP
Robin Herzberg	Group Head of Risk, Carillion plc
Lee Mills	Head of Treasury & Tax, Carillion plc
Susan Morton	Group HR Director, Carillion plc
Alison Shepley	Legal Director (Services)
Brian Watkins	Pensioner Member

Appointed by the members:

David Benson	Programme Manager, CBS
Gerald Brown	Pensioner Member
Steven Brunswick	Technical Services Director, Building
Stephen Chandler	Health & Safety Manager, CPM
Simon Eastwood	Managing Director, Carillion Developments
Paul Kitto	Head of Proposals, RCE
Simon Rawsthorne	Branch Manager, CPM
Stephen Rowland	Pensioner Member
Iain Simmonds (appointed 14/03/2012)	Commercial Director Legacy Contracts
Neil Sutherland (resigned 25/10/2011)	Operations Health Director, CSS
Graham Hindley (appointed 02/05/2012)	Pensioner Member

Trustee Knowledge & Understanding

The Pensions Act 2004 requires Trustees to have sufficient knowledge and understanding of pensions and trust law and to be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding (TKU) to assist Trustees on this matter which became effective from 6 April 2006 and subsequent revisions were made in November 2009. The Trustees recognise the need for, and participate in, ongoing training, including seminars and the Pension Regulator's 'Trustee Toolkit' training program.

Carillion 'B' Pension Scheme

Trustee report Year ended 31 December 2011

Actuarial valuation

Every Scheme is subject to the Statutory Funding objective which is to have sufficient and appropriate assets to cover its 'technical provisions'. The 'technical provisions' are an estimate made on actuarial principles of the assets needed at any particular time to cover the Scheme liabilities. Liabilities include pensions in payment, benefits payable to the survivors of former members and those benefits accrued by other members which will be payable in the future.

Technical provisions are calculated using an accrued benefits funding method and assumptions chosen by the Trustee, after taking the Actuary's advice and usually obtaining the employer's agreement.

These assumptions will be subject to scrutiny by the Pensions Regulator if they fall outside reasonable boundaries as judged by the Regulator.

To check if the Scheme has sufficient assets to cover its liabilities the Trustee asks the Actuary to perform a valuation.

In a valuation, the Actuary measures the value of the Scheme's assets, estimates the value of its liabilities and then compares the two. This gives the funding level. (If the Scheme has exactly the right amount of assets to meet its liabilities, it is described as having a 100% funding level.) The aim is to suggest:

- how much money the Scheme needs to set aside to cover the benefits members have already earned; and
- the contributions the Scheme should receive for benefits building up in the future, if any.

In a valuation, the Actuary looks at the Scheme's finances under two main situations.

The **discontinuance basis** assumes that the Scheme was wound up on the valuation date. (The Actuary is required by law to look at this situation: it does not mean that the company is thinking of ending the Scheme.) To do this, he looks at whether the Scheme had enough money to buy insurance policies to provide members' benefits. This is called the 'full solvency position'. Insurance companies have to invest in low-risk assets which are likely to give low returns, while their policy prices will include administration charges and a profit margin. This means that even if a Scheme is fully funded on the technical provisions, the full solvency figure is likely to be less than 100%.

The **scheme specific funding basis** is effectively the basis used by the Trustee for striking the technical provisions and assumes that the Scheme will continue in its present form. It includes the cost of paying benefits now and in the future. These liabilities can be spread over many years, which allows the Actuary to include allowance for future investment growth on the Scheme's assets.

The most recent actuarial valuation of the Scheme was undertaken as at 31 December 2008 and the next actuarial valuation is due as at 31 December 2011. The actuarial certificate required under Section 227 relating to the 2008 valuation, as required by law, is set out in pages 30 to 32.

Carillion 'B' Pension Scheme

Trustee report Year ended 31 December 2011

The results of the valuation on 31 December 2008

The valuation due at 31 December 2008 was not signed until October 2010, which is outside the statutory requirement. The Pensions Regulator was notified of the late submission, which was due to extended discussions with the Company.

Technical Provisions basis

On 31 December 2008, the Actuary found that the Scheme was not 100% funded and the full amount needed to provide benefits was £130.9m. The market value of the Scheme's assets was £98.9m which gave a shortfall of £32m on the technical provisions basis. This is equivalent to a funding level of 76%.

Discontinuance basis

If the Scheme was wound up on 31 December 2008, the Actuary estimated the shortfall would have been £64m. This is equal to a funding level of 61%.

Under the Statutory Funding objective, where there is a shortfall at the effective date of the actuarial valuation, the Trustee must aim to achieve full funding in relation to the technical provisions. It achieves this by agreeing a Recovery Plan with the Employer to make good any shortfall over a reasonable period. This Recovery Plan is also subject to the Regulator's scrutiny.

The Trustee and Employer agreed on a Recovery Plan which aims to achieve 100% funding on the technical provisions basis by 31 August 2024, with the employer paying shortfall contributions of £0.26m in 2009, £2.10m per annum from 2010 to 2022, £5.50m in 2023 and £3.67m in 2024 as shown on page 30.

Movements over the last year and since the valuation

Over 2011 there has been a deterioration in the funding level, largely due to falling gilt yields over the year increasing the cost of providing benefits.

Since the formal valuation in 2008, the funding level has decreased and the Scheme was approximately 68% funded at the 2011 year end on the technical provisions basis adopted for the 2008 valuation. The increase in liabilities (caused by lower gilt yields) has not been completely off-set by the effect of positive asset returns and deficit contributions. The funding position will continue to be monitored regularly by the Trustee as part of its ongoing strategy for managing the Scheme.

Full details of the valuation as at 31 December 2008 are given in the Actuary's valuation report. A copy is available on request from the Administrator.

During the year the Trustee sent out Summary Funding Statements to members, as required by law, to set out the financial position of the Scheme.

Carillion 'B' Pension Scheme

Trustee report Year ended 31 December 2011

Pensions in payment

In accordance with the Scheme's Trust Deed and Rules, pensions in payment at 1 April 2011 were increased as follows:

- I. For pension in respect of pensionable service after 6 April 2006 the increase was 2.5%. This is in line with the increase in the General Index of Retail Prices over the period to the previous 31 December, (restricted to a maximum of 2.5%).
- II. For pension in respect of pensionable service between 6 April 1997 and 5 April 2006 the increase was 4.8%. This is in line with the increase in the General Index of Retail Prices over the period to the previous 31 December, (restricted to a maximum of 5%).

Where applicable, increases to GMP were in line with statutory requirements.

Deferred benefits

Deferred benefits held under the Scheme for members who have left service or ceased to contribute to the Scheme are increased over the period from the date of leaving service as follows:

- I. The Guaranteed Minimum Pension (GMP) part of members' deferred benefits is increased at a fixed rate dependent on the date of leaving (4.0% for members who left since 5 April 2002) for each complete tax year to State Pension Age.
- II. The part of the deferred benefits in excess of the GMP is increased for each complete calendar year in deferment in line with statutory requirements over the period to Normal Retirement Date.

Leavers

The rules of the Scheme permit transfers to other occupational pension schemes, personal pension plans or single premium insurance policies (known as Section 32 policies). Transfer values can also be paid to Stakeholder contracts. If a transfer is made the Trustee receives a statutory discharge from any further liability once the transfer has been affected. Carillion 2009 Plan members may transfer their benefits into the Scheme if the value is less than £10,000 and the member is retiring.

The Trustee confirms that all transfer values are calculated and verified in accordance with the statutory cash equivalent requirements in accordance with the Pension Schemes Act 1993 (the "Act").

The current basis meets the legal requirement of the Act and makes no allowance for the payment of any discretionary benefits under the Scheme.

Changes to the Scheme

A deed of amendment was signed to allow the appointment of the new Trustee.

Carillion 'B' Pension Scheme

Trustee report Year ended 31 December 2011

Membership

Details of the membership of the Scheme as at 31 December 2011 are given below:-

	Total 2011	Total 2010
PENSIONERS		
Pensioners at the start of the year	164	158
Members retiring during the year	4	3
New beneficiaries	1	6
Deaths	(3)	(4)
New ex-spouse pensioner	-	1
PENSIONERS AT THE END OF THE YEAR	166	164
 MEMBERS WITH DEFERRED BENEFITS		
Number at the start of the year	25	26
Leavers during the year with preserved benefits	3	2
Deferred pensioners becoming pensioners	(4)	(3)
MEMBERS WITH DEFERRED BENEFITS AT THE END OF THE YEAR	24	25
 EMPLOYED DEFERRED MEMBERS		
At the start of the year	15	17
Members transferred to Deferred	(3)	(2)
EMPLOYED DEFERRED MEMBERS AT THE END OF THE YEAR	12	15
TOTAL MEMBERSHIP AT THE END OF THE YEAR	202	204

Pensioners include individuals receiving a pension upon the death of their spouse.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

Carillion 'B' Pension Scheme

Trustee report Year ended 31 December 2011

Financial development of the Scheme

The Financial statements on pages 21 to 22 show that the value of the Scheme's assets increased by £4m to £108.6m as at 31 December 2011. The increase was comprised of net withdrawals from dealings with members of £4.7m together with a net increase in the returns on investments of £8.7m.

The Financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

Contributions

Contributions received from participating employers were in accordance with the Schedule of Contributions. This is set out on page 30.

The Schedule of Contributions in force from 29 October 2010 expected £2.1m to be received in relation to 2011. This amount was received during 2011 as shown on page 24.

In addition, deficit contributions of £525k were received in advance relating to January, February and March 2012. This amount has been included within current liabilities.

Investments – policy

The Trustee monitors compliance with the SIP periodically, or more frequently if necessary.

In line with the Occupational Pension (Investment) Regulations (2005), the Trustee is required to review the SIP at least every three years and without delay after any significant changes in investment policy.

The Trustee will review the SIP in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the Company which they judge to have a bearing on the stated Investment Policy.

This review will occur annually, in line with the Trustee's preferred practice. Any such review will again be based on written expert investment advice and the company will be consulted.

Investment – management

In order to discharge its responsibilities with regard to investments, the Trustee employs specialist investment managers. Details of these managers are set out on page 2.

Each 'active' investment manager has been set a performance target in excess of a benchmark return, and is expected to achieve the target performance over a rolling three-year period. A target maximum under-performance by the investment manager in any one year is also set by the Trustee.

BlackRock - fees are charged directly to the funds at rates between 0.025% p.a. and 1.5% p.a. depending on the fund invested in. There is also a performance related fee of 20% on the GTAA fund on outperformance of the benchmark.

Odey - fees are charged directly to the fund at a rate of 0.7% p.a. of the fund value. There is also a performance related fee of 20% on outperformance of the benchmark.

THS - fees are charged directly to the fund at a rate of 0.65% p.a. of the fund value.

Custody of assets

The Trustee uses the custodial arrangements of the investment managers it has appointed to manage the Scheme assets. It has a separate custody agreement with each custodian.

Carillion 'B' Pension Scheme

Trustee report
Year ended 31 December 2011

Investment performance

Details of investment performance can be found in the Investment Report on pages 13 to 17.

Further information

Members are entitled to inspect copies of documents giving information about the Scheme. In some circumstances copies of documents can be provided, but a charge may be made for copies of the trust documents (Deed and Rules) and of the Actuary's report.

Any member with a complaint or unresolved query can use the Internal Disputes Resolution Procedure (IDRP) or, alternatively, they can obtain free advice through the Pensions Advisory Service (PAS) who can be contacted at 11 Belgrave Road, London SW1V 1RB. If a member has a complaint which PAS is unable to resolve then they can ask for a ruling from the Pensions Ombudsman who can be reached at the same address.

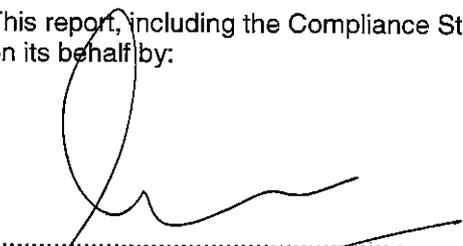
In the event of complaint a copy of the IDRP can be requested from the Secretary to the Trustee.

Any query about the Scheme, including requests from individuals for information about their benefits, should be addressed to:

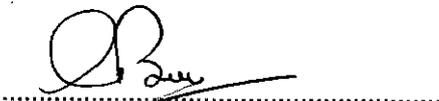
The Trustee of Carillion 'B' Pension Scheme care of:

MNPA Limited, Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7ET

This report, including the Compliance Statement, was approved by the Trustee on 13 June 2012 and signed on its behalf by:



.....
Trustee Director



.....
Trustee Director

Carillion 'B' Pension Scheme

Statement of Trustee responsibilities Year ended 31 December 2011

Statement of Trustee responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view, of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for making available each year, commonly in the form of a Trustee annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee responsibilities accompanying the Trustee summary of contributions.

The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

Carillion 'B' Pension Scheme

Investment Report Year ended 31 December 2011

Investment Background

Although the first half of 2011 saw tragic earthquakes in the Pacific, flooding in Australia and political unrest spreading across the Middle East, investment markets proved remarkably resilient. In contrast, concerns over global growth and contagion from the Eurozone periphery to core markets resulted in significant falls in the values of global risk assets during the second half of the year. Italy, in particular, came under pressure from bond markets with yields over 7% triggering a change of government and implementation of deeper austerity measures. The Greek question rumbled on throughout the year, with initiatives designed to reduce the debt to GDP ratio to 120% by 2020 from 160% at the end of 2011, still to be approved.

The Eurozone economy is predicted to contract over 2012 by 0.3% led by falls in Italian growth of -1.3%, Portugal -3.5% and Greece -4.1%. The German economy, the engine within the currency bloc, grew 3.0% over 2011 but is forecasted to stagnate in 2012, with forecast growth of 0.5% (source: all Consensus Economics, January 2012).

The UK economy has been lacklustre for much of the year with the Office for Budget Responsibility predicting a contraction in GDP in the fourth quarter. Planned austerity measures, the drop in demand from the Eurozone (which represents c.50% of the UK's export markets), the Japanese disaster and high inflation all took their toll. At the end of the third quarter, year-on-year GDP growth was 0.5% and is estimated to be 0.9% once fourth quarter data is released. Consensus forecasts are for growth of 0.5% over 2012; however, this is highly dependent on the outcome of the crisis in the Eurozone. Inflation, measured by CPI, fell to 4.2% in December from a high of 5.2% in September (source: all Office for National Statistics and Consensus Economics, January 2012).

The economic situation in the US improved over the year despite political brinkmanship over extending the debt ceiling, the subsequent credit rating downgrade by S&P and the deferral of deficit reduction measures until the resolution of the forthcoming election season. Employment figures picked up in the second half of the year falling from 9.2% in June to 8.5% in December, the lowest since February 2009 (source: Datastream). Business investment, pre-tax corporate profits and industrial production numbers are all estimated to have been strong. GDP growth is expected to be 1.8% over 2011 with a consensus forecast for 2012 of 2.2% (source: both Consensus Economics, January 2012).

Japan suffered a devastating earthquake, tsunami and nuclear crisis in March with the government estimating the cost to be \$309 billion, four times that of Hurricane Katrina. As a result, GDP is estimated to have fallen 0.8% over 2011, compared to growth of 4.5% in 2010. The continuing rebuilding operation is expected to boost economic growth in 2012, which is forecast to be 1.9% (source: all Consensus Economics, January 2012).

Emerging economies continued to grow strongly but were not wholly immune from the malaise in the developed world. China reported GDP growth of 8.9% year-on-year at the end of the fourth quarter. Although impressive this represents the slowest growth for two and a half years (source: Bloomberg), and was largely a result of lower export demand from the Eurozone and a slowing Chinese property market. Indian GDP slipped to 6.9%, year-on-year, in Q3, continuing the downward trend of the last eighteen months. Exports held strong, growing 27.4% year-on-year, helped by the depreciation of the Rupee, down 18.8% against the US Dollar over the year (source: Datastream).

Summary of changes to the investments over 2011

There were no strategic investment changes over the year ending 31 December 2011. However, prior to the year end, and further to discussions at the 13 December 2011 Asset and Liability Committee Meeting, the Trustee agreed to rationalise the Growth Portfolio. This involves transferring the assets in BlackRock's Global Ascent (Sterling) Limited Fund from the equitised to the absolute return version of the Fund and making an allocation to BlackRock's actively managed UK Equity Focus Fund (which will be funded by a reduction in the Scheme's allocation to passive UK equities). These changes are being implemented over the second quarter of 2012.

Carillion 'B' Pension Scheme

Investment Report Year ended 31 December 2011

Delegation of Responsibilities

The overall investment policy of the Carillion B Pension Scheme ("the Scheme") is determined in consultation by the Trustee with Mercer. The day-to-day management of the assets is delegated to professional investment managers across a range of asset classes.

Management of the Assets

The Scheme's overall 32.0%/68.0% strategic split between growth and bond-like assets remained unchanged over 2011. As at 31 December 2011, the Scheme's assets were managed by BlackRock Advisors (UK) Limited ("BlackRock"), Odey Asset Management ("Odey") and Taube Hodson Stonex Partners ("THS").

The investment strategy is shown in the tables below:

Asset Class	Strategy
	%
UK Equities	6.5
Overseas Equities	8.4
GTAA*	1.1
Global Equities	16.0
UK Corporate Bonds	39.5
UK Fixed Interest Gilts	9.5
Index-Linked Gilts	19.0
Total Scheme	100.0

*Global Tactical Asset Allocation
Figures subject to rounding

Manager	Allocation
	%
BlackRock (UK equities, non UK equities and GTAA)	16.0
BlackRock (bonds)	68.0
Odey (global equities)	8.0
THS (global equities)	8.0
Total Scheme	100.0

Figures subject to rounding

Over the year, the Trustee has been using cash flows to rebalance the Scheme back to a 24%/76% growth/bond-like asset allocation. This target allocation is different to that specified above. On an interim basis, the Trustee intends to keep these target allocations for rebalancing and performance measurement purposes.

Carillion 'B' Pension Scheme

Investment Report Year ended 31 December 2011

Statement of Investment Principles

The Trustee has prepared a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995. A copy of the SIP is available on request. There were no departures from the investments permissible in the SIP during the year.

Strategic management of the assets is the responsibility of the Trustee acting on expert advice and reflects the investment objective of the Scheme. This is to seek to obtain investment returns at least commensurate with the assumptions used for valuing the liabilities. In this context, the primary aim is to enhance the ongoing funding level through controlled risk taking, which aims to avoid unplanned increases in employer contributions.

The Scheme's Investments

As at 31 December 2011, the market value of the Scheme's investments (based on bid prices where applicable) amounted to £106.9m. The distribution of these assets across the whole portfolio is highlighted in the table below:

Manager	Mandate	31.12.11		Target
		£m	%	%
Odey	UK Equity	1.8	1.7	8.0
	Non UK Equity	2.4	2.3	
	Cash	1.0	1.0	
THS	UK Equity	1.3	1.3	8.0
	Non UK Equity	3.9	3.6	
	Cash	0.2	0.2	
BlackRock	UK Equity	4.9	4.6	6.5
	Overseas Equity	6.1	5.7	8.5
	GTAA	0.5	0.5	1.1
	Fixed Interest Gilts	12.9	12.1	9.5
	Index-Linked Gilts	25.1	23.4	19.0
	Corporate Bonds	46.7	43.6	39.4
Total Scheme		106.9	100.0	100.0

Source: Investment managers, figures subject to rounding

All assets are marketable and can be valued on a daily basis except for the GTAA assets, which are valued monthly.

Carillion 'B' Pension Scheme

Investment Report Year ended 31 December 2011

Investment Performance

The Scheme's performance is compared with an overall benchmark which is based on the interim target allocation of 24% growth, 76% bond-like assets. The Trustee also monitors the performance of the Scheme's investments, which is measured by BNY Mellon Asset Servicing on a quarterly basis to March, June, September and December month ends.

Performance over the one, three and five year periods to 31 December 2011 is shown in the table below.

	1 Year to 31 December 2011	3 Years to 31 December 2011	5 Years to 31 December 2011
	%	% p.a.	% p.a.
Scheme	9.2	8.6	4.6
Benchmark	9.6	9.1	5.1

Source: BNY Mellon Asset Servicing and Mercer, gross of fees

Ten Largest Investments

The ten largest investments for the Scheme as at 31 December 2011 were as follows:

- 1) BlackRock Aquila Life All Stocks Corporate Bond Fund
- 2) BlackRock Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund
- 3) BlackRock Aquila Life Over 25 Years UK Gilt Index Fund
- 4) THS International Growth & Value Fund
- 5) Odey Allegra International Fund
- 6) BlackRock Aquila Life UK Equity Index Fund
- 7) BlackRock Aquila Life US Equity Index Fund
- 8) BlackRock Aquila Life European Index Fund
- 9) BlackRock Aquila Life Japanese Index Fund
- 10) BlackRock Aquila Life Pacific Rim Index Fund

Carillion 'B' Pension Scheme

Investment Report Year ended 31 December 2011

Investment Exceeding 5% of Total Assets

The following vehicles exceeded 5% of the total Scheme assets as at 31 December 2011:

- 1) BlackRock Aquila Life All Stocks Corporate Bond Fund
- 2) BlackRock Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund
- 3) BlackRock Aquila Life Over 25 Years UK Gilt Index Fund
- 4) THS International Growth & Value Fund

Custodial Arrangements

All assets are held in pooled fund units. It is the managers' responsibility to organise the custody of the underlying securities. The custodians for each manager are listed below.

Manager	Custodian
BlackRock	JP Morgan Chase
Odey	RBC Dexia Investor Services Bank S.A.
THS	Northern Trust

The custodians are responsible for the safekeeping of share certificates and other documents relating to the ownership of listed investments. Investments are held in the name of each custodian's nominee company, in line with common practice for pension plan investments.

Employer Related Investments

The Scheme's assets were not directly invested in investments related to the sponsoring employer. However, there was a small exposure to the sponsoring company's equity via BlackRock's Aquila Life UK Equity Index Fund, in line with the index weight. The Scheme holds less than 5% of total assets in Carillion plc equity.

Remuneration for Professional Services

Mercer is remunerated on a retainer fee basis for ongoing monitoring and day-to-day consulting issues. Additional consulting projects are quoted for and charged separately.

With the exception of the GTAA Fund managed by BlackRock and the Global Equity Fund managed by Odey, where the fees include a performance related element equal to 20% of any outperformance, all of the Scheme's investment managers are remunerated on a fee basis that is dependent on the size of assets under management.

Mercer
February 2012

Carillion 'B' Pension Scheme

Summary of Contributions For the year ended 31 December 2011

Statement of Trustee's Responsibilities in respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with the schedule.

Trustee's Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 December 2011

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the schedule of contributions certified by the Actuary on 29 October 2010 in respect of the Scheme year ended 31 December 2011. The Scheme Auditor reports on contributions payable under the schedule in the Auditors' Statement about Contributions.

Summary of contributions payable during the Scheme year ended 31 December 2011

Contributions payable to the Scheme by the employer under the Schedule of Contributions in respect of the year ended 31 December 2011 were as follows:

	Financial Statements	Schedule of Contributions	Amounts in excess of the Schedule of Contributions
	£000	£000	£000
Employer contributions			
Deficit contributions	2,100	2,100	-
	<u>2,100</u>	<u>2,100</u>	<u>-</u>

Signed on behalf of the Trustee:

Trustee Director

Trustee Director

Date:

Carillion 'B' Pension Scheme

Statement about Contributions For the year ended 31 December 2011

Independent Auditors' Statement about Contributions, made under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee, of the Carillion 'B' Pension Scheme.

We have examined the summary of contributions payable under the Schedule of Contributions to the Carillion 'B' Pension Scheme in respect of the Scheme year ended 31 December 2011 which is set out on page 18.

This statement is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an Auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 18, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions to the Scheme and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

Statement about contributions payable under the Schedule of contributions

In our opinion contributions for the Scheme year ended 31 December 2011 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions dated 29 October 2010.



.....
K MacKenzie, for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham
B4 6GH

Date: 20 June 2012

Carillion 'B' Pension Scheme

Independent Auditors' report to the Trustee For the year ended 31 December 2011

We have audited the financial statements of Carillion 'B' Pension Scheme for the year ended 31 December 2011 set out on pages 21 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it 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 Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 18, the Scheme Trustee is responsible for the preparation of financial statements which 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). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

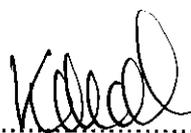
Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 December 2011 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.



.....
K MacKenzie, for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham
B4 6GH

Date: 20 June 2012

Carillion 'B' Pension Scheme

Fund account For the year ended 31 December 2011

	Note	For the year ended 31 December 2011 £000	For the year ended 31 December 2010 £000
CONTRIBUTIONS AND BENEFITS			
Contributions	3	2,100	2,100
Other income	4	-	(1)
		<u>2,100</u>	<u>2,099</u>
Benefits	5	(6,616)	(6,035)
Other payments	6	(3)	(3)
Administrative expenses	7	(177)	(307)
		<u>(6,796)</u>	<u>(6,345)</u>
NET (WITHDRAWALS) FROM DEALINGS WITH MEMBERS		<u>(4,696)</u>	<u>(4,246)</u>
INVESTMENT RETURNS			
Investment income	8	13	25
Investment management expenses	9	(123)	(161)
Change in market value of investments	10	8,811	9,567
NET RETURNS ON INVESTMENTS		<u>8,701</u>	<u>9,431</u>
NET INCREASE IN THE FUND DURING THE YEAR		<u>4,005</u>	<u>5,185</u>
OPENING NET ASSETS AT 1 JANUARY 2011		<u>104,644</u>	<u>99,459</u>
NET ASSETS AT 31 DECEMBER 2011		<u>108,649</u>	<u>104,644</u>

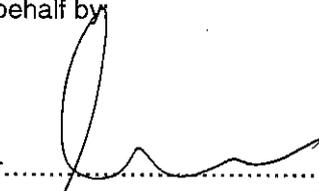
Carillion 'B' Pension Scheme

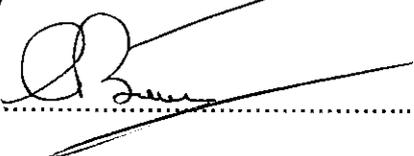
Net assets statement As at 31 December 2011

	Note	For the year ended 31 December 2011 £000	For the year ended 31 December 2010 £000
INVESTMENTS	10	107,143	102,887
CURRENT ASSETS	11	2,337	2,064
CURRENT LIABILITIES	12	(831)	(307)
NET ASSETS AT 31 DECEMBER 2011		108,649	104,644

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does not take account of such obligations, is dealt with in the Trustee report and these financial statements should be read in conjunction with it.

These financial statements were approved by the Trustee at a meeting held on 13 June 2012 and were signed on their behalf by

Trustee Director.....

Trustee Director.....

Carillion 'B' Pension Scheme

Notes to the financial statements For the year ended 31 December 2011

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (revised May 2007).

2. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

2.1 Accruals concept

The financial statements have been prepared on an accruals basis with the exception of individual transfers which are recognised when received or paid.

2.2 Contributions and benefits

Contributions and benefits are accounted for in the period in which they fall due.

2.3 Transfers to and from other Schemes

Transfer values have been included in the Financial statements when received and paid. They do not take account of members who have notified the Scheme of their intention to transfer.

Individual transfer values to and from other pension arrangements represents the amounts received and paid during the year for members who either joined or left the Scheme and are accounted for when a member exercises their option to transfer their benefit.

2.4 Investment income

Investment income on cash deposits is accounted for on an accruals basis. Dividends and interest on securities are accounted for to the extent that they are declared and payable.

Income from pooled investment vehicles is not distributed but is reinvested and included within the closing value of the fund at the year end.

Carillion 'B' Pension Scheme

Notes to the financial statements For the year ended 31 December 2011

2.5 Valuation of investments

The market value of pooled investment vehicles is based on the bid price operating at the accounting date, as advised by the investment managers.

Unquoted securities have been valued by the Trustee after taking the available professional advice.

2.6 Additional Voluntary Contributions (AVCs)

AVCs are valued at the single price provided by the AVC provider, and the resulting investments are included within the net asset statements.

2.7 Age related rebates

Age related rebates are accounted for on an accruals basis.

2.8 Administration expenses

Administration expenses are accounted for when they fall due.

3. CONTRIBUTIONS

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Employer's Contributions - Deficit contributions	<u>2,100</u>	<u>2,100</u>

Carillion 'B' Pension Scheme

Notes to the financial statements For the year ended 31 December 2011

4. OTHER INCOME

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Age related rebates*	-	(1)
	-	(1)

* The prior year is negative due to an amount due back to HMRC that was paid during the year.

5. BENEFITS

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Pension payments	6,083	5,780
Commutations and lump sum retirement benefits	533	175
Lump sums on death in service	-	80
	6,616	6,035

6. OTHER PAYMENTS

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Term insurance premiums	3	3
	3	3

7. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Administration and processing	37	21
Actuarial fees*	101	222
Audit fee	12	17
Legal & other professional fees	21	39
Regulatory fees	1	2
Sundry expenses	5	6
	177	307

* 2010 figures include increased fees due to actuarial valuation.

Carillion 'B' Pension Scheme

Notes to the financial statements For the year ended 31 December 2011

8. INVESTMENT INCOME

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Dividends from equities	-	5
Interest on cash deposits	5	5
Income from pooled investment vehicles	8	15
	<u>13</u>	<u>25</u>

9. INVESTMENT MANAGEMENT EXPENSES

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Administration, management & custody	98	133
Performance measurement services	25	28
	<u>123</u>	<u>161</u>

Carillion 'B' Pension Scheme

Notes to the financial statements For the year ended 31 December 2011

10. INVESTMENTS

	Value at 1/01/2011	Purchases at cost	Sales proceeds	Change in market value	Value at 31/12/2011
	£000	£000	£000	£000	£000
Pooled investment vehicles	102,621	307	(4,862)	8,813	106,879
Equities	5	-	-	-	5
AVC investments	259	-	-	(2)	257
Sub total	<u>102,885</u>	<u>307</u>	<u>(4,862)</u>	<u>8,811</u>	<u>107,141</u>
Cash deposits and accrued interest	2				2
	<u>102,887</u>				<u>107,143</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

There is no direct overseas investment by the Scheme. All funds are invested with companies registered in the UK.

Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not, therefore, separately identifiable.

EQUITIES

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Mercury Unquoted Securities (MUST)	<u>5</u>	<u>5</u>

Carillion 'B' Pension Scheme

Notes to the financial statements For the year ended 31 December 2011

POOLED INVESTMENT VEHICLES

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Fixed interest	59,605	54,506
UK equities	4,900	5,365
Overseas equities	16,785	20,498
Index linked	25,097	21,716
Global Tactical Asset Allocation	492	536
	<u>106,879</u>	<u>102,621</u>

CASH DEPOSITS AND ACCRUED INTEREST

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Sterling cash deposits and accrued income	<u>2</u>	<u>2</u>

AVC INVESTMENTS

The Trustee holds assets which are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement made up to 31 December each year, confirming the amounts held to their account and movements during the year.

The total amount of AVC investments at the year end is shown below.

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Prudential Assurance	198	196
BlackRock	59	63
	<u>257</u>	<u>259</u>

Carillion 'B' Pension Scheme

Notes to the financial statements For the year ended 31 December 2011

11. CURRENT ASSETS

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Pensions paid in advance	514	484
Cash balances	1,823	1,566
Other debtors	-	14
	2,337	2,064

12. CURRENT LIABILITIES

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Deficit Funding Contributions received in advance	525	-
Amounts due to HMRC	142	130
Accruals	164	177
	831	307

13. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard No 8 the Trustee is deemed to be a "related party" of the Scheme. However, no payments were made to any of the Directors of the Trustee company during the year. Additionally, certain Directors of the Trustee company have an interest as either a pensioner or deferred or active member of the Scheme due to their service as an employee with the employer.

In addition, Carillion plc have re-charged the Scheme for administration and professional fees of £12,000 (2010: £12,000). This amount is included within the administration expenses in note 7.

Carillion 'B' Pension Scheme

Actuarial Statements Year ended 31 December 2011

Schedule of Contributions, incorporating actuarial certificate

Status of this document

This schedule has been prepared by the Trustee of the Carillion 'B' Pension Scheme to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the Actuary to the Scheme appointed by the Trustee.

This document is the first schedule of contributions put in place for the Scheme 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 plc on behalf of itself and the other employers participating in the Scheme, 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 Scheme from 31 December 2008 to 31 October 2024

Members' contributions

No contributions are payable by members after 5 April 2009.

Employer's contributions in respect of future accrual of benefits

No future accrual contributions are payable by the Employer after 5 April 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 £0.26m in 2009, £2.10m per annum from 2010 to 2022, £5.50m in 2023 and £3.67m in 2024 with contributions being paid on a monthly basis.

Carillion 'B' Pension Scheme

Actuarial Statements Year ended 31 December 2011

Certification of schedule of contributions

Name of Scheme

Carillion 'B' Pension Scheme

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 Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound-up.

Signature

E S Topper

Scheme Actuary

E S Topper

Date of signing

Name of Employer

Mercer Limited

Address

Clarence House
Clarence Street
Manchester
M2 4DW

Qualification

Fellow of the Institute and Faculty of Actuaries

Carillion 'B' Pension Scheme

Compliance statement For the year ended 31 December 2011

Introduction

The Scheme is a defined benefit scheme and is administered by MNPA Limited in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

Other information

- (i) The Trustee is required to provide certain information about the scheme to the Registrar of Pension Schemes. This has been forwarded to:

The Registrar of Pension Schemes
PO Box 1NN
Newcastle Upon Tyne
NE99 1NN

- (ii) The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation an Occupational Pension scheme. Any such complaints should be addressed in the first instance to the Scheme Adjudicator. Enquiries should be addressed to:

The Pensions Ombudsman
11 Belgrave Road
London
SE1V 1RB

- (iii) The Pensions Advisory Service exists to assist members and beneficiaries of schemes in connection with difficulties which they have failed to resolve with the Trustee or Administrators of the Scheme. PAS may be contacted at:

PAS The Pensions Advisory Service
11 Belgrave Road
London
SE1V 1RB

- (iv) The Pensions Regulator (TPR) can intervene if it considers that a Scheme's Trustee, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Carillion 'B' Pension Scheme

Compliance statement For the year ended 31 December 2011

- (v) The Pensions Compensation Scheme was introduced to protect members' interests in certain circumstances, i.e. to provide compensation where an employer has become insolvent and the scheme assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns

The Compensation Scheme is funded by a retrospective levy on occupational pension schemes.

- (vi) The Trust Deed and Rules, Schedules of Contributions and Statement of Investment Principles are available for inspection free of charge by contacting the Trustee at the address shown for enquiries in this report.

Any information relating to members' own pension positions, including estimates of transfer values, should also be requested from the administrators of the Scheme, MNPA Limited, at the address detailed in this report.

