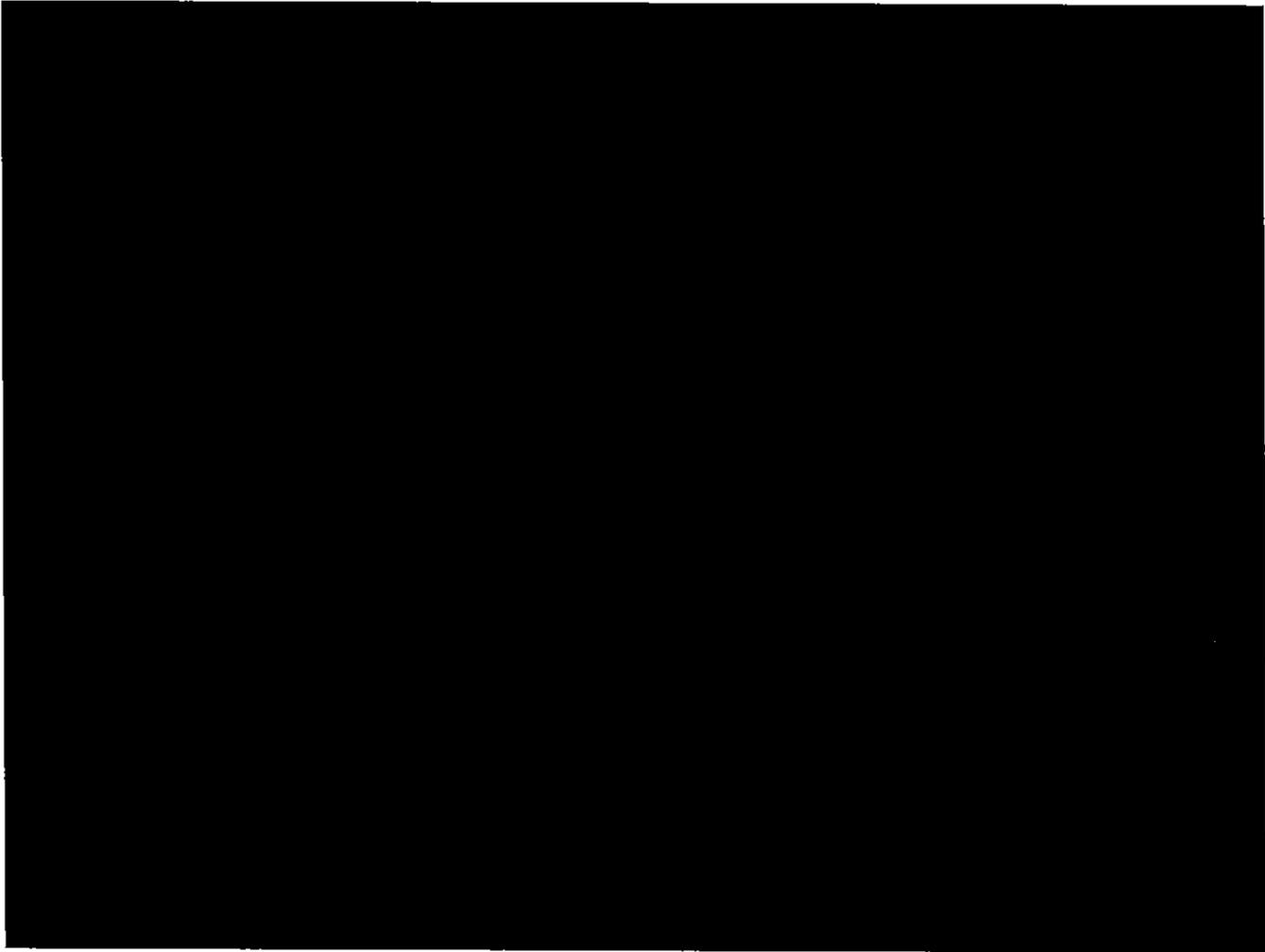


# Mowlem Staff Pension and Life Assurance Scheme

Report and Financial Accounts

Year ended 31 December 2011

Registration Number 101393015



# Mowlem Staff Pension and Life Assurance Scheme

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# Mowlem Staff Pension and Life Assurance Scheme

## Advisers Year ended 31 December 2011

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### Administrative details

#### Scheme Actuary

E S Topper  
Mercer Limited

#### Scheme Administrators

MNPA Limited

#### Secretary to the Trustee

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

#### Auditors

KPMG LLP

#### Bankers

National Westminster Bank Plc

#### Investment managers

Legal & General Investment Management Limited  
AllianceBernstein Institutional Investment Management  
NewSmith Asset Management LLP  
Artemis Investment Management  
Origin Asset Management  
BlackRock  
Pramerica Real Estate Investors (formerly UBS)  
Odey Asset Management Limited  
Taube Hodson Stonex Partners LLP

#### AVC providers

Equitable Life Assurance Society  
Prudential Assurance Co Ltd  
Aviva  
The Standard Life Assurance Company  
MGM Insurance  
NPI Ltd  
Legal and General Assurance Society

#### Solicitors

Macfarlanes LLP  
Sacker & Partners LLP (appointed 10 May 2011)

#### Investment Adviser

Mercer Limited

# Mowlem Staff Pension and Life Assurance Scheme

**Advisers**  
**Year ended 31 December 2011**

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**Advisers (continued)**

**Custodian**

KAS Bank NV  
JP Morgan Chase  
HSBC Global Investor Services  
Citibank N.A.  
RBC Dexia Investor Services Bank S.A.  
HSBC Bank Plc  
Northern Trust  
BNY Mellon Trust Company (Ireland) Limited

**Principal Employer**

Carillion JM Limited

**Contact address**

MNPA Limited  
Leatherhead House  
Station Road  
Leatherhead  
Surrey  
KT22 7ET

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee report Year ended 31 December 2011

### Introduction

The Trustee of Mowlem Staff Pension and Life Assurance Scheme ("the Scheme") is pleased to present the Annual Report together with the audited financial statements for the year ended 31 December 2011. The Scheme is a hybrid Scheme incorporating a defined benefit section (both final salary and CARE) and a defined contribution section.

The Scheme closed to future accrual on 5 April 2009 and all active members of the Scheme at that date became deferred members.

In October 2011 all existing member funds held within the defined contribution section of the Scheme were transferred, under the individual member name, to the Carillion 2009 Pension Plan. The transfer was completed under a GN16 notice; the notice period for member was 30 days. All members with benefits held within the defined contribution section were written prior to and following completion of the transfer. All of these members from the date of transfer now hold benefits within the Carillion 2009 Pension Plan.

The Scheme was originally established by a Trust Deed dated 28 December 1945. Over the years a number of amendments have been approved and the most recent Trust Deed and Rules are dated 6 April 2006.

### HMRC approval

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

### The Principal Employer

The Principal Employer is Carillion JM Limited. The majority of members are employees or former Employees of this entity which continues to trade as a subsidiary of Carillion plc.

### Appointment and removal of Trustee/management of the Scheme

Until 31 March 2011 the Scheme was managed by the Trustee, Mowlem Pension Trustees Limited, a company whose function is to act as Trustee of the Scheme. The Trust Deed & Rules, the legal document which governs the Scheme, provided for the appointment and removal of Trustee directors. The board of the Trustee was made up of 6 directors, three of whom were appointed by the Principal Employer and three were member representatives. These Member Nominated Directors (MNDs) served for a period of four years and were eligible for re-election.

The directors of the Mowlem Pension Trustees Limited until 31 March 2011 were:

#### Appointed by the employer

Brian Watkins (Chairman)	Pensioner Member
Robin Herzberg	Group Head of Risk, Carillion plc
David Liming	Managing Director, Carillion Building London and South East
Lee Mills	Head of Treasury and Tax, Carillion plc

#### Appointed by the members

Gerald Brown	Pensioner Member
Roy Hollis	Pensioner Member
Steven Brunswick	Technical Services Director
Geoffrey McCullough	Commercial Director

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee report Year ended 31 December 2011

From 1 April 2011 Mowlem Pension Trustees 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.

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
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.

### Transfer values

Transfer values paid during the year were calculated and verified in the manner required by the Pension Schemes Act 1993. The transfer values have been reduced following receipt of an insufficiency report from the Actuary.

No discretionary benefits are accounted for in the calculation of transfer values.

# Mowlem Staff Pension and Life Assurance 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 **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 **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 basis, the full solvency figure is likely to be less than 100%.

The most recent actuarial valuation of the Scheme was undertaken as at 31 December 2008 and the next 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 on pages 33 to 36.

### The results of the valuation as at 31 December 2008

#### Ongoing Basis

On 31 December 2008, the Actuary found that the Scheme was not 100% funded and the full amount needed to provide benefits was £524.5m. The market value of the Scheme's assets was £381.7m which gave a shortfall of £142.8m on the technical provisions basis. This is equivalent to a funding level of 73%.

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee report Year ended 31 December 2011

### Discontinuance Basis

If the Scheme was wound up on 31 December 2008, the Actuary estimated the shortfall would have been £434.4m. This is equal to a funding level of 47%.

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. The Scheme's Statutory Funding objective and Recovery Plan are 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 December 2024, with the Employer paying shortfall contributions of £10.1m per annum from 2010 to 2021 inclusive; £14.9m in 2022; £16.1m in 2023 and £16.25m in 2024.

### Movements over the last year and since the valuation

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

Since the formal valuation in 2008, the increased liabilities on account of lower gilt yields has been more than offset by the effect of positive asset returns and deficit contributions, leading to a funding level of approximately 74% as at 31 December 2011 on the technical provisions basis. 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 formal 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.

### Pensions in payment

Pensions in payment at 1 June 2011 were increased in accordance with the Scheme's Trust Deed & Rules.

### 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.

### 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.

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 benefit under the Scheme.

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee report Year ended 31 December 2011

### Changes to the scheme

Deeds of amendment were signed in relation to trivial commutation, to allow the appointment of the new Trustee and the transfer of the defined contribution section to the Carillion 2009 Pension Plan.

### Pensions in payment

Pensions in payment were increased in accordance with the Scheme's Trust Deed and Rules. These increments took place during the months of May and June dependant on the various sections of the Scheme.

### Membership

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

	<u>Defined Benefit Section</u>	<u>Defined Contributions Section</u>	<u>Total 2011</u>	<u>Total 2010</u>
<b>PENSIONERS</b>				
Pensioners at the start of the year	2,104	-	2,104	2,006
Adjustments to pensioners	-	-	-	-
Death of spouse	(15)	-	(15)	(18)
Death of pensioner	(77)	-	(77)	(40)
Members retiring during the year	139	-	139	138
Commutations	(4)	-	(4)	(1)
New Beneficiaries	40	-	40	21
Suspended payments	(1)	-	(1)	(2)
<b>Pensioners at the end of the year</b>	<b><u>2,186</u></b>	<b><u>-</u></b>	<b><u>2,186</u></b>	<b><u>2,104</u></b>
<b>MEMBERS WITH PRESERVED BENEFITS AND DEFERRED BENEFITS</b>				
Number at the start of the year	4,074	198	4,272	4,230
New Member as a result of divorce sharing order	1	-	1	96
Leavers during the year with preserved benefits	81	-	81	101
Deferred pensioners becoming pensioners	(117)	(3)	(120)	(127)
Transfers out during the year	(10)	(196)	(206)	(25)
Deaths of deferred member	(12)	-	(12)	(3)
Full Commutation/No Liability	(5)	-	(5)	-
Leavers during the year – from Leaver Option status	-	1	1	-
<b>Deferred members at the end of the year</b>	<b><u>4,012</u></b>	<b><u>-</u></b>	<b><u>4,012</u></b>	<b><u>4,272</u></b>

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee report Year ended 31 December 2011

	Defined Benefit Section	Defined Contributions Section	Total 2011	Total 2010
<b>EMPLOYED DEFERRED MEMBERS</b>				
Number at start of the year	498	268	766	990
Adjustments to employed deferred members	-	-	-	(76)
Retirements	-	(3)	(3)	(4)
Members leaving with preserved benefits	(81)	-	(81)	(101)
Members leaving with contribution refunds	-	-	-	(5)
Members becoming pensioners	(22)	-	(22)	(20)
Members leaving with no liability	(1)	-	(1)	(2)
Transfers out during the year	-	(264)	(264)	(16)
Death of Employed Deferred member	-	(1)	(1)	-
<b>Employed deferred members at the end of the year</b>	<b>394</b>	<b>-</b>	<b>394</b>	<b>766</b>
<b>LEAVER OPTION OUTSTANDING</b>				
Number at start of year	-	1	1	4
New Leaver options decision awaited from Active	-	-	-	-
Leavers – receiving a refund	-	-	-	(1)
Leavers – receiving pensions	-	-	-	-
Leavers – transfers out	-	-	-	(2)
Leavers - Deferred	-	(1)	(1)	-
<b>Leaver Options at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>TOTAL MEMBERSHIP AT THE END OF THE YEAR</b>	<b>6,592</b>	<b>-</b>	<b>6,592</b>	<b>7,143</b>

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.

### Financial development of the Scheme

The financial statements on pages 21 and 22 show that the value of the Scheme's assets decreased by £22.7m to £441.5m as at 31 December 2011. The decrease comprises of net withdrawals from dealings with members of £17.2m together with a net decrease in the value of investments of £5.5m. This is partly due to the Defined Contributions Section transferring to Carillion 2009 Pension Plan on 5 October 2011.

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.

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 21 to 32.

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee report Year ended 31 December 2011

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### 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.

**Legal & General** – fees are charged directly to the Scheme at rates between between 0.025% p.a. and 0.08 % p.a. depending on the fund invested in.

**BlackRock** - fees are charged directly to the funds at a rate of 1.1% p.a. on the value of the fund invested in. There is also a performance related fee of 20% 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.

**Origin** - fees are charged directly to the fund at a rate of 0.35% p.a. of the fund value.

**AllianceBernstein** - fees are charged directly to the Scheme and are calculated on a sliding fee scale, which is dependant on the value of assets invested in the fund. As such, fees are levied at a rate between 0.80% p.a. and 0.35% p.a. of the fund value. Please note that assets with AllianceBernstein are amalgamated across all of the Schemes within the Carillion Group for fee calculation purposes.

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

**Artemis** - fees are charged directly to the fund at a rate of 0.75% p.a. of the fund value.

**NewSmith** – fees are charged directly to the fund at a rate of 0.5% p.a. of the fund value. There is also a performance related fee of 20% on outperformance of the benchmark.

**Pramerica** - fees are charged directly to the fund at a rate of 0.35% p.a. of the fund value for the first five years, and 0.4% p.a. thereafter.

### 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.

# Mowlem Staff Pension and Life Assurance Scheme

## Trustee report Year ended 31 December 2011

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### 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.

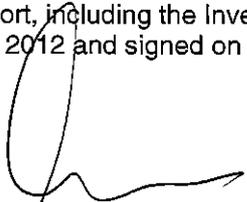
In the event of complaint a copy of the IDRP can be requested from the Secretary to the Trustee.

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

The Trustee of Mowlem Staff Pension and Life Assurance Scheme (the 'Scheme') care of:

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

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

  
.....  
Trustee Director  
.....  
Trustee Director

# Mowlem Staff Pension and Life Assurance Scheme

## Statement of Trustee responsibilities Year ended 31 December 2011

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### Statement of Trustee's 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's 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's responsibilities accompanying the Trustee's 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.

# Mowlem Staff Pension and Life Assurance Scheme

## Investment Report Year ended 31 December 2011

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### Defined Benefit Section Investment Review

#### 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).

# Mowlem Staff Pension and Life Assurance Scheme

## Investment Report Year ended 31 December 2011

### 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 terminating the AllianceBernstein Global Value and Artemis UK Equity funds. The proceeds of the disinvestments will be used to fund an investment in BlackRock's UK Equity Focus Fund and to increase the Scheme's global equity allocations with Odey, Origin and THS. These changes are being implemented over the second quarter of 2012.

### Delegation of Responsibilities

The overall investment policy of the Mowlem Staff Pension and Life Assurance Scheme ("the Scheme") is determined by the Trustee in consultation 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 65%/35% 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"), AllianceBernstein Institutional Investments ("AllianceBernstein"), Origin Asset Management ("Origin"), Odey Asset Management ("Odey"), Taube Hodson Stonex Partners ("THS"), Legal & General Investment Management Limited ("L&G"), NewSmith Asset Management ("NewSmith"), Artemis Investment Management LLP ("Artemis") and Pramerica Real Estate Investors ("Pramerica").

The investment strategy for the Scheme is set out by asset class and manager in the tables below:

Asset Class	Strategy %
UK Equities	17.8
Non UK Equities	14.2
Global Tactical Asset Allocation	5.0
Global Equities	28.0
UK Corporate Bonds	25.0
Index-Linked Gilts	5.0
Ground Lease Property	5.0
<b>Total Scheme</b>	<b>100.0</b>

Figures subject to rounding

Manager	Allocation %
BlackRock (GTAA)	5.0
L&G (bonds and non-UK equity)	44.2
AllianceBernstein (global equities)	8.4
Odey (global equities)	5.6
Origin (global equities)	8.4
THS (global equities)	5.6
Artemis (UK equity)	7.3
NewSmith (UK equity)	10.5
Pramerica (Ground lease property)	5.0
<b>Total Scheme</b>	<b>100.0</b>

# Mowlem Staff Pension and Life Assurance 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 £433.3m. The distribution of these assets across the whole portfolio is highlighted in the table below:

Manager	Asset Class	31.12.11		Target %
		£m	%	
AllianceBernstein	UK Equity	4.6	1.1	8.4
	Non UK Equity	33.0	7.6	
	Cash	0.1	0.0	
Odey	UK Equity	6.4	1.5	5.6
	Non UK Equity	8.7	2.0	
	Cash	3.6	0.8	
Origin	UK Equity	0.8	0.2	8.4
	Non UK Equity	25.2	6.0	
	Cash	0.3	0.1	
THS	UK Equity	4.3	1.0	5.6
	Non UK Equity	12.6	2.9	
	Cash	0.7	0.2	
Artemis	UK Equity	39.0	9.0	7.3
NewSmith	UK Equity	51.4	11.9	10.5
BlackRock	GTAA	24.1	5.6	5.0
L&G	Non UK Equity	28.8	6.6	14.2
	Index-Linked Gilts	14.4	3.2	5.0
	Corporate Bonds	148.4	34.2	25.0
Pramerica	Ground Lease Property	26.5	6.1	5.0
<b>Total</b>		<b>432.9</b>	<b>100.0</b>	<b>100.0</b>

Source: Investment managers, figures subject to rounding. Splits between UK and non-UK equity and cash for the global equity managers has been estimated by Mercer.

All assets are marketable and can be valued on a daily basis except the Pramerica Ground Lease Property Fund and the GTAA assets, which are valued monthly.

# Mowlem Staff Pension and Life Assurance 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 target allocation of 65% growth investments, 35% bonds / bond-like investments.

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 % p.a.	5 Years to 31 December 2011 % p.a.
Scheme	-0.5	7.5	1.3
Benchmark	1.8	7.9	2.5

Calculated by Mercer, Scheme returns are gross-of-fees

### Ten Largest Investments

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

1. L&G AAA-AA-A Bonds-All Stocks Index Fund
2. NewSmith UK Equity Fund
3. Artemis Institutional UK Growth Fund
4. AllianceBernstein Global Equity Value Fund
5. Origin Global Specialist Equity Fund
6. Pramerica UK Ground Lease Fund
7. BlackRock Global Ascent (Sterling) Ltd
8. L&G AAA Fixed Interest Over 15 Year Fund
9. Odey Allegra International Fund
10. THS International Growth & Value Fund

### Investments Exceeding 5% of Total Assets

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

1. L&G AAA-AA-A Bonds-All Stocks Index Fund
2. NewSmith UK Equity Fund
3. Artemis Institutional UK Growth Fund
4. AllianceBernstein Global Equity Value Fund
5. Origin Global Specialist Equity Fund
6. Pramerica UK Ground Lease Fund
7. BlackRock Global Ascent (Sterling) Ltd

# Mowlem Staff Pension and Life Assurance Scheme

## Investment Report Year ended 31 December 2011

### Custodial Arrangements

The Trustee employs KAS Bank NV through their agreement with AllianceBernstein as the custodian for the portion of the Scheme's assets invested in a segregated global equity portfolio with AllianceBernstein. All other 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
L&G	HSBC Global Investor Services and Citibank N.A
AllianceBernstein	KAS Bank NV
Odey	RBC Dexia Investor Services Bank S.A.
Origin	HSBC Bank Plc
THS	Northern Trust
Artemis	BNY Mellon Trust Company (Ireland) Limited
NewSmith	JP Morgan Chase

Given the nature of the investment, there is no custodian for the Pramerica Fund, but the administrator for the fund is UBS AG, Jersey Branch.

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. Therefore, 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, the Global Equity Fund managed by Odey and the UK Equity Fund managed by NewSmith 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

# Mowlem Staff Pension and Life Assurance 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

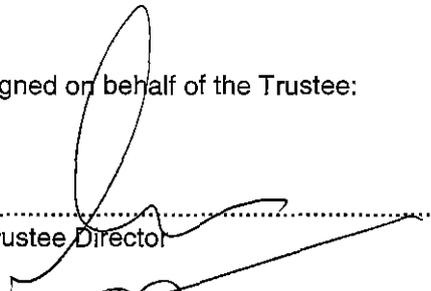
This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of, the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 29 October 2010 in respect of the Scheme year ended 31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

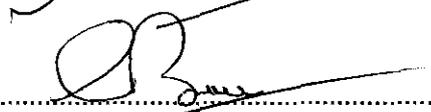
### Summary of contributions payable during the Scheme year ended 31 December 2011

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	Amount in excess of the Schedule of Contributions
	£000	£000	£000
<b>Defined Benefits Section</b>			
<b>Employer Contributions</b>			
Deficit contributions	10,100	10,100	-
	<b>10,100</b>	<b>10,100</b>	<b>-</b>

Signed on behalf of the Trustee:

  
.....  
Trustee Director

  
.....  
Trustee Director

Date:

# Mowlem Staff Pension and Life Assurance Scheme

## Statement about Contributions For the year ended 31 December 2011

### **Independent Auditor's 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 Mowlem Staff Pension and Life Assurance Scheme.**

We have examined the summary of contributions payable under the Schedules of Contributions to the Mowlem Staff Pension and Life Assurance 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 12, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedules 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 Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules 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 Schedules 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 Schedules of Contributions.

### **Statement about contributions payable under the Schedules 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 Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules 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

# Mowlem Staff Pension and Life Assurance Scheme

## Independent Auditor's report to the Trustee For the year ended 31 December 2011

We have audited the financial statements of the Mowlem Staff Pension and Life Assurance Scheme for the year ended 31 December 2011 set out on pages 21 to 32. 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 12, 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](http://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

# Mowlem Staff Pension and Life Assurance Scheme

## Fund account For the year ended 31 December 2011

	Note	Defined Benefits Section £000	Defined Contributions Section £000	For the year ended 31 December 2011 £000	For the year ended 31 December 2010 £000
<b>CONTRIBUTIONS AND BENEFITS</b>					
Contributions receivable	3	10,100	-	10,100	10,224
Transfers in	4	12	-	12	45
Other income	5	-	1	1	16
		<u>10,112</u>	<u>1</u>	<u>10,113</u>	<u>10,285</u>
Benefits	6	(18,709)	(99)	(18,808)	(16,928)
Payments to and on account of leavers	7	(413)	(106)	(519)	(1,417)
Bulk transfer to Carillion 2009	7	-	(7,314)	(7,314)	-
Administrative expenses	8	(730)	(19)	(749)	(793)
		<u>(19,852)</u>	<u>(7,538)</u>	<u>(27,390)</u>	<u>(19,138)</u>
<b>NET WITHDRAWALS FROM DEALINGS WITH MEMBERS</b>		<u>(9,740)</u>	<u>(7,537)</u>	<u>(17,277)</u>	<u>(8,853)</u>
<b>INVESTMENT RETURNS</b>					
Investment income	9	2,356	1	2,357	2,864
Investment management expenses	10	(764)	(4)	(768)	(605)
Change in market value of investments	11	(6,359)	(680)	(7,039)	45,409
<b>NET RETURNS ON INVESTMENTS</b>		<u>(4,767)</u>	<u>(683)</u>	<u>(5,450)</u>	<u>47,668</u>
<b>NET (DECREASE)/INCREASE IN THE FUND DURING THE YEAR</b>		<u>(14,507)</u>	<u>(8,220)</u>	<u>(22,727)</u>	<u>38,815</u>
<b>NET ASSETS AT 1 JANUARY 2011</b>		<u>455,858</u>	<u>8,401</u>	<u>464,259</u>	<u>425,444</u>
<b>NET ASSETS AT 31 DECEMBER 2011</b>		<u>441,351</u>	<u>181</u>	<u>441,532</u>	<u>464,259</u>

# Mowlem Staff Pension and Life Assurance Scheme

## Net assets statement As at 31 December 2011

	Note	31 December 2011 £000	31 December 2010 £000
<b>DEFINED BENEFITS SECTION</b>			
Investments	11	439,613	450,333
Current assets	12	4,565	6,600
Current liabilities	13	(2,827)	(1,075)
<b>NET ASSETS</b>		<b>441,351</b>	<b>455,858</b>
<b>DEFINED CONTRIBUTIONS SECTION</b>			
Investments	11	-	8,219
Current assets	12	201	229
Current liabilities	13	(20)	(47)
<b>NET ASSETS</b>		<b>181</b>	<b>8,401</b>
<b>NET ASSETS OF THE SCHEME AT 31 DECEMBER 2011</b>		<b>441,532</b>	<b>464,259</b>

The notes on pages 23 to 32 form part of these financial statements.

These 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 take account of such obligations, is dealt with in actuarial certificates included on pages 33 to 36 of the Annual Report and these financial statements should be read in conjunction with the actuarial certificates.

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

# Mowlem Staff Pension and Life Assurance 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 (revised May 2007), "Financial Reports of Pension Schemes" (the Revised SORP).

### 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 Administration expenses

Administration expenses are accounted when they fall due.

#### 2.5 Investments

Investments are included at market value.

The majority of listed investments are stated at the bid price or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

Annuities purchased by the Trustee (and in the name of the Trustee) which fully provide the benefits for certain members are included in these financial statements at nil value. The cost of purchasing these annuities is reported within the Fund Account under 'Benefits Payable'.

Derivatives are stated at market value.

Exchange traded derivatives are stated at market values determined using market quoted prices.

# Mowlem Staff Pension and Life Assurance Scheme

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

### 2.5 Investments (continued)

For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data at the year end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

AVCs are accounted for on an accruals basis, and the resulting investments are included within the net assets statement.

### 2.6 Investment income

Dividends from quoted securities are accounted for when the security is declared ex-div.

Interest is accrued on a daily basis.

Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'.

## 3. CONTRIBUTIONS RECEIVABLE

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
<b>Employer</b>				
Augmentation	-	-	-	124
Deficit Funding	10,100	-	10,100	10,100
	<u>10,100</u>	<u>-</u>	<u>10,100</u>	<u>10,224</u>

Deficit funding contributions are being paid by the employer into the Scheme in accordance with a recovery plan in order to improve the Scheme's funding position.

# Mowlem Staff Pension and Life Assurance Scheme

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

### 4. TRANSFERS IN

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Individual transfers in from other schemes	12	-	12	45

These relate to members of the Scheme who opted to transfer their benefits into the Carillion 2009 Pension Plan, but who have subsequently opted to transfer their cash benefit entitlements back into the Mowlem Staff Pension and Life Assurance Scheme, at the time of retirement.

### 5. OTHER INCOME

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Other	-	1	1	16

### 6. BENEFITS

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Pension payments	15,193	-	15,193	14,295
Commutations and lump sum retirement benefits	3,298	18	3,316	2,429
Lump sums on death in retirement	62	-	62	67
Lump sums on death in service	16	11	27	-
Lump sums on death of deferred member	140	-	140	8
Purchase of annuities	-	70	70	129
	<b>18,709</b>	<b>99</b>	<b>18,808</b>	<b>16,928</b>

# Mowlem Staff Pension and Life Assurance Scheme

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

### 7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Individual transfers to other schemes	413	106	519	1,411
Bulk transfer to Carillion 2009 Pension Plan	-	7,314	7,314	-
Refunds to members leaving service	-	-	-	6
	<b>413</b>	<b>7,420</b>	<b>7,833</b>	<b>1,417</b>

### 8. ADMINISTRATIVE EXPENSES

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Administration and processing	298	-	298	280
Actuarial fees	217	-	217	349
Audit fee	45	(6)	39	29
Legal & other consultancy fees	106	23	129	81
Regulatory fees	24	-	24	26
Trustees fees and expenses	37	-	37	24
Sundry expenses	3	2	5	4
	<b>730</b>	<b>19</b>	<b>749</b>	<b>793</b>

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 Scheme.

# Mowlem Staff Pension and Life Assurance Scheme

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

### 9. INVESTMENT INCOME

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Dividends from equities	2,009	-	2,009	2,829
Interest on cash deposits	64	1	65	22
Foreign currency gain / (loss)	157	-	157	(69)
Annuity income	126	-	126	82
	<u>2,356</u>	<u>1</u>	<u>2,357</u>	<u>2,864</u>

### 10. INVESTMENT MANAGEMENT EXPENSES

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Administration, management & custody	<u>764</u>	<u>4</u>	<u>768</u>	<u>605</u>

### 11. INVESTMENTS

Reconciliation of investments held at beginning and end of year

#### DEFINED BENEFITS SECTION

	Value at 01/01/2011 £000	Purchases at cost £000	Sale proceeds £000	Change in market value £000	Value at 31/12/2011 £000
Pooled investment vehicles	399,088	68	(3,588)	743	396,311
Equities	43,157	29,733	(28,759)	(6,783)	37,348
Derivatives	(296)	594	(27)	(287)	(16)
AVC investments	6,030	-	(451)	(32)	5,547
Sub total	<u>447,979</u>	<u>30,395</u>	<u>(32,825)</u>	<u>(6,359)</u>	<u>439,190</u>
Cash deposits	2,313				380
Accrued interest	<u>41</u>				<u>43</u>
	<u>450,333</u>				<u>439,613</u>

# Mowlem Staff Pension and Life Assurance Scheme

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

### INVESTMENTS (continued)

Included within the above purchases and sales figures for equities are transaction costs of £880,873 (2010: £416,676). Costs are also 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.

### DEFINED CONTRIBUTIONS SECTION

	Value at 01/01/2011 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31/12/2011 £000
Pooled investment vehicles	<u>8,219</u>	<u>165</u>	<u>(7,704)</u>	<u>(680)</u>	<u>-</u>

Included within the above purchases and sales figures for pooled investment vehicles are policy switches of £129,931 (2010: £250,222) relating to funds held with Legal & General Investment Management Ltd.

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

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

Details of investments held at year end

### POOLED INVESTMENT VEHICLES

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
UK Quoted	90,479	-	90,479	108,588
Unit trusts - property	26,519	-	26,519	25,657
Overseas quoted	<u>279,313</u>	<u>-</u>	<u>279,313</u>	<u>273,062</u>
	<u>396,311</u>	<u>-</u>	<u>396,311</u>	<u>407,307</u>

### EQUITIES

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Overseas quoted	<u>37,348</u>	<u>-</u>	<u>37,348</u>	<u>43,157</u>

# Mowlem Staff Pension and Life Assurance Scheme

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

### DERIVATIVE ASSETS

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Futures – exchange traded	2	-	2	4
Currency Forwards	-	-	-	-
	<u>2</u>	<u>-</u>	<u>2</u>	<u>4</u>

### CASH DEPOSITS

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Sterling deposits	<u>380</u>	<u>2,313</u>

### DERIVATIVE LIABILITIES

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Currency Forwards	<u>(17)</u>	<u>-</u>	<u>(17)</u>	<u>(300)</u>

### DERIVATIVE CONTRACTS

#### Objectives and policies

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the pension Scheme.

The main objectives for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

**Futures** – the Trustee did not want cash held to be “out of the market” and therefore bought index based futures contracts which had an underlying economic value broadly equivalent to cash held.

# Mowlem Staff Pension and Life Assurance Scheme

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

### DERIVATIVE CONTRACTS (continued)

The Scheme had exchange traded overseas stock index futures outstanding at the year end relating to its overseas equity portfolio as follows:

Nature	Notional Amount	Duration	Asset value at year end £	Liability value at year end £
S&P500 EMINI FUT	£282,076.35	31 March 2012	1,706.78	-
			<u>1,706.78</u>	<u>-</u>

Included within cash balances are £22 (2010: £70,182) in respect of initial and variation margins arising on open futures contracts at the year end.

**Forward foreign exchange** – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

The scheme had open forward foreign contracts at the year end as follows:

Contract	Settlement date	Currency bought	Currency sold	Asset value at year end £	Liability value at year end £
EUR FWD to GBP	13 January 2012	€5,501,000.00	£4,683,809.95	87,737.80	-
JPY FWD to GBP	13 January 2012	JPY414,174,000.00	£3,416,048.35	-	(48,978.33)
CAD FWD to GBP	13 January 2012	\$1,932,000.00	£1,218,295.62	-	(2,365.69)
USD FWD to GBP	13 January 2012	\$9,057,000.00	£5,770,215.82	-	(58,382.83)
GBP FWD to CAD	13 January 2012	£174,557.71	\$280,000.00	2,349.73	-
CHF FWD to GBP	13 January 2012	CHF567,000.00	£387,164.97	-	(3,140.38)
EUR FWD to GBP	13 January 2012	€1,070,000.00	£899,669.91	5,687.51	-
				<u>95,775.04</u>	<u>(112,867.23)</u>

# Mowlem Staff Pension and Life Assurance Scheme

## Notes to the financial statements For the year ended 31 December 2010

### 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.

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Standard Life	138	-	138	136
Prudential Assurance	2,785	-	2,785	2,985
Legal & General	2,077	-	2,077	2,294
MGM	47	-	47	48
Equitable Life	385	-	385	473
Aviva	115	-	115	94
	<u>5,547</u>	<u>-</u>	<u>5,547</u>	<u>6,030</u>

### 12. CURRENT ASSETS

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Cash balance	4,307	201	4,508	5,867
<b>Debtors</b>				
Employer contributions due	-	-	-	524
Amounts transferable between sections	-	-	-	6
Income tax recoverable	248	-	248	418
Other debtors	10	-	10	14
	<u>4,565</u>	<u>201</u>	<u>4,766</u>	<u>6,829</u>

Included within the cash balance at the year end is £182,086 (2010: £203,940) which is not attributable to members.

All contributions due to the Scheme relate to the month of December 2011 and were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.

# Mowlem Staff Pension and Life Assurance Scheme

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

### 13. CURRENT LIABILITIES

	Defined Benefits Section £000	Defined Contributions Section £000	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Unpaid benefits	88	19	107	145
Amounts due to HMRC	237	-	237	220
Amounts due to Carillion	2,408	-	2,408	655
Amounts transferable between sections	-	-	-	6
Due to DWP	94	-	94	94
Other creditors	-	1	1	2
	<b>2,827</b>	<b>20</b>	<b>2,847</b>	<b>1,122</b>

### 14. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard No 8 the Trustee is deemed to be a "related party" of the Scheme. Additionally, certain Directors of the Trustee Company have an interest as either a 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 processing fees of £48,000 (2010: £48,000). These amounts are included within the administration expenses.

The Scheme also paid Trustee fees and expenses of £36,828 (2010: £24,287). These amounts are included within the administration expenses.

# Mowlem Staff Pension and Life Assurance Scheme

## Actuarial Statements Year Ended 31 December 2011

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### **Schedule of Contributions, incorporating actuarial certificate**

#### **Status of this document**

This Schedule has been prepared by the Trustee of the Mowlem Staff Pension and Life Assurance 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. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustee and the Employer, Carillion JM Limited, 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 December 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 £5.86m in 2009, £10.1m per annum from 1 January 2010 to 31 December 2021, £14.9m in 2022, £16.1m in 2023 and £16.25m in 2024 with contributions being paid on a monthly basis.

##### **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 Scheme. The Employer will also meet the general running costs of the Scheme 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.

# Mowlem Staff Pension and Life Assurance Scheme

## Actuarial Statements Year Ended 31 December 2011

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### 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 JM Limited, and the Trustee of the Mowlem Staff Pension and Life Assurance Scheme on 29 October 2010.

Signed on behalf of Carillion JM Limited

Name	J K Dawson
Position	Head of Reward
Date of signing	

Signed on behalf of the Trustee of the Mowlem Staff Pension and Life Assurance Scheme

Name	B J Watkins
Position	Trustee Director
Date of signing	

# Mowlem Staff Pension and Life Assurance Scheme

Actuarial Statements  
Year Ended 31 December 2011

## Certification of Schedule of Contributions

Name of Scheme

Mowlem Staff Pension and Life Assurance 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

1. 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 of Actuaries

# Mowlem Staff Pension and Life Assurance Scheme

Actuarial Statements  
Year Ended 31 December 2011

## Certification of technical provisions

Name of Scheme

Mowlem Staff Pension and Life Assurance Scheme

## Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme'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 Scheme and set out in the Statement of Funding Principles dated 29 October 2010.

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 of Actuaries

# Mowlem Staff Pension and Life Assurance Scheme

## Compliance Statement For the year ended 31 December 2011

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### Introduction

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

The registration number in the Register of Occupational and Personal Pension Schemes is **101393015**.

### Other information

- (i) The Trustee is required to provide certain information about the Scheme to The Pension Scheme Registry. The address is:

The Pension Scheme Registry  
PO Box 133  
Newcastle Upon Tyne  
NE99 1NN

- (ii) The Office of 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 Office of 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. TPAS may be contacted at:

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:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
East Sussex  
BN1 4DW

# Mowlem Staff Pension and Life Assurance Scheme

## Compliance Statement For the year ended 31 December 2011

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- (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, the Scheme details, and a copy of the Schedule 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 the members' own pension position, including estimates of transfer values, should also be requested from the administrators of the Scheme, MNPA Limited, at the address detailed in this report.

