

**PINNACLE PSG LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

ANNUAL REPORT

for the year ended 31 March 2011

Company number 5156904

PINNACLE PSG LIMITED
For the year ended 31 March 2011

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PINNACLE PSG LIMITED

CHAIRMAN'S REPORT

For the year ended 31 March 2011

Overall Review and Strategic Direction

The year to March 2011 has seen the Pinnacle PSG Group continue its strong performance both financially and operationally. At a time when many organisations operating in our sector are facing enormous challenges it is particularly pleasing to see a strong performance and scope for a significant increase in the opportunity for new business opportunities in the period to come. Pinnacle has worked hard over the last ten years to build a reputation for service delivery combined with a deep understanding of the communities we serve. At a time when these communities face the challenge of working in an environment of cutbacks and redundancies, Pinnacle provides a credible alternative for the provision of neighbourhood management services.

Summary of Results

Group turnover from continuing operations rose to £46.7m a 9% increase on the prior year. Importantly EBITDA from continuing operations for the year was £2.8m compared to £2.4m the year before, a 17% increase. New contracts delivering appropriate margins contributed to the very successful increase in EBITDA in tandem with a tight control of costs. This performance is reported prior to taking account of the profit generated from the sale of our 50% interest in Equipe, our joint venture with John Laing, which was sold to Rydon in October 2010.

Pinnacle PSG had a very successful year combining operational rigour and a strong financial performance. Operationally it continued to deliver existing services in line with its KPI's and successfully mobilised last year's significant new contract wins at Metropolitan Housing Group and Harvest Group. During the year the City of Westminster decided to reduce the number of external providers managing its homes from 3 to 1. Importantly Pinnacle PSG was successful which means that from June 2011 Pinnacle PSG will be managing half the social housing stock in Westminster. Since the year end, Pinnacle PSG has also commenced a substantial new contract in Lambeth.

Net Funds and Cash Flow

The Group delivered net funds at 31st March 2011 of £5.8m compared to net funds of £2.4m at 31st March 2010. The net inflow of funds of £3.4m is largely due to the net receipt on the sale of the Equipe Regeneration joint venture, the increase in operating profit and an improvement in working capital.

Our Communities & Customers

Through a comprehensive liaison process, culminating in the annual Resident's conference, we listen to our direct customers and the residents in the areas we work. The feedback has again been very positive which no doubt was a factor in the Group winning a number of awards during the year for delivering excellent services.

Our commitment to the many communities we work in is reflected in the support we give to our employees and customers in the communities we operate in.

Our People

The Group now employs over 1,700 people. The passion, dedication and commitment of all the people in our Group is outstanding. PSG continues to invest in its people as it is our staff that differentiate us so often from our competition. I am indebted to all those within the Group who make such an important contribution to the success of PSG.

PINNACLE PSG LIMITED

CHAIRMAN'S REPORT

For the year ended 31 March 2011

Outlook

Since the year end the new trading period has started well with the Group on budget. The fiscal pressures on the public sector, we believe, will continue to lead to significant opportunities for the Group to help to deliver quality public services whilst at the same time driving value for money. The recent corporate failures of Connaught and Rok clearly led to instability and insecurity for Local Authorities and Registered Providers of social housing. The significant investment in PSG's parent company Pinnacle Regeneration Group provides PSG with a very substantial financial base from which it can grow its business. I believe the strength of Pinnacle Regeneration Group's balance sheet provides the necessary confidence and security that our client's demand in these market conditions. With a strong orderbook and bid pipeline, we expect another strong year of growth.

Peregrine Lloyd
Chairman

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2011

FINANCIAL STATEMENTS

The directors present their report and the Group financial statements for the year ended 31 March 2011 which have been prepared under the historical convention and the accounting policies set out in note 1.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The Company acts as a holding company for a number of companies. The activities of the Company's subsidiary undertakings are the provision of housing management, professional and advisory services, and maintenance services.

The Group's business developed satisfactorily during the year and at the end of the year the Group was in a good position to continue this development. Further details of the Group's performance in the year are included in the Chairman's report.

RESULTS AND DIVIDENDS

The Group turnover for the year from continuing operations was £46.7m (2010: £42.9m) with total group and joint venture operating profit before exceptional items, depreciation and goodwill amortisation at £2.9m (2010: £2.6m). The Group result for the year after taxation but before minority interests amounted to a profit of £5.6m (2010: £1.2m). The directors paid a dividend of £nil (2010: £1.5m) to the Company's immediate parent Company Pinnacle PSG Holdings Limited in the year.

CHARITABLE DONATIONS

During the year the Group made charitable donations totalling £3,000 (2010: £8,000).

FINANCIAL INSTRUMENTS

The Company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

DIRECTORS

The directors during the year were as follows:

GA Blott
PMA Lloyd
MWH Penny
C Mitchell-Innes
M Taylor (resigned 22nd December 2010)
BA Simons
RC Reynolds
P Rogers (resigned 21st April 2011)
N H Euesden
A Frith

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2011

CORPORATE RESPONSIBILITY AND GOVERNANCE

The Board of Directors recognises the importance of high standards of corporate responsibility and governance. This is evidenced through the following:

Charity and community activities

Pinnacle PSG strongly believes in giving something back to the communities in which we work. We actively support and contribute to a number of exciting community projects and initiatives nationwide. By working closely and in partnership with residents, community groups, local charities and businesses we are able to maximize the potential of people and places. Just a few of the projects and initiatives supported and contributed to by Pinnacle PSG in the year are as follows.

Pinnacle PSG worked with residents in Brockley to secure funding for and develop a community orchard; created a new 'grow your own' vegetable patch in Canning Town with residents of the Ruscoe Road Sheltered Scheme Residents Association; alongside staff and students of Rothwell Primary School in Leeds, transformed an overgrown area of land within the school grounds into a new wildlife garden; in Bayswater, we responded to residents' requests for more colour in their inner-city meadow by having a 'plant a wild flower week' involving local schools, housing staff, community groups and residents.

Pinnacle PSG actively tries to bring communities together and increase levels of resident engagement, particularly within the hard to reach sections of society, some examples of this are: in the midlands we worked with a local community group to transform their local playing field after their own gardening equipment was stolen; we continue to sponsor the successful community youth cricket project run by Surrey Cricket Club on estates in Lambeth, we have also sponsored a few talented children from the scheme to go onto a development centre; alongside the Canvey Island schools partnership in Essex, we are working with school children to develop a bespoke educational computer game which will tackle ASB on the island; we have created a pilot apprenticeship scheme in Essex to provide young people with training and work experience in grounds maintenance.

In October 2010, we held another successful conference for our residents. The conference was attended by 150 residents from across the UK and allowed them to share ideas, learn about government initiatives that may affect communities and debate on key issues.

Employees

The Group's policy is one of equal opportunity in the selection, training, career development and promotion of employees regardless of age, gender, ethnic origin, religion and whether disabled or otherwise, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Group as a whole. Communication with all employees continues through the in house newspaper and newsletters, briefing groups and the distribution of the annual report.

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2011

Health and Safety

Pinnacle recognises the importance of effective health and safety management and is committed to providing a secure, safe and healthy environment for both residents and employees. The operating business units have specific Health and Safety personnel who advise management and monitor activities to ensure appropriate levels are maintained.

Quality, standards and customer services

The Group strives to deliver its services with the highest quality in standards and safety. Its operational governance is demonstrated by the following standards and awards: ISO9001, ISO14001, OHAS18001, CHAS, Member of British Safety Council and a Customer Service Excellence award.

Environment

The environment is becoming increasingly important in the areas we operate and we believe we can act as a catalyst to change how residents view and treat their surroundings. Improvements have been made in reducing the energy consumption at our sites, implementing extensive recycling processes and through the introduction of driver training reducing fuel consumption, in some cases by over 25%. Vehicle tracking has been introduced to ensure that all routes and journeys are as efficient as possible. Also through regular meetings with our staff and residents we identify the causes of issues and address the underlying problem in order to ensure long term and sustainable improvements.

KEY PERFORMANCE INDICATORS

During this financial year, turnover from continuing operations has increased by 9% and EBITDA from continuing operations and before exceptional items increased by 17%. Despite uncertainty in the Public Sector with the general election, the subsequent spending review and the emergency budget, the Group secured a number of new contracts and bolstered its order book. With the fiscal pressures on Local Authorities and Registered Providers of social housing increasing in the coming years, the Group believes the outsourced neighbourhood management opportunities will increase and it is in a good position to take advantage of this.

The renewal of current contracts and the winning of new contracts – during the year the Group was successful in winning eleven new contracts worth a combined £3.1m turnover per annum. Two contracts were successfully renewed with a combined turnover per annum of £4.8m, an increase of £2.2m on the old contract values due to an increase in the scope of work for those clients. However one contract with an annual value of £3.6m came to an end and was not renewed.

To ensure customer and resident satisfaction is high monthly meetings are held with customers and resident representatives who, together with surveys and focus groups, provide continuous feedback on performance. Pinnacle Housing also organise an annual conference where resident representatives have the opportunity to provide further feedback. In this way Pinnacle Housing is able to assess customer and tenant satisfaction and this together with the evidence from surveys and more general feedback confirms high levels of satisfaction.

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2011

PRINCIPAL RISKS AND UNCERTAINTIES

To manage the potential risk of losing business, the Group continues to work in partnership with its customers to provide a high level of service and develop strong relationships.

The Group has secured long term contracts worth approximately £370m over periods of up to 25 years, principally in the social housing and PFI schools sectors. This visibility of future revenue streams is a core strength of the business. The outsourcing market is an attractive market due to long term contracts and visibility of earnings, therefore it will always be subject to strong competition. The Group seeks to maintain its competitive advantage by ensuring it delivers first class services to its clients for a price that represents value for money for the taxpayer. The culture it instils in its employees means that the service its customers receive separates it from the competition, which is reflected in the tenant's satisfaction results year after year.

OUR PEOPLE

The Group is fortunate to have at its core, employees who share a common belief that prosperity for its stakeholders will be achieved through the delivery of excellent service. Our position in our markets is built on a perception that our people have respect for each other and our customers, and that from this respect comes a sustainable delivery capability. We will continue to strive to deliver for our people and for our clients, for to succeed will be our most potent weapon in creating a valuable, sustainable and respected business.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the directors has confirmed that:

- (a) so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- (b) they have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

This report was approved by the Board on 8th July 2011.



Alex Frith
Director

PINNACLE PSG LIMITED
Independent Auditor's Report to the Members of Pinnacle PSG Limited

We have audited the financial statements of Pinnacle PSG Group Limited for the period ended 31 March 2011 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and Company balance sheets, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2011 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

PINNACLE PSG LIMITED
Independent Auditor's Report to the Members of Pinnacle PSG Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

PKF (UK) LLP

Andrew Huddleston (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor

London, UK

8/7/ 2011

PINNACLE PSG LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2011

	Notes	2011		2010	
		Continuing £'000's	Discontinued £'000's	Continuing £'000's	Discontinued £'000's
Turnover: group and share of joint ventures	2	46,678	1,104	42,939	2,176
Less: share of joint ventures' turnover	2	-	(1,104)	-	(2,176)
Group Turnover		46,678	-	42,939	-
Raw materials and consumables		(2,053)	-	(1,902)	-
Other external charges		(8,280)	-	(7,278)	-
Staff costs	27	(25,341)	-	(24,380)	-
Depreciation and amortisation of tangible and intangible fixed assets	8&9	(821)	-	(823)	-
Other operating charges		(8,231)	-	(6,969)	-
Group operating profit before exceptional items	3	1,952	-	1,587	-
Share of operating profit in joint ventures		-	89	-	179
Total group and joint ventures operating profit		1,952	89	1,587	179
Non operating exceptional items	4	-	-	-	-
Group profit before interest and taxation		1,952	89	1,587	1,766
Interest receivable and similar income	5	-	-	-	-
Interest payable and similar charges	6	-	-	-	-
Profit on ordinary activities before taxation	2	6,059	-	1,810	157
Tax charge on profit on ordinary activities	7	(429)	-	(637)	(113)
Profit on ordinary activities after taxation		5,630	-	1,173	1,173
Equity minority interest	24	-	-	-	1
Profit for the financial year	19	5,630	-	1,174	1,174

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

PINNACLE PSG LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2011

	Notes	2011 £'000's	2010 £'000's
Profit for the year		5,630	1,174
Actuarial profit/(loss) on pension assets and liabilities	29	552	(383)
Tax (charge)/credit on actuarial profit/(loss) on pension assets and liabilities		(155)	107
Total recognised gains and losses for the year		6,027	898

PINNACLE PSG LIMITED
CONSOLIDATED BALANCE SHEET

As at 31 March 2011

	Notes	2011		2010	
		£'000's	£'000's	£'000's	£'000's
INTANGIBLE FIXED ASSETS	8		4,962		5,322
TANGIBLE FIXED ASSETS	9		723		788
INVESTMENTS IN JOINT VENTURES					
Share of gross assets		-		2,475	
Share of gross liabilities		-		(2,067)	
Loans from joint ventures		-		(1,849)	
	10		-		(1,441)
TOTAL FIXED ASSETS			5,685		4,669
CURRENT ASSETS					
Stocks	12	363		97	
Debtors	13	7,838		6,876	
Cash at bank	22	6,089		2,543	
		14,290		9,516	
CREDITORS: amounts falling due within one year	14	(7,085)		(6,762)	
Net current assets			7,205		2,754
Total assets less current liabilities			12,890		7,423
CREDITORS: amounts falling due after more than one year	15		(138)		(84)
Net pension asset/(liability)	29		85		(432)
Provisions for liabilities and charges	16		(35)		(132)
NET ASSETS			12,802		6,775
CAPITAL AND RESERVES					
Attributable to equity interests					
Called up share capital	18		1,000		1,000
Profit and loss account	19		11,791		5,764
Total shareholders' funds	23		12,791		6,764
Equity minority interest	24		11		11
Capital employed			12,802		6,775

These financial statements were approved and authorised for issue by the board and were signed on its behalf on

~~2011~~ 8th July 2011



Alex Frith
Director

PINNACLE PSG LIMITED
(Company number 5156904)
COMPANY BALANCE SHEET

As at 31 March 2011

	Notes	2011 £'000's	2010 £'000's
TANGIBLE FIXED ASSETS	9	35	47
INVESTMENTS	11	9,985	9,990
		10,020	10,037
CURRENT ASSETS			
Debtors	13	4,828	3,962
Cash at bank		467	-
		5,295	3,962
CREDITORS: amounts falling due within one year	14	(8,673)	(11,888)
Net current liabilities		(3,378)	(7,926)
Total assets less current liabilities		6,642	2,111
CREDITORS: amounts falling due after more than one year	15	-	-
Net assets		6,642	2,111
CAPITAL AND RESERVES			
Attributable to equity interests			
Called up share capital	18	1,000	1,000
Profit and loss account	19	5,642	1,111
Total shareholders' funds	23	6,642	2,111

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 8th July 2011.



Alex Frith
Director

PINNACLE PSG LIMITED
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2011

	Notes	2011 £'000's	2010 £'000's
Cash inflow from operating activities	20	2,824	3,970
Returns on investments and servicing of finance	21	106	235
Taxation		-	208
Group relief payable to other Group companies		(1,034)	-
Capital expenditure and financial investment	21	(142)	(32)
Equity dividends paid		-	(1,500)
Acquisitions and disposals	21	1,926	554
Cash inflow before the use of liquid resources and financing		3,680	3,435
Financing	21	(134)	(64)
Increase in cash in the year	22	3,546	3,371

Reconciliation of net cash flow to movement in net debt

Increase in cash in the year	22	3,546	3,371
Cash outflow from increase in debt and lease financing	22	134	64
Non cash items	22	(263)	(201)
Movement in net funds in the year		3,417	3,234
Net funds/(debt) at 1 April		2,403	(831)
Net funds at 31 March	22	5,820	2,403

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

1 ACCOUNTING POLICIES

Accounting convention

The Group and Company financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards.

Basis of consolidation

The financial statements of the Group represent the consolidation of Pinnacle PSG Limited, its subsidiary undertakings and joint ventures. All material inter-company transactions and balances are eliminated. All subsidiary financial statements are made up to 31 March 2011. In the case of acquisitions and disposals of businesses, the results of trading are consolidated from or to the date upon which control passes.

On acquisition of a subsidiary or joint venture, all of the assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the Group profit and loss account. Turnover from joint ventures is stated net of amounts billed by the Group and therefore already incorporated in Group turnover.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired and amortised over its useful economic life. Purchased goodwill is capitalised in the year in which it arises and amortised over its useful economic life. The directors assess the useful economic life of goodwill on a case by case basis and regard 20 years as a reasonable maximum. The directors undertake reviews of the carrying value of goodwill when triggering events occur, and in the year following acquisition, and make such write-downs for impairment as they consider necessary.

Turnover

Turnover represents fees receivable, excluding VAT, in respect of services provided and is recognised over the period for which the services are delivered. Turnover includes advertising fees and other similar costs incurred on behalf of clients.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

1 ACCOUNTING POLICIES (continued)

Long term contracts

In respect of long-term contracts, total revenue and related costs are calculated to determine a contract's profitability margin which is recognised in the profit and loss account over the term of the contract after making provision for foreseeable losses.

Turnover on long-term contracts is determined by the level of activity as measured by the valuation of works completed by management during the period. Costs represent amounts invoiced plus accruals for work completed but not invoiced during the period. Project profitability is regularly reviewed by the Board and a detailed exercise is carried out at least once every year.

Amounts recoverable on contracts are valued at anticipated net sales value of work done after provision for contingencies and anticipated future losses on contracts. Cash received on account of contracts is deducted from amounts receivable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included in provisions. Any difference between the calculated turnover figure and the invoiced amounts in the month is treated as deferred income or accrued income as appropriate.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold land and buildings	- over the life of the lease
Fixtures and equipment	- over 3 to 5 years

Stocks – work in progress

Work in progress arising is stated at the lower of cost and net realisable value. Cost comprises staff salary costs and expenses reimbursable by clients together with an appropriate proportion of overheads based on normal activity levels. Net realisable value represents estimated selling price after allowing for further costs expected to be incurred to completion.

Finance and operating leases

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful lives of the equivalent owned assets. Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

Investments

Fixed asset investments are stated at cost less any provision for impairment.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

1 ACCOUNTING POLICIES (continued)

Deferred taxation

Provision is made for deferred taxation on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

Deferred tax assets are recognised to the extent that the directors consider it more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Pension costs

The Group operates two defined contribution pension schemes for eligible employees. The costs incurred are charged against income in the year in which the contributions are made.

The Group operates a defined benefit scheme for certain employees, which is contracted out of the state scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The group recognises the net assets or liabilities of the scheme in the balance sheet, net of any related tax liability or asset. The changes in scheme assets and liabilities, based on actuarial advice, are recognised as follows:-

- The current service costs, based on the most recent actuarial valuation, are deducted in arriving at operating profit.
- The interest cost, based on the present value of scheme liabilities and the discount rate at the beginning of the year and amended for changes in scheme liabilities during the year, is included as interest.
- The expected return on scheme assets, based on the fair value of scheme assets and expected rates of return at the beginning of the year and amended for changes in scheme assets during the year, is included as interest.
- Actuarial gains and losses, representing differences between the expected return and actual return on scheme assets, differences between the actuarial assumptions underlying the scheme liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in the statement of total recognised gains and losses.
- Past service costs are spread evenly over the period in which the increases in benefit vest and are deducted in arriving at operating profit. If an increase in benefits vests immediately, the cost is recognised immediately.
- Gains or losses arising from settlements or curtailments not covered by actuarial assumptions are included in operating profit.

The Group provides no other post retirement benefits to its employees.

Provisions

Provisions for liabilities are made on the basis that the business has a constructive or legal obligation arising from a past event. Provisions are discounted where the time value of money has a material effect on the amount required to settle the obligation.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

1 ACCOUNTING POLICIES (continued)

Minority Interest

Equity minority interests represent the share of the profits less losses on ordinary activities attributable to the interests of equity shareholders in subsidiaries which are not wholly owned by the Group. For financial reporting purposes, 100% of the assets, liabilities and earnings of the companies are consolidated within those of the Group and the minority's share is recorded as a minority interest in the financial statements.

2 TURNOVER AND PROFIT BEFORE TAX

All income and profits arise from within the United Kingdom. The analysis by segment of turnover, profit/(loss) on ordinary activities before tax and net assets is shown below:

	Turnover	2011 Profit on ordinary activities before tax	Net assets/ (liabilities)	Turnover	2010 Profit on ordinary activities before tax	Net assets/ (liabilities)
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Housing	37,037	1,934	9,630	33,849	1,872	7,350
Maintenance Services	10,569	422	2,041	9,922	204	1,703
	47,606	2,356	11,671	43,771	2,076	9,053
Head office and consolidation adjustments	176	(315)	1,131	1,344	(310)	(2,278)
Exceptional items (see note 4)	-	3,958	-	-	-	-
Net interest expense	-	60	-	-	44	-
Total	47,782	6,059	12,802	45,115	1,810	6,775
Less: Turnover relating to joint venture	(1,104)			(2,176)		
Group turnover	46,678			42,939		
Continuing	46,678	5,979		42,939	1,589	
Discontinued	-	80		-	221	
Total	46,678	6,059		42,939	1,810	

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

3 OPERATING PROFIT

is stated after charging/(crediting):

	2011 £'000's	2010 £'000's
Operating lease rentals - other	339	332
- hire of plant and machinery	1,397	1,137
Depreciation - owned assets	338	384
- assets held under finance leases	123	80
Amortisation/impairment of intangible assets	360	359
Profit on disposal of fixed assets	(1)	(19)
Fees payable to the company's auditor for the audit of the company's annual accounts	9	9
Fees payable to the company's auditor for services in respect of:		
- the audit of the company's subsidiaries pursuant to legislation	37	36

4 EXCEPTIONAL ITEMS

The exceptional item of £3,958,000 relates to the disposal of Equipe Regeneration Limited on 22nd October 2010. It represents the profit on disposal of Equipe Regeneration Limited which was a joint venture of which 50% was owned by the Company. The total consideration for the Company's shareholding was £4.6m with selling costs incurred of £0.1m. Net assets disposed of were £0.5m. Of the consideration £3.9m has been received in cash, with a further £0.7m to be received when the Lambeth PFI reaches Financial Close. This gave rise to a tax charge of £nil.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £'000's	2010 £'000's
Interest receivable from bank deposits	163	157
	163	157

Interest from bank deposits includes £nil (2010: £43,000) receivable by joint ventures.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £'000's	2010 £'000's
On bank and other loans	9	-
Interest payable on finance leases	34	20
Net finance cost on pension scheme assets and liabilities	37	75
Other	23	18
	103	113

Interest from bank deposits includes £9,000 (2010: £nil) payable by joint ventures.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2011 £'000's	2010 £'000's
Current Tax		
United Kingdom corporation tax at 28% (2010: 28%) on profit for the year	17	55
Group relief payment	663	705
Overprovision in respect of prior years	(386)	-
Total current tax	294	760
Deferred Tax		
Origination and reversal of timing differences	88	(150)
Adjustments in respect of FRS17 disclosure	47	27
Total deferred tax	135	(123)
Tax charge on profit on ordinary activities	429	637

(b) Factors affecting tax charge for year

The tax assessed in each year varies from the standard rate of corporation tax in the UK in the relevant years. The differences are explained below:

	2011 £'000's	2010 £'000's
Profit on ordinary activities before tax	6,059	1,810
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 28% (2010: 28%)	1,697	507
Non taxable (income)/expenses	(1,012)	115
Capital allowances less than depreciation charge	42	29
Losses carried forward	-	136
Profits group relieved	(663)	(705)
Tax adjustments in respect of pension contributions	(47)	(27)
Current tax charge for year	17	55

(c) Factors that may affect future tax charges

The effective tax rate of the Group will continue to be affected by permanent differences arising on the amortisation of goodwill.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

8 INTANGIBLE FIXED ASSETS

Group	Goodwill £'000's
Cost	
At 1 April 2010 and as at 31 March 2011	7,448
Amortisation	
At 1 April 2010	2,126
Charge for the year	360
At 31 March 2011	2,486
Net Book Value	
At 31 March 2011	4,962
At 31 March 2010	5,322

9 TANGIBLE FIXED ASSETS

Group	Leasehold land and buildings £'000's	Fixtures and equipment £'000's	Total £'000's
Cost			
At 1 April 2010	193	2,799	2,992
Additions	-	409	409
Disposals	-	(30)	(30)
Transfers	-	2	2
At 31 March 2011	193	3,180	3,373
Depreciation			
At 1 April 2010	174	2,030	2,204
Charge	12	449	461
Elimination on disposal	-	(17)	(17)
Transfers	-	2	2
At 31 March 2011	186	2,464	2,650
Net book value			
At 31 March 2011	7	716	723
At 31 March 2010	19	769	788

Included within net book value is an amount of £296,000 (2010: £157,000) in respect of assets held under finance leases on which depreciation of £123,000 (2010: £80,000) has been charged. Assets held under finance leases were disposed of with a cost of £4,000 (2010: £22,000) and depreciation £3,000 (2010: £22,000). Leased asset additions in the period were £263,000 (2010: £201,000).

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

9 TANGIBLE FIXED ASSETS (continued)

All leasehold land and buildings are on short term leases.

Company	Leasehold land and buildings £'000's	Fixtures and equipment £'000's	Total £'000's
Cost			
At 1 April 2010	101	406	507
Additions	-	33	33
Transfers	-	2	2
At 31 March 2011	101	441	542
Depreciation			
At 1 April 2010	101	359	460
Charge for the year	-	45	45
Transfers	-	2	2
At 31 March 2011	101	406	507
Net book value			
At 31 March 2011	-	35	35
At 31 March 2010	-	47	47

Included within net book value is an amount of £nil (2010: £nil) in respect of assets held under finance leases on which depreciation £nil (2010: £1,000) has been charged. Assets held under finance leases were disposed of with a cost £nil (2010: £nil) and depreciation £nil (2010: £nil).

10 INVESTMENTS IN JOINT VENTURES

	Group £'000's
At 1 April 2010	(1,441)
Decrease in share of net liabilities due to retained earnings in year	80
Accumulated reserves of joint venture eliminated on disposal	(488)
Loans repaid to joint venture	1,849
At 31 March 2011	-

On 22nd October 2010, the Group sold its interest in Equipe Regeneration Limited, a joint venture with John Laing, to Rydon for a total consideration of £4.6m which was satisfied through receipt of cash of £3.9m on 22nd October 2010 and a further £0.7m to be received when the Lambeth PFI project reaches Financial Close. Sale expenses were £0.1m. The joint venture was repaid loans of £1,849,000 (2010: loans made £554,000) by the Group during the year.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

10 INVESTMENTS IN JOINT VENTURES (continued)

The Group's share of the net liabilities of its joint venture at the year end is as shown below:

	2011	2010
	£'000's	£'000's
Gross assets		
Fixed assets	-	-
Current assets	-	2,475
	-	2,475
Gross liabilities		
Liabilities due within one year	-	(2,067)
Liabilities due after more than one year	-	-
	-	(2,067)
Loans from joint ventures	-	(1,849)
Net liabilities	-	(1,441)

Further information is set out below in respect of the Group share of the results, assets and liabilities of Equipe Regeneration Limited.

	Equipe Regeneration	
	2011	2010
	£'000's	£'000's
Turnover	1,104	2,176
Profit before tax	80	221
Taxation	-	(55)
Profit after tax	80	166
Fixed assets	-	-
Current assets	-	2,475
Liabilities due within one year	-	(2,067)
Liabilities due after more than one year	-	-

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

11 FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings
	£'000's
At 1 April 2010	9,990
Disposal of joint venture	(5)
31 March 2011	9,985

All subsidiary undertakings are registered in England and Wales and operate within the United Kingdom. The principal subsidiary undertakings at the year end were:

Company	Principal activity	Class of shares held	Holding %
Pinnacle Housing Limited	Housing management	£0.05 Ordinary	100
Pinnacle Maintenance Services Limited	Maintenance Services	£1 Ordinary	100
Pinnacle Facilities Management Limited	Maintenance Services	£1 Ordinary	100

Each of the above subsidiaries is included in the consolidated accounts.

12 STOCKS

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000's	£'000's	£'000's	£'000's
Work in progress	363	-	97	-
	363	-	97	-

13 DEBTORS:

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000's	£'000's	£'000's	£'000's
Amounts falling due within one year:				
Trade debtors	5,927	73	4,777	7
Other debtors	717	700	45	-
Amounts owed by subsidiary undertakings	-	3,945	-	3,782
Amounts owed by parent undertakings	-	-	456	-
Prepayments and accrued income	908	47	1,224	99
Other taxes and social security costs	-	26	-	16
Deferred tax asset (note 17)	286	37	374	58
	7,838	4,828	6,876	3,962

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

14 CREDITORS: amounts falling due within one year

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000's	£'000's	£'000's	£'000's
Bank overdraft	-	-	-	133
Trade creditors	1,789	172	1,870	85
Obligations under finance leases	131	-	56	-
Amounts owed to subsidiary undertakings	-	3,311	737	4,614
Amounts owed to parent undertakings	873	4,886	-	4,938
Corporation tax payable	17	-	-	-
Other taxes and social security costs	2,059	-	1,540	-
Other creditors	377	-	237	1,830
Accruals and deferred income	1,839	304	2,322	288
	7,085	8,673	6,762	11,888

15 CREDITORS: amounts falling due after more than one year

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000's	£'000's	£'000's	£'000's
Obligations under finance leases	138	-	84	-

Finance leases

Future minimum payments under finance leases are as follows:

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000's	£'000's	£'000's	£'000's
Within one year	156	-	74	-
In more than one year, but not more than 5 years	154	-	92	-
Total gross payments	310	-	166	-
Less finance charges included above	(41)	-	(26)	-
	269	-	140	-

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

16 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for onerous contracts are provided in the accounts as follows:

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000's	£'000's	£'000's	£'000's
As at 1 April	132	-	177	-
Provision utilised	(97)	-	(67)	-
Increase in provisions	-	-	22	-
At 31 March	35	-	132	-

A provision of £nil (2010: £22,000) has been recognised in the year for an onerous contract within the Group.

17 DEFERRED TAXATION

Deferred taxation provided in the accounts is as follows:

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000's	£'000's	£'000's	£'000's
Tax effect of timing differences because of:				
Excess of depreciation over capital allowances	198	37	216	58
Losses carried forward	88	-	158	-
Total deferred tax asset	286	37	374	58

The movement in the deferred taxation (asset) is as follows:

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000's	£'000's	£'000's	£'000's
At 1 April	374	58	224	36
(Charged)/credited to the profit and loss account	(88)	(21)	150	22
At 31 March	286	37	374	58

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

18 CALLED UP SHARE CAPITAL

The share capital of the company is shown below:

Allotted and fully paid

	2011		2010	
	Number	£'000's	Number	£'000's
£1.00 ordinary shares	1,000,000	1,000	1,000,000	1,000

19 RESERVES

Group	Profit and loss account £'000's
At 1 April 2010	5,764
Profit for the financial year	5,630
Actuarial loss on pension scheme, net of tax	397
At 31 March 2011	11,791
Company	Profit and loss account £'000's
At 1 April 2010	1,111
Profit for the financial year	4,531
At 31 March 2011	5,642

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The profit attributable to shareholders, dealt with in the accounts of the Company, is £4,531,000 (2010: loss £217,000).

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

**20 RECONCILIATION OF OPERATING PROFIT TO NET
CASH INFLOW FROM OPERATING ACTIVITIES**

	2011	2010
	£'000's	£'000's
Operating profit	1,952	1,587
Profit on sale of fixed assets	(1)	(19)
Depreciation of tangible fixed assets	461	464
Amortisation and impairment of intangible fixed assets	360	359
(Increase)/decrease in stocks	(266)	23
(Increase)/decrease in debtors	(350)	2,048
Increase/(decrease) in creditors	968	(276)
Decrease in provisions	(97)	(45)
FRS17 pension adjustment	(203)	(171)
Net cash inflow from operating activities	2,824	3,970

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

**21 ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

	2011 £'000's	2010 £'000's
Returns on investments and servicing of finance		
Interest received	163	255
Bank interest paid	(23)	-
Interest paid in respect of finance leases	(34)	(20)
Net cash outflow for returns on investment and servicing of finance	106	235
 Capital expenditure and financial investment		
Sale of fixed assets	4	20
Purchase of tangible fixed assets	(146)	(52)
Net cash outflow for capital expenditure and financial investment	(142)	(32)
 Acquisitions and disposals		
Sale of joint venture	3,775	-
Loans (repaid)/received to/from joint ventures	(1,849)	554
Net cash inflow from acquisitions and disposals	1,926	554
 Financing		
Capital element of finance lease rental repayments	(134)	(64)
Net cash outflow from financing	(134)	(64)

22 ANALYSIS OF NET FUNDS

	At 1 April 2010 £'000's	Cash flow £'000's	Other non-cash changes £'000's	At 31 March 2011 £'000's
Cash at bank	2,543	3,546	-	6,089
Finance leases	(140)	134	(263)	(269)
Net funds	2,403	3,680	(263)	5,820

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

23 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2011	2010
	£'000's	£'000's
Profit for the year after taxation and minority interest	5,630	1,174
Other recognised gains and losses	397	(276)
Dividend	-	(1,500)
Net increase/(decrease) in shareholders' funds	6,027	(602)
Opening shareholders' funds	6,764	7,366
Closing shareholders' funds	12,791	6,764

RECONCILIATION OF MOVEMENTS IN COMPANY SHAREHOLDERS' FUNDS

	2011	2010
	£'000's	£'000's
Profit/(loss) for the year after taxation	4,531	(217)
Dividend	-	(1,500)
Net increase/(decrease) in shareholders' funds	4,531	(1,717)
Opening shareholders' funds	2,111	3,828
Closing shareholders' funds	6,642	2,111

24 MINORITY INTEREST

The minority interest represents the management interest held in Social Housing Regeneration Partnership Limited.

	2011	2010
	£'000's	£'000's
Minority interest at beginning of year	11	12
Result for the year - Sharp	-	(1)
Minority interest at end of year	11	11

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

25 FINANCIAL COMMITMENTS

Operating leases

At 31 March 2011 the Group had annual commitments under non-cancellable operating leases as follows:

	2011		2010	
	Land and buildings	Other	Land and buildings	Other
	£'000's	£'000's	£'000's	£'000's
Expiry date:				
Within one year	60	112	61	72
Between one and five years	96	389	199	184
Over five years	93	-	226	15
	249	501	486	271

26 DIRECTORS EMOLUMENTS

	2011	2010
	£	£
Aggregate emoluments and benefits	331,500	323,297
Company pension contributions to money purchase scheme	23,000	21,000
	354,500	344,297
Highest paid director		
Aggregate emoluments and benefits	185,000	192,797
Company pension contributions to money purchase scheme	14,000	12,500
	199,000	205,297

Retirement benefits under a money purchase pension scheme are accruing in respect of 2 directors (2010: 2 directors).

GA Blott, PMA Lloyd and MWH Penny are directors of Pinnacle Regeneration Group Limited, the company's ultimate parent undertaking. Their services were deemed to relate mostly to work carried out for Pinnacle Regeneration Group Limited and the related costs were therefore included in the administrative expenses of Pinnacle Regeneration Group Limited.

The services of C Mitchell-Innes were deemed to relate mostly to work carried out for Pinnacle Regeneration Group Limited and the related costs were therefore included in the administrative expenses of Pinnacle Regeneration Group Limited.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

27 EMPLOYEES

(1) Number of employees

The average weekly number of persons (including directors) employed by the Group during the year was 1,748 (2010: 1,641) and can be analysed by segment as follows:

	2011	2010
	Number	Number
Housing	1,542	1,432
Maintenance services	11	7
FM	167	174
Other	28	28
	1,748	1,641

(2) Employment costs

	2011	2010
	£'000's	£'000's
Wages and salaries	22,857	22,033
Social security costs	1,766	1,703
Pension costs		
- defined contribution	403	402
- defined benefit (note 29)	315	242
	25,341	24,380

28 PENSIONS

The Group participates in three pension schemes.

There are two defined contribution schemes. One is a Group Personal Pension for which employee contributions are a minimum of 2.5% of salary, and employer contributions are 7% of salary for non-executives and 10% of salary for executives. The other is an executive pension plan, which has only two members, into which the company contributes 12% of salary for one member and 10% of salary for the other.

One of the three schemes is a defined benefit scheme. The assets of the scheme are held separately in independently administered funds. Payments to this scheme during the period have been made in accordance with the actuarial valuation on 31 March 2009 at which date the fund was in deficit.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

28 PENSIONS (continued)

The 31 March 2009 valuation was prepared by an independent qualified actuary using the methods and assumptions set out in the Statement of Funding Principles for the purposes of the statutory funding objective, which was introduced by the Pension Act 2004. The principal financial assumptions were price inflation at 3.1%, salary increases at 4.1%, a discount rate in the period before retirement of 6.2% per annum for active members and 5.2% per annum for deferred members, and a discount rate in the period after retirement of 4.7% per annum. The market value of the scheme's assets at 31 March 2009 was £3,200,000.

29 EMPLOYEE BENEFIT OBLIGATIONS

This reporting statement covers the retirement benefits provided from the Citrus Pension Scheme (formerly know as LAWDC's Pension Scheme) which is a defined pension scheme.

The last full independent actuarial valuation of the plan was undertaken as at 31 March 2009. The results of the valuations have been updated to reflect current conditions at 31 March 2011 in accordance with FRS 17. The valuation has been updated to reflect the change in the measure of inflation from RPI to CPI.

(a) Amounts included within the financial statements

The amounts recognised in the balance sheet are as follows:

	2011	2010
	£'000's	£'000's
Present value of plan liabilities	(5,220)	(5,104)
Fair value of scheme assets	5,338	4,504
Surplus/(deficit)	118	(600)
Related deferred tax (liability)/asset	(33)	168
Net asset/(liability)	85	(432)

The amounts recognised in profit and loss account are as follows:

	2011	2010
	£'000's	£'000's
Current service cost	315	242
Interest cost	290	248
Expected return on pension scheme assets	(253)	(173)
Net Cost	352	317

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

29 EMPLOYEE BENEFIT OBLIGATIONS (continued)

Changes in the amounts recognised in the statement of total recognised gains and losses are as follows:

	2011	2010
	£'000's	£'000's
Actuarial gains/(losses)	552	(383)

Changes in the present value of the defined benefit liabilities are as follows:

	2011	2010
	£'000's	£'000's
Opening defined benefit liability	5,104	3,409
Service cost	315	242
Employee contributions	107	120
Interest cost	290	248
Actuarial (gains)/losses	(507)	1,286
Benefits paid	(89)	(201)
Closing defined benefit liability	5,220	5,104

Changes in the fair value of scheme assets are as follows:

	2011	2010
	£'000's	£'000's
Opening fair value of scheme assets	4,504	3,096
Expected return	253	173
Actuarial gains	45	903
Contributions by employers	518	413
Contributions by members	107	120
Benefits paid	(89)	(201)
Closing fair value of scheme assets	5,338	4,504

The Group contributions during the accounting period amounted to £518,000 (2010: £413,000) and the agreed company contribution rate for the coming year is 18% pa of pensionable salaries until 2017. Estimated employer contributions for the next accounting period are £572,000. This is subject to review at the formal actuarial valuation at 31 March 2012.

The cumulative amount of actuarial losses taken to the statement of total recognised gains and losses at 31 March 2011 was £1,466,000 (2010: £2,018,000).

The fair value of the scheme assets as a percentage of the total scheme assets and target allocations are set out below:

	2011	2010
Equities and property	60%	56%
Bonds	32%	36%
Other	8%	8%

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

29 EMPLOYEE BENEFIT OBLIGATIONS (continued)

(b) Disclosure of principal assumption

	2011	2010
Discount rate at 31 March	5.5%	5.5%
Expected return on scheme assets at 31 March	5.3%	5.8%
Future salary increases	3.6%	3.5%
Increases to pensions in payment accrued to date (RPI)	3.6%	3.5%
Increases to pensions in payment accrued to date (CPI)	2.8%	n/a
Rate of increase of deferred pensions/inflation	3.6%	3.5%

Mortality

The average life expectancy assumed now for an individual at the age of 63 and projected to apply in 2011 for an individual then at the age of 63 is as follows:

Retiring	2011	2010
Today: Non-manual worker		
Males	21.2	21.1
Females	25.9	25.9
Retiring in	2011	2010
20 years: Non-manual worker		
Males	23.7	23.6
Females	27.6	27.6
Retiring	2011	2010
Today: Manual worker		
Males	21.2	21.1
Females	25.9	25.9
Retiring in	2011	2010
20 years: Manual worker		
Males	23.7	23.6
Females	27.6	27.6

The expected return on assets is derived from the assumptions of the long term expected returns on each asset class, these are shown below:

	2011	2010
Equities	6.8%	7.0%
Corporate bonds	5.5%	5.5%
Bonds	4.9%	5.0%
Cash	0.5%	0.5%

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

29 EMPLOYEE BENEFIT OBLIGATIONS (continued)

(c) Historical pension scheme information

	2011 £'000's	2010 £'000's	2009 £'000's	2008 £'000's	2007 £'000's
Defined benefit liability	(5,220)	(5,104)	(3,409)	(3,076)	(3,494)
Scheme assets	5,338	4,504	3,096	3,235	3,099
Surplus/(deficit)	118	(600)	(313)	159	(395)
Experience adjustment on scheme liabilities-					
Gain/(loss)	507	(1,286)	148	999	788
Experience adjustment on scheme assets- gain/(loss)	45	903	(966)	(495)	38

30 INTERMEDIATE AND ULTIMATE CONTROLLING PARTIES

The intermediate parent undertaking is Pinnacle PSG Holdings Limited. The ultimate parent undertaking is Pinnacle Regeneration Group Limited who own 85.4% of the ordinary share capital of Pinnacle PSG Holdings Limited. The remaining 14.6% of the ordinary share capital of Pinnacle PSG Holdings Limited is held by management.

Following a new equity injection into Pinnacle Regeneration Group limited on 9th June 2011 Greenmark Enterprises Limited, New Hampshire Enterprises Limited and Agarwood Enterprises Limited, all incorporated in the British Virgin Islands, collectively have the right to appoint the majority of directors to the Board of Pinnacle Regeneration Group Limited. Pinnacle Regeneration Group Limited has no single controlling party.

These financial statements are consolidated into the financial statements of Pinnacle Regeneration Group Limited. The financial statements of the Company are available from 1st Floor, 6 St Andrew Street, London, EC4A 3AE.

31 RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemptions available under Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose any transactions or balances with entities that are 100% controlled by the Group.

During the year the following amounts were receivable from / payable to related parties:

At the year end, Pinnacle PSG Limited owed Pinnacle Regeneration Group, of which GA Blott, PMA Lloyd and MWH Penny are directors and is the Company's ultimate parent company, £4,886,000 (2010: £4,938,000) in respect of working capital support.

At the year end Pinnacle Housing Limited was due £5,751,000 (2010: £7,411,000) from Pinnacle Regeneration Group Limited in respect of working capital provided to the Company. During the year Pinnacle Housing Limited charged Pinnacle Regeneration Group Limited £22,000 (2010: £18,000) in respect of property maintenance services. During the year Pinnacle Regeneration Group Limited charged Pinnacle PSG Limited £1,387,000 (2010: £891,000) in respect of group services.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

31 RELATED PARTY TRANSACTIONS (continued)

At the year end Pinnacle Housing Limited was due £nil (2010: £nil) from Pinnacle People Limited, a subsidiary of Pinnacle Regeneration Group Limited, in respect of payroll services provided to the Company. During the year Pinnacle Housing Limited was charged £7,000 (2010: £173,000) by Pinnacle People Limited and was charged £1,006,000 (2010: £379,000) by Pinnacle People Recruitment Limited, both subsidiaries of Pinnacle Regeneration Group Limited, in respect of the supply of temporary staff.

At the year end Pinnacle FM Limited was due £360,279 (2010: £516,000) from Pinnacle Regeneration Group Limited in respect of working capital provided by the Company. During the years Pinnacle Regeneration Group Limited charged the Company £nil (2010: £113,000) in respect of Group services.

At the year end Pinnacle Maintenance Services Limited owed £2,098,000 (2010: £1,033,000) to Pinnacle Regeneration Group Limited in respect of working capital provided to the Company and charged Pinnacle People Limited £331,000 (2010 : £140,000) for the supply of call centre services. During the year the Company was charged £nil (2010: £39,000) by Pinnacle Regeneration Group Limited in respect of group services and £208,000 (2010: £nil) by Pinnacle People Recruitment Limited, a subsidiary of Pinnacle Regeneration Group Limited, in respect of the supply of temporary staff.

At the year end Pinnacle PSG Limited was due £nil (2010: £12,000) from Pinnacle People Recruitment Limited, a fellow group subsidiary, in respect of group taxation relief. During the year Pinnacle People Recruitment Limited charged Pinnacle PSG Limited £5,000 (2010: £nil) in respect of the supply of temporary staff.

Regenter Management Services Limited, of which GA Blott and PMA Lloyd are directors, in respect of services provided by the Group on PFI projects, £661,000 (2010: £751,000) of which £172,000 (2010: £31,000) is included in trade debtors at 31 March 2011.

32 CONTINGENT LIABILITIES

In the normal course of business claims arise that are subject to a process of negotiation that in some cases can be protracted over a significant period of time. Provision has been made for all amounts which the directors consider likely to be payable in respect of such claims. In accordance with FRS 12 details of claims are not disclosed as the Directors believe this may prejudice ongoing discussions.

In the general course of business, Bank of Scotland have provided bonds on behalf of Pinnacle Housing Limited in favour of a number of local authorities totalling £534,000 (2010: £409,000), to guarantee performance by Pinnacle Housing Limited of its obligations under housing management contracts.

The company and all principal subsidiary undertakings have issued guarantees in favour of Bank of Scotland to support the indebtedness of Pinnacle Regeneration Group Limited and its subsidiaries. The exposure to this guarantee at the balance sheet date was £5,516,806 (2010: £4,538,372).

