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**PINNACLE PSG LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

ANNUAL REPORT

for the year ended 31 March 2009

Company number 5156904

PINNACLE PSG LIMITED

CONTENTS

For the year ended 31 March 2009

CHAIRMAN'S REPORT	1
DIRECTORS' REPORT	3
INDEPENDENT AUDITORS' REPORT	7
CONSOLIDATED PROFIT AND LOSS ACCOUNT	9
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	10
CONSOLIDATED BALANCE SHEET	11
COMPANY BALANCE SHEET	12
CONSOLIDATED CASH FLOW STATEMENT	13
NOTES TO THE FINANCIAL STATEMENTS	14

PINNACLE PSG LIMITED

CHAIRMAN'S REPORT

For the year ended 31 March 2009

Overall Review and Strategic Direction

The year ended 31st March 2009 was characterised by the significant downturn in the economy following the banking crisis in the autumn of 2008. However the overall market place for PSG continues, I believe, to offer considerable attraction. Indeed the combination of increased demand by Government for an improved housing fabric together with a shrinking public purse has heightened interest in our sector of public housing.

Accordingly our strategy to be the leading private sector operator of social housing remains unchanged. Our approach to this goal continues to be through maintaining and increasing our service delivery standards to our current clients and tenants to deliver first class public services that represent value for money and investing in housing and community PFI projects with our sister organisation Regenter.

Summary of Results

Group turnover for the year was £45.2m up from £40.0m. EBITDA before exceptional items for the year was £1.4m compared to £2.8m the year before. This decline in earnings arose for a number of reasons which are explained below together with the action we have taken to improve the performance of the group going forward.

Pinnacle Housing had a successful year and took on additional contracts in the Midlands and Liverpool which has significantly improved its national coverage. There were however disappointments with the loss of a contract in London and the under performance of the Pinnacle FM business. In addition management built a cost base expecting revenue from a number of initiatives which did not materialise. As a result in the 4th quarter a re-organisation of the management of the business was implemented and Neil Euesden was promoted to the role of Managing Director. In the 4 months to July 2009 there has been a significant improvement in Pinnacle PSG's operational and financial performance with EBITDA double in comparison to last year.

The PFI bidding activities were both frustrating and successful in the year. Frustrating in that deadlines continue to be extended beyond the dates set by our potential customers; successful in that the consortium, in which Pinnacle PSG is a part, has been selected as the provisional preferred bidder for the regeneration projects at Kirklees and Lambeth. Each project involves over 500 homes and Financial Close for the projects is expected in mid 2010 which will lead to long term housing and maintenance contracts for Pinnacle PSG.

Net Debt and Cash Flow

The net debt at 31st March 2009 was £0.8m compared to £0.2m at 31st March 2008. The net outflow of cash of £0.6m was due to the losses at Pinnacle FM Ltd and the costs of re-organising Pinnacle PSG. Management has taken action to improve its working capital position to mitigate the cash impact of the above and cash generation has greatly improved in the 4 months to July 2009.

Our Communities & Customers

Through a comprehensive liaison process, culminating in the annual Resident's conference in May 2009 at The Magic Circle we listen to our direct customers, 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.

PINNACLE PSG LIMITED

CHAIRMAN'S REPORT

For the year ended 31 March 2009

Our commitment to the many communities we work in is reflected in the support we give to our charity, "Elevate". During the year the charity continued its work in the communities and is looking at a number of exciting new projects with youth and educational groups in the areas where PSG is active.

Our People

Since December 2007 our staff have increased from 1,300 to over 1,600 currently. 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.

Outlook

As I have noted above, the overarching backdrop for PSG remains positive. The first quarter results are well ahead of last year. The task for management now is to build on this success and to ensure we maximise shareholder value through delivering high quality services profitably. We will be vigilant on costs and look wherever we can to enhance earnings. If we can ensure that the bottom line at Pinnacle psg adequately reflects the position that the market believes our business occupies in the sector then I am confident this will be achieved.

Peregrine Lloyd
Chairman

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2009

FINANCIAL STATEMENTS

The directors present their report and the Group financial statements for the year ended 31 March 2009 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 was £45.2m (2008: £40.0m) with operating profit before exceptional items, depreciation and goodwill amortisation at £1.4m (2008: £2.8m). The Group result for the year after taxation but before minority interests amounted to a loss of £0.5m (2008: profit £0.9m). The directors do not recommend the payment of a dividend (2008: £nil).

CHARITABLE DONATIONS

During the year the Group made charitable donations totalling £94,650 (2008: £100,964).

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	
J Swinney	resigned 31 st December 2008
M Penny	
C Mitchell-Innes	
M Taylor	
B Simons	
R Reynolds	
W Thompson	
P Rogers	
N H Euesden	appointed 18 th March 2009
A Frith	appointed 18 th March 2009

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2009

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

Elevate continued to work with over 400 young people during the year and delivered a very successful and well recognised programme of street and project based youth work in North East Hackney. Elevate worked closely with Pinnacle's North East Hackney housing office and increased our partnerships with a number of local organisations including Hackney Homes, Immediate Theatre and the Manor House Development Trust.

Throughout the year Elevate have delivered four weekly estate-based youth groups, supported two youth theatre groups, organised school holiday activities and have done regular detached youth work.

Elevate has co-ordinated new sources of funding including from Hackney Council's Positive Activities for Young People, a grant from the Youth Opportunities Fund and funding from the Mayor's Young Londoners Fund which will be used to increase the range of its activities.

Our Employees

Our Human Resources department ensures that the work environment, recruitment, training processes and employee satisfaction are at the highest level. We are committed to providing opportunities for the diverse communities we work in and to make the Group an attractive and rewarding place to work. We have regular newsletters and other employee communications to ensure our people are regularly informed about the activities of the Group.

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.

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. During the year we recruited a dedicated resource to identify and communicate environmental issues. 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%. 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.

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2009

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 long term contracts worth over £400m over periods of up to 30 years, principally in the social housing and schools sectors. This visibility of future revenue streams is a core strength of the business. However, considering the state of the public finances, in the medium and longer term there is a risk that Government spending on social housing and other publicly funded projects will reduce, which could have an impact on the Group's ability to grow. To mitigate this risk the Group continues to ensure that it delivers excellent service and value for money for its customers so that it is a preferred supplier for outsourced public services in the future.

EMPLOYEES

Pinnacle's equal opportunity policy embraces selection, training, career development and promotion of its people regardless of gender, ethnic origin, religion, age and whether disabled or otherwise. This takes into account the respective aptitudes and abilities of each applicant. Where staff become disabled every effort is made to ensure that their employment continues and the appropriate training is arranged. The training, career development and promotion of a person with disabilities will, as far as possible, be identical to that of a person who does not suffer from a disability.

There is extensive consultation with employees and/or their representatives at all levels. The aim is to ensure that employee views are taken into account when decisions are made which are likely to affect their interests. Specific communications are in place to ensure that employees are aware of the financial and economic performance of their business unit and of PSG as a whole. There is an extensive communications framework including in house newsletters, team briefings, the intranet, website and annual reports.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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 auditors are 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 auditors are aware of that information.

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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). The financial statements are required to 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 will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of 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 3 December 2009.



Alex Frith
Director

PINNACLE PSG LIMITED
Independent Auditors' Report to the Members of Pinnacle psg Limited

We have audited the Group and parent company financial statements ('the financial statements') of Pinnacle psg Limited for the year ended 31 March 2009 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report and the chairman's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

PINNACLE PSG LIMITED
Independent Auditors' Report to the Members of Pinnacle psg Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 March 2009 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

London, UK

Date: 3/12/09

PKF(UK)LLP

PKF (UK) LLP
Registered auditors

PINNACLE PSG LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2009

	Notes	2009		2008			
		Before exceptional items, depreciation and goodwill amortisation	Exceptional items, depreciation and goodwill amortisation	Total	Before exceptional items, depreciation and goodwill amortisation	Exceptional items, depreciation and goodwill amortisation	Total
		£	£	£	£	£	£
Turnover:							
Continuing operations	2	44,028,245	-	44,028,245	37,082,995	-	37,082,995
Discontinued operations	2	2,380,269	-	2,380,269	3,997,168	-	3,997,168
Less: share of joint ventures' turnover	2	(1,241,522)	-	(1,241,522)	(1,056,108)	-	(1,056,108)
Group Turnover		45,166,992	-	45,166,992	40,024,055	-	40,024,055
Raw materials and consumables		(1,941,313)	-	(1,941,313)	(1,637,065)	-	(1,637,065)
Other external charges		(9,624,461)	-	(9,624,461)	(7,115,620)	-	(7,115,620)
Staff costs	27	(25,816,231)	(742,517)	(26,558,748)	(23,018,053)	(448,000)	(23,466,053)
Depreciation and amortisation of tangible and intangible fixed assets	8&9	-	(951,968)	(951,968)	-	(705,036)	(705,036)
Other operating charges		(6,602,164)	-	(6,602,164)	(5,596,551)	-	(5,596,551)
Group operating (loss)/profit	3	1,182,823	(1,694,485)	(511,662)	2,656,766	(1,153,036)	1,503,730
- Continuing	2	817,826	(1,653,018)	(835,192)	2,380,384	(705,036)	1,675,348
- Discontinued	2	364,997	(41,467)	323,530	276,382	(448,000)	(171,618)
Share of operating profit in joint ventures		204,019	-	204,019	138,601	-	138,601
Total group and joint ventures operating (loss)/profit		1,386,842	(1,694,485)	(307,643)	2,795,367	(1,153,036)	1,642,331
Interest receivable and similar income	5	26,384	-	26,384	412,579	-	412,579
Interest payable and similar charges	6	(115,797)	-	(115,797)	(530,260)	-	(530,260)
(Loss)/profit on ordinary activities before taxation	2	1,297,429	(1,694,485)	(397,056)	2,677,686	(1,153,036)	1,524,650
Tax on (loss)/profit on ordinary activities	7	(66,418)	-	(66,418)	(589,033)	-	(589,033)
(Loss)/profit on ordinary activities after taxation		1,231,011	(1,694,485)	(463,474)	2,088,653	(1,153,036)	935,617
Equity minority interest	24	(79,070)	-	(79,070)	(44,811)	-	(44,811)
(Loss)/profit for the financial year	19	1,151,941	(1,694,485)	(542,544)	2,043,842	(1,153,036)	890,806

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

PINNACLE PSG LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2009


	2009	2008
	£	£
(Loss)/profit for the year	(542,544)	890,806
Actuarial (loss)/gain on pension assets and liabilities	(818,000)	504,000
Tax on actuarial gain on pension assets and liabilities	229,038	(151,200)
Total recognised gains and losses for the year	(1,131,506)	1,243,606

PINNACLE PSG LIMITED
(Co. number 5156904)
CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	£	2009 £	£	2008 £
INTANGIBLE FIXED ASSETS	8		5,681,112		6,032,025
TANGIBLE FIXED ASSETS	9		1,115,745		1,262,836
INVESTMENTS IN JOINT VENTURES					
Share of gross assets		2,158,813		653,438	
Share of gross liabilities		(1,903,148)		(551,417)	
Loans from joint ventures		(1,294,900)		(245,000)	
	10		(1,039,235)		(142,979)
TOTAL FIXED ASSETS			5,757,622		7,151,882
CURRENT ASSETS					
Stocks	12	119,722		114,212	
Debtors	13	8,977,682		10,372,414	
Cash at bank	22	-		110,607	
			9,097,404		10,597,233
CREDITORS: amounts falling due within one year	14	(7,075,448)		(8,779,518)	
Net current assets			2,021,956		1,817,715
Total assets less current liabilities			7,779,578		8,969,597
CREDITORS: amounts falling due after more than one year	15		-		(3,492)
Net pension (liability)/asset	29		(225,360)		111,300
Provisions for liabilities and charges	16		(176,667)		(250,568)
NET ASSETS			7,377,551		8,826,837
CAPITAL AND RESERVES					
Attributable to equity interests					
Called up share capital	18		1,000,000		1,000,000
Profit and loss account	19		6,365,903		7,497,409
Total shareholders' funds	23		7,365,903		8,497,409
Equity minority interest	24		11,648		329,428
Capital employed			7,377,551		8,826,837

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 December 2009.


Director

PINNACLE PSG LIMITED
(Co. number 5156904)
COMPANY BALANCE SHEET

As at 31 March 2009

	Notes	£	2009 £	£	2008 £
TANGIBLE FIXED ASSETS	9		186,866		256,382
INVESTMENTS	11		9,990,286		9,585,207
			10,177,152		9,841,589
CURRENT ASSETS					
Debtors	13	10,957,046		6,569,101	
Cash at bank		-		-	
		10,957,046		6,569,101	
CREDITORS: amounts falling due within one year	14	(17,306,114)		(11,548,741)	
Net current liabilities			(6,349,068)		(4,979,640)
Total assets less current liabilities			3,828,084		4,861,949
CREDITORS: amounts falling due after more than one year	15		-		(3,492)
Net assets			3,828,084		4,858,457
CAPITAL AND RESERVES					
Attributable to equity interests					
Called up share capital	18		1,000,000		1,000,000
Profit and loss account	19		2,828,084		3,858,457
Total shareholders' funds	23		3,828,084		4,858,457

These financial statements were approved and authorised for issue by the board and were signed on its behalf on *3 December* 2009.



Director

PINNACLE PSG LIMITED
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 £	2008 £
Cash inflow from operating activities	20	(765,823)	1,854,796
Returns on investments and servicing of finance	21	(84,416)	(116,300)
Taxation		133,148	(377,253)
Capital expenditure and financial investment	21	(453,530)	(943,248)
Acquisitions and disposals	21	644,821	(915,010)
Cash (outflow) before the use of liquid resources and financing		(525,800)	(497,015)
Financing	21	(95,729)	(148,771)
(Decrease) in cash in the year	22	(621,529)	(645,786)
Reconciliation of net cash flow to movement in net debt			
(Decrease) in cash in the year	22	(621,529)	(645,786)
Cash outflow from increase in debt and lease financing	22	95,729	148,771
Non cash items	22	(110,607)	-
Movement in net debt in the year		(636,407)	(497,015)
Net (debt)/funds at 1 April		(194,698)	302,317
Net (debt)/funds at 31 March	22	(831,105)	(194,698)

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Going Concern

The Pinnacle PSG Group is part of the Pinnacle Regeneration Group and is exposed to the cross guarantee relating to the Group's bank facility. The Directors of Pinnacle PSG Limited are content that the Group has sufficient resources for the guarantee not to be called on for a period of at least 12 months and have therefore adopted the going concern basis of preparation for these financial statements. No adjustments have been made to these financial statements in the event of the Group and Company not being a going concern.

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 2009. 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 2009

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 company 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 2009

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.

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 company 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.

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.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

2 TURNOVER AND PROFIT BEFORE TAX

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

	2009 £			2008 £		
	Turnover	Profit/ (loss) on ordinary activities before tax	Net assets/ (liabilities)	Turnover	Profit/ (loss) on ordinary activities before tax	Net assets/ (liabilities)
Housing	33,676,945	1,349,430	6,323,754	30,562,056	1,903,681	6,117,949
Maintenance Services	12,248,326	254,770	1,534,889	10,397,216	1,108,436	1,295,538
	45,925,271	1,604,200	7,858,643	40,959,272	3,012,117	7,413,487
Head office and consolidation adjustments	483,243	(1,169,326)	(481,092)	120,891	(921,786)	1,413,350
Exceptional items (see note 4)	-	(742,517)	-	-	(448,000)	-
Net interest expense	-	(89,413)	-	-	(117,681)	-
Total	46,408,514	(397,056)	7,377,551	41,080,163	1,524,650	8,826,837
Less: Turnover relating to joint venture	(1,241,522)	-	-	(1,056,108)	-	-
Group turnover	45,166,992	-	-	40,024,055	-	-

	2009	2009	2009	2008	2008	2008
	Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
Group turnover	42,786,723	2,380,269	45,166,992	36,026,887	3,997,168	40,024,055
Raw materials and consumables	(1,941,313)	-	(1,941,313)	(1,637,065)	-	(1,637,065)
Other external charges	(8,598,649)	(1,025,812)	(9,624,461)	(5,200,503)	(1,915,117)	(7,115,620)
Staff costs	(25,059,411)	(756,820)	(25,816,231)	(21,411,532)	(1,606,521)	(23,018,053)
Depreciation and amortisation	(947,588)	(4,380)	(951,968)	(699,913)	(5,123)	(705,036)
Other operating charges	(6,373,904)	(228,260)	(6,602,164)	(5,402,526)	(194,025)	(5,596,551)
Exceptional item	(701,050)	(41,467)	(742,517)	-	(448,000)	(448,000)
Joint venture operating profit	204,019	-	204,019	138,601	-	138,601
Total group and joint ventures operating (loss)/ profit	(631,173)	323,530	(307,643)	1,813,949	(171,618)	1,642,331
Net interest expense	(234,195)	144,782	(89,413)	(194,698)	77,017	(117,681)
(Loss)/profit before tax	(865,368)	468,312	(397,056)	1,619,251	(94,601)	1,524,650

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

3 OPERATING (LOSS)/PROFIT

is stated after charging

	2009	2008
	£	£
Operating lease rentals - other	417,610	347,792
- hire of plant and machinery	978,847	820,069
Depreciation - owned assets	532,096	300,201
- assets held under finance leases	60,730	88,454
Amortisation/impairment of intangible assets	359,142	316,381
Fees payable to the company's auditor for the audit of the company's annual accounts	8,750	8,500
Fees payable to the company's auditor for services in respect of:		
- the audit of the company's subsidiaries pursuant to legislation	45,250	34,250

4 EXCEPTIONAL ITEMS

The exceptional item during the year of £742,517 relates to employment severance costs resulting from restructuring within the Group and resulted in a tax credit of £222,755.

The 2008 exceptional item represented a charge £288,000 relating to share arrangements payable to directors of Pinnacle Maintenance Services Limited together with a share based payments charge of £160,000 in respect of shares transferred to those directors in exchange for a variation in the terms of the share arrangements. The cash impact of the exceptional item was £500,000 and gave rise to a tax credit of £nil.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	£	£
Interest receivable from bank deposits	25,521	404,579
Net finance income on pension scheme assets and liabilities	-	8,000
Other	863	-
	26,384	412,579

Interest from bank deposits includes £25,521 (2008: £nil) receivable by joint ventures.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	£	£
On bank and other loans	92,299	521,215
Interest payable on finance leases	1,891	9,045
Net finance cost on pension scheme assets and liabilities	5,000	-
Other	16,607	-
	115,797	530,260

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2009	2008
	£	£
Current Tax		
United Kingdom corporation tax at 28% (2008:30%) on profits for the year	(54,502)	671,864
Group relief payment	188,312	-
Overprovision in respect of prior years	(2,756)	(124,293)
Total current tax	131,054	547,571
Deferred Tax		
Origination and reversal of timing differences	(162,916)	27,462
Adjustments in respect of FRS17 disclosure	98,280	14,000
Total deferred tax	(64,636)	41,462
Tax charge on profit on ordinary activities	66,418	589,033

(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:

	2009	2008
	£	£
(Loss)/profit on ordinary activities before tax	(397,056)	1,524,650
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 28% (2008:30%)	(111,176)	457,395
Non deductible	143,325	249,026
Capital allowances less than/(in excess of) depreciation charge	166,077	(11,768)
Adjustments to tax in respect of previous years	(2,756)	(124,293)
Losses carried forward	48,719	-
Profits group relieved	(188,312)	-
Short term timing differences	(14,855)	(7,489)
Tax adjustments in respect of pension contributions	(98,280)	(15,300)
Current tax charge for year	(57,258)	547,571

(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 2009

8 INTANGIBLE FIXED ASSETS

Group	Goodwill £
Cost	
At 1 April 2008	7,439,698
Additions	8,229
At 31 March 2009	7,447,927
Amortisation	
At 1 April 2008	1,407,673
Charge for the year	359,142
At 31 March 2009	1,766,815
Net Book Value	
At 31 March 2009	5,681,112
At 31 March 2008	6,032,025

Additions in the year relate to goodwill created on the purchase of minority interest shareholdings in Pinnacle Maintenance Services Limited.

9 TANGIBLE FIXED ASSETS

Group	Leasehold land and buildings £	Fixtures and equipment £	Total £
Cost			
At 1 April 2008	146,211	2,515,078	2,661,289
Additions	4,270	449,260	453,530
Disposals	-	(91,070)	(91,070)
Reclassification	101,288	(101,288)	-
At 31 March 2009	251,769	2,771,980	3,023,749
Depreciation			
At 1 April 2008	47,565	1,350,888	1,398,453
Charge	19,140	573,686	592,826
Elimination on disposal	-	(83,275)	(83,275)
Reclassification	101,288	(101,288)	-
At 31 March 2009	167,993	1,740,011	1,908,004
Net book value			
At 31 March 2009	83,776	1,031,969	1,115,745
At 31 March 2008	98,646	1,164,190	1,262,836

Included within net book value is an amount of £36,020 (2008: £96,750) in respect of assets held under finance leases on which depreciation of £60,730 (2008: £88,454) has been charged. Assets held under finance leases were disposed of with a cost of £23,153 (2008: £8,404) and depreciation £23,153 (2008: £3,502).

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

9 TANGIBLE FIXED ASSETS (continued)

All leasehold land and buildings are on short term leases.

Company	Leasehold land and buildings	Fixtures and equipment	Total
Cost	£	£	£
At 1 April 2008	59,054	653,327	712,381
Additions	-	88,202	88,202
Disposals	-	(62,784)	(62,784)
Transfers	-	(1,005)	(1,005)
Reclassification	101,288	(101,288)	-
At 31 March 2009	160,342	576,452	736,794
Depreciation			
At 1 April 2008	1,477	454,522	455,999
Charge for the year	5,905	151,059	156,964
Disposals	-	(62,784)	(62,784)
Transfers	-	(251)	(251)
Reclassification	101,288	(101,288)	-
At 31 March 2009	108,670	441,258	549,928
Net book value			
At 31 March 2009	51,672	135,194	186,866
At 31 March 2008	57,577	198,805	256,382

Included within net book value is an amount of £1,015 (2008: £38,234) in respect of assets held under finance leases on which depreciation £37,219 (2008: £30,193) has been charged. Assets held under finance leases were disposed of with a cost £21,754 (2007: £nil) and depreciation £21,754 (2007: £nil).

10 INVESTMENTS IN JOINT VENTURES

	Group £
At 1 April 2008	(142,979)
Additions	153,644
Loans received from joint venture	(1,049,900)
At 31 March 2009	(1,039,235)

The Group owns 50% of the share capital of Equipe Regeneration Limited. Additions relate to the profit generated by the joint venture. The joint venture has made loans of £1,049,900 (2008: £245,000) to the Group.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

10 INVESTMENTS IN JOINT VENTURES (continued)

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

	2009 £	2008 £
Gross assets		
Fixed assets	-	-
Current assets	2,158,813	653,438
	<u>2,158,813</u>	<u>653,438</u>
Gross liabilities		
Liabilities due within one year	(1,903,148)	(551,417)
Liabilities due after more than one year	-	-
	<u>(1,903,148)</u>	<u>(551,417)</u>
Loans from joint ventures	(1,294,900)	(245,000)
Net (liabilities)	<u>(1,039,235)</u>	<u>(142,979)</u>

11 FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings £
At 1 April 2008	9,585,207
Additions	405,079
Disposals	-
Impairment	-
At 31 March 2009	<u>9,990,286</u>

The addition relates to the purchase of the Director's shares in Pinnacle Maintenance Services Limited.

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	£1 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.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

12 STOCKS

	Group	Company	Group	Company
	2009	2009	2008	2008
	£	£	£	£
Work in progress	119,722	-	114,212	-
	119,722	-	114,212	-

13 DEBTORS:

	Group	Company	Group	Company
	2009	2009	2008	2008
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	4,997,419	4,016	6,216,704	30,117
Other debtors	52,007	-	160,941	-
Amounts owed by subsidiary undertakings	-	9,653,285	-	4,316,203
Amounts owed by parent undertakings	2,603,978	1,000,099	3,244,699	1,000,099
Prepayments and accrued income	897,103	179,097	689,247	85,803
Group relief recoverable from subsidiaries	-	-	-	1,071,228
Corporation tax receivable	203,436	62,742	-	-
Other taxes and social security costs	-	22,108	-	28,667
Deferred tax asset (note 17)	223,739	35,699	60,823	36,984
	8,977,682	10,957,046	10,372,414	6,569,101

14 CREDITORS:

	Group	Company	Group	Company
	2009	2009	2008	2008
	£	£	£	£
Amounts falling due within one year:				
Bank overdraft	828,168	9,172,476	206,639	10,767,318
Trade creditors	1,247,910	48,903	1,141,868	65,653
Obligations under finance leases	2,937	2,937	95,174	59,668
Amounts owed to subsidiary undertakings	-	3,002,138	-	358,006
Amounts owed to parent undertakings	-	3,331,973	-	15,099
Other taxes and social security costs	2,251,477	-	1,933,459	-
Other creditors	344,091	1,281,093	1,551	-
Accruals and deferred income	2,400,865	466,594	4,039,372	282,997
Corporation tax	-	-	1,361,455	-
	7,075,448	17,306,114	8,779,518	11,548,741

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

15 CREDITORS:

Amounts falling due after more than one year:	Group	Company	Group	Company
	2009	2009	2008	2008
	£	£	£	£
Obligations under finance leases	-	-	3,492	3,492

Finance leases

Future minimum payments under finance leases are as follows:

	Group	Company	Group	Company
	2009	2009	2008	2008
	£	£	£	£
Within one year	3,017	3,017	99,684	63,318
In more than one year, but not more than 5 years	-	-	2,462	2,462
Total gross payments	3,017	3,017	102,146	65,780
Less finance charges included above	(80)	(80)	(3,480)	(2,620)
	2,937	2,937	98,666	63,160

16 PROVISIONS FOR LIABILITIES AND CHARGES

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

	Group	Company	Group	Company
	2009	2009	2008	2008
	£	£	£	£
As at 1 April	250,568	-	-	-
Provision acquired	-	-	292,192	-
Provision utilised	(183,901)	-	(41,624)	-
Increase in provisions	110,000	-	-	-
At 31 March	176,667	-	250,568	-

A provision for an onerous contract was acquired as part of the acquisition balance sheet of Pinnacle FM Limited in 2007. The acquired provision was £292,192. In the period £183,901 (2008: £41,624) was utilised, leaving a balance of £66,667 (2008: £250,568). A provision of £110,000 has been recognised in the year for another onerous contract with the Group.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

17 DEFERRED TAXATION

Deferred taxation provided in the accounts is as follows:

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Tax effect of timing differences because of:				
Excess of depreciation over capital allowances	(187,274)	(57,010)	(26,819)	(13,060)
Short term timing differences	12,056	21,311	(34,004)	(23,924)
Losses carried forward	(48,521)	-		
Total deferred tax asset	(223,739)	(35,699)	(60,823)	(36,984)

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

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
At 1 April	(60,823)	(36,984)	(88,285)	(41,515)
(Credited)/charged to the profit and loss account	(162,916)	1,285	27,462	4,531
At 31 March	(223,739)	(35,699)	(60,823)	(36,984)

18 CALLED UP SHARE CAPITAL

The share capital of the company is shown below:

	2009		2008	
	Number	£	Number	£
(1) Authorised				
£1.00 ordinary shares	1,000,000	1,000,000	1,000,000	1,000,000
(2) Allotted and fully paid				
£1.00 ordinary shares	1,000,000	1,000,000	1,000,000	1,000,000

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

19 RESERVES

Group	Profit and loss account £
At 1 April 2008	7,497,409
Loss for the financial year	(542,544)
Actuarial loss on pension scheme, net of tax	(588,962)
At 31 March 2009	6,365,903

Company	Profit and loss account £
At 1 April 2008	3,858,457
Loss for the financial year	(1,030,373)
At 31 March 2009	2,828,084

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The loss attributable to shareholders, dealt with in the accounts of the Company, is £1,030,373 (2008: £871,310).

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

	2009	2008
	£	£
Operating (loss)/profit	(511,662)	1,503,730
Depreciation of tangible fixed assets	592,826	388,655
Amortisation and impairment of intangible fixed assets	359,142	316,381
(Increase)/decrease in stocks	(5,510)	22,922
Decrease in debtors	70,378	179,989
(Decrease)/increase in creditors	(846,096)	(633,257)
Decrease in provisions	(73,901)	(41,624)
FRS17 pension adjustment	(351,000)	(42,000)
Share based payment charge	-	160,000
Net cash (outflow)/inflow from operating activities	(765,823)	1,854,796

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

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

	2009 £	2008 £
Returns on investments and servicing of finance		
Interest received	-	412,579
Bank interest paid	(83,388)	(523,521)
Interest paid in respect of finance leases	(1,028)	(5,358)
Net cash outflow for returns on investment and servicing of finance	(84,416)	(116,300)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(453,530)	(943,248)
Net cash outflow for capital expenditure and financial investment	(453,530)	(943,248)
Acquisitions and disposals		
Purchase of minority shareholdings	(405,079)	-
Acquisition of subsidiary undertaking	-	(1,160,010)
Loans received from joint ventures	1,049,900	245,000
Net cash inflow/(outflow) from acquisitions and disposals	644,821	(915,010)
Financing		
Capital element of finance lease rental payments	(95,729)	(148,771)
Net cash inflow from financing	(95,729)	(148,771)

22 ANALYSIS OF NET CASH/(DEBT)

	At 1 April 2008 £	Cash flow £	Other non- cash changes £	At 31 March 2009 £
Cash at bank	110,607	-	(110,607)	-
Overdrafts	(206,639)	(621,529)		(828,168)
Total cash & overdrafts	(96,032)	(621,529)	(110,607)	(828,168)
Finance leases	(98,666)	95,729		(2,937)
Net (debt)	(194,698)	(525,800)	(110,607)	(831,105)

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

23 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2009	2008
	£	£
Profit for the year after taxation and minority interest	(542,544)	890,806
Other recognised gains and losses	(588,962)	352,800
Other reserves movements	-	128,000
Net (decrease)/increase in shareholders' funds	(1,131,506)	1,371,606
Opening shareholders' funds	8,497,409	7,125,803
Closing shareholders' funds	7,365,903	8,497,409

RECONCILIATION OF MOVEMENTS IN COMPANY SHAREHOLDERS' FUNDS

	2009	2008
	£	£
Loss for the year after taxation	(1,030,373)	(871,310)
Net decrease in shareholders' funds	(1,030,373)	(871,310)
Opening shareholders' funds	4,858,457	5,729,767
Closing shareholders' funds	3,828,084	4,858,457

24 MINORITY INTEREST

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

	2009	2008
	£	£
Minority interest at beginning of year	329,428	252,617
Result for the year - PMS	79,070	44,811
Share based payment	-	32,000
Aquisition of minority interest in PMS	(396,850)	-
Minority interest at end of year	11,648	329,428

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

25 FINANCIAL COMMITMENTS

(1) Operating leases

At 31 March 2009 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings £	2009 Other £	Land and buildings £	2008 Other £
Expiry date:				
Within one year	104,631	69,019	106,021	-
Between one and five years	235,233	288,938	128,657	454,709
Over five years	113,100	-	113,114	-
	452,964	357,957	347,792	454,709

(2) Contingent liabilities

Group

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 £409,311 (2008: £409,311), 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 the Group.

26 DIRECTORS EMOLUMENTS

	2009 £	2008 £
Aggregate emoluments and benefits	580,346	350,234
Company pension contributions to money purchase scheme	43,503	27,250
	623,849	377,484
Highest paid director		
Aggregate emoluments and benefits	285,805	204,264
Company pension contributions to money purchase scheme	13,500	18,000
	299,305	222,264

Retirement benefits under a money purchase pension scheme are accruing in respect of 2 directors (2008: 2 directors).

Exceptional costs of £742,517 included in the profit and loss account relating to employment severance costs resulting from restructuring with the business include £167,200 in respect of payments made to directors. This balance is included within the £580,346 disclosed above and all £167,200 was payable to the highest paid director. The balance was partly recharged to Pinnacle PSG Limited's largest subsidiaries Pinnacle Housing Limited and Pinnacle Maintenance Limited.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

26 DIRECTORS EMOLUMENTS (continued)

GA Blott, PMA Lloyd and M 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.

27 EMPLOYEES

(1) Number of employees

The average weekly number of persons (including directors) employed by the Group during the year was 1,622 (2008: 1,322) and can be analysed by segment as follows:

	2009	2008
	Number	Number
Housing	1,403	1,265
Maintenance services	23	33
FM	162	-
Other	34	24
	1,622	1,322

(2) Employment costs

	2009	2008
	£	£
Wages and salaries	23,124,114	20,395,144
Social security costs	1,955,476	1,772,119
Pension costs		
- defined contribution	486,641	413,790
- defined benefit (note 29)	250,000	437,000
	25,816,231	23,018,053
Exceptional items (see note 4)		
Severance settlement costs	742,517	-
Payments to directors of Pinnacle Maintenance Services Ltd	-	448,000
	26,558,748	23,466,053

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

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 2006 at which date the fund was in deficit.

The 31 March 2006 valuation was prepared by an independent qualified actuary using the methods and assumptions prescribed for the purposes of the Minimum Funding Requirement, which was introduced by the Pension Act 1995. The principal financial assumptions were price inflation at 3.2%, salary increases 4.2% and investment returns at 4.5% – 7% per annum. The market value of the scheme's assets at 31 March 2006 was £3,098,742.

29 FRS17 DISCLOSURES FOR THE ACCOUNTING YEAR ENDED 31 MARCH 2009

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 2006. The results of the valuations have been updated to reflect current conditions at 31 March 2009 in accordance with FRS 17.

(a) Amounts included within the financial statements

The amounts recognised in the balance sheet are as follows:

	2009 £'000	2008 £'000
Present value of plan liabilities	3,409	3,076
Fair value of scheme assets	(3,096)	(3,235)
Deficit/(surplus)	313	(159)
Related deferred tax (asset)/liability	(88)	48
Net liability/(asset)	225	(111)

The amounts recognised in profit or loss are as follows:

	2009 £'000	2008 £'000
Current service cost	250	437
Interest cost	221	199
Expected return on pension scheme assets	(216)	(207)
Net Cost	255	429

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

29 EMPLOYEE BENEFIT OBLIGATIONS (continued)

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

	2009 £'000	2008 £'000
Actuarial (losses)/gains	(818)	504

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

	2009 £'000	2008 £'000
Opening defined benefit liability	3,076	3,494
Service cost	250	437
Employee contributions	138	153
Interest cost	221	199
Actuarial gains	(148)	(999)
Benefits paid	(128)	(208)
Closing defined benefit liability	3,409	3,076

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

	2009 £'000	2008 £'000
Opening fair value of scheme assets	3,235	3,099
Expected return	216	207
Actuarial losses	(966)	(495)
Contributions by employers	601	512
Contributions by members	138	153
Other outgoings (eg expenses etc)	-	(33)
Benefits paid	(128)	(208)
Closing fair value of scheme assets	3,096	3,235

The group contributions during the accounting period amounted to £601,000 (2008: £512,000) 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 £449,000. This is subject to review at the formal actuarial valuation at 31 March 2009.

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

	2009	2008
Equities and property	64.98%	74.99%
Bonds	27.00%	20.00%
Other	8.02%	5.01%

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

29 EMPLOYEE BENEFIT OBLIGATIONS (continued)

(b) Disclosure of principal assumption

	2009	2008
Discount rate at 31 st March	7.10%	6.90%
Expected return on scheme assets at 31 March	5.31%	6.10%
Future salary increases	4.50%	4.60%
Increases to pensions in payment accrued to date	3.50%	3.60%
Rate of increase of deferred pensions/inflation	3.50%	3.60%

Mortality

The average life expectancy assumed now for an individual at the age of 63 and projected to apply in 2009 for an individual then at the age of 63 is as follows:

Retiring	2009	2008
Today: Non-manual worker		
Males	22.3	22.2
Females	25.2	25.1
Retiring in	2009	2008
20 years: Non-manual worker		
Males	23.4	23.3
Females	26.2	26.2
Retiring	2009	2008
Today: Manual worker		
Males	21.3	21.3
Females	24.2	24.2
Retiring in	2009	2008
20 years: Manual worker		
Males	22.4	22.4
Females	25.2	25.2

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

	2009	2008
Equities	6.20%	6.50%
Corporate bonds	6.20%	6.40%
Bonds	3.70%	4.00%
Cash	0.00%	4.75%

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

29 EMPLOYEE BENEFIT OBLIGATIONS (continued)

(c) Historical pension scheme information

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Defined benefit liability	3,409	3,076	3,494	3,616	2,393
Scheme assets	(3,096)	(3,235)	(3,099)	(2,668)	(1,824)
Deficit/(surplus)	313	(159)	395	948	569
Experience adjustment on scheme liabilities- gains/(loss)	148	999	788	(757)	(41)
Experience adjustment on scheme assets-(loss)/gain	(966)	(495)	38	469	74

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 80% of the ordinary share capital of Pinnacle PSG Holdings Limited. The remaining 20% of the ordinary share capital of Pinnacle PSG Holdings Limited is held by management.

These financial statements are consolidated into the financial statements of Pinnacle Regeneration Group Limited. The financial statements of the Company are available from Caxton House, 4th Floor, 2 Farringdon Road, London, EC1M 3HN.

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 90% controlled by the Group.

At the year end, Pinnacle psg Limited owed Pinnacle Regeneration Group, of which GA Blott, PMA Lloyd and M Penny are directors and is the Company's ultimate parent company, £3,331,973 (2008: £15,099) in respect of working capital support.

At the year end Pinnacle Housing Limited was due £6,246,556 (2008: £2,085,251) from Pinnacle Regeneration Group Limited in respect of working capital provided to the Company and to Rockpools People and Performance Limited.

At the year end Pinnacle Housing Limited was due £364,339 (2008: £nil) from Pinnacle People Limited in respect of working capital support.

During the year the following amounts were receivable from related parties:

Regenter Management Services Limited, of which GA Blott and PMA Lloyd are directors, in respect of services provided by the Group on PFI projects, £606,621 (2008: £945,022) of which £185,451 (2008: £223,363) is included in trade debtors at 31 March 2009.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

31 RELATED PARTY TRANSACTIONS (continued)

London City East Partnership Limited, of which PMA Lloyd is a director in respect of services provided by the Group on PFI projects, £3,605,428 (2008: £4,190,416) of which £915,741 (2008: £840,088) is included in trade debtors at 31 March 2009.

Regenter B3 Limited, of which PMA Lloyd is a director in respect of services provided by the Group on PFI projects, £1,737,246 (2008: £951,198) of which £158,118 (2008: £254,886) is included in trade debtors at 31 March 2009.