

**PINNACLE PSG LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

ANNUAL REPORT

for the year ended 31 March 2010

Company number 5156904

PINNACLE PSG LIMITED

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For the year ended 31 March 2010

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PINNACLE PSG LIMITED

CHAIRMAN'S REPORT

For the year ended 31 March 2010

Overall Review and Strategic Direction

The year end 31st March 2010 was characterised by the significant downturn in the economy following the banking crisis in the autumn of 2008. The Group has performed strongly in very challenging times. However the overall market place for PSG continues, I believe, to offer considerable attraction. Indeed the combination of increased demand by the 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, including share of joint ventures, from continuing operations for the year was £45.1m a small increase from £44.0m in the prior year. Importantly EBITDA from continuing operations and before exceptional items for the year was a profit of £2.6m compared to £1.0m the year before. The significant turnaround from the prior year's loss reflects the action we took in early 2009 to reduce our cost base.

Pinnacle PSG had a very successful year both operationally and financially. I reported last year that following changes made to management in early 2009 there had been a significant improvement in its performance. I am pleased to report that this continued throughout the year. Operationally it continued to deliver existing services in line with its KPI's and won significant new contracts at Metropolitan Housing Group and Harvest Group which will benefit future years. Financially Pinnacle PSG delivered an EBITDA of £2.6m some 50% more than in the prior year.

Net Debt and Cash Flow

The Group delivered net cash at 31st March 2010 of £2.4m compared to net debt of £0.8m at 31st March 2009. The net inflow of cash of £3.2m is largely due to 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, 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 continues to employ over 1,600 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 2010

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 lead to significant opportunities for the Group to help to deliver quality public services whilst at the same time driving value for money. There are uncertainties over what shape these opportunities may appear but once the Comprehensive Spending Review is published the challenge will be to identify the opportunities and convert them into growth for the Group and value for money for our customers.

Peregrine Lloyd
Chairman

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2010

FINANCIAL STATEMENTS

The directors present their report and the Group financial statements for the year ended 31 March 2010 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 £45.1m (2009: £44.0m) with total group and joint venture operating profit before exceptional items, depreciation and goodwill amortisation at £2.6m (2009: £1.0m). The Group result for the year after taxation but before minority interests amounted to a profit of £1.2m (2009: loss of £0.5m). The directors paid a dividend of £1.5m (2009: £nil) 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 £8,000 (2009: £95,000).

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
BA Simons
RC Reynolds
W Thompson
P Rogers
N H Euesden
A Frith

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2010

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

The Group actively supports and contributes to a number of 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.

Our grounds maintenance and landscaping expertise has allowed us to volunteer our services to many communal and specialist garden makeover projects in 2009. We have secured external funding and provided free labour, materials and organisational support for projects throughout the country including Walsall, Hounslow, Brockley, Birmingham and Westminster.

The Group continues to sponsor the *Community Cricket Project* in Lambeth in partnership with the Surrey Cricket Club at the Oval. This project allows young people from Lambeth estates to participate in cricket and gain regular access to training for free. We continue to support the charity Skyway in Hackney, providing them with office space and support on their arts and sports based youth projects throughout the borough.

The Group has supported to the government's Future Jobs Fund Initiative, helping long-term unemployed young people back into work and employed over 150 young people giving them six month's work experience in areas as varied as horticulture, IT and housing management.

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.

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.

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2010

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. 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.

KEY PERFORMANCE INDICATORS

During this financial year, turnover has increased by 2.5% however EBITDA from continuing operations and before exceptional items increased by 160%. The increase in operating profit is a result of the re-organisation carried out in 2009 to which the 2009 exceptional item relates.

The renewal of current contracts and the winning of new contracts – during the year the Group was successful in winning 7 new contracts worth a combined £9.9m turnover per annum. However 3 contracts came to an end and were not renewed. The combined turnover value of the lost contracts was £1.3m per annum.

Ensuring 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.

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 £370m 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, in light of the recent General Election and considering the state of the public finances 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.

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

PINNACLE PSG LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2010

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 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.

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 transactions and disclose with reasonable accuracy at any time the financial position of the Company 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 December 2010.



Alex Frith
Director

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

We have audited the financial statements of Pinnacle PSG Group Limited for the year ended 31 March 2010 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 cashflow 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 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

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 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

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2010 and of the group's profit for the year 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 Auditors' 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's 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 auditors

London, UK

8/12/

2010

PINNACLE PSG LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2010

	Notes	2010		2009		Total
		Continuing	Discontinued	Continuing	Discontinued	
		£'000's	£'000's	£'000's	£'000's	£'000's
Turnover: group and share of joint ventures	2	45,115	-	44,029	2,380	46,409
Less: share of joint ventures' turnover	2	(2,176)	-	(1,242)	-	(1,242)
Group Turnover		42,939		42,787	2,380	45,167
Raw materials and consumables		(1,902)	-	(1,941)	-	(1,941)
Other external charges		(7,278)	-	(8,599)	(1,026)	(9,625)
Staff costs	27	(24,380)		(25,059)	(757)	(25,816)
Depreciation and amortisation of tangible and intangible fixed assets	8&9	(823)	-	(948)	(4)	(952)
Other operating charges		(6,969)	-	(6,374)	(228)	(6,602)
Group operating profit/(loss) before exceptional items	3	1,587	-	(134)	365	231
Exceptional items	4	-	-	(702)	(41)	(743)
Group operating profit/(loss) after exceptional items		1,587	-	(836)	324	(512)
Share of operating profit in joint ventures		179	-	204	-	204
Total group and joint ventures operating profit/(loss)		1,766	-	(632)	324	(308)
Interest receivable and similar income	5			157		26
Interest payable and similar charges	6			(113)		(115)
Profit/(loss) on ordinary activities before taxation	2			1,810		(397)
Tax on profit/(loss) on ordinary activities	7			(637)		(66)
Profit/(loss) on ordinary activities after taxation				1,173		(463)
Equity minority interest	24			1		(79)
Profit/(loss) for the financial year	19			1,174		(542)

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) 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 2010


	Notes	2010 £'000's	2009 £'000's
Profit/(loss) for the year		1,174	(542)
Actuarial loss on pension assets and liabilities	29	(383)	(818)
Tax credit on actuarial loss on pension assets and liabilities		107	229
Total recognised gains and losses for the year		898	(1,131)

PINNACLE PSG LIMITED
CONSOLIDATED BALANCE SHEET

As at 31 March 2010

	Notes	2010 £'000's	2009 £'000's
INTANGIBLE FIXED ASSETS	8	5,322	5,681
TANGIBLE FIXED ASSETS	9	788	1,116
INVESTMENTS IN JOINT VENTURES			
Share of gross assets		2,475	2,159
Share of gross liabilities		(2,067)	(1,903)
Loans from joint ventures		(1,849)	(1,295)
	10	(1,441)	(1,039)
TOTAL FIXED ASSETS		4,669	5,758
CURRENT ASSETS			
Stocks	12	97	120
Debtors	13	6,876	8,977
Cash at bank	22	2,543	-
		9,516	9,097
CREDITORS: amounts falling due within one year	14	(6,762)	(7,075)
Net current assets		2,754	2,022
Total assets less current liabilities		7,423	7,780
CREDITORS: amounts falling due after more than one year	15	(84)	-
Net pension liability	29	(432)	(225)
Provisions for liabilities and charges	16	(132)	(177)
NET ASSETS		6,775	7,378
CAPITAL AND RESERVES			
Attributable to equity interests			
Called up share capital	18	1,000	1,000
Profit and loss account	19	5,764	6,366
Total shareholders' funds	23	6,764	7,366
Equity minority interest	24	11	12
Capital employed		6,775	7,378

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

8th December


2010.

Director

A. FEITH

PINNACLE PSG LIMITED
(Company number 5156904)
COMPANY BALANCE SHEET

As at 31 March 2010

	Notes	2010 £'000's	2009 £'000's
TANGIBLE FIXED ASSETS	9	47	187
INVESTMENTS	11	9,990	9,990
		10,037	10,177
CURRENT ASSETS			
Debtors	13	3,962	10,957
Cash at bank		-	-
		3,962	10,957
CREDITORS: amounts falling due within one year	14	(11,888)	(17,306)
Net current liabilities		(7,926)	(6,349)
Total assets less current liabilities		2,111	3,828
CREDITORS: amounts falling due after more than one year	15	-	-
Net assets		2,111	3,828
CAPITAL AND RESERVES			
Attributable to equity interests			
Called up share capital	18	1,000	1,000
Profit and loss account	19	1,111	2,828
Total shareholders' funds	23	2,111	3,828

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 8th December 2010.



Director

A. FRITH

PINNACLE PSG LIMITED
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2010

	Notes	2010 £'000's	2009 £'000's
Cash inflow/(outflow) from operating activities	20	3,970	(766)
Returns on investments and servicing of finance	21	235	(84)
Taxation		208	133
Capital expenditure and financial investment	21	(32)	(453)
Equity dividends paid		(1,500)	-
Acquisitions and disposals	21	554	645
Cash inflow/(outflow) before the use of liquid resources and financing		3,435	(525)
Financing	21	(64)	(96)
Increase/(decrease) in cash in the year	22	3,371	(621)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year	22	3,371	(621)
Cash outflow from increase in debt and lease financing	22	64	96
Non cash items	22	(201)	(111)
Movement in net debt in the year		3,234	(636)
Net debt at 1 April		(831)	(195)
Net funds/(debt) at 31 March	22	2,403	(831)

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

1 ACCOUNTING POLICIES

Accounting convention

The Group and Company 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 2010. 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 2010

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 2010

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.

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.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

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	2010 Profit/ (loss) on ordinary activities before tax	Net assets/ (liabilities)	Turnover	2009 Profit/ (loss) on ordinary activities before tax	Net assets/ (liabilities)
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Housing	33,849	1,872	7,350	33,677	1,349	6,324
Maintenance	9,922	204	1,703	12,249	255	1,535
Services	43,771	2,076	9,053	45,926	1,604	7,859
Head office and consolidation adjustments	1,344	(310)	(2,278)	483	(1,169)	(481)
Exceptional items (see note 4)	-	-	-	-	(743)	-
Net interest expense	-	44	-	-	(89)	-
Total	45,115	1,810	6,775	46,409	(397)	7,378
Less: Turnover relating to joint venture	(2,176)			(1,242)		
Group turnover	42,939			45,167		
Continuing	42,939	1,810		42,787	(865)	
Discontinued	-	-		2,380	468	
Total	42,939	1,810		45,167	(397)	

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

3 OPERATING PROFIT/(LOSS)

is stated after charging/(crediting):

	2010	2009
	£'000's	£'000's
Operating lease rentals - land and buildings	332	418
- other	1,137	979
Depreciation - owned assets	384	532
- assets held under finance leases	80	61
Amortisation/impairment of intangible assets	359	359
Profit on disposal of fixed assets	(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	36	38

4 EXCEPTIONAL ITEMS

The exceptional item during 2009 of £743,000 related to employment severance costs resulting from restructuring within the Group and resulted in a tax credit of £223,000.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010	2009
	£'000's	£'000's
Interest receivable from bank deposits	157	25
Other	-	1
	157	26

Interest from bank deposits includes £43,000 (2009: £25,000) receivable by joint ventures.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£'000's	£'000's
On bank and other loans	-	92
Interest payable on finance leases	20	2
Net finance cost on pension scheme assets and liabilities	75	5
Other	18	16
	113	115

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2010	2009
	£'000's	£'000's
Current Tax		
United Kingdom corporation tax at 28% (2009:28%) on profit/(loss) for the year	55	(54)
Group relief payment	705	188
Overprovision in respect of prior years	-	(3)
Total current tax	760	131
Deferred Tax		
Origination and reversal of timing differences	(150)	(163)
Adjustments in respect of FRS17 disclosure	27	98
Total deferred tax	(123)	(65)
Tax charge on profit on ordinary activities	637	66

(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:

	2010	2009
	£'000's	£'000's
Profit/(loss) on ordinary activities before tax	1,810	(397)
Profit/(loss) on ordinary activities before tax multiplied by standard rate of UK corporation tax of 28% (2009:28%)	507	(111)
Non deductible	115	143
Capital allowances less than depreciation charge	29	166
Losses carried forward	136	49
Profits group relieved	(705)	(188)
Short term timing differences	-	(15)
Tax adjustments in respect of pension contributions	(27)	(98)
Current tax charge for year	55	(54)

(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 2010

8 INTANGIBLE FIXED ASSETS

Group	Goodwill £'000's
Cost	
At 1 April 2009	7,448
Additions	-
At 31 March 2010	7,448
Amortisation	
At 1 April 2009	1,767
Charge for the year	359
At 31 March 2010	2,126
Net Book Value	
At 31 March 2010	5,322
At 31 March 2009	5,681

9 TANGIBLE FIXED ASSETS

Group	Leasehold land and buildings £'000's	Fixtures and equipment £'000's	Total £'000's
Cost			
At 1 April 2009	252	2,772	3,024
Additions	-	253	253
Disposals	-	(29)	(29)
Transfers	(59)	(197)	(256)
At 31 March 2010	193	2,799	2,992
Depreciation			
At 1 April 2009	168	1,740	1,908
Charge	14	450	464
Elimination on disposal	-	(28)	(28)
Transfers	(8)	(132)	(140)
At 31 March 2010	174	2,030	2,204
Net book value			
At 31 March 2010	19	769	788
At 31 March 2009	84	1,032	1,116

Included within net book value is an amount of £157,000 (2009: £36,000) in respect of assets held under finance leases on which depreciation of £80,000 (2009: £61,000) has been charged. Assets held under finance leases were disposed of with a cost of £22,000 (2009: £23,000) and depreciation £22,000 (2009: £23,000). Leased asset additions in the period were £201,000 (2009: £nil).

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

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 2009	160	577	737
Additions	-	12	12
Transfers	(59)	(183)	(242)
At 31 March 2010	101	406	507
Depreciation			
At 1 April 2009	109	441	550
Charge for the year	-	41	41
Transfers	(8)	(123)	(131)
At 31 March 2010	101	359	460
Net book value			
At 31 March 2010	-	47	47
At 31 March 2009	51	136	187

Included within net book value is an amount of £nil (2009: £1,000) in respect of assets held under finance leases on which depreciation £1,000 (2009: £37,000) has been charged. Assets held under finance leases were disposed of with a cost £nil (2009: £22,000) and depreciation £nil (2009: £22,000).

10 INVESTMENTS IN JOINT VENTURES

	Group £'000's
At 1 April 2009	(1,039)
Decrease in share of net liabilities due to retained earnings in year	152
Loans received from joint venture	(554)
At 31 March 2010	(1,441)

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 £554,000 (2009: £1,049,000) to the Group during the year.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

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:

	2010	2009
	£'000's	£'000's
Gross assets		
Fixed assets	-	-
Current assets	2,475	2,159
	2,475	2,159
Gross liabilities		
Liabilities due within one year	(2,067)	(1,903)
Liabilities due after more than one year	-	-
	(2,067)	(1,903)
Loans from joint ventures	(1,849)	(1,295)
Net liabilities	(1,441)	(1,039)

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

	Equipe Regeneration	
	2010	2009
	£'000's	£'000's
Turnover	2,176	1,242
Profit before tax	221	230
Taxation	(55)	(90)
Profit after tax	166	140
Fixed assets	-	-
Current assets	2,475	2,159
Liabilities due within one year	(2,067)	(1,903)
Liabilities due after more than one year	-	-

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

11 FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings £'000's
At 1 April 2009 and at 31 March 2010	9,990

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 2010 £'000's	Company 2010 £'000's	Group 2009 £'000's	Company 2009 £'000's
Work in progress	97	-	120	-
	97	-	120	-

13 DEBTORS:

	Group 2010 £'000's	Company 2010 £'000's	Group 2009 £'000's	Company 2009 £'000's
Amounts falling due within one year:				
Trade debtors	4,777	7	4,998	4
Other debtors	45	-	52	-
Amounts owed by subsidiary undertakings	-	3,782	-	9,653
Amounts owed by parent undertakings	456	-	2,603	1,000
Prepayments and accrued income	1,224	99	897	179
Corporation tax receivable	-	-	203	63
Other taxes and social security costs	-	16	-	22
Deferred tax asset (note 17)	374	58	224	36
	6,876	3,962	8,977	10,957

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

14 CREDITORS: amounts falling due within one year

	Group	Company	Group	Company
	2010	2010	2009	2009
	£'000's	£'000's	£'000's	£'000's
Bank overdraft	-	133	828	9,172
Trade creditors	1,870	85	1,248	49
Obligations under finance leases	56	-	3	3
Amounts owed to subsidiary undertakings	737	4,614	-	3,002
Amounts owed to parent undertakings	-	4,938	-	3,332
Other taxes and social security costs	1,540	-	2,251	-
Other creditors	237	1,830	344	1,281
Accruals and deferred income	2,322	288	2,401	467
	6,762	11,888	7,075	17,306

15 CREDITORS: amounts falling due after more than one year

	Group	Company	Group	Company
	2010	2010	2009	2009
	£'000's	£'000's	£'000's	£'000's
Amounts falling due after more than one year				
Obligations under finance leases	84	-	-	-

Finance leases

Future minimum payments under finance leases are as follows:

	Group	Company	Group	Company
	2010	2010	2009	2009
	£'000's	£'000's	£'000's	£'000's
Within one year	74	-	3	3
In more than one year, but not more than 5 years	92	-	-	-
Total gross payments	166	-	3	3
Less finance charges included above	(26)	-	-	-
	140	-	3	3

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

16 PROVISIONS FOR LIABILITIES AND CHARGES

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

	Group	Company	Group	Company
	2010	2010	2009	2009
	£'000's	£'000's	£'000's	£'000's
As at 1 April	177	-	251	-
Provision utilised	(67)	-	(184)	-
Increase in provisions	22	-	110	-
At 31 March	132	-	177	-

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 £292,000. In the period £67,000 (2009: £184,000) was utilised, leaving a balance of £nil (2009: £67,000). A provision of £22,000 (2009:£110,000) has been recognised in the year for another onerous contract within the Group.

17 DEFERRED TAXATION

Deferred taxation provided in the accounts is as follows:

	Group	Company	Group	Company
	2010	2010	2009	2009
	£'000's	£'000's	£'000's	£'000's
Tax effect of timing differences because of:				
Excess of depreciation over capital allowances	(216)	(58)	(187)	(57)
Short term timing differences	-	-	12	21
Losses carried forward	(158)	-	(49)	-
Total deferred tax asset	(374)	(58)	(224)	(36)

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

	Group	Company	Group	Company
	2010	2010	2009	2009
	£'000's	£'000's	£'000's	£'000's
At 1 April	(224)	(36)	(61)	(37)
(Credited)/charged to the profit and loss account	(150)	(22)	(163)	1
At 31 March	(374)	(58)	(224)	(36)

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

18 CALLED UP SHARE CAPITAL

The share capital of the company is shown below:

Allotted and fully paid

	2010		2009	
	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 2009	6,366
Profit for the financial year	1,174
Dividend	(1,500)
Actuarial loss on pension scheme, net of tax	(276)
At 31 March 2010	5,764

Company	Profit and loss account £'000's
At 1 April 2009	2,828
Loss for the financial year	(217)
Dividend	(1,500)
At 31 March 2010	1,111

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 loss attributable to shareholders, dealt with in the accounts of the Company, is £217,000 (2009: loss £1,030,000).

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

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

	2010	2009
	£'000's	£'000's
Operating profit/(loss)	1,587	(512)
Profit on sale of fixed assets	(19)	-
Depreciation of tangible fixed assets	464	593
Amortisation and impairment of intangible fixed assets	359	359
Decrease/(increase) in stocks	23	(6)
Decrease in debtors	2,048	71
Decrease in creditors	(276)	(846)
Decrease in provisions	(45)	(74)
FRS17 pension adjustment	(171)	(351)
Net cash inflow/(outflow) from operating activities	3,970	(766)

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

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

	2010 £'000's	2009 £'000's
Returns on investments and servicing of finance		
Interest received	255	-
Bank interest paid	-	(83)
Interest paid in respect of finance leases	(20)	(1)
Net cash outflow for returns on investment and servicing of finance	235	(84)
 Capital expenditure and financial investment		
Sale of fixed assets	20	-
Purchase of tangible fixed assets	(52)	(453)
Net cash outflow for capital expenditure and financial investment	(32)	(453)
 Acquisitions and disposals		
Purchase of minority shareholdings	-	(405)
Loans received from joint ventures	554	1,050
Net cash inflow from acquisitions and disposals	554	645
 Financing		
Capital element of finance lease rental repayments	(64)	(96)
Net cash outflow from financing	(64)	(96)

22 ANALYSIS OF NET CASH/(DEBT)

	At 1 April 2009 £'000's	Cash flow £'000's	Other non- cash changes £'000's	At 31 March 2010 £'000's
Cash at bank	-	2,543	-	2,543
Overdrafts	(828)	828	-	-
Total cash & overdrafts	(828)	3,371	-	2,543
Finance leases	(3)	64	(201)	(140)
Net cash/(debt)	(831)	3,435	(201)	2,403

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

23 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2010 £'000's	2009 £'000's
Profit for the year after taxation and minority interest	1,174	(542)
Other recognised gains and losses	(276)	(589)
Dividend	(1,500)	-
Net decrease in shareholders' funds	(602)	(1,131)
Opening shareholders' funds	7,366	8,497
Closing shareholders' funds	6,764	7,366

RECONCILIATION OF MOVEMENTS IN COMPANY SHAREHOLDERS' FUNDS

	2010 £'000's	2009 £'000's
Loss for the year after taxation	(217)	(1,030)
Dividend	(1,500)	-
Net decrease in shareholders' funds	(1,717)	(1,030)
Opening shareholders' funds	3,828	4,858
Closing shareholders' funds	2,111	3,828

24 MINORITY INTEREST

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

	2010 £'000's	2009 £'000's
Minority interest at beginning of year	12	329
Result for the year - PMS	-	79
- Sharp	(1)	-
Aquisition of minority interest in PMS	-	(396)
Minority interest at end of year	11	12

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

25 FINANCIAL COMMITMENTS

Operating leases

At 31 March 2010 the Group had annual commitments under non-cancellable operating leases as follows:

	2010		2009	
	Land and buildings £'000's	Other £'000's	Land and buildings £'000's	Other £'000's
Expiry date:				
Within one year	61	72	105	69
Between one and five years	199	184	235	289
Over five years	226	15	113	-
	486	271	453	358

26 DIRECTORS EMOLUMENTS

	2010 £	2009 £
Aggregate emoluments and benefits	323,297	580,346
Company pension contributions to money purchase scheme	21,000	43,503
	344,297	623,849
Highest paid director		
Aggregate emoluments and benefits	192,797	285,805
Company pension contributions to money purchase scheme	12,500	13,500
	205,297	299,305

Retirement benefits under a money purchase pension scheme are accruing in respect of 2 directors (2009: 2 directors).

In 2009 there were exceptional costs of £742,517 included in the profit and loss account relating to employment severance costs resulting from restructuring with the business including £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 in that period. The balance was partly recharged to Pinnacle PSG Limited's largest subsidiaries Pinnacle Housing Limited and Pinnacle Maintenance Limited.

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.

Their 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 2010

27 EMPLOYEES

(1) Number of employees

The average weekly number of persons (including directors) employed by the Group during the year was 1,641 (2009: 1,622) and can be analysed by segment as follows:

	2010	2009
	Number	Number
Housing	1,432	1,403
Maintenance services	7	23
FM	174	162
Other	28	34
	1,641	1,622

(2) Employment costs

	2010	2009
	£'000's	£'000's
Wages and salaries	22,033	23,124
Social security costs	1,703	1,955
Pension costs		
- defined contribution	402	487
- defined benefit (note 29)	242	250
	24,380	25,816
Exceptional items (see note 4)		
Severance settlement costs	-	743
	24,380	26,559

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.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

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 known 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 2010 in accordance with FRS 17.

(a) Amounts included within the financial statements

The amounts recognised in the balance sheet are as follows:

	2010	2009
	£'000	£'000
Present value of plan liabilities	5,104	3,409
Fair value of scheme assets	(4,504)	(3,096)
Deficit	600	313
Related deferred tax asset	(168)	(88)
Net liability	432	225

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

	2010	2009
	£'000	£'000
Current service cost	242	250
Interest cost	248	221
Expected return on pension scheme assets	(173)	(216)
Net cost	317	255

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

	2010	2009
	£'000	£'000
Actuarial losses	(383)	(818)

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

29 EMPLOYEE BENEFIT OBLIGATIONS (continued)

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

	2010	2009
	£'000	£'000
Opening defined benefit liability	3,409	3,076
Service cost	242	250
Employee contributions	120	138
Interest cost	248	221
Actuarial losses/(gains)	1,286	(148)
Benefits paid	(201)	(128)
Closing defined benefit liability	5,104	3,409

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

	2010	2009
	£'000	£'000
Opening fair value of scheme assets	3,096	3,235
Expected return	173	216
Actuarial gains/(losses)	903	(966)
Contributions by employers	413	601
Contributions by members	120	138
Benefits paid	(201)	(128)
Closing fair value of scheme assets	4,504	3,096

The group contributions during the accounting period amounted to £413,000 (2009: £601,000) 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 £597,000. This is subject to review at the formal actuarial valuation at 31 March 2011.

The cumulative amount of actuarial gains and losses taken to the statement of total recognised gains and losses at 31 March 2010 was £2,018,000 (2009:£1,635,000).

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

	2010	2009
Equities and property	56%	65%
Bonds	36%	27%
Other	8%	8%

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

29 EMPLOYEE BENEFIT OBLIGATIONS (continued)

(b) Disclosure of principal assumption

	2010	2009
Discount rate at 31 st March	5.5%	7.1%
Expected return on scheme assets at 31 March	5.8%	5.3%
Future salary increases	3.5%	4.5%
Increases to pensions in payment accrued to date	3.5%	3.5%
Rate of increase of deferred pensions/inflation	3.5%	3.5%

Mortality

The average life expectancy assumed now for an individual at the age of 63 and projected to apply in 2010 for an individual then at the age of 63 is as follows:

Retiring	2010	2009
Today: Non-manual worker		
Males	21.1	22.3
Females	25.9	25.2
Retiring in	2010	2009
20 years: Non-manual worker		
Males	23.6	23.4
Females	27.6	26.2
Retiring	2010	2009
Today: Manual worker		
Males	21.1	21.3
Females	25.9	24.2
Retiring in	2010	2009
20 years: Manual worker		
Males	23.6	22.4
Females	27.6	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:

	2010	2009
Equities	7.0%	6.2%
Corporate bonds	5.5%	6.2%
Bonds	5.0%	3.7%
Cash	0.5%	0.0%

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

29 EMPLOYEE BENEFIT OBLIGATIONS (continued)

(c) Historical pension scheme information

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Defined benefit liability	5,104	3,409	3,076	3,494	3,616
Scheme assets	(4,504)	(3,096)	(3,235)	(3,099)	(2,668)
Deficit/(surplus)	600	313	(159)	395	948
Experience adjustment on scheme liabilities-(losses)/gains	(1,286)	148	999	788	(757)
Experience adjustment on scheme assets- gain/(loss)	903	(966)	(495)	38	469

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% of the ordinary share capital of Pinnacle PSG Holdings Limited. The remaining 15% 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 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.

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, £4,938,000 (2009: £3,332,000) in respect of working capital support.

At the year end Pinnacle Housing Limited was due £7,411,000 (2009: £6,247,000) 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 £18,000 (2009: £nil) in respect of property maintenance services. During the year Pinnacle Regeneration Group Limited charged the company £891,000 (2009: £nil) in respect of group services.

At the year end Pinnacle Housing Limited was due £nil (2009: £364,000) 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 £173,000 (2009: £109,000) by Pinnacle People Limited and was charged £379,000 (2009 : £nil) by Pinnacle People Recruitment Limited, both subsidiaries of Pinnacle Regeneration Group Limited, in respect of the supply of temporary staff.

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

31 RELATED PARTY TRANSACTIONS (continued)

At the year end Pinnacle FM Limited was due £516,000 (2009: owed £1,000) from Pinnacle Regeneration Group Limited in respect of working capital provided to the company. During the years Pinnacle Regeneration Group Limited charged the company £113,000 (2009: £nil) in respect of Group services.

At the year end Pinnacle Maintenance Services Limited owed £1,033,000 (2009: £1,077,000) to Pinnacle Regeneration Group Limited in respect of working capital provided to the company and charged Pinnacle People Limited £140,000 (2009 : £nil) for the supply of call centre services. During the year Pinnacle Regeneration Group Limited charged the company £39,000 (2009: £nil) in respect of group services.

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, £452,000 (2009: £607,000) of which £8,000 (2009: £185,000) is included in trade debtors at 31 March 2010.

Regenter LCEP Limited, of which MWH Penny was a director in respect of services provided by the Group on PFI projects, £3,221,000 (2009: £3,605,000) of which £577,000 (2009:£916,000) is included in trade debtors at 31 March 2010. Both the turnover and year end debtor form part of the financial statements of Equipe Regeneration Limited, a 50% joint venture company, whose results are included in these accounts.

Regenter B3 Limited, of which PMA Lloyd is a director in respect of services provided by the Group on PFI projects, £1,646,000 (2009: £1,737,000) of which £173,000 (2009: £158,000) is included in trade debtors at 31 March 2010.

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 £409,000 (2009: £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 £4,538,372 (2009: £5,426,563).

PINNACLE PSG LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

33 POST BALANCE SHEET EVENTS

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 has been satisfied through receipt of net cash of £2.0m on 22nd October 2010 and a further £0.7m to be received when the Lambeth PFI project reaches Financial Close. As a result the Group expects to recognize a gain of approximately £4.0m in its accounts for the year ended 31st March 2011.