SC 211524

Saltire Facilities Management Limited

Report and Financial Statements

31 December 2007

Registered No SC 211524

Directors
D W Reynolds FCMA, MIGEM
D Black Eng Tech, MSOE, MIRTE

Secretary
D W Reynolds FCMA, MIGEM

Auditors
Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

Bankers
Barclays Bank PLC
Park House
Newbrick Road
Stoke Gifford
Bristol
BS34 8TN

Solicitors
Withy King
James Street West
Green Park
Bath BA1 2BT

Registered office
1 Badenheath Place
Westfield
Cumbernauld
G68 9HX

Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

Results and dividends

The profit for the period amounted to £224,840 (2006 £199,313) which has been transferred to reserves

Principal activities and review of the business

The principal activity of the company during the year was the provision of maintenance, servicing & installation of central heating in a Public Private Partnership (PPP) with North Lanarkshire Council and for other customers

Financial performance

The directors have determined that the following financial key performance indicators ("KPI's), are the most effective measures of progress towards achieving the company's objectives

KPIs	*2007* £	*2006* £
Turnover	**14,969,247**	**13,820,407**
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	**351,107**	**348,919**

Turnover has increased due to winning additional contracts and fulfilling installation programmes

Risk Management

The company's strategy is to follow an appropriate risk policy, which effectively manages exposures related to the achievement of business objectives The key risks which management face are detailed as follows

Business performance risk

Business performance risk is the risk that the company may not perform as expected either due to internal factors or due to competitive pressures in the markets in which they operate This risk is managed through a number of measures authorisation of forward purchases requirements, ensuring the appropriate management team is in place, budget and business planning, monthly reporting and variance analysis, financial controls, key performance indicators; and regular forecasting

Business continuity risk

While there is a reliance on physical infrastructure, the company operates out of a number of depots which helps the company to minimise the business continuity risk The company ensures that there is sufficient IT support available should an unforeseen event occur Management are continually implementing and reviewing business continuity and IT disaster recovery plans to ensure any increase in risk arising from future activities is managed

Health and safety risk

The company is committed to ensuring a safe working environment These risks are managed by the company through the strong promotion of a health and safety culture and well defined health and safety policies

Management development

Long-term growth of the business depends on the company's ability to retain and attract personnel of high quality This risk is managed through development plans which are regularly reviewed and updated These are accompanied by specific policies in areas such as training, management development and performance management

Directors' report

Financial and business control

Strong financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the company relies for day to day operations, external reporting and for longer term planning The company exercises financial and business control through a combination of qualified and experienced financial personnel, performance analysis, budgeting and cash flow forecasting, and clearly defined approval limits

Social, ethical and environmental risk

Due to the company's nature and size no significant social, ethical or environmental risks have been identified by management.

Directors and their interests

The directors of the company are listed on page 1

Disabled employees

It has been the policy of the company throughout the year to encourage the employment and development of disabled employees No unnecessary limitations are placed on the type of work which disabled persons can perform and the policy ensures that in appropriate cases consideration is given to modifications to equipment or premises and to adjustments in working practices The policy provides that full and fair consideration will be given to disabled applicants for employment and that existing employees who become disabled will have the opportunity to retrain and continue in employment

Employee involvement

Information is conveyed to employees by means of briefings and by way of statements posted on notice boards throughout the company.

Governance

The role of the Board is to ensure that the company is effectively governed, to ensure that it complies with all relevant legislation, its own memorandum and articles of association and the requirements of good practice, and to ensure that the company works to agreed strategic and operational plans

The company has a 'Financial Procedures' document, which, along with the articles and memorandum of association, assists the directors in the management of the company's affairs The minutes of all board meetings and committee meetings are circulated to all directors on a timely basis

The Board is responsible for reviewing the company's financial statements, management information reporting, effectiveness of internal control systems and risk management The Board also agreed with the external auditors the nature and scope of work to be conducted, particularly in the absence of an internal audit function Due to the scale of the company's operation the creation of a separate internal audit function is not justified

Directors' report

Financial Risk Management Policy in respect of financial instruments

The company's principal financial instruments comprise cash, trade debtors and creditors, group indebtedness and certain other debtors and accruals The main risks associated with these financial assets and liabilities are set out below

Credit risk
Credit risk arises principally on third party derived revenues Company policy is aimed at minimising such risk, and requires that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures Individual exposures are monitored with customers subject to credit limits to ensure the company's exposure to bad debts is not significant

Liquidity risk

Available cash headroom is monitored by management on a daily basis and regular discussions take place with the company's bankers as a way of managing the company's liquidity risk Stock and trade debtors levels are monitored periodically by the board of directors

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Special provision relating to medium sized companies

This report has been prepared in accordance with the special provision of part VII of the Companies Act relating to medium sized companies

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting

On behalf of the board

Director
19 March 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report
to the members of Saltire Facilities Management Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes 1 to 18 These 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 United Kingdom law and 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 are 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which 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

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, and of the state of the company's affairs as at 31 December 2007, and of its profit 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

Ernst & Young LLP
Registered auditor
Belfast

20 March 2008

Profit and loss account
for the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	14,969,247	13,820,407
Cost of sales		(12,571,148)	(11,496,987)
Gross profit		2,398,099	2,323,420
Administrative expenses		(2,107,504)	(2,071,208)
Operating profit	3	290,595	252,212
Interest receivable	5	23,029	32,101
Bank interest payable			
Profit on ordinary activities before taxation		313,624	284,313
Tax on profit on ordinary activities	6	(88,784)	(85,000)
Profit on ordinary activities after taxation	14	224,840	199,313

Statement of total recognised gains and losses
There are no recognised gains or losses other than the profit of £224,840 attributable to the shareholders for the year ended 31 December 2007 (2006 profit of £199,313)

Balance sheet
at 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	8	74,623	87,906
Current assets			
Stocks	9	89,025	79,997
Debtors	10	2,378,761	1,557,544
Cash at bank		606,184	1,684,188
		3,073,970	3,321,729
Creditors: amounts falling due within one year	11	(2,617,794)	(2,898,176)
Net current assets		456,176	423,553
Total assets less current liabilities		530,799	511,459
Net assets	14	530,799	511,459
Capital and reserves			
Called up share capital	13	1,000	1,000
Profit and loss account	14	529,799	510,459
Equity shareholders' funds	14	530,799	511,459

The accounts have been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to medium sized companies

Approved by the directors on 19th March 2008

Director

Director

Cash flow statement

For the year ended 31 December 2007

	Notes	2007 £	2006 £
Net cash (outflow)/inflow from operating activities	16(a)	(844,827)	1,406,579
Return on investment and servicing of finance			
Interest received		23,029	32,101
Interest payable			
		23,029	32,101
Equity dividends paid		(137,000)	
Taxation			
Corporation tax paid		(83,211)	(36,505)
Capital expenditure			
Receipts from sales of tangible fixed assets		25,418	24,455
Payments to acquire tangible fixed assets		(61,413)	(8,197)
		(35,995)	16,258
(Decrease)/increase in cash	16(b)	(1,078,004)	1,418,433

Reconciliation of cashflows to movement in net funds	2007 £	2006 £
(Decrease)/increase in cash	(1,078,004)	1,418,433
Movement in net funds relating to cash flows	(1,078,004)	1,418,433
Other		
Movement in net funds	(1,078,004)	1,418,433
Net funds at 1 January	1,684,188	265,755
Net funds at 31 December	606,184	1,684,188

Notes to the financial statements
at 31 December 2007

1. Accounting policies

Fundamental accounting concept
The company has had surplus cash in recent times The directors recognise that the company is financially independent of its parent undertaking and have been mindful of its financial independence in adopting the going concern concept

Basis of preparation
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards

Accounting Period
The company's accounting period ended on the Sunday nearest to 31 December 2007.

Stocks
Materials and consumable small tools are valued at the lower of cost and net realisable value

Fixed assets and depreciation
All fixed assets are recorded at cost Depreciation is provided on all tangible fixed assets purchased new, at rates calculated to write off the cost to their estimated residual values by equal monthly instalments over the period of their estimated useful lives as follows

Motor vehicles	4 – 10 years
Fixtures, fittings and office equipment	4 – 10 years
Plant & Machinery	4 – 10 years

Leasing and Hire Purchase Commitments
Assets held under finance leases, which are leases where substantially all the risks and rewards have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements
at 31 December 2007

1. Accounting policies (continued)

Revenue recognition
Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance Revenue is measured at the fair value of the consideration received excluding discounts, rebates and VAT Revenue is recognised by reference to the point at which services have been rendered.

Pension costs
The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax All turnover is generated within the United Kingdom

3. Operating profit
This is stated after charging / (crediting)

		2007	*2006*
		£	*£*
Auditors' remuneration	audit services	18,100	17,000
	non audit services	2,200	2,200
Profit on disposal of assets		(11,234)	(12,119)
Depreciation of owned fixed assets		60,512	96,707
Operating lease rentals – leasehold buildings		31,562	26,262
	plant and machinery	35,934	55,128

4. Staff costs

	2007	*2006*
	£	*£*
Wages and salaries	6,580,844	5,540,602
Social security costs	679,308	569,627
Other pension costs	293,570	296,936
	7,553,722	6,407,165

The average number of employees employed during the year was 212 (2006 – 203)

All the directors are directors of the ultimate parent undertaking and their emoluments are included within that company's financial statements

Notes to the financial statements
at 31 December 2007

5. Interest receivable

	2007 £	2006 £
Bank interest receivable	23,029	32,101

6. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £	2006 £
Current tax		
UK corporation tax	93,112	97,000
Adjustment in respect of prior periods	(1,537)	(1,747)
Total current tax	91,575	95,253
Deferred tax.		
Current year deferred tax	(2,570)	(10,253)
Adjustment in respect of prior periods	(221)	
Total deferred tax	(2,791)	(10,253)
Total taxation charge	88,784	85,000

(b) Factors affecting current tax charge

The differences are reconciled below

	2007 £	2006 £
Profit on ordinary activities before taxation	313,624	284,313
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30%	94,087	85,294
Effect of		
Disallowed expenses and non taxable income		1,453
Non qualifying depreciation	163	
Decelerated/(accelerated) capital allowances	3,339	10,253
Marginal relief	(4,477)	
Adjustments in respect of previous periods	(1,537)	(1,747)
	91,575	95,253

7. Dividends

A dividend of £137,000 was paid to ALH86 Limited during the period, and a dividend of £68,500 was approved during the period as payable to North Lanarkshire Council (31 December 2006 £nil)

Notes to the financial statements
at 31 December 2007

8. Tangible fixed assets

	Land & Buildings	*Vehicles*	*Equipment*	*Total*
	£	£	£	£
Cost				
At 1 January 2007	16,385	249,777	76,764	342,926
Additions	1,524	577	59,312	61,413
Disposals		(233,101)		(233,101)
At 31 December 2007	17,909	17,253	136,076	171,238
Depreciation				
At 1 January 2007	4,916	190,226	59,878	255,020
Charge for year	3,505	45,944	11,063	60,512
Disposals		(218,917)		(218,917)
At 31 December 2007	8,421	17,253	70,941	96,615
Net book value				
At 31 December 2007	9,488		65,135	74,623
At 1 January 2007	11,469	59,551	16,886	87,906

9. Stocks

	2007	*2006*
	£	£
Raw materials	89,025	79,997
	89,025	79,997

10. Debtors

	2007	*2006*
	£	£
Trade debtors	1,067,560	736,725
Accrued income	1,179,928	753,790
Deferred tax asset (note 12)	10,768	7,977
Prepayments	120,505	59,052
	2,378,761	1,557,544

Notes to the financial statements
at 31 December 2007

11. Creditors: amounts falling due within one year

	2007	2006
	£	£
Trade creditors	1,531,318	1,441,180
Corporation tax	93,112	84,748
Other taxation and social security	392,263	717,563
Accruals and deferred income	89,848	413,944
Amounts owed to fellow subsidiary undertaking	173,052	123,534
Amount due to North Lanarkshire Council	338,201	117,207
	2,617,794	2,898,176

12. Deferred taxation

	2007	2006
	£	£
Deferred tax asset	10,768	7,977

The movement in the deferred tax asset during the period is as follows

At 1 January 2007	7,977
Credit for the period	2,570
Adjustment to prior year credit	221
At 31 Janauary 2007	10,768

The deferred tax asset of £10,768 in 2007 (2006 £7,977) is included within debtors, and arises in respect of capital allowances

13. Share capital

		Authorised
	2007	*2006*
	£	£
Ordinary shares of £1 each	1,000	1,000

	Allotted, called up and fully paid			
	2007		*2006*	
	No	£	*No*	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

Notes to the financial statements
at 31 December 2007

14. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Total share holders' funds*
	£	*£*	*£*
At 31 December 2006	1,000	510,459	511,459
Profit for the year		224,840	224,840
Less Dividends Paid		(205,500)	(205,500)
At 31 December 2007	1,000	529,799	530,799

15. Related party transactions

The company maintains, services and installs central heating boilers under a public private partnership agreement to North Lanarkshire Council, who is a 33% shareholder The company provided goods and services on an arms length basis to this shareholder totalling £11,727,863 in 2007 net of discounts and rebates (2006 £12,037,790) In addition fees were paid to NLC in respect of services received by the company totalling £433,346 in 2007 (2006 £296,203) on an arms length basis

During the year the company paid management fees of £287,682 (2006 £280,601) to the ALH 86 Group, a 67% shareholder. These fees were also rendered on an arms length basis.

16. Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2007	*2006*
	£	*£*
Operating profit	290,595	252,212
Depreciation charges	60,512	96,707
Profit on disposal of fixed assets	(11,234)	(12,119)
(Increase)/decrease in stocks	(9,028)	6,944
Increase in debtors	(818,426)	(179,399)
(Decrease)/increase in creditors	(357,246)	1,242,234
Net cash (outflow)/inflow	(844,827)	1,406,579

(b) Analysis of changes in net funds

	As at 31 December 2006	*Cash Flow*	*As at 31 December 2007*
	£	*£*	*£*
Cash at bank and in hand	1,684,188	(1,078,004)	606,184

Notes to the financial statements
at 31 December 2007

17. Financial commitments

	2007	*2006*
	£	£
Operating leases – premises	31,562	26,262
Operating leases – plant and equipment	35,934	45,362

The premises lease commitment is in excess of five years. The plant and equipment leases have a variety of expiry dates but all expire within five years from the balance sheet date

18. Ultimate parent company
The company's ultimate parent undertaking is ALH86 Limited, a company incorporated in England