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Saltire Facilities Management Limited

Report and Financial Statements

31 December 2009

WEDNESDAY

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Registered No. SC211524

Directors

D Black Eng Tech, MSOE, MIRTE

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

Director's report

The director present his report and financial statements for the year ended 31 December 2009.

Results and dividends

The profit for the year amounted to £300,936 (2008: £381,687) 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 and installation of central heating in a Public Private Partnership (PPP) with North Lanarkshire Council and for other customers.

Financial performance

The director has determined that the following financial key performance indicators (KPIs), are the most effective measures of progress towards achieving the company's objectives.

KPIs

	2009	2008
	£	£
Turnover Earnings before interest, taxation, depreciation and amortisation (EBITDA)	20,227,026 469,087	16,638,886 551,989

Turnover has increased due to winning additional contracts of a similar nature. EBITDA has decreased as a result of bringing these new contracts on line.

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, in conjunction with an internal compliance function.

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 strong promotion of a health and safety culture and well defined health and safety policies, facilitated by the employment of a health and safety professional.

Director's report

Risk management (continued)

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.

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

The directors of the company are listed on page 1 and D. Reynolds who resigned on 21 June 2010.

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.

Director 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 debtor 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

27 September 2010

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 the financial statements for each financial year. Under the 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 the company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the affairs of the company and of the profit and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that are sufficient to show and explain that 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 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 financial statements of Saltire Facilities Management Limited for the year ended 31st December 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 18. 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 Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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 [(APB's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 company's affairs as at 31st December 2009 and of its 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.

Independent auditors' report

to the members of Saltire Facilities Management 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

lan Gibson (Senior Statutory Auditor)

29 September 2010

For and on behalf of Ernst & Young LLP (Statutory Auditor)

Belfast

Date:

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Profit and loss account

for the year ended 31 December 2009

		2009	2008
•	Notes	£	£
Turnover	2	20,227,026	16,638,886
Cost of sales		(17,016,335)	(13,765,657)
Gross profit		3,210,691	2,873,229
Administrative expenses		(2,788,102)	(2,346,067)
Operating profit	3	422,589	527,162
Interest receivable	5	514	22,001
Interest payable - other		-	(7,824)
Profit on ordinary activities before taxation		423,103	541,339
Tax on profit on ordinary activities	6	(122,167)	(159,652)
Profit on ordinary activities after taxation	14	300,936	381,687
		======	=====

Statement of total recognised gains and losses

for the year ended 31 December 2009

There are no recognised gains or losses other than the profit of £300,936 attributable to the shareholders for the year ended 31 December 2009 (2008: profit of £381,687).

Balance sheet

at 31 December 2009

		2009	2008
	Notes	£	£
Fixed assets			
Tangible assets	8	243,415	210,927
Current assets			
Stocks	9	202,507	299,485
Debtors	10	2,878,743	2,489,845
Cash at bank		1,002,053	588,212
		4,083,303	3,377,542
Creditors: amounts falling due within one year	11	(3,630,726)	(2,930,983)
Net current assets		452,577	446,559
Total assets less current liabilities		695,992	657,486
Provisions for liabilities and charges		(15,070)	-
Total net assets		680,922	657,486
Capital and reserves		=======================================	======
Called up share capital	13	1,000	1,000
Profit and loss account	14	679,922	656,486
Equity shareholders' funds	14	680,922	657,486
			=======================================

The accounts have been prepared in accordance with the special provisions in section 445(3) of the Companies Act 2006 relating to medium sized companies.

Approved by the directors on 27 September 2010

DE Black Director

Cash flow statement

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Net cash inflow/(outflow) from operating activities	16(a)	999,989	545,594
Return on investment and servicing of finance Interest received Interest payable		514	22,001 (7,824)
		514	14,177
Equity dividends paid		(277,500)	(323,500)
Taxation Corporation tax paid		(230,176)	(93,112)
Capital expenditure Receipts from sales of tangible fixed assets			
Payments to acquire tangible fixed assets		(78,987)	(161,131)
		(78,987)	(161,131)
Increase in cash	16(b)	413,840	(17,972)
Reconciliation of cashflows to movement in net funds		· — —.	
		2009	2008
		£	£
Increase in cash		413,840	(17,972)
Movement in net funds relating to cash flows Other		413,840	(17,972)
Movements in net funds Net funds at 1 January		413,840 588,212	(17,972) 606,184
Net funds at 31 December		1,002,052	588,212

at 31 December 2009

1. Accounting policies

Fundamental accounting concept

The company has generated surplus cash from trading activities 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 2009.

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:

Leasehold improvements - 5 years Motor vehicles - 4-10 years Fixtures, fittings and office equipment - 4-10 years Plant and machinery - 4-10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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;

at 31 December 2009

1. Accounting policies (continued)

Deferred taxation (continued)

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.

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):

		2009	2008
		£	£
	Auditors' remuneration - audit services	21,000	18,650
	 non-audit services 	6,000	2,200
	Depreciation of owned fixed assets	46,499	24,827
	Operating lease rentals - leasehold buildings	62,260	35,223
	- plant and machinery	8,480	17,524
	- commercial vehicle	797,472	622,663
		====	====
4.	Staff costs		
		2009	2008
		£	£
	Wages and salaries	9,017,433	7,320,721
	Social security costs	917,759	749,728
	Other pension costs	148,379	130,653
		10,083,571	8,201,102

The average number of employees employed during the year was 299 (2008: 238).

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

at 31 December 2009

5.	Interest receivable		
		2009	2008
		£	£
	Bank interest receivable	514	22,001
6.	Taxation		
	(a) Tax on profit on ordinary activities		
	The tax charge is made up as follows:		
		2009	2008
		£	£
	Current tax:		
	UK corporation tax Adjustment in respect of prior periods	105,772 (37)	150,190 56
	Total current tax	105,735	150,246
	Deferred tax: Current year deferred tax charge/(credit) Adjustment in respect of prior periods	16,432	9,464 (58)
	Total deferred tax	16,432	9,406
	Total taxation charge	122,167	159,652
	(b) Factors affecting current tax charge		
	The differences are reconciled below:		
		2009	2008
		£	£
	Profit on ordinary activities before taxation	423,103	541,339
	Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 28% (2008: 28%)	118,469	151,575
	Effects of:		
	Disallowed expenses and non-taxable income (Accelerated)/decelerated capital allowances	3,735 (16,432)	5,444 (9,464)
	Marginal relief Profits charged at a higher rate Adjustments in respect of previous periods	(37)	2,635 56
		105,735	150,246
		:	

at 31 December 2009

7. Dividends

	2009 £	2008 £
Equity: 2009 Final paid: £277.50 per share 2008 Final paid: £255.00 per share	277,500	255,000
	277,500	255,000
		======

£185,000 of the 2009 dividend (2008: £170,000) was paid to ALH 86 Limited during the period, and £92,500 paid (2008: £85,000) to North Lanarkshire Council.

Fixtures,

8. Tangible fixed assets

	Leasehold improvements £	fittings, plant, machinery and office equipment £	Total £
Cost: At 1 January 2009 Additions	17,909 1,432	297,207 77,555	315,116 78,987
At 31 December 2009	19,341	374,762	394,103
Depreciation: At I January 2009 Charge for year	12,003 3,844	92,186 42,655	104,189 46,499
At 31 December 2009	15,847	134,841	150,688
Net book value: At 31 December 2009	3,494	239,921	243,415
At I January 2009	5,906	205,021	210,927

The cost of office equipment above includes assets of £17,374 which have not yet been brought into use, and thus not depreciated.

at 31 December 2009

9.	Stocks		
٥.	Otocks	2009	2008
		£	£
	Raw materials	202,507	299,485
10.	Debtors	2009	2008
		2009 £	2008 £
	Trade debtors	891,089	983,318
	Accrued income	1,830,206	1,226,559 1,362
	Deferred tax asset (note 12) Prepayments	157,448	278,606
		2,878,743	2,489,845
			=======================================
11.	Creditors: amounts falling due within one year	****	2000
		2009	2008
		£	£
	Trade creditors	2,173,487	1,920,234
	Corporation tax	25,751	150,190
	Other taxation and social security	448,825	340,327
	Accruals and deferred income	81,437	56,279
	Amounts owed to fellow subsidiary undertaking	384,390	41,260
	Amount due to North Lanarkshire Council	516,836	422,693
		3,630,726	2,930,983
40	Defermed togetion		
12.	Deferred taxation	2009	2008
		£	£
	Deferred tax (liability)/asset	(15,070)	1,362
			====
	The movement in the deferred tax asset during the year is as follows:		•
			£
	At 1 January 2009	,	1,362
	Charge for the year		(16,432)
	Adjustment to prior year credit		` , ,
	At 31 December 2009		(15,070)

at 31 December 2009

The deferred tax liability of £(15,070) in 2009 and asset of £1,362 in 2008 is included within creditors (2008-debtors), and arises in respect of capital allowances.

13. Share capital

				Authorised
			2009	2008
			£	£
Ordinary shares of £1 each			1,000	1,000
			====	
		Allotted	l, called up an	nd fully paid
		2009		2008
	No.	£	No.	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
•				

14. Reconciliation of shareholders' funds and movements on reserves

			Total
		Profit	share-
	Share	and loss	holders'
	capital	account	funds
	£	£	£
At 31 December 2008	1,000	656,486	657,486
Profit for the year	-	300,936	300,936
Less: dividends paid	-	(277,500)	(277,500)
At 31 December 2009	1,000	679,922	680,922
	=====	=====	

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 in the company.

The company provided goods and services on an arm's length basis to this shareholder totalling £13,410,258 in 2009 net of discounts and rebates (2008: £12,343,930). In addition fees were paid to NLC in respect of services received by the company totalling £547,625 in 2009 (2008: £537,231) on an arm's length basis.

During the year the company paid management fees of £309,306 (2008: £297,726) to ALH 86 Limited, a 67% shareholder. These fees were also rendered on an arm's length basis.

at 31 December 2009

16. Notes to the statement of cash flows

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

	2009	2008
	£	£
Operating profit	422,589	527,162
Depreciation charges	46,498	24,827
Decrease in stocks	96,978	(210,460)
Increase in debtors	(390,260)	(120,546)
Increase/(decrease) in creditors	824,184	324,611
Net cash inflow/(outflow) from operating activities	999,989	545,594
(b) Analysis of changes in net funds:		
As at		As at
31 December	3	1 December
2008	Cash flows	2009
£	£	£

17. Financial commitments

Cash at bank and in hand

Annual commitments under non-cancellable operating leases are as follows:

	2009	2008
	£	£
Operating leases – premises	52,021	43,058
Operating leases – plant and equipment	7,664	4,374

588,212

413,840

1,002,052

18. Ultimate parent company

The company's ultimate parent undertaking is Wallace Support Services Limited, a company incorporated in England.

The parent company of the smallest and largest group for which consolidated financial statements are prepared that include the company is Wallace Support Services Limited.

Copies of the consolidated financial statements of Wallace Support Services Limited, which include the company, can be obtained from the Company Secretary at Glenfrome House, Eastgate Road, Bristol, BS5 6XX