

Spitfire Holdings Limited

**Directors' report and consolidated
financial statements**

Registered number 06537663

For the year ended 30 September 2009

WEDNESDAY



A47 10/03/2010 166
COMPANIES HOUSE

Contents

| | |
|---|----|
| Directors' report | 1 |
| Statement of directors' responsibilities in respect of the directors' report and the financial statements | 6 |
| Independent auditors' report to the members of Spitfire Holdings Limited | 7 |
| Consolidated profit and loss account | 9 |
| Consolidated balance sheet | 10 |
| Company balance sheet | 11 |
| Consolidated cash flow statement | 12 |
| Notes | 13 |

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2009

Principal activities

The principal activity of the company is the ultimate holding company to the Bullock group of companies

The principal activity of the business and its subsidiary undertakings is that of building and renovation services, predominantly within the social housing sector. There have not been any significant changes in the group's principal activities in the period under review. The directors are not aware at the date of these financial statements of any likely major changes in the group's activities in the next year.

Business review and future developments

The directors are satisfied with the results for the year ended 30 September 2009

The market for social housing remains strong but competitive, with clients increasingly reviewing their future budgets and targets in line with their ongoing strategies. We continue to strive to deliver the best service we can and believe this is the way to win and retain customers. The business continues to grow its geographical base with the expansion into South Wales last year (Bullock Cymru) and the opening of our new regional office in the North East this year. The directors believe this broader base will produce further market opportunities for the business to develop.

As shown in the group's consolidated profit and loss account on page 9, the group has achieved increased turnover and operating profits.

The consolidated balance sheet on page 10 of the financial statements shows that the group's financial position is consistent with the growth experienced in the business over the last 12 months. The period cash balance stands at £20,453,000.

We continue to focus on people, customer care and value for money, believing that these are the areas that matter most to our clients. Our long term partnering frameworks continue to underpin the business, enabling the group to plan and train our staff for long term delivery of a high quality service.

Long term social housing partnering projects include

| | | |
|-----------------------------|-----------------------------------|-------------------------------|
| A1 Housing Bassetlaw | Housing 21 | Orbit Housing Association |
| Arena Housing Association | Incommunities Group | Plus Housing Group |
| Bassetlaw DC | Jephson Homes Housing Association | RCT Homes |
| Bromford Housing Group | Leasowe Community Homes | Rooftop Housing Group |
| Bromsgrove District Housing | Liverpool Housing Trust | Rotherham 2010 |
| Broxtowe BC | Mansfield DC | Sanctuary Housing Group |
| Cheltenham Borough Homes | Matrix Housing Partnership | Sedgefield |
| Chorley Community Housing | Newark & Sherwood DC | Shoreline Housing Partnership |
| City West Salford | North Lincolnshire Homes | Six Town Housing |
| Engage 360 | Nottingham City Homes | South Warwickshire HA |
| Gedling BC | Nuneaton & Bedworth BC | Trafford Housing Trust |
| Great Places | Oldham MBC | Wakefield DH |
| Halton Housing Trust | Optima Community Housing | Wolverhampton Homes |
| | | Wrekin Housing Trust |

Our longstanding relationship with Astra Zeneca continues to develop. We strongly support our client's lead in achieving cutting edge collaboration through alliance contracting.

Directors' report *(continued)*

Key performance indicators

The directors have established a number of key performance indicators, which they use to measure and monitor the performance of the group in a number of different areas. These measures are set out in the table below.

| | Target | 2009 | 2008 |
|----------------------------------|--------|--------|----------|
| Partnered contracts (1) | 95% | 97% | 96% |
| Customer satisfaction rating (2) | 92% | 94% | 92% |
| Accident frequency rate (3) | 0.42 | 0.39 | 0.50 |
| Training days (4) | 3 days | 3 days | 2.5 days |

Partnered contracts (1)

The percentage of work carried out in partnership with clients.

Customer satisfaction rating (2)

The customer satisfaction rating is based upon tenant satisfaction questionnaires.

Accident frequency rate (AFR) (3)

The AFR measures the number of reportable accidents. AFR is measured as follows:

$$\frac{\text{Number of reportable accidents in the previous 12 months}}{\text{Average number of employees over the previous 12 months}} \times 100,000 \text{ (The average number of hours worked by a person during their life)}$$

Training days (4)

The training days target is the average number of training days per employee.

Principal risks and uncertainties facing the group

The financial statements contain certain forward looking statements. These statements are made by the directors in good faith, based on the information available to them up to the time of approval of these financial statements. Actual results may differ to those expressed in such statements, depending on a variety of factors. These factors include customer acceptance of the group's services, levels of demand in the market, restrictions to market access, competitive pressure on pricing or additional and overall economic conditions.

A risk inherent in the construction industry occurs in the nature, timing and contractual conditions which exist at the time of contract procurement. To mitigate these risks, the group has a system of pre-contract and pre-tender risk assessment whereby senior management, including the executive directors where appropriate, review and advise on specific issues arising in the contract procurement process. The group also seeks to limit its risks by specialising in certain markets where it has extensive experience and a particular skills base.

Financial risk management

The group's operations expose it to a variety of financial risks including credit risk, liquidity risk and the effects of interest rates on loans held by the ultimate parent group.

The group's principal financial instruments comprise sterling cash and bank deposits together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the group's financial instruments can be analysed as follows:

Price risk

The group has no significant exposure to securities price risk, as it does not hold any listed equity investments.

Directors' report *(continued)*

Financial risk management *(continued)*

Foreign currency risk

The group is not exposed in its trading operations to the risk of changes in foreign currency exchange rates as all trading is within the United Kingdom

Credit risk

The group's principal assets are bank balances, cash, trade debtors and amounts recoverable on contracts ("AROC"), which represent the group's maximum exposure to credit risk in relation to financial assets

The group's credit risk is primarily attributable to its trade debtors who, predominantly being Local Authorities and Housing Associations, are considered to be low risk

The group has no significant concentration of credit risk, with exposure spread over a number of customers

Liquidity risk

The group's view is that any exposure to liquidity risk is small. The cash flow and working capital requirement of the business is strictly monitored by the management team on a regular basis, with due consideration being given to the impact of winning contracts tendered for

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a floating rate. The group's policy is to maintain other borrowings at fixed rates to fix the amount of future interest cash flows. The directors monitor the overall effect of borrowings at interest costs to limit any adverse effects on the financial performance of the group

Dividends

No dividends were paid during the year (2008: £Nil)

Directors

The directors and officers serving during the year and to the date of these financial statements are as follows

CJ Thomas

KA Cox

M Draper

C Hurley

KR Maxwell

GR Marsh

SW Daniels

PD McGrail

KJ Walker

M Pickersgill (appointed 16 January 2009)

P Hooper-Keeley (resigned 19 December 2008)

MG Cane (appointed 1 December 2009)

Employee involvement and policy

The directors recognise the need for communication with employees at every level. All employees have access to a copy of the group financial statements, which together with regular staff briefings and internal notice board statements, keep them informed of progress within the group

The group continues to be committed to the health, safety and welfare of its employees and to observe the terms of the Health & Safety at Work Act 1974 and subsequent legislation and regulations

Directors' report *(continued)*

Employee involvement and policy *(continued)*

It is the policy of the group that there shall be no discrimination or less favourable treatment of employees or job applicants in respect of race, colour, ethnic or national origins, religion, sex, disability, political beliefs or marital status. The group engages, promotes and trains staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress within the group. Full consideration will be given to suitable applications for employment from disabled persons where they have the necessary skills and abilities for that position and wherever possible to retrain employees who become disabled, so that they can continue their employment in another position.

The business has won a number of awards in relation to its diversity policies.

Safety and health policies

The group continues to strive to improve its safety, health and environmental (SHE) standards and performance. The SHE objectives set by the group were monitored regularly throughout the year and these objectives are reviewed in response to performance and changes in legislation.

All levels of management are required to undertake SHE monitoring activities, from SHE tours by directors to SHE surveys by senior managers and SHE inspections by site and workplace management.

It is the group's policy to report all accidents regardless of severity. Accident and incident reports are assessed to identify their main cause and analysed to identify trends and areas for improvement in the same way as for findings of inspections, tours and surveys.

The group recognises that effective training is important to the improvement of SHE performance. There is a regular programme of internal health and safety courses for all personnel, in addition several managers successfully completed the site Safety Management Training Scheme, a five day training course accredited and certificated by the Construction Industry Training Board.

Environmental policies

The group's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report, the group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

It is group policy to continually carry out research and develop new processes to minimise the impact of its operations on the environment.

In addition, the group is also carrying out a review in order to set targets for increased energy efficiency, reduced volumes of waste and increased levels of recycling across all areas of operations.

A key objective for the business is to obtain certification to ISO 14001.

Quality assurance

The group is committed to the achievement of quality. It operates a quality management system which complies with the requirements of BS EN ISO 9001:1994 and is audited on a continuing basis by BM Trada.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the group's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Directors' report *(continued)*

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office

Approved by the board of directors on 27 January 2010 and signed on its behalf by



KR Maxwell
Director

Northgate
Aldridge
Walsall
West Midlands
WS9 8TU

27 January 2010

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Group law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under group 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 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 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 group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities



KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditors' report to the members of Spitfire Holdings Limited

We have audited the financial statements of Spitfire Holdings Limited for the year ended 30 September 2009 set out on pages 9 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the group'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 group'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 group and the group'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 set out on page 6, 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 state of affairs as at 30 September 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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 Spitfire Holdings Limited *(continued)*

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

Wayne Cox
Senior Statutory Auditor
for and on behalf of KPMG LLP Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

27 January 2010

Consolidated profit and loss account
for the year ended 30 September 2009

| | <i>Note</i> | Year ended 30 September 2009 £000 | Six months ended 30 September 2008 £000 |
|--|-------------|--|--|
| Turnover | <i>1</i> | 191,441 | 96,345 |
| Cost of sales | | (169,930) | (85,556) |
| | | <hr/> | <hr/> |
| Gross profit | | 21,511 | 10,789 |
| Administrative expenses | | (4,084) | (1,741) |
| Goodwill amortisation | | (3,992) | (1,995) |
| | | <hr/> | <hr/> |
| Operating profit | <i>2</i> | 13,435 | 7,053 |
| Interest receivable and similar income | <i>5</i> | 98 | 204 |
| Interest payable and similar charges | <i>6</i> | (10,386) | (5,135) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 3,147 | 2,122 |
| Taxation | <i>7</i> | (2,523) | (1,744) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation and for the financial year | <i>17</i> | 624 | 378 |
| | | <hr/> | <hr/> |

All the group's activities are derived from continuing operations

The group has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented

Consolidated balance sheet
at 30 September 2009

| | <i>Note</i> | 2009 £000 | 2008 £000 |
|---|-------------|----------------------------|----------------------------|
| Fixed assets | | | |
| Intangible assets | 8 | 113,539 | 117,222 |
| Tangible assets | 9 | 30 | 61 |
| | | 113,569 | 117,283 |
| Current assets | | | |
| Debtors | 11 | 19,124 | 19,402 |
| Cash at bank and in hand | | 20,453 | 11,459 |
| | | 39,577 | 30,861 |
| Creditors Amounts falling due within one year | 12 | (52,393) | (44,495) |
| Net current liabilities | | (12,816) | (13,634) |
| Total assets less current liabilities | | 100,753 | 103,649 |
| Creditors Amounts falling due after more than one year | 13 | (99,208) | (102,713) |
| Net assets | | 1,545 | 936 |
| Capital and reserves | | | |
| Called up share capital | 16 | 246 | 246 |
| Share premium account | 17 | 312 | 312 |
| Own shares | 17 | (15) | - |
| Profit and loss account | 18 | 1,002 | 378 |
| Equity shareholders' funds | 19 | 1,545 | 936 |

These financial statements were approved by the board of directors on 27 January 2010 and were signed on its behalf by



KA Cox
Director

Company number 06537663

Company balance sheet
at 30 September 2009

| | <i>Note</i> | 2009 £000 | £000 | 2008 £000 | £000 |
|--|-------------|----------------------------|-------------|----------------------------|-------------|
| Fixed assets | | | | | |
| Investments | <i>10</i> | | 1 | | 1 |
| Current assets | | | | | |
| Debtors | <i>11</i> | 594 | | 572 | |
| Cash at bank | | - | | 1 | |
| | | 594 | | 573 | |
| Creditors Amounts falling due within one year | <i>12</i> | (43) | | - | |
| Net current assets | | | 551 | | 573 |
| Total assets less current liabilities | | | 552 | | 574 |
| Creditors: Amounts falling due after more than one year | <i>13</i> | | - | | - |
| Net assets | | | 552 | | 574 |
| Capital and reserves | | | | | |
| Called up share capital | <i>16</i> | | 246 | | 246 |
| Share premium account | <i>17</i> | | 312 | | 312 |
| Own shares | <i>17</i> | | (15) | | - |
| Profit and loss account | <i>18</i> | | 9 | | 16 |
| Equity shareholders' funds | <i>19</i> | | 552 | | 574 |

These financial statements were approved by the board of directors on 27 January 2010 and were signed on its behalf by



KA Cox
Director

Company number 06537663

Consolidated cash flow statement
for the year ended 30 September 2009

| | <i>Note</i> | Year ended 30 September 2009 £000 | Six months ended 30 September 2008 £000 |
|---|-------------|--|---|
| Net cash inflow from operating activities | <i>21</i> | 21,357 | 5,257 |
| Returns on investment and servicing of finance | | | |
| Interest received | | 98 | 204 |
| Interest paid and similar charges | | (5,328) | (2,497) |
| Finance cost on new borrowings | | - | (3,366) |
| Net cash outflow from returns on investment and servicing of finance | | (5,230) | (5,659) |
| Taxation paid | | | |
| UK corporation tax | | (3,001) | (2,017) |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | (20) | - |
| Acquisitions and disposals | | | |
| Payments to acquire subsidiary undertaking | | - | (110,611) |
| Cash acquired with subsidiary | | - | 16,898 |
| | | - | (93,713) |
| Cash inflow/(outflow) before financing | | 13,106 | (96,132) |
| Financing | | | |
| Advance of loan | | - | 65,000 |
| Loan notes | | - | 47,283 |
| Capital repayments on loans | | (4,112) | (5,250) |
| Issue of new share capital | | - | 558 |
| | | (4,112) | 107,591 |
| Increase in cash | | 8,994 | 11,459 |

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been presented.

The financial statements have been prepared on the going concern basis, notwithstanding the group's net current liabilities, which the directors believe to be appropriate for the following reasons:

The directors have prepared projected cash flow forecasts for the period to 30 September 2011. These forecasts reflect the Directors' best estimates as to future income and expenditure. After reviewing the cash flow projections, the directors are of the opinion that the group and the company will have sufficient funds to meet its working capital requirements and other debts as they fall due. The cash flow forecasts also confirm that all financial covenants are expected to be satisfied throughout the period under review.

Based on these forecasts the directors believe that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiary undertakings at 30 September 2009 using the acquisition accounting basis. The results of subsidiary undertakings acquired or disposed of during a financial period are included from, or up to, the effective date of acquisition or disposal.

Turnover

Turnover represents sales, excluding value added tax, for work completed and labour and materials supplied during the year and the value of work executed during the year on long term contracts. In the case of long term contracts, turnover represents the sales value of work done during the year, including estimates in respect of amounts not invoiced. All turnover relates to trade conducted in the UK.

Investments

Investments in subsidiaries and participating interests are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount. Other investments are stated at cost less any provision for permanent diminution in value. Cost is purchase price including acquisition expenses, but excluding any payment for accrued interest or fixed dividend entitlement.

Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill relating to acquisitions is shown in the balance sheet as an asset and is amortised evenly over its estimated useful economic life of 30 years.

The length of amortisation reflects the durability of the business that has traded for over 50 years and undertakes long term contracts for stable local authorities and housing associations whose housing stock will need continuous maintenance over many decades.

In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. The principal annual rates for other assets are:

| | | |
|------------------------------------|---|---------------|
| Leasehold improvements – buildings | - | 3 years |
| Plant and machinery | - | 3 to 10 years |
| Computer equipment | - | 2 to 7 years |

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the terms of the leases.

Finance costs

Financing costs are accounted for in accordance with FRS 4 "Capital instruments" and are written off over the life of the financing to which they relate. The balance at the end of the period is set against the outstanding liability.

Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Own shares held by Employee benefit trust

Transactions of the Company-sponsored employee benefit trust are treated as being those of the Company and are therefore reflected in the parent company and group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

Notes (continued)

2 Operating profit

| | Year ended 30 September 2009 | Six months ended 30 September 2008 |
|---|------------------------------------|---|
| | £000 | £000 |
| <i>Operating profit is stated after charging</i> | | |
| Depreciation | 51 | 37 |
| Amortisation of goodwill | 3,992 | 1,995 |
| Hire of plant and machinery | 2,991 | 1,165 |
| Operating lease rental | | |
| Plant and machinery | 279 | 452 |
| Other | 211 | 93 |
| | <u> </u> | <u> </u> |
| <i>Auditors' remuneration</i> | | |
| Audit of these financial statements | 6 | 6 |
| Audit of financial statements of subsidiaries pursuant to legislation | 29 | 15 |
| Other services relating to taxation | 13 | 13 |
| | <u> </u> | <u> </u> |

3 Remuneration of directors

| | Year ended 30 September 2009 | Six months ended 30 September 2008 |
|--|------------------------------------|---|
| | £000 | £000 |
| Emoluments | 1,001 | 319 |
| Group contributions to group defined contribution pension scheme | 59 | 28 |
| Compensation for loss of office | 43 | - |
| | <u> </u> | <u> </u> |
| | 1,103 | 347 |
| | <u> </u> | <u> </u> |

During the year, 6 directors were members of the group defined contribution pension scheme (2008 6 directors)

Highest paid director

| | £000 | £000 |
|--|-------------------|-------------------|
| Emoluments | 232 | 206 |
| Group contributions to group defined contribution pension scheme | 16 | 12 |
| | <u> </u> | <u> </u> |
| | 248 | 218 |
| | <u> </u> | <u> </u> |

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year was as follows

| | Year ended 30 September 2009 | Number of employees Six months ended 30 September 2008 |
|----------------|------------------------------------|--|
| Administration | 35 | 34 |
| Production | 617 | 597 |
| Sales | 3 | 3 |
| | <u>655</u> | <u>634</u> |

The aggregate payroll costs of these persons were as follows

| | £000 | £000 |
|-----------------------|---------------|--------------|
| Wages and salaries | 17,749 | 8,135 |
| Social security costs | 1,970 | 913 |
| Other pension costs | 612 | 274 |
| | <u>20,331</u> | <u>9,322</u> |

5 Interest receivable and similar income

| | Year ended 30 September 2009 | Six months ended 30 September 2008 |
|---------------|------------------------------------|---|
| | £000 | £000 |
| Bank interest | <u>98</u> | <u>204</u> |

6 Interest payable and similar charges

| | Year ended 30 September 2009 | Six months ended 30 September 2008 |
|-----------------------------------|------------------------------------|---|
| | £000 | £000 |
| Bank interest and similar charges | 119 | 62 |
| Loan interest | | |
| Bank loans | 4,684 | 2,435 |
| Loan notes | 5,116 | 2,410 |
| Finance cost amortisation | 457 | 228 |
| Other interest | 10 | - |
| | <u>10,386</u> | <u>5,135</u> |

Notes (continued)

7 Taxation

Analysis of charge in year

| | Year ended 30 September 2009 | | Six months ended 30 September 2008 | |
|--|------------------------------------|-------|---|-------|
| | £000 | £000 | £000 | £000 |
| <i>UK corporation tax</i> | | | | |
| Current tax on income for the year | 2,467 | | 1,743 | |
| Total current tax | | 2,467 | | 1,743 |
| <i>Deferred tax (see note 15)</i> | | | | |
| Origination/reversal of timing differences | 56 | | (6) | |
| Effect of increased/decreased tax rate | - | | 7 | |
| Total deferred tax | | 56 | | 1 |
| Tax on profit on ordinary activities | | 2,523 | | 1,744 |

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2008 higher) than the standard rate of corporation tax in the UK (28% (2008 29%)). The differences are explained below

| | Year ended 30 September 2009 | Six months ended 30 September 2008 |
|--|------------------------------------|---|
| | £000 | £000 |
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 3,147 | 2,122 |
| Current tax at 28% (2008 29%) | 881 | 615 |
| <i>Effects of</i> | | |
| Transfer pricing adjustment | 692 | 517 |
| Amortisation of goodwill | 1,118 | 579 |
| Depreciation on ineligible | 8 | 15 |
| Non-deductible expenditure | 50 | 11 |
| Accelerated capital allowances | (2) | 1 |
| Other short term timing differences | (14) | 5 |
| Adjustments in respect of prior year | (266) | - |
| Total current tax charge (see above) | 2,467 | 1,743 |

Notes (continued)

8 Intangible assets

| | Goodwill £000 |
|-----------------------|-------------------------|
| <i>Cost</i> | |
| At beginning of year | 119,217 |
| Additions | 309 |
| | <hr/> |
| At end of year | 119,526 |
| | <hr/> |
| <i>Amortisation</i> | |
| At beginning of year | 1,995 |
| Charged in the year | 3,992 |
| | <hr/> |
| At end of year | 5,987 |
| | <hr/> |
| <i>Net book value</i> | |
| At 30 September 2009 | 113,539 |
| | <hr/> |
| At 30 September 2008 | 117,222 |
| | <hr/> |

Acquisition of subsidiary undertaking

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill relating to acquisitions is shown in the balance sheet as an asset and is amortised evenly over its estimated useful economic life of 30 years.

The length of amortisation reflects the durability of the business that has traded for over 50 years and undertakes long term contracts for stable local authorities and housing associations whose housing stock will need continuous maintenance over many decades.

In addition to systematic amortisation, the book value is written down to the recoverable amount when any impairment is identified.

Notes (continued)

8 Intangible assets (continued)

Acquisition of subsidiary undertaking (continued)

The following table sets out the book value and fair values of the identifiable assets and liabilities acquired in the prior year

| | Book value | Provisional fair value adjustments | Provisional fair value September 2008 | Subsequent fair value adjustments | Fair value September 2009 |
|---------------------------------|-----------------|--|--|---|---------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Fixed assets | 98 | - | 98 | - | 98 |
| Trade debtors | 16,272 | (1,500) | 14,772 | - | 14,772 |
| Prepayments | 330 | - | 330 | - | 330 |
| Deferred tax | 104 | - | 104 | - | 104 |
| Cash at bank and in hand | 16,898 | - | 16,898 | - | 16,898 |
| Total assets | 33,702 | (1,500) | 32,202 | - | 32,202 |
| Trade creditors | (10,658) | - | (10,658) | (429) | (11,087) |
| Other creditors | (5,916) | - | (5,916) | - | (5,916) |
| Corporation tax payable | (2,447) | 580 | (1,867) | 120 | (1,747) |
| Accruals | (21,867) | (500) | (22,367) | - | (22,367) |
| Total liabilities | (40,888) | 80 | (40,808) | (309) | (41,117) |
| Net liabilities acquired | (7,186) | (1,420) | (8,606) | (309) | (8,915) |
| Goodwill arising | | | | | 119,526 |
| Consideration | | | | | 110,611 |
| <i>Satisfied by</i> | | | | | |
| Cash | | | | | 63,369 |
| Issue of loan notes | | | | | 46,483 |
| Acquisition expenses | | | | | 759 |
| | | | | | 110,611 |

The provisional fair value adjustments represent provisions for losses on contracts in progress as at the date of acquisition of £1.5 million and provisions for property dilapidations of £0.5 million

The subsequent fair value adjustments of £429,000 represent additional losses on contracts in progress as at the date of acquisition

Notes (continued)

9 Group tangible assets

| | Plant and machinery £000 | Office equipment £000 | Total £000 |
|-----------------------|--------------------------------|-----------------------------|---------------|
| Cost | | | |
| At beginning of year | 375 | 119 | 494 |
| Additions | - | 20 | 20 |
| Disposals | (28) | - | (28) |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 347 | 139 | 486 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation | | | |
| At beginning of year | 338 | 95 | 433 |
| Charge for the year | 33 | 18 | 51 |
| Disposals | (28) | - | (28) |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 343 | 113 | 456 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 30 September 2009 | 4 | 26 | 30 |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 2008 | 37 | 24 | 61 |
| | <hr/> | <hr/> | <hr/> |

The company does not have any tangible fixed assets

10 Investments

Company

| | Subsidiary undertaking £000 |
|--------------------------------|-----------------------------------|
| Cost and net book value | |
| At 30 September 2009 and 2008 | 1 |
| | <hr/> |

Group undertakings

Shares in group undertakings, which are held directly and indirectly by the company, comprise the following

| | Interest in ordinary shares and voting rights | Country of incorporation | Principal activity |
|--------------------------------|---|--------------------------|-------------------------------------|
| Spitfire Bidco Limited | 100% | England | Holding company |
| Spitfire Trustee Limited | 100% | England | Dormant (Employee benefit trust) |
| DTB Holdings Limited* | 100% | England | Holding company |
| Bullock Construction Limited** | 100% | England | Construction |
| Bullock Limited** | 100% | England | Dormant |
| Whittaker Ellis Limited*** | 100% | England | Dormant |

*Owned by Spitfire Bidco Limited

**Owned by DTB Holdings Limited

***Owned by Bullock Construction Limited

Notes (continued)

11 Debtors

| | 2009 Group £000 | Company £000 | 2008 Group £000 | Company £000 |
|------------------------------------|-----------------------|-----------------|-----------------------|-----------------|
| Trade debtors | 169 | - | 282 | - |
| Amounts recoverable on contracts | 18,723 | - | 18,905 | - |
| Amounts owed by group undertakings | - | 580 | - | 572 |
| Other debtors | 35 | - | 39 | - |
| Prepayments and accrued income | 150 | - | 73 | - |
| Deferred tax | 47 | - | 103 | - |
| Corporation tax | - | 14 | - | - |
| | <u>19,124</u> | <u>594</u> | <u>19,402</u> | <u>572</u> |

12 Creditors: Amounts falling due within one year

| | 2009 Group £000 | Company 2009 £000 | 2008 Group £000 | Company 2008 £000 |
|------------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Bank loan and overdraft | 8,483 | 1 | 4,088 | - |
| Payments received on account | 2,688 | - | 993 | - |
| Trade creditors | 10,276 | - | 10,752 | - |
| Amounts owed to group undertakings | - | 19 | - | - |
| Other taxation and social security | 1,675 | - | 1,422 | - |
| Corporation tax | 937 | - | 1,593 | - |
| Other creditors | 1,467 | - | 1,829 | - |
| Accruals and deferred income | 27,324 | - | 24,275 | - |
| Unamortised finance cost | (457) | 23 | (457) | - |
| | <u>52,393</u> | <u>43</u> | <u>44,495</u> | <u>-</u> |

13 Creditors: Amounts falling due after more than one year

| | 2009 Group £000 | Company 2009 £000 | 2008 Group £000 | Company 2008 £000 |
|---|-----------------------|-------------------------|-----------------------|-------------------------|
| Bank loans | 47,155 | - | 55,662 | - |
| 2016 10% unsecured loan notes (note 25) | 54,277 | - | 49,732 | - |
| Unamortised finance cost | (2,224) | - | (2,681) | - |
| | <u>99,208</u> | <u>-</u> | <u>102,713</u> | <u>-</u> |

Notes (continued)

14 Borrowings

| | 2009 £000 | 2008 £000 |
|---|----------------|----------------|
| Due within one year | | |
| Bank loans | 8,483 | 4,088 |
| Unamortised finance cost | (457) | (457) |
| | <u>8,026</u> | <u>3,631</u> |
| Due after more than one year | | |
| Bank loans | 47,155 | 55,662 |
| 2016 10% unsecured loan notes (note 25) | 54,277 | 49,732 |
| Unamortised finance cost | (2,224) | (2,681) |
| | <u>99,208</u> | <u>102,713</u> |
| Repayable | | |
| Due within one year | 8,483 | 4,088 |
| Between one and two years | 4,533 | 4,088 |
| Between two and five years | 13,599 | 15,015 |
| After five years | 83,300 | 86,291 |
| Unamortised finance costs | (2,681) | (3,138) |
| | <u>107,234</u> | <u>106,344</u> |

Bank loans are secured by a fixed and floating charge over the group's assets. Interest is charged at rates of between 2.5% and 3.5% above LIBOR and is due to be repaid by 31 March 2016.

The loan notes are unsecured and are repayable on 3 April 2016.

The group has a hedging arrangement which caps LIBOR at 5.13% for the following amounts:

- £55,250,000 until 30 June 2011
- £18,785,000 from 30 June 2011 until 30 June 2012

The market value at 30 September was an unrecognised liability of £3,732,000.

15 Deferred taxation

| | 2009 Group 2009 £000 | Company 2009 £000 | 2008 Group 2008 £000 | Company 2008 £000 |
|--|-------------------------------|-------------------------|-------------------------------|-------------------------|
| At 1 October | 103 | - | - | - |
| Acquired | - | - | 104 | - |
| Net (reversal)/origination of timing differences | (56) | - | 6 | - |
| Effect of law changes | - | - | (7) | - |
| | <u>47</u> | <u>-</u> | <u>103</u> | <u>-</u> |

Notes (continued)

15 Deferred taxation (continued)

Deferred taxation comprises

| | 2009 Group 2009 £000 | Company 2009 £000 | 2008 Group 2008 £000 | Company 2008 £000 |
|--------------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|
| Accelerated capital allowances | 10 | - | 13 | - |
| Short term timing differences | 37 | - | 90 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Assets/(liabilities) | 47 | - | 103 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

16 Share capital

Group and company

| | 2009 £000 | 2008 £000 |
|---|--------------|--------------|
| <i>Authorised</i> | | |
| 200,000 "A" ordinary shares of £1 each | 200 | 200 |
| 300,000 "B" ordinary shares of £0.001 each | - | - |
| 46,267,517 "C" ordinary shares of £0.001 each | 46 | 46 |
| | <hr/> | <hr/> |
| | 246 | 246 |
| | <hr/> | <hr/> |
| <i>Allotted and fully paid</i> | | |
| 200,000 "A" ordinary shares of £1 each | 200 | 200 |
| 300,000 "B" ordinary shares of £0.001 each | - | - |
| 46,267,517 "C" ordinary shares of £0.001 each | 46 | 46 |
| | <hr/> | <hr/> |
| | 246 | 246 |
| | <hr/> | <hr/> |

The "A", "B" and "C" ordinary shares confer the same rights and obligations on the holders and rank *pari passu* on the winding up of the company.

Notes (continued)

17 Share premium and other reserves

Group and Company

| | 2009 £000 | 2008 £000 |
|--|--------------|--------------|
| Share premium: | | |
| 200,000 'A' ordinary shares of £0.1375 each | 27 | 27 |
| 285,000 'B' ordinary shares of £0.999 each | 285 | 285 |
| | <u>312</u> | <u>312</u> |
| | £000 | £000 |
| Own shares held by EBT. | | |
| At beginning of year | - | - |
| Consideration paid for the purchase of own shares by EBT | (15) | - |
| | <u>(15)</u> | <u>-</u> |
| At end of year | <u>(15)</u> | <u>-</u> |

The company sponsors an Employee Benefit Trust in which it holds the shares required to settle awards granted under equity-settled share based payment plans. The Trust has acquired the shares required to settle the awards from the market at the date of the grant.

18 Profit and loss account

| | 2009 Group 2009 £000 | Company 2009 £000 | 2008 Group 2008 £000 | Company 2008 £000 |
|----------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|
| At beginning of year | 378 | 16 | - | - |
| Profit for the year | 624 | (7) | 378 | 16 |
| | <u>1,002</u> | <u>9</u> | <u>378</u> | <u>16</u> |
| At end of year | <u>1,002</u> | <u>9</u> | <u>378</u> | <u>16</u> |

Notes (continued)

19 Equity shareholders' funds

| | 2009 Group 2009 £000 | Company 2009 £000 | 2008 Group 2008 £000 | Company 2008 £000 |
|------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|
| At beginning of year | 936 | 574 | - | - |
| Issue of share capital | - | - | 558 | 558 |
| Profit for the year | 624 | (7) | 378 | 16 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 1,560 | 567 | 936 | 574 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

20 Financial commitments

The group and company had no capital commitments at the year end

Operating lease commitments

| | 2009 Group 2009 £000 | Company 2009 £000 | 2008 Group 2008 £000 | Company 2008 £000 |
|------------------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|
| Land and buildings leases expiring | | | | |
| Within one year | - | - | - | - |
| In one to five years | - | - | - | - |
| After five years | 195 | - | 151 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 195 | - | 151 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Other leases expiring | | | | |
| Within one year | 3 | - | 21 | - |
| In one to five years | 173 | - | 252 | - |
| After five years | 77 | - | 15 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 253 | - | 288 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

21 Reconciliation of operating profit to net cash inflow from operating activities

| | 2009 £000 | 2008 £000 |
|-----------------------|--------------|--------------|
| Operating profit | 13,435 | 7,053 |
| Depreciation | 51 | 37 |
| Goodwill amortisation | 3,992 | 1,995 |
| Increase in debtors | 207 | (4,196) |
| Increase in creditors | 3,672 | 368 |
| | <hr/> | <hr/> |
| | 21,357 | 5,257 |
| | <hr/> | <hr/> |

Notes (continued)

22 Reconciliation of net cash flow to movement in net debt

| | 2009 £000 | 2008 £000 |
|--|--------------|--------------|
| Increase in cash in the year | 8,994 | 11,459 |
| Cash outflow/(inflow) from decrease/(increase) in debt financing | 4,112 | (107,033) |
| Accrued loan interest capitalised | (4,545) | (2,449) |
| | <hr/> | <hr/> |
| Movement in net debt in the year | 8,561 | (98,023) |
| Net debt at beginning of year | (98,023) | - |
| | <hr/> | <hr/> |
| Net debt at end of year | (89,462) | (98,023) |
| | <hr/> | <hr/> |

23 Analysis of net debt

| | At 30 September 2008 £000 | Cash flow £000 | Other non- cash changes £000 | At 30 September 2009 £000 |
|--------------------------|---------------------------------|-------------------|------------------------------------|---------------------------------|
| Cash at bank and in hand | 11,459 | 8,994 | - | 20,453 |
| Debt due | | | | |
| Within one year | (4,088) | - | (4,395) | (8,483) |
| After one year | (105,394) | 4,112 | (150) | (101,432) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | (98,023) | 13,106 | (4,545) | (89,462) |
| | <hr/> | <hr/> | <hr/> | <hr/> |

24 Guarantees and other financial commitments

Under the terms of the company's banking agreements on the group overdraft facility, security has been granted over the company's assets to the group's bankers

The group has, in the normal course of business, entered into a counter indemnity in respect of performance bonds entered into on its own contracts totalling £7,096,934 (2008 £7,364,274)

25 Related party transactions

The company issued loan notes during the prior year to certain directors. The amount outstanding and interest accrued on these notes at the balance sheet date is as follows

| | 2009 Amount outstanding £ | Interest accrued £ | 2008 Amount Outstanding £ | Interest accrued £ |
|------------|------------------------------------|--------------------------|------------------------------------|--------------------------|
| KA Cox | 1,003,596 | 159,803 | 1,003,596 | 50,807 |
| KR Maxwell | 1,254,495 | 199,751 | 1,254,495 | 63,509 |
| SW Daniels | 1,254,495 | 199,751 | 1,254,495 | 63,509 |
| PD McGrail | 1,254,495 | 199,751 | 1,254,495 | 63,509 |
| KJ Walker | 1,254,495 | 199,751 | 1,254,495 | 63,509 |