

Salisbury Engineering and Compliance Limited

Registered No: 09351857

Report and Financial Statements

31 December 2017

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COMPANIES HOUSE

Directors

S Jones
M Smith
E Swales
M Wilson

Secretary

M Wilson

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Registered Office

Cambridge House
47 Clarendon Road
Watford
WD17 1HP

Strategic report

The Directors present their Strategic report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 December 2017.

Review of business

The Company was incorporated on 11 December 2014 and is a majority owned subsidiary of Mapeley Limited, providing maintenance works and facilities management monitoring services within the outsourcing operations of the Mapeley Limited group. During the year to 31 December 2017 the Company derived the majority of its income from a fellow group undertaking, Salisbury Workplace Services Limited (formerly Salisbury FM Limited), who ultimately derived the vast majority of its income from HMRC.

As shown in the Company's income statement for the year ended 31 December 2017 on page 10, the Company's revenue was £12,689,000 (2016: £13,431,000), cost of sales was £10,964,000 (2016: £12,530,000) and the Company incurred a loss before tax of £7,000 (2016: profit of £6,000).

On 31 December 2017, the Company sold its trade and assets to Salisbury Workplace Services Limited for £1. The balance sheet on page 12 shows the financial position at 31 December 2017. The Company has net current assets of £nil (2016: £3,280,000) and net assets of £nil (2016: £7,000). The result for the year and the financial position as at 31 December 2017 were considered satisfactory by the Directors.

Key performance indicators

The Company measures its performance based on its revenue, operating profit and (loss)/profit before tax.

	2017	2016
Revenue (£000)	12,689	13,431
Operating profit (£000)	1,725	901
(LBT)/PBT (£000)	(7)	6

Principal risks and uncertainties

The Company is a majority owned subsidiary of Mapeley Limited and operates within the outsourcing business segment of the Mapeley Limited group (Mapeley Limited and its subsidiaries). Risk management is undertaken at the Mapeley Limited group level and details are based upon three principles. Business risks are identified, quantified, prioritised and managed to an acceptable level. An adequate and effective system of internal control is established and maintained. The system of internal control is reviewed regularly resulting in specific actions to improve risk management.

Specific risks to this company are as follows:

Service level: The Company is required to provide facilities management services to its customer. The Company is exposed to performance penalties if the Company does not deliver the contracted services to the required standard. In order to manage this risk the Company has developed robust systems in order to measure performance against the contractual requirements, these systems are reviewed by senior management on a regular basis and, where required, updated and improved.

Credit risk: The Company is reliant on one major customer, who is ultimately reliant on HMRC for the majority of its revenue. The Company is exposed to any changes in the creditworthiness of these parties. In the year to 31 December 2017 HMRC was rated AA by Standard and Poor's long term rating.

Prevailing market conditions: The Company is reliant on one major customer, who is ultimately reliant on HMRC for the majority of its total revenue. The Company maintains rigorous financial models to forecast the future earnings.

Further details on the Company's financial risk management policies are set out in note 13 to the financial statements.

Strategic report (continued)

Going concern

The balance sheet as at the year end showed net assets of £nil and net current assets of £nil. On 31 December 2017 the Company sold its trade and assets to a fellow group undertaking, Salisbury Workplace Services Limited, for £1 and as a result the Company is expected to be dormant in future years.

The Directors have reviewed the forecast cash flows of the Company and are satisfied that the Company will be able to meet its obligations as they fall due for at least the next 12 months from the date of approval of the Company's 31 December 2017 balance sheet.

As a result of the above confirmation received by the Company, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

By order of the board



S Jones

4 June 2018

Directors' report

The Directors present their annual report with the accounts of the Company for the year ended 31 December 2017.

Principal activities

The Company is a wholly owned subsidiary of Salisbury Holdings Limited. It provides maintenance services and facilities management operating services.

Principal risks and uncertainties

The details of the Company's financial risks and uncertainties are set out in the Strategic report on page 2.

Results and dividends

The income statement for the year ended 31 December 2017 is set out on page 10. The result for the year and the financial position at the year end were considered satisfactory by the Directors. The loss for the year after taxation was £7,000.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: £nil).

Directors

The Directors who served during the year were as follows:

S Jones
M Smith
E Swales
M Wilson

None of the Directors held any interest in the shares of the Company at any time during the year.

Debt financing

Information on the Company's borrowings and financial risk management objectives and policies is set out in note 13 to the financial statements.

Political and charitable donations

The Company did not make any political or charitable donations during the year to 31 December 2017 (2016: £nil).

Environmental policy

The Company adheres to the environmental policy of the Mapeley Limited group of companies. The Company is committed to the identification of all areas of environmental impact. The Company will strive to minimise or prevent any negative environmental impact from its activities.

Directors' liability insurance

The Mapeley Limited group of companies holds Directors' liability insurance with XL Insurance Company SE.

Events after the balance sheet date

Events after the balance sheet date are set out in note 15 of these financial statements.


Directors' report (continued)

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 Company's auditors are unaware; and
- each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the board of Directors and signed on their behalf



S. Jones
Director

6 June 2018

Statement of Directors' responsibilities

Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS's as adopted by European Union; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the shareholders of Salisbury Engineering and Compliance Limited

Opinion

We have audited the financial statements of Salisbury Engineering and Compliance Limited ("the Company") for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the shareholders of Salisbury Engineering and Compliance Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report to the shareholders of Salisbury Engineering and Compliance Limited (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

BDO LLP

Geraint Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 4 June 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

for the year to 31 December 2017

	Note	2017 £000	2016 £000
Revenue		12,689	13,431
Net contract and related income		<u>12,689</u>	<u>13,431</u>
Cost of sales		(10,964)	(12,530)
Operating profit		<u>1,725</u>	<u>901</u>
Administrative expenses		(1,732)	(895)
(Loss) / profit before tax	3	<u>(7)</u>	<u>6</u>
Corporation tax	5	-	-
(Loss) / profit for the year attributable to equity holders of the Company		<u><u>(7)</u></u>	<u><u>6</u></u>

Statement of Comprehensive Income

for the year ended 31 December 2017

There is no other Comprehensive Income in the current or preceding year; the total Comprehensive Income is represented by the loss for the year.

Statement of Changes in Equity

for the year ended 31 December 2017

	Issued capital £000	Retained profits £000	Total Equity £000
At 1 January 2017	-	7	7
Loss for the year	-	(7)	(7)
At 31 December 2017	-	-	-


	Issued capital £000	Retained profits £000	Total Equity £000
At 1 January 2016	-	1	1
Profit for the year	-	6	6
At 31 December 2016	-	7	7

Balance Sheet - at 31 December 2017

Registered number: 09351857

	Note	2017 £000	2016 £000
ASSETS			
<i>Non-current assets</i>			
Mobilisation costs	6	-	201
Total non-current assets		-	201
<i>Current assets</i>			
Trade and other receivables	7	-	6,310
Cash and short term deposits	8	-	714
Total current assets		-	7,024
TOTAL ASSETS		-	7,225
EQUITY AND LIABILITIES			
<i>Equity attributable to equity holders of Salisbury Engineering and Compliance Limited</i>			
Share capital	11	-	-
Retained profits		-	7
Total equity		-	7
<i>Non-current liabilities</i>			
Provisions	10	-	3,474
Total non-current liabilities		-	3,474
<i>Current liabilities</i>			
Trade and other payables	9	-	2,994
Provisions	10	-	750
Total current liabilities		-	3,744
TOTAL EQUITY AND LIABILITIES		-	7,225

Approved by the Board of Directors on 6 June 2018 and signed on its behalf by:


S. Jones
Director

Statement of Cash Flows

for the year ended 31 December 2017

	Note	2017 £000	2016 £000
<i>Cash flows from operating activities</i>			
(Loss) / profit before tax		(7)	6
<i>Adjustment for:</i>			
Amortisation of mobilisation costs		212	51
Operating profit before changes in working capital		205	57
Decrease / (increase) in trade and other receivables		6,310	(1,190)
(Decrease) / increase in trade and other payables		(2,994)	2,163
Decrease in provisions		(4,224)	(736)
Cash (used in) / generated from operating activities		(703)	294
<i>Cash flows from investing activities</i>			
Mobilisation cost additions		(11)	(252)
Net cash outflows from investing activities		(11)	(252)
Net (decrease) / increase in cash and short-term deposits		(714)	42
Cash and short-term deposits at 1 January	8	714	672
Cash and short-term deposits at 31 December	8	-	714

Notes to the audited financial statements

for the year ended 31 December 2017

1. General information

The address of the Company's registered office and the principal activities of the Company are set out on page 1 and the Directors' report on page 4.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union ("IFRS") on the historical cost basis. The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated. The functional and reporting currency of the Company is pounds sterling.

Going Concern

The balance sheet as at the year end showed net assets of £nil and net current assets of £nil. On 31 December 2017 the Company sold its trade and assets to a fellow group undertaking, Salisbury Workplace Services Limited, for £1 and as a result the Company is expected to be dormant in future years.

The Directors have reviewed the forecast cash flows of the Company and are satisfied that the Company will be able to meet its obligations as they fall due for at least the next 12 months from the date of approval of the Company's 31 December 2017 balance sheet.

As a result of the above confirmation received by the Company, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Statement of compliance

The financial statements of Salisbury Engineering and Compliance Limited have been prepared in accordance with IFRS as it applies for to the financial statements of the Company for the year ended 31 December 2017. In preparing the annual financial statements, the accounting principles applied reflect the amendments to IFRS and the adoption of those new IFRSs which have become effective since 1 January 2017 as described below.

IFRS amendments effective in 2017

The principal accounting policies are described in note 2.2 and are consistent with the 2016 annual financial statements, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year. A number of new and amended financial reporting standards have become effective since 1 January 2017. None of these new standards have had a material impact on the financial statements of the Company.

Standards and interpretations in issue but not yet effective

Further new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2018; these have not been applied in preparing these financial statements. None of these standards is expected to have a significant effect on the financial statements of the Company, except the following as set out below:

- IFRS 9: Financial Instruments (effective 1 January 2018);
- IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018) and
- IFRS 16: Leases (effective 1 January 2019).

The Directors are still assessing whether the adoption of these standards and interpretations will have a material impact on the Company's financial statements in the period of initial application, other than on presentation and disclosure.

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

2.2 Summary of significant accounting policies

A summary of the significant accounting policies is set out below. These have been applied consistently in the current and preceding financial year.

Revenue

Revenue recognised in the income statement represents amounts receivable in respect of income under service contracts, net of VAT. The Company has a single business segment, facilities management, and operates in a single geographical market, the UK.

Contractual revenue

Income from service contracts is recognised and accounted for on an accruals basis as the services are delivered.

Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. A provision for impairment of trade receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned. Balances are written off when the probability of recovery is assessed as being remote.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Trade and other payables

Trade and other payables are stated at cost.

Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash at bank, short-term deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Incentive payments

Deferred income represents contract incentives received from customers in return for the Company accepting to operate loss making contracts. Such receipts are deferred in the balance sheet and released as a credit to operating costs spread evenly over the term of the contract, even if the receipts are not on such a basis.

Pre-contract costs

Pre-contract costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which point further pre-contract costs are recognised as an intangible asset and amortised to the income statement over the life of the contract.

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

2.2 Summary of significant accounting policies (continued)

Provisions

If the Company has a contract to provide services where the unavoidable costs of meeting the obligations of that contract exceed the economic benefits expected to be received under it, the contract is deemed to be onerous. The forecast cash flows for such a contract are discounted back to the balance sheet date, representing the Company's best estimate of the impact of time value of money and the risks inherent in its obligations. Any increase or decrease in the provision is taken to the income statement each financial period.

The unwinding of the discount in the provision is charged to the income statement each year within finance costs. The basis of the provision, the discount rate applied and the amounts provided are reviewed annually.

Financial instruments

Interest and non-interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of consideration received less directly attributable transactions costs.

After initial recognition, interest and non-interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Borrowing costs are recognised in the income statement using the effective interest rate method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in finance income and finance expense respectively.

Impairment of assets

The Company assesses, at each reporting date, whether there is any indication that an asset may be impaired. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows of the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

2.2 Summary of significant accounting policies (continued)

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred taxation

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is recognised for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and also the amounts of revenue and expenditure recorded in the period. The Directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable. Accounting estimates made by Salisbury Engineering and Compliance Limited's Directors are based on historical experience and on information available to them at the time each estimate is made. Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions. The accounting policies that are subject to significant estimates and assumptions are set out below.

Onerous Contract Provision

Provision is made in respect of contracts where the assessment of future net cash flows renders the contract to be onerous. The annual projections of cash flows for onerous contracts are based upon estimates and subjective judgements and may vary from the actual income generated and expense incurred. These estimates are driven from the Company's core business management systems and property databases which reflect the Directors' best expectations of the likely outcome of each contract as modelled at the year-end date. The forecast cash flows are then discounted using a risk free rate to reflect the Company's time value of money.

3. (Loss) / profit before tax

	2017	2016
	£000	£000
<i>(Loss) / profit before tax is arrived at after charging:</i>		
Amortisation of mobilisation costs	212	51
Audit fees	19	11
Operating leases payable	280	341

4. Directors' remuneration and employee's benefits expense

Staff costs

	2017	2016
	£000	£000
<i>Included within:</i>		
Cost of sales	4,591	5,598
Administrative expenses	844	281
	<u>5,435</u>	<u>5,879</u>

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

4. Directors' remuneration and employee's benefits expense (continued)*Staff costs*

	2017	2016
	£000	£000
Wages and salaries	4,828	5,164
Social security costs	456	574
Pension costs	38	39
Other staff costs	113	102
	<u>5,435</u>	<u>5,879</u>

Other staff costs include £22,000 (2016: £84,000) of redundancy costs incurred on restructuring the Company's operations.

The Directors of Salisbury Engineering and Compliance Limited did not receive any emoluments in respect of their services to the Company in the current or preceding year.

Staff numbers

	2017	2016
Average number of employees	<u>132</u>	<u>143</u>

5. Corporation tax*a) Tax on (loss) / profit on ordinary activities*

The major components of corporation tax for the year ended 31 December 2017 and the year ended 31 December 2016 are:

	2017	2016
	£000	£000
Current tax charge in the income statement	<u>-</u>	<u>-</u>
Deferred tax		
Total deferred tax charge	<u>-</u>	<u>-</u>
Total tax charge in the income statement	<u>-</u>	<u>-</u>

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

5. Corporation tax (continued)**b) Reconciliation of current tax charge**

	2017 %	2017 £000	2016 %	2016 £000
(Loss)/profit before tax	100.0	(7)	100.0	6
At the corporation tax rate applicable to the Company	(19.3)	(1)	20.0	1
Capital allowances in excess of depreciation	(9.4)	(1)	(14.1)	(1)
Other	(16.9)	(1)	25.2	2
Group relief: current year losses surrendered / (claimed) for nil receipt / (payment)	45.6	3	(31.1)	(2)
At effective corporation tax rate of 0.0% (2016: 0.0%)	-	-	-	-

The corporation tax rate applied to the Company's (loss) / profit for the year ended 31 December 2017 was 19.3% (2016: 20.0%).

c) Deferred tax

The Company has no unrecognised deferred tax balances as at 31 December 2017 or 31 December 2016.

6. Mobilisation costs

	2017 £000 Mobilisation costs
<i>Cost:</i>	
At 1 January	252
Additions	11
At 31 December	263
<i>Accumulated amortisation</i>	
At 1 January	(51)
Charge for the year	(212)
At 31 December	(263)
<i>Net Book value</i>	
At 1 January 2017	201
At 31 December 2017	-

Mobilisation costs represent the costs of negotiating and obtaining the service contract which was successfully secured during the period ended 31 December 2015. Costs associated with this contract are capitalised and will be amortised evenly (over five years) until the end of the current service contract. Due to the transfer of the Company's trade and assets at 31 December 2017, the intangible asset was fully amortised as at 31 December 2017.

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

7. Trade and other receivables

	2017	2016
<i>Current</i>	<i>£000</i>	<i>£000</i>
Trade receivables	-	93
Amounts owed by group undertakings	-	5,049
Prepayments and accrued income	-	1,168
	<u>-</u>	<u>6,310</u>

As at 31 December 2017 there were no trade receivables impaired and provided for (2016: £nil).

As at 31 December, the ageing analysis of receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
	<i>£000</i>	<i>£000</i>	30-60 days	60-90 days	> 90 days
			<i>£000</i>	<i>£000</i>	<i>£000</i>
2017	-	-	-	-	-
2016	1	-	-	-	1

8. Cash and short term deposits

Cash and short-term deposits earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The fair value of cash and short term deposits at 31 December are as follows:

	2017	2016
	<i>£000</i>	<i>£000</i>
Cash and short term deposits	<u>-</u>	<u>714</u>

9. Trade and other payables

	2017	2016
<i>Current</i>	<i>£000</i>	<i>£000</i>
Trade payables	-	179
Net sales tax and social security	-	599
Accruals and deferred income	-	2,216
	<u>-</u>	<u>2,994</u>

Accruals and deferred income include an amount of £nil in respect of deferred income (2016: £nil).

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

10. Provisions

	2017
<i>At 1 January 2017</i>	<i>£000</i>
- current	750
- non-current	3,474
	<u>4,224</u>
Utilised	<u>(4,224)</u>
	-
<i>At 31 December 2017</i>	
- current	-
- non-current	-
Total provision	<u>-</u>

The provision is made in relation to a loss making contract where the unavoidable costs of meeting the obligations of the contract exceed the economic benefits expected to be received under it, rendering the contract as onerous. The provision represented the Director's estimate of the discounted net cash flows of the contract over its remaining term. Assumptions are made over the income received and the expenses incurred in order to provide the services to the required standard.

As the cash flows used in arriving at this provision are estimated by the Directors; in accordance with IAS 37 the net cash flows are discounted back to present value using a risk free discount rate, interpreted by the Directors as the current UK Government 2021 bond yield (2016: 0.481%).

11. Issued capital and reserves

The Company has one hundred ordinary shares of £1 in issue which were issued on incorporation on 11 December 2014. It has no other reserves.

	2017	2017	2016	2016
	<i>No. of</i>		<i>No. of</i>	
<i>Authorised</i>	<i>ordinary</i>		<i>ordinary</i>	
	<i>shares</i>	£	<i>shares</i>	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	<i>No. of</i>		<i>No. of</i>	
<i>Issued</i>	<i>ordinary</i>		<i>ordinary</i>	
	<i>shares</i>	£	<i>shares</i>	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

12. Commitments and contingencies

Operating lease commitments – Company as lessee

Under the terms of the contract with its customer the Company is required to provide its services at numerous locations. To facilitate this, the Company leases vehicles for use by its employees. Future minimum rentals payable under non-cancellable operating leases as at 31 December, analysed by the year in which they fall due are as follows:

	Motor vehicles	
	2017	2016
	£000	£000
Less than one year	-	196
Between one and five years	-	169
	<u>-</u>	<u>365</u>

The Directors are not aware of any other commitments or contingent liabilities at 31 December 2017 or as at the date of approval of these financial statements that would require disclosure (2016: none).

13. Financial risk management objectives, policies and capital management

The Company's principal financial instruments comprise loans from group undertakings and cash. The main purpose of these financial instruments is to finance the Company's trading requirements. The Company may have various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

Credit risk

The Company currently trades only with Salisbury Workplace Services Limited (formerly Salisbury FM Limited) and Salisbury Integrated Services Limited (formerly Salisbury Facilities Management Limited), two fellow group undertakings; however this may change in future years. Should the Company begin trading with third parties, it will adhere to group policy of only trading with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debt is not significant. With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from any default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

13. Financial risk management objectives, policies and capital management (continued)***Liquidity risk***

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of intergroup borrowings from fellow group undertakings. The table below summarises the maturity profile of the Company's financial liabilities as at 31 December based upon contractual undiscounted payments:

Year ended 31 December 2017	Less than 1 month £000	Total £000
Trade and other payables	-	-

Year ended 31 December 2016	Less than 1 month £000	Total £000
Trade and other payables	2,549	2,549

The above analysis is based upon contractual undiscounted payments. Trade and other payables exclude deferred income and VAT payable.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements. If applicable, the fair value of financial derivatives and borrowings would be calculated by discounting the future cash flows at prevailing market interest rates.

	Carrying amount 2017 £000	Fair value 2017 £000	Carrying value 2016 £000	Fair value 2016 £000
<i>Current Financial assets</i>				
Trade and other receivables (note 7)	-	-	93	93
Amounts owed by group undertakings (note 7)	-	-	5,049	5,049
Cash (note 8)	-	-	714	714
<i>Current Financial liabilities</i>				
Trade and other payables	-	-	2,549	2,549

Trade and other payables in the above table does not include balances in respect of deferred income and VAT payable, and trade and other receivables exclude prepayments and accrued income.

Notes to the audited financial statements (continued)

for the year ended 31 December 2017

14. Related party disclosures*Parent and control*

The immediate parent company as at 31 December 2017 is Salisbury Holdings Limited. The parent undertaking of the smallest group of which the Company is a member and for which group financial statements are prepared is Salisbury Holdings Limited. These financial statements are publicly available.

The largest group of which the Company is a member and for which group financial statements are prepared is Mapeley Limited, a company incorporated in Guernsey.

Received from other Group companies

	2017 £000	2016 £000
Facilities management income from Salisbury Workplace Services Limited (formerly Salisbury FM Limited)	12,464	13,325
Facilities management income from Salisbury Integrated Services Limited (formerly Salisbury Facilities Management Services Limited)	155	106
	<u>12,619</u>	<u>13,431</u>

Paid to other Group companies

	2017 £000	2016 £000
Security expenses paid to Salisbury Security Services Limited	24	76
Refund of Contract incentive received from Salisbury Workplace Services Limited (formerly Salisbury FM Limited)	3,285	-
	<u>3,309</u>	<u>76</u>

Amounts owed by other Group companies

The Company was owed the following amounts from other group companies as at 31 December. All balances are non-interest bearing and are repayable on demand.

	2017 £000	2016 £000
<i>Current</i>		
Mapeley STEPS Contractor Limited	-	3
Salisbury Workplace Services Limited (formerly Salisbury FM Limited)	-	4,718
Salisbury Integrated Services Limited (formerly Salisbury Facilities Management Services Limited)	-	310
Salisbury Security Services Limited	-	30
	<u>-</u>	<u>5,061</u>

15. Subsequent events

At the date of approval of these financial statements there were no post balance sheet events requiring disclosure.