Palmaris Services Limited

Directors' report and financial statements
Registered number SC281565
30 November 2012

Contents

Company information

Directors:	W Paterson TM Paterson J Stickler
Secretary:	J Stickler
Registered office:	Gartsherrie Road Coatbridge ML5 2EU
Auditor:	KPMG LLP 191 West George Street Glasgow G2 2LJ
Bankers:	Clydesdale Bank PLC 23 Bank Street Airdrie ML6 6AD
Solicitors:	Pinsent Masons LLP 141 Bothwell Street Glasgow G2 7EQ

Directors' report

The directors present their report and the audited financial statements for the year ended 30 November 2012.

Principal activities

The principal activity of the company in the year under review was that of contract cleaning, site security, retail security, CCTV monitoring and the provision of facilities management services.

Business review

The company had a successful year, delivering continued growth in turnover and profitability with a profit before tax for the year of £205,310 *(2011: £178,154)*. The directors are satisfied with the performance of the company and, given current enquiry levels, believe that the company is well placed to deliver further growth in turnover and profits in the current financial year.

Dividend

The directors do not propose payment of a dividend *(2011: £nil)*.

Directors

The directors who held office during the financial year and to the date of this report were as follows:

W Paterson
TM Paterson
J Stickler

Financial instruments

The company's policy is to minimise the use of complex financial instruments.

Disclosure of information to auditor

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 auditor is unaware; and each director has taken all the 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 auditor is aware of that information.

Auditor

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

By order of the board

J Stickler
Secretary

Gartsherrie Road
Coatbridge
ML5 2EU

19 July 2013

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.

Company 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 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
191 West George Street
Glasgow
G2 2LJ
United Kingdom

Independent auditor's report to the members of Palmaris Services Limited

We have audited the financial statements of Palmaris Services Limited for the year ended 30 November 2012 set out on pages 5 to 15. 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 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 maters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2012 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.

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.

BMarks.

Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

19 July 2013

Profit and Loss Account
for the year ended 30 November 2012

	Note	**2012**	2011
		£	£
Turnover	*1*	**8,424,331**	6,332,508
Cost of sales		**(6,897,301)**	(5,178,887)
Gross profit		**1,527,030**	1,153,621
Administrative expenses		**(1,320,543)**	(974,442)
Operating profit	*2*	**206,487**	179,179
Interest payable and similar charges	*5*	**(1,177)**	(1,025)
Profit on ordinary activities before taxation		**205,310**	178,154
Tax on profit on ordinary activities	*6*	**(67,105)**	(58,962)
Profit for the financial year		**138,205**	119,192

The above results relate to continuing operations and all profits and losses for the respective financial years are attributable to equity shareholders of the company.

There are no recognised gains or losses other than the historical cost profits for the respective financial years.

Balance Sheet
at 30 November 2012

	Note	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Intangible assets	7		**14,184**		28,369
Tangible assets	*8*		**526,885**		361,877
			541,069		390,246
Current assets					
Stocks	*9*	**39,221**		12,431	
Debtors	*10*	**1,994,532**		1,765,720	
Cash at bank and in hand		**57,125**		90,189	
		2,090,878		1,868,340	
Creditors: amounts falling due within one year	*11*	**(2,199,068)**		(2,045,031)	
Net current liabilities			**(108,190)**		(176,691)
Total assets less current liabilities			**432,879**		213,555
Creditors: amounts falling due after one year	*12*		**(81,119)**		-
Net assets			**351,760**		213,555
Capital and reserves					
Called up share capital	*16*		**100,000**		100,000
Profit and loss account	*17*		**251,760**		113,555
Shareholders' funds	*18*		**351,760**		213,555

These financial statements were approved by the board of directors on 19 July 2013 and were signed on its behalf by:

W. Paterson

W Paterson
Director

Cash Flow Statement

for the year ended 30 November 2012

	Note	2012 £	2012 £	2011 £	2011 £
Net cash inflow from operating activities	*13*		**314,831**		27,234
Returns on investments and servicing of finance					
Hire purchase interest paid		**(1,177)**		(1,025)	
Net cash outflow from returns on investments and servicing of finance			**(1,177)**		(1,025)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(274,665)**		(178,347)	
Purchase of intangible fixed assets		**-**		(42,553)	
Sale of tangible fixed assets		**35,750**		5,535	
Net cash outflow from capital expenditure and financial investment			**(238,915)**		(215,365)
Net cash inflow/(outflow) before financing			**74,739**		(189,156)
Financing					
Capital element of hire purchase rental payments		**(18,458)**		(27,110)	
(Payments to)/receipts from group undertakings		**(89,345)**		256,930	
Net cash (outflow)/inflow from financing			**(107,803)**		229,820
(Decrease)/increase in cash in the year			**(33,064)**		40,664

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 financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis. The directors believe this to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Patersons Quarries Limited, the company's ultimate parent undertaking. Patersons Quarries Limited has indicated that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Goodwill

Goodwill, representing the difference between the consideration paid and the fair value of the assets acquired, is capitalised and written off in equal instalments over its estimated useful life.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold improvements	-	10% on cost
Office furniture and equipment	-	25% on cost
Motor vehicles	-	25% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated in accordance with the company's depreciation policy.

Finance costs incurred on these contracts are charged to the profit and loss account over the term of the contract. The capital element of the future payments is treated as a liability.

Pension costs

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the profit and loss account.

Notes *(continued)*

2 Operating profit

	2012	2011
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**185,397**	135,185
Hire purchased	**23,194**	22,175
Amortisation of intangible fixed assets	**14,185**	14,184
Gain on disposal of tangible fixed assets	**(2,891)**	(2,838)

Auditor's remuneration

	2012	2011
	£	£
Audit of these financial statements	**6,000**	3,000
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation	**1,500**	1,500

3 Remuneration of directors

None of the directors received any remuneration in the period for services to the company *(2011: £nil).*

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2012	2011
Cleaning	**171**	112
Security	**231**	161
Management	**20**	17
	422	290

The aggregate payroll costs of these persons were as follows:

	2012	2011
	£	£
Wages and salaries	**5,708,249**	4,287,433
Social security costs	**446,828**	343,086
Other pension costs	**24,648**	17,665
	6,179,725	4,648,184

5 Interest payable and similar charges

	2012	2011
	£	£
Hire purchase interest	**1,177**	1,025

Notes *(continued)*

6 Taxation

Analysis of the tax charge in year

	2012	2011
	£	£
UK corporation tax		
Current tax on income for the year	**69,187**	58,582
(Over)/under provision in respect of prior year	**(2,082)**	380
Current tax charge (see below)	**67,105**	58,962
Deferred tax	**-**	-
Tax on profit on ordinary activities	**67,105**	58,962

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2011: higher)* than the weighted-average standard rate of corporation tax in the UK for the year of 24.67% (*2011: 26.67%*). The differences are explained below.

	2012	2011
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**205,310**	178,154
Current tax at 24.67% *(2011: 26.67%)*	**50,650**	47,514
Effects of:		
Expenses not deductible for tax purposes	**2,585**	2,182
Deferred tax asset not recognised	**15,962**	8,712
(Over)/under provision in respect of prior year	**(2,082)**	380
Other	**(10)**	174
Current tax charge (see above)	**67,105**	58,962

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012 and a further reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012.

This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 November 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

Notes *(continued)*

7 Intangible fixed assets

	Goodwill £
Cost	
At beginning of year	42,553
Additions	-
At end of year	42,553
Depreciation	
At beginning of year	14,184
Charge for year	14,185
At end of year	28,369
Net book value	
At 30 November 2012	**14,184**
At 30 November 2011	28,369

8 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Office furniture and equipment £	Total £
Cost					
At beginning of year	45,025	322,258	138,812	367,841	873,936
Additions	-	177,624	143,733	83,116	404,473
Transfers from fellow group undertakings	-	-	-	3,335	3,335
Disposals	-	(10,140)	(116,776)	-	(126,916)
At end of year	45,025	489,742	165,769	454,292	1,154,828
Depreciation					
At beginning of year	29,223	157,714	73,276	251,846	512,059
Charge for year	4,502	111,954	35,775	56,360	208,591
Transfers from fellow group undertakings	-	-	-	1,350	1,350
On disposals	-	(5,070)	(88,987)	-	(94,057)
At end of year	33,725	264,598	20,064	309,556	627,943
Net book value					
At 30 November 2012	**11,300**	**225,144**	**145,705**	**144,736**	**526,885**
At 30 November 2011	15,802	164,544	65,536	115,995	361,877

Included within motor vehicles are assets held under hire purchase contracts with a net book value of £102,501 *(2011: £31,414)*. Depreciation of £23,194 *(2011: £22,175)* was charged in the year in respect of these assets.

Notes *(continued)*

9 Stocks

	2012	2011
	£	£
Raw materials and consumables	**39,221**	12,431

10 Debtors

	2012	2011
	£	£
Amounts falling due within one year		
Trade debtors	**1,660,884**	1,557,222
Other debtors	**182,097**	71,233
Prepayments and accrued income	**100,077**	69,330
Amounts owed by group undertakings	**51,474**	67,935
	1,994,532	1,765,720

Included within trade debtors is £60,568 *(2011: £27,416)* owed by group undertakings.

11 Creditors: amounts falling due within one year

	2012	2011
	£	£
Trade creditors	**374,343**	300,566
Amounts owed to group undertakings	**1,145,104**	1,192,425
Other creditors including taxation and social security	**560,060**	475,756
Accruals and deferred income	**8,501**	6,060
Corporation tax	**69,187**	58,582
Obligations under hire purchase contracts	**41,873**	11,642
	2,199,068	2,045,031

Included within trade creditors is £38,968 *(2011: £34,059)* owed to group undertakings.

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	2012 £	2011 £
Obligations under hire purchase contracts	**81,119**	-
	81,119	-

The maturity of obligations under hire purchase contracts is as follows:

	2012 £	2011 £
Within one year	**45,852**	11,723
In the second to fifth years	**84,062**	-
	129,914	11,723
Less future finance charges	**(6,922)**	(81)
	122,992	11,642

Obligations under hire purchase contracts are secured by related assets.

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

	2012 £	2011 £
Operating profit	**206,487**	179,179
Depreciation charges	**208,591**	157,360
Amortisation of intangible fixed assets	**14,185**	14,184
Gain on disposal of tangible fixed assets	**(2,891)**	(2,838)
Increase in stocks	**(26,790)**	(11,131)
Increase in debtors	**(245,273)**	(620,110)
Increase in creditors	**160,522**	310,590
Net cash inflow from operating activities	**314,831**	27,234

Notes *(continued)*

14 Reconciliation of net cash flow to movement in net debt

	2012 £	2011 £
(Decrease)/increase in cash in the year	**(33,064)**	40,664
Cash outflow/(inflow) from decrease/(increase) in debt	**107,803**	(229,820)
Change in net debt arising from cash flows	**74,739**	(189,156)
Group relief – non cash item	**(49,723)**	9,606
Tax payments made by fellow group undertakings – non cash item	**(6,777)**	-
Transfer of assets from fellow group undertakings – non cash item	**(1,985)**	-
New hire purchasing financing – non cash item	**(129,808)**	-
Movement in net debt in the year	**(113,554)**	(179,550)
Net debt at 1 December 2011	**(1,045,943)**	(866,393)
Net debt at 30 November 2012	**(1,159,497)**	(1,045,943)

15 Analysis of changes in net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Net cash:				
Cash at bank and in hand	90,189	(33,064)	-	**57,125**
Debt:				
Amounts owed to group undertakings (net)	(1,124,490)	89,345	(58,485)	**(1,093,630)**
Obligations under hire purchase contracts	(11,642)	18,458	(129,808)	**(122,992)**
Total	(1,136,132)	107,803	(188,293)	**(1,216,622)**
Net debt	(1,045,943)	74,739	(188,293)	**(1,159,497)**

16 Called up share capital

	2012 £	2011 £
Authorised, allotted, issued and fully paid		
100,000 ordinary shares of £1 each	**100,000**	100,000

Notes *(continued)*

17 Reserves

	Profit and loss account £
At beginning of year	113,555
Profit for the financial year	138,205
At end of year	**251,760**

18 Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Profit for the financial year	**138,205**	119,192
Opening shareholders' funds	**213,555**	94,363
Closing shareholders' funds	**351,760**	213,555

19 Contingent liabilities

The company has granted a floating charge in favour of Clydesdale Bank PLC in respect of unlimited guarantees that have been given in respect of overdraft and related other facilities granted to fellow group undertakings. At 30 November 2012 the value of such facilities utilised elsewhere in the group was £12,590,376 *(2011: £12,281,405).*

20 Related party disclosures

The company is controlled by its parent undertaking, Patersons Quarries Limited. The directors consider the ultimate controlling party to be W. Paterson.

Exemption has been taken from disclosing transactions with other group undertakings under paragraph 17 of Financial Reporting Standard 8.

21 Ultimate parent undertaking

The company is a subsidiary undertaking of Patersons Quarries Limited which is the ultimate parent undertaking, a company incorporated in Scotland.

The largest and smallest group in which the results of the company are consolidated is that headed by Patersons Quarries Limited. No other group financial statements include the results of the company. The consolidated financial statements of this group are available to the public and may be obtained from the Registrar of Companies.