

Solutions Sk Limited

Private limited with Share Capital

Company No : **05844684**

Registered Address:

**Enterprise House
Oakhurst Drive
Off Bird Hall Lane
Cheadle Heath Stockport
Cheshire
SK3 0XT**

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SOLUTIONS SK LIMITED
REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

Company No 5844684

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SOLUTIONS SK LIMITED

**ANNUAL REPORT
FOR YEAR ENDED 31 MARCH 2010**

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SOLUTIONS SK LIMITED

REPORT AND FINANCIAL STATEMENTS OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Chairman Mr David Teale

Councillor Hazel Lees
Councillor Martin Candler
Mr Nicholas Cox
Mr Gerard Lucas
Mr Andrew Webb
Mr Jeremy Wright

SECRETARY

Mr Jeremy Wright

REGISTERED OFFICE

Enterprise House
Oakhurst Drive
Off Bird Hall Lane
Cheadle Heath
Stockport
SK3 0XS

BANKERS

The Co-Operative Bank Ltd
Stockport Branch
1 St Peter's Square
Stockport
Cheshire
SK1 1NX

AUDITORS

PKF (UK) LLP
5 Temple Square
Temple Street
Liverpool
L2 5RH

SOLUTIONS SK LIMITED

REPORT AND FINANCIAL STATEMENTS EXECUTIVE OFFICERS

Steve Jones	-	Operations Director
Kerry Clark	-	Director of Business Development
Dennis O'Byrne	-	Head of School Scene
Bob Ashley	-	Head of Security & Building Maintenance
Mark Pickering	-	Head of Civil Engineering
Barry Brockbank	-	Head of Environmental Services

The executive officers act within the authority delegated to them under the Company's Scheme of Delegation approved by the Board. The detailed scrutiny of performance, the development of policy and procedures, and the approvals of expenditure within budget are carried out by the executive officers who meet as a Management Team every two weeks.

SOLUTIONS SK LIMITED

REPORT AND FINANCIAL STATEMENTS DIRECTORS' REPORT

The Director's present their annual report and the audited financial statements for the year ended 31 March 2010

DATE OF INCORPORATION

The company was incorporated on the 30th June 2006

PRINCIPAL ACTIVITIES

The group provides multiple services to Local Authorities, Primary Care Trusts and the commercial sector. Services include the provision of school and civic catering, buildings, grounds, highways and street lighting maintenance, CCTV monitoring and security services, building cleaning, fleet management and special needs transport, and environmental services.

The Group has a wholly owned subsidiary company - Waste Solutions SK Ltd. This company collects commercial waste and products for recycling in the Greater Manchester area.

REVIEW OF DEVELOPMENTS

The income & expenditure account for the period is set out on page 10. The Group traded at a profit of £1,024k before taxation for the year and the Board is satisfied with the result. The Group has a pension deficit of £10,186k which arose from FRS17 on accounting for pensions, as disclosed in Note 6.

FUTURE PROSPECTS

The Directors consider the company's performance in the year to be satisfactory but acknowledge the continued trust shown by Stockport Metropolitan Borough Council.

The tough environment for the delivery of the healthy school meal agenda continues and the satisfactory performance of the company through the last year bodes well for the future although the immediate outlook is still difficult.

The company will look towards increasing the range of service provided to Stockport Council and extending the geographical range in which it delivers current services.

PRINCIPAL RISKS AND UNCERTAINTIES

As mentioned above, the tough environment for the delivery of the healthy school meal agenda continues and there is uncertainty as to the meal uptake once the nutritionally based menus are introduced to the secondary schools.

Government support in the form of interim grants will offset this risk in the forthcoming year, and strenuous efforts will be made by the schools meals marketing team to educate parents, children and schools alike, in the benefits to be obtained from a healthy and nutritionally balanced school lunch.

The continued support of Stockport Council as the company's largest customer is not considered a risk.

SOLUTIONS SK LIMITED

REPORT AND FINANCIAL STATEMENTS DIRECTORS' REPORT

APPOINTMENT OF AUDITORS

PKF (UK) LLP have expressed their willingness to act as auditors to Solutions SK Limited. The company at its Annual General meeting ratified the appointed PKF (UK) LLP as auditors for Solutions SK Limited and its subsidiaries.

So far as each of the directors is aware at the time the report is approved

- (a) That they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information
- (b) There is no relevant audit information of which the auditors are unaware

CORPORATE GOVERNANCE

The Board of Solutions SK Ltd consists of 7 Directors (1 Independent Non Executive Chairman, 2 elected Councillors of Stockport Metropolitan Borough Council, 2 appointed officers of Stockport Metropolitan Borough Council and 2 executive Directors). The make up of the Board is determined by Solutions SK Ltd's Contributors Agreement whose authority is constituted in the company's Memorandum and Articles of Association.

The Board is responsible for the strategic direction and tasks of Solutions SK Ltd and Board members are registered as the Company Directors with Companies House. They have been selected to collectively provide the skills and competencies to successfully steer the company in accordance with its Mission and Aims.

The Board has three committees who are empowered to represent the Board on matters detailed below and whose minutes are published to the Board for discussion on a regular basis. The committees and their roles are as follows:

Audit Committee

Terms of reference: To ensure that the company's published figures represent a true and fair reflection of its financial performance, that its accounting systems and controls are sufficient to provide accurate information and that external audits are conducted thoroughly.

Main duties: To agree the appointment of the Auditors and tax advisors and their fees and to agree the work schedule of the Internal Auditors and their fees. To ensure that the external and internal Auditors liaise with each other to the benefit of the company and to receive the reports and recommendations arising from the above audit work. To review and monitor the company management's response to the above findings and recommendations.

Service Improvement Committee

Terms of reference: To ensure Solutions SK Ltd continues to demonstrate improvements in service delivery.

Main duties: To consider reports and recommendations made by senior management, employees and trade unions with regards to service improvements and new ways of working. To review methods of capturing, measuring and monitoring customer satisfaction. To determine and implement a strategy to secure employee engagement in service improvements and to develop and implement a corporate approach within Solutions SK that recognises individual and team achievements.

SOLUTIONS SK LIMITED

REPORT AND FINANCIAL STATEMENTS DIRECTORS' REPORT

Nominations and Remuneration Committee

Terms of reference To decide on new appointments and succession to senior positions in the company and to act as a means of ensuring that decisions on the pay and emoluments of Executive Directors are made by independent Directors who do not stand to benefit personally from their own recommendations

Main duties. To lead the process for Board appointments and make recommendations to the Board To agree the emoluments packages of the Executive Directors with the Executive Directors and to agree the emoluments package of any other Director employed by the company with that Director

Going Concern

At its meeting on 3 September 2010, the Board of Solutions SK Ltd approved the statement that in their opinion, Solutions SK Ltd has adequate resources to continue in operational existence for the foreseeable future The Group does not have sufficient reserves to offset the pension liability in its balance sheet and therefore Solutions SK Limited have received confirmation that Stockport MBC will continue to provide financial support to ensure Solutions SK Limited remains as a going concern for at least a period of twelve months from the date of signing the accounts Accordingly, it continues to adopt the going concern basis in preparing the financial statements

The company has adequate insurance cover including public and product liability and professional indemnity which have been in place throughout the period covered by these statements

The company is wholly owned by Stockport Metropolitan Borough Council which also owns the majority of land, buildings, plant and assets occupied and used by the company in pursuance of its business Solutions SK have purchased during the year a new building and associated land (Note 7) The terms of occupation and use are covered in the Partnership agreement between the company and the Council Should the company be wound up distribution of any surplus will be on the basis of contribution to the company over the preceding five year period

Statement of the Board on Internal Financial Controls

The Board accept their ultimate responsibility for ensuring the company has in place controls that are appropriate to the environment in which it operates These controls are designed to give reasonable assurance with regard to

- The reliability of financial information used within the company or for publication
- The maintenance of proper accounting records
- The safeguarding of assets against unauthorised use or disposition

It is the Board's responsibility to establish and maintain systems of internal financial control Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss

SOLUTIONS SK LIMITED

REPORT AND FINANCIAL STATEMENTS DIRECTORS' REPORT

Key elements include

- Adoption of appropriate financial regulations setting out formal policies and procedures and delegated authorities
- Appointment of experienced and suitably qualified staff to take responsibility for important business functions. Appropriate procedures are in place to maintain standards of performance
- An internal audit service is provided through a service level contract with Stockport Metropolitan Borough Council. All reports and resulting action plans are presented to the Audit committee for scrutiny and monitoring
- Budget monitoring procedures are in place, which allow the Board and management to monitor progress against financial targets

Employee Involvement

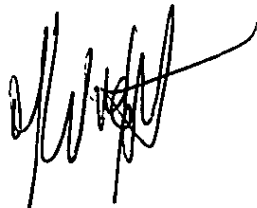
Solutions SK Ltd firmly believes that there is a strong link between the provision of quality services and a harmonious working environment, and that this is best achieved where effective communications are established with management and employees

In order to achieve this objective, systems have been set up to consult with recognised trade unions through joint consultative arrangements and employees are communicated and consulted on an individual/collective basis where appropriate

Equal Opportunities policy

The Directors of Solutions SK Ltd believe that everyone has the right to be treated equally. The Board will promote equality and diversity in the provision of our services and employment and will not tolerate discrimination. Solutions SK Ltd will make sure that no person applying for employment will be treated less favourably than any other person because of their individual characteristics. These characteristics include, but are not limited to, disability, ethnicity, colour, race, religion, gender, sexual orientation and age

Approved by the Board of Directors and signed on behalf of the Board



Jeremy Wright
Secretary

SOLUTIONS SK LIMITED

REPORT AND FINANCIAL STATEMENTS STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under 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 the group and of the profit or loss of the company and 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

SOLUTIONS SK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOLUTIONS SK LIMITED

We have audited the financial statements of Solutions SK Limited for the year ended 31 March 2010 which comprise the group and parent company income and expenditure accounts, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of total recognised gains and losses, the group and parent company reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with 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 in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's and the parent company's result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or

SOLUTIONS SK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOLUTIONS SK LIMITED

Matters on which we are required to report by exception (cont'd)

- 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

PKF (UK) LLP

Brian G Ricketts (Senior statutory auditor)
For and on behalf of PKF (UK) LLP, Statutory auditors

Liverpool

3 September 2010.

SOLUTIONS SK LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
Turnover	2	39,413	40,675	39,046	40,444
Cost of Sales		(35,124)	(36,164)	(36,092)	(37,304)
Gross Profit	4	4,289	4,511	2,954	3,140
Administrative costs		(3,209)	(3,330)	(2,771)	(2,923)
Operating surplus		1,080	1,181	183	217
Interest receivable & similar income		-	-	1	1
Interest Charge		(36)	(36)	-	-
Net return on pension assets	6	(121)	(121)	264	264
Surplus on ordinary activities before taxation		923	1,024	448	482
Deferred tax credited to income and expenditure account	5a	63	75	-	-
Tax on surplus on ordinary activities	5	(12)	(38)	22	16
Surplus on ordinary activities after taxation		974	1,061	470	498

All amounts relate to continuing activities

SOLUTIONS SK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2010

	Notes	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
Reported Surplus for the period		974	1,061	470	498
Dividends		-	-	(500)	(500)
Actuarial (deficit) in the pension plan	6	(10,487)	(10,487)	(3,640)	(3,640)
Deferred tax on pension assets	5	-	-	1,092	1,092
Prior year adjustment	18	(479)	(479)	-	-
Total Recognised loss for the period		(9,992)	(9,905)	(2,578)	(2,550)

All recognised gains and losses have been included in the above statement

PARENT AND GROUP COMPANY RECONCILIATION OF MOVEMENTS IN SHAREHOLDER FUNDS

	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
Opening total funds as at 1 April	490	552	3,068	3,102
Prior year adjustment	(479)	(479)	-	-
Restated Funds at 1 April	11	73	3,068	3,102
Reported surplus for period	974	1,061	470	495
Dividends	-	-	(500)	(500)
Actuarial deficit in pension plan	(10,487)	(10,487)	(2,548)	(2,548)
Closing funds as at 31 March	(9,502)	(9,353)	490	552

SOLUTIONS SK LIMITED


BALANCE SHEET AS AT 31 MARCH 2010

COMPANY No 5844684

	Notes	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Restated Year Ended 31 March 2009 Company £000	Restated Year Ended 31 March 2009 Group £000
Fixed assets					
Tangible assets	7	2,019	2,202	316	452
Investments	15	-	-	-	-
		<u>2,019</u>	<u>2,202</u>	<u>316</u>	<u>452</u>
Current assets					
Stock	8	3,232	3,232	2,867	2,867
Debtors	9	4,155	4,601	5,665	6,117
Cash at bank and in hand		537	537	2,134	2,134
		<u>7,924</u>	<u>8,370</u>	<u>10,666</u>	<u>11,118</u>
Creditors amounts falling due within one year	10	(7,315)	(7,795)	(11,117)	(11,643)
Net current assets/(liabilities)		<u>609</u>	<u>575</u>	<u>(451)</u>	<u>(525)</u>
Creditors amounts fully due after more than one year	11	(1,944)	(1,944)	-	-
Pension (liability)/asset	6	(10,186)	(10,186)	146	146
Total net (liabilities)/assets after pension (liability)/asset		<u>(9,502)</u>	<u>(9,353)</u>	<u>11</u>	<u>73</u>
Reserves					
Share Capital	12	-	-	-	-
Revenue Reserve	13	684	833	11	73
Pension reserve		(10,186)	(10,186)	-	-
Total funds		<u>(9 502)</u>	<u>(9,353)</u>	<u>11</u>	<u>73</u>

These financial statements were approved and authorised for issue by the Board of Directors on 3rd September 2010

Signed on behalf of the Board of Directors


Director

SOLUTIONS SK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Note	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
Reconciliation of operating surplus to net cash inflow from operating activities					
Operating surplus		1,080	1,181	183	217
Depreciation		95	156	36	68
(Increase)/decrease in stocks		(365)	(365)	471	471
Decrease/(increase) in debtors		1,510	1,471	1,379	926
(Decrease)/increase in creditors		(1,795)	(1,772)	(36)	435
Difference between pension charge and cash contributions		(213)	(213)	475	475
Net cash inflow from operating activities		312	458	2,508	2,592
Cash flow statement					
Net cash inflow from operating activities		312	458	2,508	2,592
Return on investments and servicing of finance	1	(36)	(36)	1	1
Financing	2	(1,944)	(1,944)	-	-
Capital expenditure		(1,798)	(1,906)	(300)	(384)
Taxation	3	(75)	(113)	(26)	(26)
(Decrease)/increase in cash		(3,541)	(3,541)	2,183	2,183
Reconciliation of net cash flow to Movement in net debt (note 3)					
(Decrease)/increase in the period		(3,541)	(3,541)	2,183	2,183
Net funds at 31 March 2009		2,134	2,134	(49)	(49)
Net funds at 31 March 2010	4	(1,407)	(1,407)	2,134	2,134

SOLUTIONS SK LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
NOTE 1 TO CASHFLOW STATEMENT				
Gross cash flows				
Returns on investments and	(36)	(36)	-	-
Servicing of finance				
Interest received	-	-	1	1
Interest paid	-	-	-	-
	(36)	(36)	1	1
NOTE 2 TO CASH FLOW STATEMENT				
Loan Finance raised	(1,944)	(1,944)	-	-
NOTE 3 TO CASH FLOW STATEMENT				
Taxation	(75)	(113)	(22)	(16)
 NOTE 4 TO CASH FLOW STATEMENT – COMPANY				
	At 31 03 09 £000	Cash Flows £000	At 31 03 10 £000	
Cash in hand and at bank	2,134	(1,597)	537	
Bank overdraft	-	(1,944)	(1,944)	
Total	2,134	(3,541)	(1,407)	
 NOTE 4 TO CASH FLOW GROUP				
	At 31 03 09 £000	Cash Flows £000	At 31 03 10 £000	
Cash in hand And at bank	2,134	(1,597)	537	
Loans	-	(1,944)	(1,944)	
Total	2,134	(3,541)	(1,407)	

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention and take account of all applicable Accounting Standards in the United Kingdom

Turnover

Solutions SK Limited's principal source of income is from providing multiple services to Stockport Metropolitan Borough Council. Income is recognised in the accounts when the service has been completed. The company had no long term contracts at the year end.

WIP Policy

Where the work on jobs is incomplete at the year end, income has been recognised to the value of the expense incurred at the time of cut-off (where it is deemed recoverable).

Basis of consolidation

The financial statements consolidate the accounts of Solutions SK Ltd and its subsidiary made up to 31 March 2010. The results of the subsidiary are included for the whole year.

Going concern

The financial statements have been prepared on a going concern basis. The directors have considered a period of at least 12 months from the balance sheet date in reaching this conclusion.

The Group does not have sufficient reserves to offset the pension liability in its balance sheet and therefore Solutions SK Limited have received confirmation that Stockport MBC will continue to provide financial support to ensure Solutions SK Limited remains as a going concern for at least a period of twelve months from the date of signing the accounts.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Operating leases

Operating lease rentals are charged to profit and loss on a straight line basis over the lease term.

Pension costs

The company operates a defined benefit pension scheme with assets held in a separately administered fund. The cost of providing benefits under the schemes is determined tri-annually by an independent actuary under the projected unit credit actuarial valuation method. The additional cost of current service under FRS17 has been reflected in these statements.

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

Taxation

The tax charge has been calculated on the basis that mutual status is achieved as expected. The company has agreed with HMRC that the trade between the company and the Council be declared as mutual for taxation purposes. Deferred tax has been provided on timing differences where applicable.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off fixed assets, less their estimated residual value.

Fixtures & Fittings	-	25%	Straight Line
Equipment & Software	-	25%	Straight Line
Long Leasehold	-		Over term of lease

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

2 Turnover

All turnover arose within the United Kingdom

3 Information regarding directors and employees

Directors' emoluments	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
Aggregate emoluments	248	248	225	225
Pension contributions	23	23	20	20
	271	271	245	245

Highest paid director received remuneration of	142,259	134,064
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No of directors in receipt of pension benefits	2	2
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The highest paid director is member of the Greater Manchester Pension Scheme

Average number of persons employed

Operations	1,016	1,022	998	1,002
Administration	52	52	40	40
	1,068	1,074	1,038	1,042

Staff costs during the year (including directors)

	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
Wages and salaries	15,766	16,002	15,195	15,445
Social security costs	962	972	903	912
Pension costs	1,604	1,616	1,419	1,428
	18,332	18,590	17,517	17,785

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

4	Operating surplus	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
	The operating profit is after charging				
	Rentals under operating leases	2,944	2,944	2,541	2,541
	Depreciation	95	156	36	68
	Auditors' remuneration - audit	20	26	17	21
	- non audit	3	3	2	3
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	5				
	Tax on profit on ordinary activities				
	United Kingdom corporation tax @ 21%	12	38	41	47
	Other Timing differences (see 5a below)	63	75	(63)	(63)
	TAX CHARGE/(CREDIT) FOR THE YEAR	<u>75</u>	<u>113</u>	<u>(22)</u>	<u>(16)</u>
	Factors affecting the tax charge for the year				
	The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below				
	Surplus on ordinary activities before tax	<u>923</u>	<u>1,024</u>	<u>448</u>	<u>482</u>
	Surplus on ordinary activities before tax multiplied by 21%	258	287	125	135
	Expenses capitalised			-	-
	Mutual trading	(242)	(242)	(95)	(95)
	Other income deductions including marginal relief	(4)	(7)	11	7
	CURRENT TAX CHARGE FOR THE YEAR	<u>12</u>	<u>38</u>	<u>41</u>	<u>47</u>
	5a				
	Deferred Tax				
	Opening Deferred Tax	(63)	(63)	(1,218)	(1,218)
	Posted to Profit & Loss Account	63	75	63	63
	Posted to STRGL	-	-	1,092	1,092
		<u>-</u>	<u>12</u>	<u>(63)</u>	<u>(63)</u>

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

6 Pensions Group and Company

The Group joined the Greater Manchester Pension Fund, administered by Tameside Metropolitan Borough Council, on 1 November 2006 with its employees transferring from Stockport Metropolitan Borough Council

The latest formal valuation of the Fund was as at 31 March 2010

The actuarial valuation as at 31 March 2010 was carried out using the following data

The financial assumptions used for the purpose of the FRS17 calculations are as follows

Assumptions as at	31 March 2010	31 March 2009
Inflation / Pension Increase Rate	3.8%	3.1%
Salary Increase Rates	5.3%	4.6%
Expected Return On Assets	6.9%	6.3%
Discount Rate	5.5%	6.9%

	31 March 2010		31 March 2009	
	Long-term Return Rate	Assets At	Long-term Return Rate	Assets At
Assets	2010	£000	2009	£000
Equities	7.8%	22,288	7.0%	15,271
Bonds	5.0%	5,323	5.4%	3,647
Property	5.8%	1,996	4.9%	1,596
Cash	4.8%	3,659	4.0%	2,279
TOTAL		33,266		22,793

	31 March 2010 £000	31 March 2009 £000
Net pension (liabilities)/asset as at		
Estimated employer assets (A)	<u>33,266</u>	<u>22,793</u>
Present value of scheme liabilities	43,452	22,584
Present value of unfunded liabilities	-	-
Total value of liabilities (B)	<u>43,452</u>	<u>22,584</u>
Net pension (liabilities)/asset (A) - (B)	(10,186)	209
Less deferred tax liability	-	(63)
Pension (Liability)/Asset after deferred tax	<u>(10,186)</u>	<u>146</u>

Operating profit	Year to 31 March 2010		Year to 31 March 2009	
	£000	% of Payroll	£000	% of Payroll
Current service cost	1,359	11.3%	1,499	13.4%
Curtailments and settlements	44	0.4%	-	-
Past service cost	2	-%	405	3.6%
Total operation charge	<u>1,405</u>		<u>1,904</u>	

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

Other Finance Income (Group & Company)	Year to 31 March 2010		Year to 31 March 2009	
	£000	% of Payroll	£000	% of Payroll
Expected return of employer assets	(1,497)	(12.5%)	(1,822)	(16.3%)
Interest on pension scheme liabilities	1,618	13.5%	1,558	13.9%
Net Return - Actual	<u>121</u>		<u>(264)</u>	
Net Revenue Account Cost	<u>1,526</u>	12.7%	<u>1,640</u>	14.6%

Balance Sheet (Group & Company)	Year to 31 March 2010		Year to 31 March 2009	
	£000		£000	
Fair value of employer assets	33,266		22,793	
Present value of defined benefit obligation	<u>(43,452)</u>		<u>(22,584)</u>	
Net (Liability)/Assets	<u>(10,186)</u>		<u>209</u>	
Liabilities	(10,186)		-	
Assets	<u>-</u>		<u>209</u>	
Net (Liability)/Assets	<u>(10,186)</u>		<u>209</u>	

Statement of Total Recognised Gains and Losses (STRGL) (Group & Company)	Year to 31 March 2010		Year to 31 March 2009	
	£000		£000	
Actuarial (loss)/gain in pension plan	(9,495)		992	
Actual (loss) recognised in STRGL	<u>(10,487)</u>		<u>(3,640)</u>	

Reconciliation of defined benefit obligation (Group & Company)	Year to 31 March 2010		Year to 31 March 2009	
	£000		£000	
Opening defined benefit obligation	22,584		21,460	
Current service cost	1,359		1,499	
Interest cost	1,618		1,558	
Contributions by members	718		672	
Actuarial gains/(losses)	17,497		(2,724)	
Past service costs / (Gains)	2		405	
Impact of settlements and curtailments	44		-	
Estimated benefits paid	<u>(370)</u>		<u>(286)</u>	
Closing defined benefit obligation	<u>43,452</u>		<u>22,584</u>	

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

Reconciliation of fair value of employer assets	Year to 31 March 2010 £000	Year to 31 March 2009 £000
Opening fair value of employer assets	22,793	25,520
Expected return on assets	1,497	1,822
Contributions by members	718	672
Contributions by employer	1,618	1,429
Actuarial gains/(losses)	7,010	(6,365)
Benefits paid	(370)	(286)
Closing fair value of employer assets	33,266	22,792

Comparative figures for pension scheme assets quoted securities have not been restated from mid market to bid prices

Amounts for the current and previous accounting periods

	Year to 31 March 2010 £000	Year to 31 March 2009 £000	Year to 31 March 2008 £000	Year to 31 March 2007 £000	Year to 31 March 2006 £000
Fair value of employer assets	33,266	22,793	25,520	24,827	23,409
Present value of defined benefit obligation	(43,452)	(22,584)	(21,460)	23,204	(23,409)
Surplus / (Deficit)	(10,186)	209	4,060	1,623	-
Experience gains / (losses) On Assets	7,010	(6,365)	(2,373)	-	-
Experience gains / (losses) On Liabilities	-	-	(281)	-	-

Estimated employers contributions for the year to 31 March 2010 will be approximately £1,746k (2009 £1,599k)

7 Tangible Fixed Assets - Group

	Long Leasehold Land and buildings	Plant & Machinery, fixtures & fitting and equipment	Total
	£000	£000	£000
<i>Cost</i>			
At 1st April 2009	-	532	532
Additions	1,731	175	1,906
At 31st March 2010	1,731	707	2,438
<i>Depreciation</i>			
At 1st April 2009	-	80	80
Charge for the Period	-	156	156
At 31st March 2010	-	236	236
<i>Net Book Amounts</i>			
At 31st March 2010	1,731	471	2,202
At 31st March 2009	-	452	452

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

7 Tangible Fixed Assets - Company

	Long Leasehold Land and buildings	Plant & Machinery, fixtures & fitting and equipment	Total
	£000	£000	£000
<i>Cost</i>			
At 1st April 2009	-	353	353
Additions	1,731	67	1,798
At 31st March 2010	1,731	420	2,151
<i>Depreciation</i>			
At 1st April 2009	-	37	37
Charge for the Period	-	95	95
At 31st March 2010	-	132	132
<i>Net Book Amounts</i>			
At 31st March 2010	1,731	288	2,019
At 31st March 2009	-	316	316

8 Stocks & WIP

	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Restated Year Ended 31 March 2009 Company £000	Restated Year Ended 31 March 2009 Group £000
Stock	1,123	1,123	1,013	1,013
Work in progress	2,109	2,109	1,854	1,854
	3,232	3,232	2,867	2,867

9 Debtors

	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Restated Year Ended 31 March 2009 Company £000	Restated Year Ended 31 March 2009 Group £000
Trade debtors	390	856	593	974
Other debtors	6	6	24	24
Prepayments	1,786	1,802	1,847	1,847
Intra group debtors	1,973	1,937	3,201	3,272
	4,155	4,601	5,665	6,117

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

10 Creditors amounts falling due within one year

	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
Trade creditors	1,441	1,472	2,101	2,134
Inter group creditors	3,650	3,629	5,617	5,622
Corporation tax	20	34	26	32
Other taxation and social security	908	908	691	691
Accruals and deferred income	1,296	1,752	2,682	3,164
	<u>7,315</u>	<u>7,795</u>	<u>11,117</u>	<u>11,643</u>

11 Creditors amounts fully due greater than one year

	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
Loans	1,944	1,944	-	-
	<u>1,944</u>	<u>1,944</u>	<u>-</u>	<u>-</u>

	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
Repayments are due as follows				
In one year or less	26	26	-	-
Between one and two years	65	65	-	-
Between two and five years	151	151	-	-
In five years or more	1,702	1,702	-	-
	<u>1,944</u>	<u>1,944</u>	<u>-</u>	<u>-</u>

The loan relates to an amount of £1 944m borrowed from Stockport Council at a rate of 4.38% over 25 years

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

12 Share Capital

	2010 £	2009 £
Authorised, allotted, called up and fully paid 2 ordinary shares of £1 each	2	2

13 Reserves

	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
REVENUE RESERVE				
Opening Balance	490	552	1,271	1,305
Prior year adjustments	(479)	(479)	-	-
Total reserves as restated	11	73	1,271	1,305
Surplus for the year	974	1,061	470	498
Dividend Payment	-	-	(500)	(500)
Actuarial (loss)/gain in pension plan	-	-	(3,640)	(3,640)
Deferred tax on pension asset	-	-	1,092	1,092
Transfer (to)/From Pension Reserve	(301)	(301)	1,797	1,797
Closing Balance	684	833	490	552
PENSION RESERVE				
Opening balance	-	-	1,797	1,797
Actuarial (loss)/gain in pension plan	(10,487)	(10,487)	-	-
Transfer (to)/from Revenue Reserves	(301)	(301)	(1,797)	(1,797)
Closing balance	(10,186)	(10,186)	-	-

14 Commitments

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as follows. There are no commitments in respect of land or buildings

	Year Ended 31 March 2010 Company £000	Year Ended 31 March 2010 Group £000	Year Ended 31 March 2009 Company £000	Year Ended 31 March 2009 Group £000
Leases which expire				
Within one year	37	37	197	197
Within two to five years	1,514	1,572	630	630
Over five years	737	737	1,007	1,043
Total	2,288	2,346	1,834	1,870

There were no capital commitments at the year end

SOLUTIONS SK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

15 Investments

Company Name	Holding %	Value	Principal Activity
Waste Solutions SK Ltd	100	£1	Commercial Waste
Solutions OL Ltd	100	£1	Dormant
Solutions TF Ltd	100	£1	Dormant

16 Related Party transactions

During the year Solutions SK Ltd received income from Stockport Metropolitan Borough Council, its parent company, and paid for services provided by Stockport Metropolitan Borough Council. During the year Solutions SK Ltd also provided services to Stockport Homes Ltd, a wholly owned subsidiary of Stockport Metropolitan Borough Council and NPS Stockport Ltd, in which Stockport Metropolitan Borough Council holds a 20% stake.

In 2009/10 the management fee and other charges to Stockport Metropolitan Borough Council amounted to £41,200k (inc VAT) (2009 £37,294k). Outstanding balances at the year end amounted to £1,630k (2009 £3,076k). Of which £175k relates to "Schools" receivables (2009 £365k).

In 2009/10 the management fee and other charges to Stockport Homes Ltd amounted to £1,002k (inc VAT) (2009 £885k). Outstanding balances at the year end amounted to £215k (2009 £196k).

In 2009/10 the management fee and other charges to Individual Solutions SK Ltd amounted to £190k (inc VAT) (2009 £Nil). Outstanding balances at the year end amounted to £91k (2009 £Nil).

In 2009/10 the management fee and other charges to NPS Ltd amounted to £141k (2009 £82k)(inc VAT). Outstanding balances at the year end amounted to £24k (2009 £48k).

During the financial period ended 31 March 2010, Stockport Metropolitan Borough Council (SMBC) charged Solutions SK Ltd £2,264k (inc VAT) (2009 £2,230) for the provision of support services, including the processing of payroll costs for all Solutions SK Ltd staff. Outstanding balances at the year end amounted to £5,573k (2009 £5,617k). Made up of a loan of £1,944k, (2009 £Nil) and £3,629k (2009 £Nil) of trade payables.

As of the 31 March 2010, there was a net receivables balance on Solutions SK Ltd of £15k (2009 £11k) with Waste Solutions Ltd Payables of £21k and receivables of £36k.

17 Ultimate Parent and controlling undertaking

The company's parent and ultimate controlling party is Stockport Council.

18 Prior Year Adjustments

	2009 £000
(i) Work in Progress Adjustment	585
Stock Adjustment	(92)
Retentions	(14)
Total prior year adjustment to reserves	<u>479</u>
(ii) The prior year balance sheet has been restated to disclose work in progress in stock rather than debtors	