

KBS FIRE PROTECTION SYSTEMS LIMITED

Report and Financial Statements

31 March 2004

**Deloitte & Touche LLP
Bristol**



REPORT AND FINANCIAL STATEMENTS 2004

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R McGregor-Smith
W Robson
I R Stewart

SECRETARY

C K Ross

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche LLP
Bristol

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2004.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is supply and distribution of fire protection materials.

The company's business has developed satisfactorily and the directors consider that the company is in a good position to continue that development.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £4,500 (2003: £13,180). The directors do not propose the payment of a dividend (2003: nil).

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

W Robson	
I R Stewart	
R McGregor-Smith	(appointed 10 October 2003)
D M Telling	(resigned 7 October 2003)

The directors did not hold a beneficial interest in the share capital of the company at the beginning or end of the financial year.

W Robson, I R Stewart and R McGregor-Smith are directors of MITIE Group PLC, the parent undertaking, and their interests in the share capital of that company and other group companies are shown in the financial statements of MITIE Group PLC.

DIRECTORS' REPORT (continued)

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. At 31 March 2004 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 30 days (2003: 25 days).

EMPLOYEES

The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their attitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical or the employee unable to conform to the stringent regulations which apply to the operations of the company.

The company recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of MITIE Group PLC and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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



R McGregor-Smith
Director

29 July 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KBS FIRE PROTECTION SYSTEMS LIMITED

We have audited the financial statements of KBS Fire Protection Systems Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 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 described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol

29 July 2004

KBS FIRE PROTECTION SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2004

	Notes	Continuing operations 2004 £	2003 £
TURNOVER	1	422,906	555,959
Cost of sales		(250,062)	(326,553)
GROSS PROFIT		172,844	229,406
Administrative expenses		(169,730)	(211,807)
OPERATING PROFIT	2	3,114	17,599
Interest receivable	3	4,115	2,355
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,229	19,954
Tax on profit on ordinary activities	4	(2,729)	(6,774)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE FINANCIAL YEAR	10	4,500	13,180

There are no recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been provided.

KBS FIRE PROTECTION SYSTEMS LIMITED

BALANCE SHEET
At 31 March 2004

	Notes	2004	2003
		£	£
FIXED ASSETS			
Tangible assets	5	16,009	19,552
CURRENT ASSETS			
Stock	6	50,352	63,160
Debtors	7	63,528	84,011
Cash at bank and in hand		164,272	122,480
		<u>278,152</u>	<u>269,651</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(57,481)</u>	<u>(57,023)</u>
NET CURRENT ASSETS		<u>220,671</u>	<u>212,628</u>
NET ASSETS		<u>236,680</u>	<u>232,180</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	9	10,100	10,100
Profit and loss account	10	226,580	222,080
TOTAL SHAREHOLDERS' FUNDS	10	<u>236,680</u>	<u>232,180</u>
Shareholders' funds are represented by:			
Attributable to equity shareholders		226,680	222,180
Attributable to non-equity shareholders		10,000	10,000
		<u>236,680</u>	<u>232,180</u>

These financial statements were approved by the Board of Directors on 29 July 2004.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

CASH FLOW STATEMENT

Year ended 31 March 2004

	Notes	2004		2003	
		£	£	£	£
Net cash inflow from operating activities	11		41,555		66,573
Returns on investments and servicing of finance					
Interest received			3,987		2,746
Taxation					
Corporation tax (paid)/received			(234)		4,228
Capital expenditure					
Payments to acquire tangible fixed assets		(10,230)		(11,786)	
Receipts from disposal of tangible fixed assets		6,714		8,782	
Net cash outflow from capital expenditure			(3,516)		(3,004)
Increase in cash in the year	13		41,792		70,543

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable United Kingdom accounting standards.

Accounting developments

The group has adopted Financial Reporting Standard 5 Application Note G during the year as this is the first year for which it is applicable. It is considered appropriate under this Application Note that the group now recognises revenue in respect of its performance under contracts as they progress where, in prior periods, revenue was only recognised on certain contracts for contract work completed in the year. The directors do not consider that the effect of implementing the Application Note is material in either period, with the consequence that the prior year profit and loss account has not been restated. Where appropriate, contract work in progress, trade debtors and amounts recoverable on contracts have been restated in respect of the prior year in order to make them comparable with the classifications being used this year.

Turnover

Turnover represents the amounts receivable in the ordinary course of business from sales of goods and services, stated net of value added tax. All turnover relates to the principal activity of the company and derives from activity within the United Kingdom.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Motor vehicles	4 years
Office equipment and furniture	3 to 10 years
Plant and equipment	3 to 10 years

Operating leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Stock

Stocks are valued at the lower of cost and net realisable value in the ordinary course of business. Cost represents purchase cost on a first in, first out basis. Net realisable value is based on estimated selling price less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

Pension costs represent amounts paid to one of the group's pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC.

2. OPERATING PROFIT is stated after charging:	2004	2003
	£	£
Depreciation	7,059	6,189
Auditors' remuneration	1,750	2,100
Hire of vehicles	317	4,059
	<u> </u>	<u> </u>
 3. INTEREST RECEIVABLE	 2004	 2003
	£	£
Bank interest	4,115	2,355
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004	2003
	£	£
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2003: 30%)	3,187	6,094
Adjustment in respect of prior years	-	301
	<u>3,187</u>	<u>6,395</u>
Total current tax (note 4(b))	3,187	6,395
Deferred taxation:		
Timing differences - origination and reversal	(490)	379
Adjustment in respect of prior years	32	-
	<u>2,729</u>	<u>6,774</u>
Tax on profit on ordinary activities	2,729	6,774

(b) Factors affecting tax charge in year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	<u>7,229</u>	<u>19,954</u>
	£	£
Tax at 30% thereon	2,169	5,986
Expenses not deductible for tax purposes	528	487
Capital allowances in excess of depreciation	490	(379)
Prior year adjustments	-	301
	<u>3,187</u>	<u>6,395</u>
Current tax charge for the year (note 4(a))	3,187	6,395

(c) Factors affecting future tax charges

The company is not aware of any matters that will materially affect the future tax charge.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

5. TANGIBLE FIXED ASSETS

Summary	Motor vehicles £	Office equipment and furniture £	Plant and equipment £	Total £
Cost				
At 1 April 2003	27,667	12,950	2,219	42,836
Additions	9,353	877	-	10,230
Transfers out	(12,394)	-	-	(12,394)
At 31 March 2004	24,626	13,827	2,219	40,672
Depreciation				
At 1 April 2003	10,494	10,665	2,125	23,284
Charge for the year	6,147	858	54	7,059
Transfer out	(5,680)	-	-	(5,680)
At 31 March 2004	10,961	11,523	2,179	24,663
Net book value				
At 31 March 2004	13,665	2,304	40	16,009
At 31 March 2003	17,173	2,285	94	19,552

Capital commitments

At 31 March 2004 the directors had authorised capital expenditure of £nil (2003: nil).

6. STOCKS	2004	2003
	£	£
Finished goods	50,352	63,160
7. DEBTORS	2004	2003
	£	£
Trade debtors	57,804	81,216
Prepayments and accrued income	5,645	2,795
Deferred tax asset	79	-
	63,528	84,011

A deferred tax asset of £79 (2003: liability of £379) has been recognised. The amount credited to the profit and loss account in the year was £458 (2003: charge of £379).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

8.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2004	2003
		£	£
	Trade creditors	30,004	32,742
	Other taxes and social security costs	6,719	14,091
	Corporation tax	8,068	5,115
	Deferred taxation	-	379
	Other creditors	35	-
	Accruals and deferred income	12,655	4,696
		<u>57,481</u>	<u>57,023</u>
9.	CALLED UP SHARE CAPITAL	2004	2003
		£	£
	Authorised		
	10,000 £1 Deferred shares	10,000	10,000
	10,000 1p Ordinary shares	100	100
		<u>10,100</u>	<u>10,100</u>
		£	£
	Allotted and fully paid		
	10,000 £1 Deferred shares	10,000	10,000
	10,000 1p Ordinary shares	100	100
		<u>10,100</u>	<u>10,100</u>
<p>The deferred shares carry no rights except on a return of capital, where after payment of all company's liabilities, the holders of the deferred shares would be entitled to the par value (together with any premium paid on subscription).</p>			
10.	PROFIT AND LOSS ACCOUNT	2004	2003
		£	£
	At beginning of the year	232,180	219,000
	Profit for the financial year	4,500	13,180
		<u>236,680</u>	<u>232,180</u>
	At end of the year		

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

11. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	3,114	17,599
Depreciation charges	7,059	6,189
Decrease in debtors	20,690	50,864
Decrease in creditors	(2,116)	(30,671)
Decrease in stocks	12,808	22,592
Net cash inflow from operating activities	<u>41,555</u>	<u>66,573</u>

12. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2003 £	Cash flow £	At 31 March 2004 £
Cash at bank and in hand	<u>122,480</u>	<u>41,792</u>	<u>164,272</u>

13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £	2003 £
Increase in cash for the year	41,792	70,543
Net funds at beginning of year	<u>122,480</u>	<u>51,937</u>
Net funds at end of year	<u>164,272</u>	<u>122,480</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

14. FINANCIAL COMMITMENTS

Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts. As at 31 March 2004, the overall commitment was nil (2003: nil).

Operating leases

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Office equipment £	2004 Land and buildings £	Office equipment £	2003 Land and buildings £
Expiry date				
- within two to five years	1,080	-	-	-
- after more than five years	-	10,500	-	-
	<u>1,080</u>	<u>10,500</u>	<u>-</u>	<u>-</u>

15. DIRECTORS

The emoluments of directors of the company were:

Fees and other emoluments (excluding pension contributions but including benefits-in-kind)

2004
£

2003
£

-

No.

The number of directors who were members of a defined benefit pension scheme

-

W Robson, I R Stewart and R McGregor-Smith are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts. It is not practicable to allocate their remuneration between their services as directors of KBS Fire Protection Systems Limited and their services as directors of other group companies.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

16. EMPLOYEES

Number of employees

The average number of persons (including directors) employed by the company during the year was:

	2004 No.	2003 No.
Administration and management	<u>3</u>	<u>4</u>
Employment costs (including directors)	£	£
Wages and salaries	69,712	95,283
Social security costs	8,267	10,186
Other pension costs	<u>4,663</u>	<u>7,193</u>
	<u>82,642</u>	<u>112,662</u>

17. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 72.47% shareholder of KBS Fire Protection Systems Limited. Management charges of £8,500 (2003: £13,500) were paid to MITIE Property Services Limited and £25,000 (2003: £25,000) to MITIE McCartney Fire Protection Limited during the year.

During the year MITIE McCartney Fire Protection Limited provided services to the value of £87,926 (2003: £96,908) of which nil (2003: nil) is included within creditors at the year end.

During the year MITIE Property Services (Scotland) Limited provided services to the value of £9,252 (2003: £3,333) of which nil (2003: nil) is included within creditors at the year end.

During the year KBS Fire Protection Systems Limited provided materials to the value of £101,048 (2003: £145,613) to MITIE McCartney Fire Protection Limited of which nil (2003: nil) is included within debtors at the year end.

During the year KBS Fire Protection Systems Limited provided materials to the value of £381 (2003: nil) to MITIE Cleaning (Midlands) Limited of which £nil (2003: nil) is included within debtors at the year end.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2003

18. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme for the period are shown in note 16 and the agreed contribution rate for the next 12 months is 10% (2003: 10%) and 7.5% (2003: 7.5%) for the group and employees respectively.

An updated FRS17 valuation of the scheme as at 31 March 2004 indicated that the scheme was 85% funded.

19. PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. MITIE Group PLC is both the smallest and largest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.