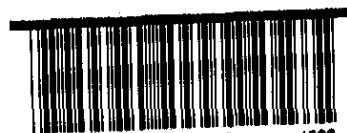


AWG Facilities Services Limited

Group annual report and financial statements

For the year ended 31 March 2004

Registered number 120550



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AWG Facilities Services Limited

	Pages
Directors and advisers	1
Directors' report	2 - 5
Independent auditors' report	6
Group profit and loss account	7
Statement of total group recognised gains and losses	8
Statement of movement in group shareholders funds	8
Group and company balance sheet	9
Notes to the financial statements	10 – 23

AWG Facilities Services Limited

Directors and advisers

Directors

G Scarr Hall
K O'Hara

Secretary

D Turner

Registered Office

12 Atholl Crescent
Edinburgh
EH3 8HA
Scotland

Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Solicitors

Osborne Clarke OWA
50 Queen Charlotte Street
Bristol
BS1 4HE

Bankers

Barclays Bank plc
1 Market Hill
Huntingdon
Cambridgeshire
PE18 6AE

AWG Facilities Services Limited

Directors' report

The directors present their report together with the financial statements and independent auditors' report of the group for the year ended 31 March 2004.

Principal activities

The principal activity of the company and group is that of the provision of facilities management and facilities services to the public sector.

Business review

As a result of legal alignment of statutory entities within the group, the business and net assets of two other AWG Group companies were transferred into the Company during the year ending 31 March 2004.

The directors expect the general level of activity to continue for the foreseeable future.

Group results

The results for the year ended 31 March 2004 are set out in the group's profit and loss account on page 7.

Dividends

The directors do not recommend a final dividend (2003: nil pence per share).

Directors and their interests

The directors of the company are as follows:

J M Martin	Appointed 7 November 2003; Resigned 12 July 2004
D W G Harley	Resigned 30 June 2004
G Scarr Hall	Appointed 4 August 2003
K O'Hara	Appointed 4 August 2003
P J Clifton	Resigned 7 November 2003

The directors have no interest in the shares of the company.

The interests of the directors who were in office at 31 March 2004 in the shares of AWG Plc and in options over such shares granted under that company's share option schemes are set out below.

Throughout this section, all interests in shares are in relation to AWG Plc ordinary shares. On 13 June 2003 AWG Plc consolidated its share capital by issuing 201 ordinary shares of 19.9 pence each for every 250 existing ordinary shares of 16 pence each.

Beneficial and family interests in the shares of AWG Plc

	1 April 2003 or date of appointment	Acquired	Disposals	31 March 2004 or date of resignation
	Number of shares			
J M Martin	# 84,076	40,955	-	* 125,031
P J Clifton	82,847	41,257	-	* 124,104
D W G Harley	35,652	19,925	-	* 55,577
G Scarr Hall	# 18,117	20,000	-	38,117
K O'Hara	# 27,542	13,333	-	40,875

At date of appointment

* At date of resignation

AWG Facilities Services Limited

Directors' report (continued)

Long term incentive plan

The following directors had a contingent interest at 31 March 2004 in the shares of AWG Plc, representing the maximum aggregate number of shares to which they would be entitled under the Group's Long Term Incentive Plan:

P J Clifton *	nil	(2003 – nil)
D W G Harley *	nil	(2003 – nil)
G Scarr Hall#	nil	(2003 – nil)
K O'Hara #	nil	(2003 – nil)
J M Martin *#	nil	(2003 – nil)

At date of appointment
* At date of resignation

Full details of this plan are given in the financial statements of AWG Plc.

The long term incentive share scheme is designed to encourage continuing improvement in the AWG group's performance in terms of shareholder return over the longer term. Under the scheme, each participant is conditionally awarded a number of shares based on a value equating to a percentage of base salary. The proportion of the award to be released to each participant previously depended on the AWG group's performance in terms of total earnings per share. No shares will be released for below median performance. Above the median level there will be a progressive release of shares up to 100 per cent of allocation. The release of shares to participants will be made three years after the initial award.

Sharesave scheme

The directors also have a contingent interest in the shares of AWG Plc under the groups' sharesave scheme as follows:

AWG Plc sharesave scheme				
	1 April 2003 or date of appointment	Allotted	Optionslapsed	31 March 2004 or date of resignation
J M Martin	# 3,926	-	-	* 3,926
P J Clifton	2,795	-	-	* 2,795
D W G Harley	2,795	-	-	* 2,795
G Scarr Hall	# 3,887	-	-	3,887
K O'Hara	# 2,795	-	-	2,795

At date of appointment
* At date of resignation

Options granted under the share save scheme are exercisable within a period of six months after either the third, fifth or seventh anniversary of the date of the savings contract.

The dates of grant and the option prices are set out below:

Share save scheme	
Date of grant	Option price
10 December 1997	£6.19
9 December 1998	£7.12
13 January 2000	£4.34
31 January 2001	£4.68
6 February 2002	£4.20
31 January 2003	£3.38

AWG Facilities Services Limited

Directors' report (continued)

Executive share option scheme

Directors also have a contingent interest in the shares of AWG Plc under the group's executive share option scheme as follows:

	1 April 2003 Or date of appointment	Options granted	Options exercised	Options lapsed	31 March 2004 or date of resignation
J M Martin	# 80,150	40,955	-	-	* 121,105
P J Clifton	80,052	41,257	-	-	* 121,309
D W G Harley	32,857	19,925	-	-	* 52,782
G Scarr Hall	# 14,230	20,000	-	-	34,230
K O'Hara	# 24,747	13,333	-	-	38,080

At date of appointment

* At date of resignation

No director has any interest in the shares of group companies, other than those shown above.

None of the directors has or had during the year, a material interest in any contracts of significance to which the company or any other group company is or was a party.

Employees

Employees are kept informed on matters affecting them and made aware of the general financial and economic factors influencing the company.

The company operates a systematic approach to employee communication through regular briefings, presentations, electronic mailings and the wide circulation of magazines.

Share option and bonus schemes are in place to encourage participation in the company's performance.

The company is an equal opportunities employer and applications from disabled persons are fully and fairly considered, having regard to the aptitudes and abilities of the applicant. In the event of disability, every effort is made to ensure that employment continues and appropriate training is given. Career development and promotion of disabled people is, as far as possible, identical to that of other employees.

Payment of suppliers

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the group at 31 March 2004 were equivalent to 25 days purchases (2003 - 47 days), based on the average daily amount invoiced by suppliers during the year.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing those 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 assume 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

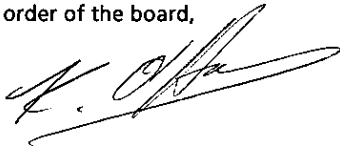
AWG Facilities Services Limited

Directors' report (continued)

Auditors

Elective resolutions to dispense with the holding of annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. The auditors, PricewaterhouseCoopers LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning on the day on which copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

By order of the board,



K O'Hara
Director
10 August 2004

Registered Office:

12 Atholl Crescent
Edinburgh
EH3 8HA

Registered number: 120550

AWG Facilities Services Limited

Independent auditors' report

Independent auditor's report to the members of AWW Facilities Services Limited.

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 to you 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.


Basis of audit opinion

We conducted our audit in accordance with 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 group's and company's affairs at 31 March 2004 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

10 August 2004

AWG Facilities Services Limited

Group profit and loss account

for the year ended 31 March 2004

Notes	Acquired £'000	Continued £'000	2004 £'000	2003 £'000
2	Turnover (including total group and share of joint venture and associates)	14,159	141,643	155,802
	Less: Share of joint venture and associates	-	(39,045)	(32,065)
	14,159	102,598	116,757	30,609
	Cost of sales	(14,806)	(86,301)	(101,107)
3	Cost of sales – exceptional items	-	-	(127)
	Total cost of sales	(14,806)	(86,301)	(101,107)
	Gross profit	(647)	16,297	15,650
4	Other operating expenses (net)	(3,435)	(14,521)	(17,956)
5	Group operating (loss)/profit	(4,082)	1,776	(2,306)
	Share of operating profit in joint ventures	-	147	42
6	Other income	-	-	672
	(Loss)/profit on ordinary activities before finance charges	(4,082)	1,923	(2,159)
7	Finance charges (net)		(739)	(159)
	(Loss)/profit on ordinary activities before taxation		(2,898)	1,254
8	Tax on loss/profit on ordinary activities		772	(424)
	(Loss)/profit for the financial year after taxation		(2,126)	830
	Equity minority interest		3	(116)
22	(Loss)/profit for the financial year		(2,123)	714

There are no material differences between the loss/profit on ordinary activities before taxation and the retained loss/profit for the year stated above and their historical cost equivalents

The accompanying notes on pages 10 to 23 form an integral part of this profit and loss account.

AWG Facilities Services Limited
Statement of total group recognised gains and losses
for the year ended 31 March 2004

Notes		2004	2003
		£'000	£'000
22	(Loss)/profit for the financial year attributable to group shareholders	(2,123)	714
	Total recognised gains and losses since the last annual report and financial statements	(2,123)	714

Statement of movement in group shareholder's funds
for the year ended 31 March 2004

	2004	2003
	£'000	£'000
Total recognised gains and losses for the year	(2,123)	714
(Decrease)/increase in shareholder's funds	(2,123)	714
Opening shareholder's funds	1,029	315
Closing shareholder's (deficit)/ funds	(1,094)	1,029

AWG Facilities Services Limited

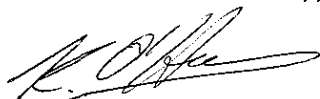
Group and company balance sheet

as at 31 March 2004

Notes		Group		Company	
		2004 £'000	2003 £'000	2004 £'000	2003 £'000
	Fixed assets				
10	Intangible assets	6,698	8,812	6,698	8,812
12	Tangible assets	3,058	3,141	2,517	2,606
13	Investments	-	-	1	1
	Interest in joint ventures				
	Share of gross assets	11,075	7,857	-	-
	Share of gross liabilities	(10,991)	(7,773)	-	-
		<u>9,840</u>	<u>12,037</u>	<u>9,216</u>	<u>11,419</u>
	Current assets				
14	Stock	1,145	1,877	832	1,558
15	Debtors	27,842	10,863	26,172	9,727
	Cash at bank and in hand	8,297	4,279	5,313	711
		<u>37,284</u>	<u>17,019</u>	<u>32,317</u>	<u>11,996</u>
	Creditors: amounts falling due within one year				
16	Short-term borrowings	(8)	-	(8)	-
16	Other creditors	(21,755)	(15,176)	(16,749)	(10,139)
		<u>(21,763)</u>	<u>(15,176)</u>	<u>(16,757)</u>	<u>(10,139)</u>
	Net current assets	15,521	1,843	15,560	1,857
	Total assets less current liabilities	<u>25,361</u>	<u>13,880</u>	<u>24,776</u>	<u>13,276</u>
	Creditors: amounts falling due after more than one year				
17	Long-term borrowings	(21,360)	(12,382)	(21,360)	(12,382)
17	Other creditors	(3,333)	-	(3,333)	-
		<u>(24,693)</u>	<u>(12,382)</u>	<u>(24,693)</u>	<u>(12,382)</u>
18,19	Provisions for liabilities and charges	(1,645)	(349)	(1,500)	(193)
	Net (liabilities)/ assets	<u>(977)</u>	<u>1,149</u>	<u>(1,417)</u>	<u>701</u>
	Capital and reserves				
21	Called up share capital	-	-	-	-
22	Profit and loss account	(1,094)	1,029	(1,417)	701
	Shareholder's funds (all equity)	<u>(1,094)</u>	<u>1,029</u>	<u>(1,417)</u>	<u>701</u>
	Equity minority interest	117	120	-	-
	Capital employed	<u>(977)</u>	<u>1,149</u>	<u>(1,417)</u>	<u>701</u>

The notes on pages 10 to 23 form part of these financial statements.

The financial statements were approved by the board of directors on 10 August 2004 and signed on its behalf by:



K O'Hara
Director

AWG Facilities Services Limited

Notes to the financial statements

for the year ended 31 March 2004

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and in accordance with the Companies Act 1985.

c) Basis of consolidation

The group accounts comprise a consolidation of the accounts of the company and all of its subsidiaries to 31 March. The results of companies acquired or disposed of are consolidated from the effective date of the acquisition or to the effective date of disposal. The treatment of a company as an associated undertaking has regard to the group's holding of at least 20 per cent of the equity capital, representation on its board of directors and participation in policy making, including dividend policy. The group's share of the profits or losses of these companies is included in the profit and loss account and the investments are included in the balance sheet at the group's share of the net assets of the companies. An entity is treated as a joint venture if the group jointly controls that entity together with one or more other venturers under a contractual arrangement. The group's share of turnover, operating profit and interest in joint ventures has been reported on the face of the profit and loss account and the group's share of gross assets and liabilities has been reported on the balance sheet. Intra group sales and profit are eliminated fully in consolidation.

d) Goodwill

On the acquisition of a subsidiary undertaking, fair values are attributed to the net identifiable assets/liabilities acquired. Goodwill represents the difference between the purchase consideration and the fair values. Goodwill arising on acquisitions prior to 31 March 1998 was set off directly against reserves and has not been reinstated on implementation of FRS 10. Positive goodwill arising on acquisitions since this date is capitalised in the financial statement as an intangible asset and amortised on a straight line basis over its useful economic life. On disposal of a subsidiary any goodwill arising on acquisition that was previously written off to reserves, or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale.

e) Associates and joint ventures

The group share of turnover and profit and loss of associates and joint ventures is included in the consolidated profit and loss account. The group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the latest audited financial statement of the undertakings concerned or from coterminous management accounts if the balance sheet date in those audited financial statement is greater than three months from the balance sheet date of the relevant group financial statements.

f) Cash flow statement

As the published consolidated financial statements of the ultimate holding company include a consolidated cash flow statement, the company has taken advantage of the exemption within FRS1 (revised 1996) and not presented its own cash flow statement.

g) Turnover

Turnover represents the income receivable (excluding value added tax) in the ordinary course of business for goods and services provided and, in respect of contract work in progress, the value of work carried out.

h) Tangible fixed assets and depreciation

Fixed assets are included at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation of assets is calculated at rates expected to write off cost less the estimated residual value of the relevant assets over their estimated economic lives, which are principally as follows:

Buildings	30-60 years
Fixed plant	3- 8 years
Vehicles, mobile plant and computers	3- 8 years

Assets in the course of construction are not depreciated until they are commissioned.

Interest costs are not capitalised into the cost of fixed assets.

AWG Facilities Services Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

i) Leased assets

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor, and the finance costs being written off to the profit and loss account over the primary period of the lease. The assets are depreciated over the shorter of their estimated useful lives and the lease period. All other leases are regarded as operating leases. Rental costs arising under operating leases are expensed over the term of the lease.

j) Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

k) Stocks and work in progress

Stocks are stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress, with the exception of long-term contract work in progress, is valued at the lower of cost and net realisable value. Cost includes labour, materials, transport and attributable overheads. Net realisable value is the estimated proceeds from the sale of stock less all further costs to be incurred.

l) Pension costs

Contributions to the company's defined benefit pension schemes are charged to the profit and loss account so as to spread the regular cost of pensions over the average service lives of employees, in accordance with the advice of an independent qualified actuary. Actuarial surpluses and deficits are amortised, where appropriate, over the average remaining service lives of employees. The cost of defined contribution schemes is charged to the profit and loss account in the year in respect of which the contributions become payable.

m) Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment for accounts and taxation purposes of events and transactions recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that taxation will arise.

Deferred taxation is not provided in respect of timing differences arising from the sale or revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into, and it is unlikely that any gain will be rolled over.

Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future periods.

n) Pre-contract costs

The company's policy is to write off pre-contract costs as an expense in line with UITF 34.

2. Segmental analysis

All results are derived from a single class of business within the United Kingdom. Turnover includes sales to group companies of £753,000 (2003 - £nil).

3. Exceptional items

	2004 £'000	2003 £'000
Restructuring costs	-	25
Redundancy costs	-	102
Charged against cost of sales	-	127

The redundancy arose from restructuring within the business in the year to 31 March 2003.

AWG Facilities Services Limited

Notes to the financial statements (continued)

4. Other operating expenses (net)	2004	2003
	£'000	£'000
Administrative expenses	(18,021)	(7,322)
Other operating income	65	40
	(17,956)	(7,282)
5. Group operating profit	2004	2003
	£'000	£'000
Operating profit is stated after charging:		
Amortisation of goodwill	1,584	107
Depreciation –owned assets	1,022	80
Hire of plant and machinery	366	-
Fees paid to the auditors:		
- for audit work (including £26,000 (2003 - £3,000) in respect of the company)	33	16
- for other work (all in the United Kingdom)	-	-
Fees paid to other accounting firms for other work	-	71
6. Other income	2004	2003
	£'000	£'000
The other income comprises a compensation payment for delayed completion on acquisitions during the year to 31 March 2003.	-	672
7. Finance charges (net)	2004	2003
	£'000	£'000
Investment Income		
Interest receivable and similar income	189	75
	189	75
Interest payable and similar charges		
Bank loans and overdrafts	-	3
Finance Leases and hire purchase contracts	4	-
Other loans	777	107
	781	110
Finance charges (net)		
Interest payable and similar charges	781	110
Less: Investment income	(189)	(75)
Group interest payable (net)	592	35
Share of joint venture interest payable (net)	147	124
Total finance charges (net)	739	159
8. Taxation	2004	2003
	£'000	£'000
The tax charge for the year comprises:		
UK tax – current year (credit)/charge	(772)	424
Tax on profit on ordinary activities	(772)	424
Analysed as:		
- before exceptional items	(772)	462
- exceptional items	-	(38)
Tax on profit on ordinary activities	(772)	424
UK Corporation tax at 30 per cent (2002– 30 per cent)	(262)	257
Total current tax	(262)	257
Deferred tax (note 19)		
(Credit)/charge for timing differences arising in year	(510)	210
Total deferred tax	(510)	210
Total Group Taxation	(772)	467
Share of joint venture taxation	-	(43)
Tax on profit on ordinary activities	(772)	424

AWG Facilities Services Limited

Notes to the financial statements (continued)

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of Corporation Tax in the UK (30 per cent). The differences are explained below:

	2004 £'000	2003 £'000
(Loss)/Profit on ordinary activities before taxation	(2,898)	1,254
(Loss)/Profit on ordinary activities at the standard UK rate of tax (30 per cent)	(869)	376
Effects of:		
Items not deductible for tax purposes (primarily goodwill)	85	72
Accounting for depreciation not eligible for tax purposes	12	2
Capital allowances for the year in excess of depreciation	58	(193)
Short term timing differences	450	-
Accelerated capital allowances on intercompany acquisitions of assets	(28)	-
Accelerated depreciation resulting from fair value adjustments	30	-
Share of joint venture taxation	-	(43)
Current tax (credit)/charge for the year	(262)	257

The prior year reconciliation of the tax charge has been restated to reconcile to the current tax charge (in line with FRS19) rather than the total tax charge.

9. Employee information

	2004 £'000	2003 £'000
Staff costs:		
Wages and salaries	47,746	15,623
Social security costs	3,771	1,258
Pension costs (note 24)	4,806	2,250
	56,323	19,131

	2004	2003
Average number of full time equivalent persons employed:		
Management, selling and administration	524	16
Manual employees	1,434	686
	1,958	702

	2004 £'000	2003 £'000
Directors remuneration		
Emoluments	572	107
Company pension contributions	86	17
	658	124

Highest paid director

	2004 £'000
Emoluments	172
Benefits in Kind	-
Company pension contributions	14
	186

For the year ending 31 March 2003 the highest paid director's emoluments are disclosed in the financial statements of Anglian Water Facilities Management Holdings (UK) Limited.

AWG Facilities Services Limited

Notes to the financial statements (continued)

10. Intangible fixed assets

Group & Company

Cost

	£'000
At 1 April 2003	9,026
Fair Value adjustment	(587)
Additions	57
At 31 March 2004	8,496

Amortisation

At 1 April 2003	214
Charge for the year	1,584
At 31 March 2004	1,798

Net book amount

At 31 March 2004	6,698
At 31 March 2003	8,812

Intangible assets comprise goodwill, which is being amortised over the life of the contract to which it relates. In each case this is under 20 years.

11. Acquisitions

Acquisition of Birmingham and London contracts

The group announced its offer for repair and maintenance contracts in relation to Birmingham City Council and four London Boroughs on 5 January 2003. The contracts and related net assets were acquired from Serviceteam Limited, a member of the Brambles Industries Plc group. The offer was declared unconditional on 27 March 2003, and hence this has been deemed the effective date of acquisition. The acquisition was for a total consideration of £10,113,000 including acquisition costs and stamp duty of £475,000.

	Book value prior to acquisition	Provisional fair values at 31 March 2003	Fair Value Adjustments	Final Fair values at 31 March 2003
	£'000	£'000	£'000	£'000
Fixed assets	2,606	2,606	(100)	2,506
Stock and work in progress	1,555	1,555	(41)	1,514
Debtors	5,032	5,032	(46)	4,986
Cash at bank	-	-	-	-
Short term borrowings	(5,917)	(5,917)	(400)	(6,317)
Net assets acquired	3,276	3,276	(587)	2,689
Goodwill arising on acquisition		7,956	(532)	7,424
Consideration		11,232	(1,119)	10,113
Cash		8,559	1,554	10,113
Deferred consideration		2,673	(2,673)	-
Consideration		11,232	(1,119)	10,113

The book value of the assets and liabilities were taken from the management accounts of the contracts at 27 March 2003 (the date of acquisition). The fair value adjustments have now been finalised resulting in an adjustment in the year to Goodwill. The fair value adjustments relate to alignment of accounting policies.

Summary financial results for the last full periods prior to acquisition were disclosed in the group accounts for last year.

AWG Facilities Services Limited

Notes to the financial statements (continued)

11. Acquisitions (continued)

Transfer of group entities

The acquisition column represents the internal transfer of assets and liabilities from Anglian Water Facilities Management Holdings (UK) Ltd and the facilities management business of AWG Construction Services Ltd, both 100% owned subsidiaries, as a result of legal entity alignment within AWG Plc.

The majority of assets and liabilities of Anglian Water Facilities Management Holdings (UK) Ltd were transferred at 1 April 2003. The facilities management business of AWG Construction Services Ltd was transferred at 1 October 2003.

All transfers were at book value; no fair value adjustments have been made.

	AWG Construction Services Ltd – Facilities Management Business	Anglian Water Facilities Management Holdings (UK) – assets and liabilities	Total Acquisitions in Year
	Book Values at 1 October 2003	Book Values at 1 April 2003	Book Values Acquired
	£'000	£'000	£'000
Fixed assets	282	15	297
Stock and work in progress	2,280	-	2,280
Debtors	1,820	1,583	3,403
Cash at bank	2,093	(2)	2,091
Creditors	(4,934)	(596)	(5,530)
Short term borrowings	(3,621)	-	(3,621)
Net (liabilities)/assets acquired	(2,080)	1,000	(1,080)
Goodwill arising on acquisition	-	-	-
Consideration	(2,080)	1,000	(1,080)
Consideration via intercompany balance	(2,080)	1,000	(1,080)

Summary results for the last full financial periods are shown below:

AWG Construction Services Ltd – Facilities Management Business Acquired 1 October 2003	Year to 31 March 2003 £'000	6 months to 30 September 2003 £'000
Summarised Profit and Loss Account		
Turnover	14,945	13,097
Operating (Loss)/Profit	(2,782)	143
(Loss)/Profit before Tax	(2,913)	61
Taxation	-	-
Dividends	-	-
(Loss)/Profit attributable to shareholders	(2,913)	61
	Year to 31 March 2003 £'000	6 months to 30 September 2003 £'000
Statement of total recognised gains and losses		
(Loss)/Profit attributable to shareholders	(2,913)	61
Total recognised gains or losses	(2,913)	61

AWG Facilities Services Limited

Notes to the financial statements (continued)

11. Acquisitions (continued)

Anglian Water Facilities Management Holdings (UK) Ltd – assets and liabilities
Acquired 1 April 2003

Summarised Profit and Loss Account

	Year to 31 March 2003 £'000
Turnover	-
Operating Loss	(1,482)
Loss before Tax	(1,113)
Taxation	423
Dividends	-
Loss attributable to shareholders	(690)

Statement of total recognised gains and losses

	Year to 31 March 2003 £'000
Loss attributable to shareholders	(690)
Total recognised gains or losses	(690)

The summary financial statements of both business acquisitions are stated on the basis of their accounting policies prior to the acquisition.

12. Tangible fixed assets

The group

Cost

	Land and buildings £'000	Vehicles plant and equipment £'000	Total £'000
At 1 April 2003	292	2,939	3,231
Additions	88	951	1,039
Fair Value Adjustment		(100)	(100)
At 31 March 2004	380	3,790	4,170

Depreciation

	Land and buildings £'000	Vehicles plant and equipment £'000	Total £'000
At 1 April 2003	32	58	90
Charge for the year	55	967	1,022
At 31 March 2004	87	1,025	1,112

Net book value

	Land and buildings £'000	Vehicles plant and equipment £'000	Total £'000
At 31 March 2004	293	2,765	3,058
At 31 March 2003	260	2,881	3,141

Capital commitments

There are no capital commitments at 31 March 2004 (2003: £nil).

AWG Facilities Services Limited

Notes to the financial statements (continued)

12. Tangible fixed assets (continued)

The company	Land and buildings £'000	Fixed plant £'000	Vehicles plant and equipment £'000	Total £'000
Cost				
At 1 April 2003	-	-	2,606	2,606
Additions	-	-	895	895
Fair Value Adjustment			(100)	(100)
At 31 March 2004	-	-	3,401	3,401
Depreciation				
At 1 April 2003	-	-	-	-
Charge for the year	-	-	884	884
At 31 March 2004	-	-	884	884
Net book value				
At 31 March 2004	-	-	2,517	2,517
At 31 March 2003	-	-	2,606	2,606

Capital commitments

There are no capital commitments at 31 March 2004 (2003: £nil).

13. Investments

The company	Subsidiaries £'000	Joint venture £'000	Total £'000
Shares			
Cost			
At 1 April 2003	1	-	1
At 31 March 2004	1	-	1
Provision for impairment			
At 1 April 2003	-	-	-
At 31 March 2004	-	-	-
Total			
At 31 March 2004	1	-	1
As 31 March 2003	1	-	1

Principal subsidiary undertakings

Set out below is an analysis of the company's principal associated undertakings at 31 March 2004.

Subsidiary Undertaking	Country of incorporation	Activity	Class of share	Proportion of shares held	Accounting year end
Maintenance and Property Care Limited	Scotland	Repairs, maintenance and other works for North Lanarkshire Council	'A' Ordinary share capital	66.67%	31 March

The undertaking principally operates in its country of incorporation.

AWG Facilities Services Limited

Notes to the financial statements (continued)

13. Investments (continued)

Joint ventures

Set out below is an analysis of the company's principal joint ventures at 31 March 2004.

Undertaking note (i)	Country of incorporation	Activity	Proportion of shares held note (ii)
AWG Cleanaway Limited	England	Repairs, Maintenance and other works for Norwich City Council	50% 'A' Ordinary share capital

This undertaking principally operates in its country of incorporation.

(i) The accounting year end for the above undertaking is 31 March.

(ii) Unless otherwise stated the class of shares held are ordinary shares of £1 each.

14. Stock

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Raw materials and consumables	802	780	489	461
Work in Progress	343	1,097	343	1,097
	1,145	1,877	832	1,558

The current replacement value of stock does not materially exceed the historical costs stated above.

15. Debtors

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Amount falling due within one year:				
Trade debtors	17,160	1,039	16,634	-
Amounts recoverable on contracts	746	6,676	746	5,099
Amounts owed by joint ventures	2,001	1,789	2,001	1,789
Amounts owed by fellow group undertakings	3,015	-	5,417	2,108
Deferred tax (see notes 18 and 19)	296	-	308	-
Other taxation and social security	34	48	34	48
Other debtors	1,601	707	276	79
Prepayments and accrued income	2,682	300	449	300
	27,535	10,559	25,865	9,423
Amounts falling due after more than one year:				
Amounts recoverable on contracts	46	-	46	-
Prepayments and accrued income	261	304	261	304
	27,842	10,863	26,172	9,727

16. Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Obligations under finance leases	8	-	8	-
Short-term borrowings	8	-	8	-
Trade creditors	4,217	4,574	3,371	2,982
Amounts owed to fellow group undertakings	1,788	1,662	1,699	1,594
Corporation tax	282	544	46	335
Other creditors	3,487	971	2,908	-
Other taxation and social security	1,588	916	585	-
Accruals and deferred income	10,393	3,781	8,140	2,555
Deferred consideration for acquisition	-	2,673	-	2,673
Dividends payable	-	55	-	-
Other creditors	21,755	15,176	16,749	10,139

AWG Facilities Services Limited

Notes to the financial statements (continued)

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Amounts owed to fellow group undertakings	21,360	12,382	21,360	12,382
Long-term borrowings	21,360	12,382	21,360	12,382
Trade creditors	3,333	-	3,333	-
Other creditors	3,333	-	3,333	-

Borrowings are repayable as follows:

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Between two and five years	21,360	12,382	21,360	12,382

18. Provisions for liabilities and charges

	Deferred tax	Contract and other provisions	Total
	£'000	£'000	£'000
The group			
At 31 March 2003	214	135	349
(Credit)/charge for the year	(510)	1,510	1,000
At 31 March 2004	(296)	1,645	1,349
The company			
At 31 March 2003	193	-	193
(Credit)/charge for the year	(501)	1,500	999
At 31 March 2004	(308)	1,500	1,192

Deferred tax is analysed in note 19. The deferred tax assets at 31 March 2004 are disclosed within debtors.

The contract and other provisions relate to potential warranty and certification costs and other exposures in the business. The provisions are expected to unwind over a period of between 1 and 2 years.

The amounts stated above have not been discounted.

19. Deferred taxation

	Group		Company	
	£'000		£'000	
At 31 March 2003	214		193	
Credit for the year	(510)		(501)	
At 31 March 2004	(296)		(308)	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Accelerated capital allowances (full provision)	154	214	142	193
Short term timing differences	(450)	-	(450)	-
	(296)	214	(308)	193

AWG Facilities Services Limited

Notes to the financial statements (continued)

20. Commitments under operating leases

At 31 March 2004 the company had commitments to make payments during the next 12 months under non-cancellable operating leases which expire as follows:

	2004		2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year	120	425	-	-
Between two and five years	-	792	-	-
	120	1,217	-	-

21. Share capital

	2004 £'000	2003 £'000
Authorised		
1,000 ordinary shares of £1 each	1	1
Allotted, issued and fully paid		
2 (2003 – 2) ordinary shares of £1 each	-	-

22. Reserves

	Profit and loss reserve £'000
The group	
At 31 March 2003	1,029
Loss for the financial year	(2,123)
At 31 March 2004	(1,094)
	Profit and loss reserve £'000
The company	
At 31 March 2003	701
Loss for the financial year	(2,118)
At 31 March 2004	(1,417)

23. Profit of parent company

AWG Facilities Services Limited has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The loss for the financial year dealt within the financial statements of the parent company is (£2,118,000) (2003: profit of £553,000).

24. Pension commitments

The Company is a member of the AWG Plc Group. Pension arrangements for the majority of the group's UK employees are of the defined benefit type, through the AWG Pension Scheme and the AWG (Infrastructure Management) Pension Scheme (formerly Morrison Pension & Life Assurance Plan). The group's actuaries are Aon Consulting. Further details may be found within the financial statements of AWG Plc.

These defined benefit arrangements are closed to new members, who are eligible instead for entry to the Group's defined contribution schemes.

The AWG and the AWG (Infrastructure Management) schemes were valued by independent actuaries as at 31 March 2002.

The administration and investment of the pension funds are maintained separately from the finances of the Group.

AWG Facilities Services Limited

Notes to the financial statements (continued)

24. Pension commitments (continued)

The share of assets and liabilities of these pension schemes which relate to employees of the company cannot be separately identified. Therefore, the scheme represents a defined contribution scheme for the company.

The company also operates a defined benefit pension plan (the AWG Pension & Life Assurance Plan "AWGPLAP") for the majority of Maintenance & Property Care Limited employees, a subsidiary. The assets of the AWGPLAP are held in a separately administered fund.

The contribution rate paid by the Maintenance & Property Care (MPC), as recommended by the Plan Actuary, was 18.4% of pensionable salaries. Member's contributions are paid in addition. This contribution rate has been in effect since the Plan commenced in 2001, and changed with effect from 31 March 2004 following the Plan's recent actuarial valuation. This was the first valuation of the plan. MPC's Contribution Rate with effect from 1 April 2004 is 20.3% of pensionable salaries.

In addition, MPC participates in another defined benefit scheme and a defined contribution scheme. The assets and liabilities in respect of the other defined benefit scheme are not material to MPC's financial statements and have been excluded from the following disclosures.

The defined benefit arrangements are closed to new hires, who are eligible instead for entry to the Group's defined contribution scheme. MPC's contributions to this scheme in the year amounted to £15,000 (2003 £4,000).

The administration and investment of the pension funds are maintained separately from the finances of MPC and the Group. The accounting pension costs have been prepared under SSAP 24, based on the most recent actuarial valuation. Details of the most recent actuarial valuation of the AWGPLAP are summarised below.

Scheme:	AWGPLAP
Date of most recent actuarial valuation	31 March 2003
Actuarial method	Projected Unit (10 year control period)
Main assumptions:	
Excess of investment returns over:	
general salary increases	3.5% p.a.
pension increases	5% p.a.
Results:	
Market value of assets	£11.3m (inc. bulk transfer received in November 2003)
Funding level	76% (allowing for bulk transfer received in November 2003)
Due date of next full actuarial valuation	31 March 2006

The net pension cost for the year ended 31 March 2004 was £21,894,000 (2003: £2,173,000). At 31 March 2004 there was a prepayment in respect of pensions of £1,270,000 (2003: £664,000).

In November 2000 the Accounting Standards Board issued FRS17 'Retirement Benefits'. The Group is making use of the transitional arrangements regarding the adoption of FRS17. Disclosures are included below as if FRS17 had been applied from 1 April 2002.

The valuation used for the FRS17 disclosures has been based on the first actuarial valuation of the plan (summarised above), updated by independent actuaries to take account the requirements of FRS17 in order to assess the liabilities of the schemes at 31 March 2004.

The liabilities of the schemes have been valued using the projected unit method and using the following assumptions:

	2004
	% p.a.
Discount rate	5.5
Inflation rate	2.9
Increase to deferred benefits during deferment	2.9
Increases to inflation related pension in payment	2.9
General salary increases	4.4

AWG Facilities Services Limited

Notes to the financial statements (continued)

24. Pension commitments (continued)

The long-term expected rate of return and the assets in the schemes are:

	2004	2004
	Expected rate of return	Fair value of scheme
	% pa	assets
		£000's
Equities	7.8	14,100
Corporate Bonds	5.2	800
Gilts	4.8	2,700
Property	6.8	-
Other	4.0	300
Total Assets		17,900
Fair value of scheme liabilities		(29,300)
Deficit in the scheme		(11,400)
Related deferred tax asset		3,420
Net pension liability		(7,980)

If these amounts had been recognised in the group's financial statements, the net assets and the profit and loss reserve at 31 March 2004 would be as follows:

Net assets	2004
	£000's
Net assets	(977)
Exclude existing post tax net pension liability and prepayment (under SSAP 24)	(1,270)
	(2,247)
FRS17 pension liability net of deferred tax asset	(7,980)
Net liabilities including FRS17 pension liability	(10,227)
Profit and loss reserve	2004
	£000's
Profit and loss reserve	(1,094)
Exclude existing post tax net pension liability and prepayment (under SSAP24)	(1,270)
	(2,364)
FRS17 pension liability net of deferred tax	(7,980)
Profit and loss reserve including FRS17 pension liability	(10,344)

The pension expense for the defined benefit scheme was:

Profit and loss account	2004
	£000's
Current service cost	(3,400)
Past service cost	(9,600)
Gain on settlements and curtailments	-
Charge to operating profit	(13,000)
Expected return on pension scheme assets	900
Interest on pension scheme liabilities	(1,400)
Amount credited to other finance income	(500)
(Loss) on ordinary activities before taxation	(13,500)

AWG Facilities Services Limited

Notes to the financial statements (continued)

24. Pension commitments (continued)

Movement in scheme deficit	2004 £000's
Deficit at 1 April 2003	(3,400)
Current service costs	(3,400)
Contributions	2,600
Past service costs	(9,600)
Settlements and curtailments	-
Businesses acquired	-
Net interest	(500)
Actuarial gain	2,900
Deficit at 31 March 2004	(11,400)

Details of experience gains and losses	2004 £000's
Difference between expected and actual returns on scheme assets	
Amount	2,900
Percentage of scheme assets	16.2%
Experience gains and losses on scheme liabilities	
Amount	(900)
Percentage of present value of scheme liabilities	0.1%
Amount in statement of total recognised gains and losses	
Amount	2,900
Percentage of present value of scheme liabilities	9.9%

25. Contingent liabilities

The group and company

During the year both the company, and Maintenance & Property Care Limited, its subsidiary, entered into cross guarantee arrangements relating to a credit facility for a number of group companies and to certain group companies' accounts at Barclays Bank plc. Net indebtedness under each of these arrangements at 31 March 2004 was £nil.

26. Related party transactions

The company has taken advantage of the exemption relating to 90% subsidiary undertakings under Financial Reporting Standard 8 (FRS 8) not to disclose transactions with entities that are part of AWG Plc.

The company's related party transactions requiring disclosure in the financial statements are summarised below:

	2004 £'000	2003 £'000
Management fees charged to AWG Cleanaway Limited on normal trading terms	1,169	1,004
Amounts due from AWG Cleanaway Limited	2,001	1,804

27. Ultimate parent undertaking

In the opinion of the directors, the ultimate parent undertaking and controlling party is AWG Plc, a company registered in England. Copies of the group accounts may be obtained from the company secretary by writing to AWG Plc, Anglian House, Ambury Road, Huntingdon, Cambridgeshire, PE29 3NZ.

The immediate parent company is AWG Infrastructure Management Holdings Limited.

28. Post balance sheet events

There are no post balance sheet events.