

Company Registration No. 1027001 (England and Wales)

EUROPA FACILITY SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

HLB **AV** audit



EUROPA FACILITY SERVICES LIMITED

COMPANY INFORMATION

Directors

M H Jones
P M Hargraves
D J Colbert
K W Durling

Secretary

P M Hargraves

Company number

1027001

Registered office

Gate House, Fretherne Road
Welwyn Garden City
Herts
AL8 6RD

Auditors

HLB AV Audit plc
66 Wigmore Street
London
W1U 2HQ

Bankers

National Westminster Bank Plc
PO Box 399
40 Whitgift Centre
Croydon
Surrey
CR9 3QB

EUROPA FACILITY SERVICES LIMITED

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EUROPA FACILITY SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

The company is principally engaged in the provision of office and industrial cleaning and facilities management.

The results for the year show a significant increase in turnover which the directors are confident will be reflected in the growth of operating profit for the foreseeable future.

Results and dividends

The results for the year are set out on page 4.

A final dividend has been proposed of £40,000.

Directors

The following directors have held office since 1 January 2003:

M H Jones
P M Hargraves
D J Colbert
K W Durling

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2003	1 January 2003
M H Jones	-	-
P M Hargraves	-	-
D J Colbert	-	-
K W Durling	-	-

The directors have no beneficial interest in the shares of the company, which is a wholly owned subsidiary of Europa Facility Holdings Limited. The interests of the directors who are the directors of the parent undertaking are disclosed in the financial statements of that company.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Disabled persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

EUROPA FACILITY SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that HLB AV Audit plc be reappointed as auditors of the company will be put to the Annual General Meeting.

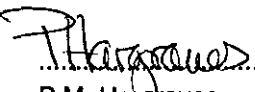
Directors' responsibilities

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 and of the profit or loss of the company for that period. 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;
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board


P M Hargraves
Director
30/7/04

EUROPA FACILITY SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EUROPA FACILITY SERVICES LIMITED

We have audited the financial statements of Europa Facility Services Limited on pages 4 to 14 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention and 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 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 with the company is not disclosed.

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

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 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB AV Audit plc

HLB AV Audit plc 2/8/04

Registered Auditor

66 Wigmore Street
London
W1U 2HQ

EUROPA FACILITY SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	2	9,012,020	6,421,474
Cost of sales		(7,593,248)	(5,203,627)
Gross profit		1,418,772	1,217,847
Distribution costs		(73,266)	(31,308)
Administrative expenses		(1,296,010)	(1,089,070)
Operating profit	3	49,496	97,469
Other interest receivable and similar income	4	8,472	8,666
Interest payable and similar charges	5	(1,961)	(444)
Profit on ordinary activities before taxation		56,007	105,691
Tax on profit on ordinary activities	6	(6,631)	(27,915)
Profit on ordinary activities after taxation		49,376	77,776
Dividends	7	(40,000)	(60,000)
Retained profit for the year	14	9,376	17,776

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

EUROPA FACILITY SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	8		173,009		137,683
Current assets					
Debtors	9	1,883,767		1,717,050	
Cash at bank and in hand		386,172		305,034	
		<u>2,269,939</u>		<u>2,022,084</u>	
Creditors: amounts falling due within one year	10	<u>(2,161,716)</u>		<u>(1,914,355)</u>	
Net current assets			108,223		107,729
Total assets less current liabilities			281,232		245,412
Creditors: amounts falling due after more than one year	11		<u>(26,444)</u>		<u>-</u>
			<u>254,788</u>		<u>245,412</u>
Capital and reserves					
Called up share capital	13		4,400		4,400
Profit and loss account	14		250,388		241,012
Shareholders' funds - equity interests	15		<u>254,788</u>		<u>245,412</u>

The financial statements were approved by the Board on 30/4/2004

M H Jones
Director

P M Hargraves
Director

EUROPA FACILITY SERVICES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	£	2003 £	£	2002 £
Net cash inflow/(outflow) from operating activities		245,215		(3,682)
Returns on investments and servicing of finance				
Interest received	8,472		8,666	
Interest paid	(1,961)		(444)	
Net cash inflow for returns on investments and servicing of finance		6,511		8,222
Taxation		(26,231)		(915)
Capital expenditure				
Payments to acquire tangible assets	(82,624)		(102,312)	
Receipts from sales of tangible assets	1,800		7,450	
Net cash outflow for capital expenditure		(80,824)		(94,862)
Equity dividends paid		(60,000)		-
Net cash inflow/(outflow) before management of liquid resources and financing		84,671		(91,237)
Financing				
Capital element of hire purchase contracts	(3,533)		(1,117)	
Net cash outflow from financing		(3,533)		(1,117)
Increase/(decrease) in cash in the year		81,138		(92,354)

EUROPA FACILITY SERVICES LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2003 £	2002 £
	Operating profit	49,496	97,469
	Depreciation of tangible assets	92,063	72,653
	Profit on disposal of tangible assets	(1,600)	(540)
	Increase in debtors	(166,717)	(389,839)
	Increase in creditors within one year	271,973	216,575
	Net cash inflow/(outflow) from operating activities	245,215	(3,682)

2	Analysis of net funds	1 January 2003 £	Cash flow £	Other non-cash changes £	31 December 2003 £
	Net cash:				
	Cash at bank and in hand	305,034	81,138	-	386,172
	Debt:				
	Finance leases	-	3,533	(44,965)	(41,432)
	Net funds	305,034	84,671	(44,965)	344,740

3	Reconciliation of net cash flow to movement in net funds	2003 £	2002 £
	Increase/(decrease) in cash in the year	81,138	(92,354)
	Cash outflow from decrease in debt and lease financing	3,533	-
	Change in net debt resulting from cash flows	84,671	(92,354)
	New finance lease	(44,965)	-
	Movement in net funds in the year	39,706	(92,354)
	Opening net funds	305,034	397,388
	Closing net funds	344,740	305,034

EUROPA FACILITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

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

Land and buildings Leasehold	20% per annum
Plant and machinery	rates varying from 20% - 33% per annum
Motor vehicles	25% per annum

1.5 Leasing and hire purchase commitments

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

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.7 Deferred taxation

Where material, deferred tax is provided in full, as required by FRS 19 - Deferred Tax, in respect of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is not discounted.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	92,063	72,653
Operating lease rentals	108,454	136,720
Auditors' remuneration	8,000	7,500
and after crediting:		
Profit on disposal of tangible assets	(1,600)	(540)

EUROPA FACILITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

4	Investment Income	2003	2002
		£	£
	Bank interest	8,472	8,666
5	Interest payable	2003	2002
		£	£
	On bank loans and overdrafts	1,431	66
	Hire purchase interest	530	120
	On overdue tax	-	39
	Other interest	-	219
		1,961	444
6	Taxation	2003	2002
		£	£
	Domestic current year tax		
	U.K. corporation tax	7,400	26,600
	Adjustment for prior years	(369)	915
	Current tax charge	7,031	27,515
	Deferred tax charge/credit current year	(400)	400
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	56,007	105,691
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2002: 30.00%)	10,641	31,707
	Effects of:		
	Non deductible expenses	2,949	5,829
	Depreciation add back	17,492	21,796
	Capital allowances	(15,923)	(19,324)
	Adjustments to previous periods	(369)	915
	Chargeable disposals	(304)	(162)
	Marginal relief	-	(10,179)
	Group relief	(7,447)	(3,067)
	Other tax adjustments	(8)	-
		(3,610)	(4,192)
	Current tax charge	7,031	27,515

EUROPA FACILITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

7	Dividends			2003	2002
				£	£
	Ordinary final proposed			<u>40,000</u>	<u>60,000</u>
8	Tangible fixed assets				
		Land and buildings Leasehold	Plant and machinery	Motor vehicles	Total
		£	£	£	£
	Cost				
	At 1 January 2003	7,096	237,543	32,803	277,442
	Additions	-	102,397	25,192	127,589
	Disposals	-	(26,129)	(4,375)	(30,504)
	At 31 December 2003	<u>7,096</u>	<u>313,811</u>	<u>53,620</u>	<u>374,527</u>
	Depreciation				
	At 1 January 2003	2,409	127,036	10,314	139,759
	On disposals	-	(26,129)	(4,175)	(30,304)
	Charge for the year	1,419	74,956	15,688	92,063
	At 31 December 2003	<u>3,828</u>	<u>175,863</u>	<u>21,827</u>	<u>201,518</u>
	Net book value				
	At 31 December 2003	<u>3,268</u>	<u>137,948</u>	<u>31,793</u>	<u>173,009</u>
	At 31 December 2002	<u>4,687</u>	<u>110,507</u>	<u>22,489</u>	<u>137,683</u>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery
	£
Net book values	
At 31 December 2003	<u>47,275</u>
Depreciation charge for the year	
At 31 December 2003	<u>5,625</u>

EUROPA FACILITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

9 Debtors	2003	2002
	£	£
Trade debtors	1,674,745	1,517,578
Amounts owed by parent and fellow subsidiary undertakings	65,437	34,985
Other debtors	143,585	164,487
	<u>1,883,767</u>	<u>1,717,050</u>
10 Creditors: amounts falling due within one year	2003	2002
	£	£
Net obligations under hire purchase contracts	14,988	-
Trade creditors	1,053,474	649,510
Corporation tax	7,400	27,000
Other taxes and social security costs	346,024	278,454
Other creditors	339,019	381,166
Accruals and deferred income	360,811	518,225
Proposed dividend	40,000	60,000
	<u>2,161,716</u>	<u>1,914,355</u>
11 Creditors: amounts falling due after more than one year	2003	2002
	£	£
Net obligations under hire purchase contracts	<u>26,444</u>	<u>-</u>
Net obligations under hire purchase contracts		
Repayable within one year	17,236	-
Repayable between one and five years	30,411	-
	<u>47,647</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(6,215)	-
	<u>41,432</u>	<u>-</u>
Included in liabilities falling due within one year	(14,988)	-
	<u>26,444</u>	<u>-</u>

EUROPA FACILITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

12 Pension costs

Defined contribution

	2003 £	2002 £
Contributions payable by the company for the year	<u>2,007</u>	<u>2,213</u>

13 Share capital

Authorised

250,000 Ordinary shares of £1 each

	2003 £	2002 £
	<u>250,000</u>	<u>250,000</u>

Allotted, called up and fully paid

4,400 Ordinary shares of £1 each

	<u>4,400</u>	<u>4,400</u>
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14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2003	241,012
Retained profit for the year	<u>9,376</u>
Balance at 31 December 2003	<u>250,388</u>

15 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	49,376	77,776
Dividends	<u>(40,000)</u>	<u>(60,000)</u>
Net addition to shareholders' funds	9,376	17,776
Opening shareholders' funds	<u>245,412</u>	<u>227,636</u>
Closing shareholders' funds	<u>254,788</u>	<u>245,412</u>

EUROPA FACILITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

16 Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within one year	-	-	7,684	39,409
Between two and five years	16,200	16,200	27,297	43,846
In over five years	41,549	41,549	-	-
	<u>57,749</u>	<u>57,749</u>	<u>34,981</u>	<u>83,255</u>

17 Transactions with directors

Included within other debtors is a rent deposit of £50,000 held by Mr M H Jones and Mrs L Jones. This was paid when the director and his wife acquired the leasehold of a property occupied by Europa Facility Services Limited. The rent payable in respect of this property is £16,000 per annum.

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Direct labour	475	381
Administrative staff	21	17
	<u>496</u>	<u>398</u>

Employment costs

	£	£
Wages and salaries	4,465,662	3,059,173
Social security costs	325,367	190,608
Other pension costs	2,007	2,213
	<u>4,793,036</u>	<u>3,251,994</u>

EUROPA FACILITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

19 Control

The ultimate parent undertaking is Europa Facility Holdings Limited, a company registered in England and Wales.

20 Related party transactions

During the year there were management charges of £290,000 (2002: £288,000) payable to Europa Facility Holdings Limited, the ultimate parent company. At the balance sheet date the company is owed £65,437 (2002: £34,985) by Europa Facility Holdings Limited.