EPS Maintenance Limited

Directors' report and financial statements

Registered number 2022463

31 December 2003

Directors
D J Anderson
L B Ginger
G S Jefferys
J O'Donnell
P Griffin
P Reader
S Reeve

Secretary
G R Rajendra

Auditors
KPMG LLP
1 Waterloo Way
Leicester
LE1 6LP

Bankers
Bank of Scotland
14 Friar Lane
Leicester
LE1 5RA

Registered office
5 Leathermarket
Weston Street
London
SE1 3HH

Contents

Directors' report

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

Principal activities

The principal activities of the company continued to be that of building, mechanical and electrical service, maintenance and installation.

Business review

The company has returned to a significant profit, following the losses incurred in 2002. The profit after taxation was £997,218, compared with a loss of £3,551,817.

The directors are confident that further strong progress will be made in 2004.

Proposed dividend

The directors do not recommend the payment of a dividend (2002:Nil)

Post balance sheet events

As explained in note 20, on 1 January 2004 the trade, assets and liabilities of EPS Maintenance Limited were transferred to EPS Projects Limited.

EPS Maintenance Limited and EPS Projects Limited have worked increasingly more closely and the merger will enable the combined operation to offer a full life cycle package of refurbishment and maintenance to its clients from one source.

Directors and directors' interests

The directors who held office during the year were as follows:

D J Anderson
L B Ginger
G S Jefferys
M D L Lewis (resigned 22 August 2003)
J O'Donnell
P Griffin
P Reader (appointed 1 September 2003)
S Reeve (appointed 1 October 2003)

None of the directors had any interest in the shares of the company.

In accordance with the articles of association, the directors are not required to retire at the Annual General Meeting.

Interests of directors in the shares of the ultimate parent undertaking, Environmental Property Services Plc, are shown in the report and financial statements of that company.

Directors' report *(continued)*

Employees

The company has established systems for communicating information on its performance and other significant issues affecting the business.

The company's open management style encourages employees to contribute to the development of the business. When visiting the various company businesses, the directors meet informally with employees to discuss issues which affect the company.

The board remains committed to ensuring that the working environment within the company is one where differences in people are recognised and valued. Equality is the fundamental principle that determines how the group treats its employees and this is reflected in the company's employment policies.

The board understands its responsibilities to encourage and assist in the employment, training, personal and career development of disabled people. The company gives proper consideration to applications for employment when these are received from disabled people and employs them whenever suitable vacancies arise.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2003 the company had an average of 62 days purchases outstanding in trade creditors (*2002: 84 days*).

Political and charitable contributions

The company made no political or charitable contributions during the year (2002: £nil).

Auditors

KPMG LLP were appointed auditors of the company during the year.

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

G R Rajendra
Secretary

5 Leathermarket
Weston Street
London SE1 3HH

31 March 2004

Statement of 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 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;
- 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
1 Waterloo Way
Leicester
LE1 6LP
United Kingdom

Report of the independent auditors to the members of EPS Maintenance Limited

We have audited the financial statements on pages 5 to 15.

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 directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

1st April, 2004.

Profit and loss account
for the year ended 31 December 2003

	Note	2003	2002
		£	£
Turnover	*2*	**29,138,264**	28,583,568
Cost of sales		**(22,675,329)**	(25,820,325)
Gross profit		**6,462,935**	2,763,243
Administrative expenses		**(5,650,111)**	(6,461,036)
Operating profit/(loss)		**812,824**	(3,697,793)
Interest receivable		**12,473**	2,793
Interest payable	*6*	**(14,079)**	(290,817)
Profit/(loss) on ordinary activities before taxation	*3*	**811,218**	(3,985,817)
Tax on profit/(loss) on ordinary activities	*7*	**186,000**	434,000
Retained profit/(loss) for the year		**997,218**	(3,551,817)

Balance sheet
at 31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Intangible assets	*8*		**275,860**		291,969
Tangible assets	*9*		**880,829**		1,245,866
			1,156,689		1,537,835
Current assets					
Stocks and work in progress	*10*	**1,279,308**		1,967,041	
Debtors	*11*	**5,013,737**		6,528,716	
		6,293,045		8,495,757	
Creditors: amounts falling due within one year	*12*	**(9,167,694)**		(12,748,770)	
Net current liabilities			**(2,874,649)**		(4,253,013)
Total assets less current liabilities			**(1,717,960)**		(2,715,178)
Capital and reserves					
Called up share capital	*14*		**1,000**		1,000
Profit and loss account	*15*		**(1,718,960)**		(2,716,178)
Equity shareholders' funds			**(1,717,960)**		(2,715,178)

These financial statements were approved by the board of directors on 31 March 2004 and were signed on its behalf by:

D J Anderson
Director

Statement of total recognised gains and losses
for the year ended 31 December 2003

	2003	2002
	£	£
Profit/(loss) for the financial year	**997,218**	(3,551,817)
Prior year adjustment (as explained in note 19)	-	(445,497)
Total gains and losses recognised since last annual report	**997,218**	(3,997,314)

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

	2003	2002
	£	£
Profit/(loss) for the financial year	**997,218**	(3,551,817)
Net addition to/(reduction in) shareholders' funds	**997,218**	(3,551,817)
Opening shareholders' funds	**(2,715,178)**	836,639
Closing shareholders' funds	**(1,717,960)**	(2,715,178)

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Goodwill and negative goodwill

Positive goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on acquisitions is capitalised. It is amortised to nil by equal annual instalments over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Leasehold premises	-	Over the period of the lease
Plant and machinery	-	25% per annum reducing balance
Motor vehicles	-	25% per annum reducing balance
Fixtures and fittings	-	15% per annum reducing balance
Computer equipment	-	25% per annum reducing balance

The carrying values of tangible fixed assets are reviewed for impairment in periods when events or changes in circumstances indicate that the carrying value may not be recoverable.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company makes payments to group personal pension plans for employees. Contributions are charged to the profit and loss account as they become due.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. For work in progress, cost includes direct materials, direct labour and an appropriate proportion of fixed and variable overheads.

Taxation

The credit for taxation is based on the profit/loss for the year and takes into account deferred tax, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Notes *(continued)*

2 Turnover

The turnover and operating result for the year were derived from the company's continuing principal activities which were carried out wholly in the United Kingdom.

3 Profit/(loss) on ordinary activities before taxation

	2003	2002
	£	£
Profit/(loss) on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration:		
Audit	**22,000**	33,000
Depreciation and other amounts written off tangible fixed assets:		
Owned	**297,163**	279,999
Leased	**20,699**	20,996
Amortisation of goodwill	**16,109**	16,109
Hire of land and buildings – rentals payable under operating leases	**262,058**	227,620
Hire of plant and machinery - rentals payable under operating leases	**12,608**	2,474
Hire of other assets – operating leases	**861,627**	836,253

4 Remuneration of directors

	2003	2002
	£	£
Directors' emoluments	**252,282**	276,000
Pension contributions	**17,537**	21,531
Compensation for loss of office	**22,906**	-
	292,725	297,531

Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	2003	2002
Personal pension plans	**2**	1

The amounts in respect of the highest paid director were as follows:

	2003	2002
	£	£
Emoluments	**67,707**	90,000
Group pension contributions to personal pension scheme	**6,600**	9,000

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	2003	2002
Administration	**149**	180
Engineering	**269**	331
	418	511

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	**10,375,892**	12,216,090
Social security costs	**1,052,668**	1,158,937
Other pension costs	**240,093**	222,898
	11,668,653	13,597,925

6 Interest payable

	2003	2002
	£	£
On bank loans and overdrafts	-	289,941
Finance charges payable in respect of finance leases and hire purchase contracts	-	876
On all other loans	**14,079**	-
	14,079	290,817

Notes *(continued)*

7 Taxation

Analysis of credit in year

	2003 £	2002 £
UK corporation tax		
Group relief	-	(284,000)
Total current tax credit	-	(284,000)
Deferred tax (see below)	**(186,000)**	(150,000)
Tax on profit/(loss) on ordinary activities	**(186,000)**	(434,000)

Factors affecting the tax credit for the current year

The current tax credit for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2003 £	2002 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**811,218**	(3,985,817)
Current tax at 30% *(2002: 30%)*	**243,365**	(1,195,745)
Effects of:		
Expenses not deductible for tax purposes	**6,040**	(150,635)
Capital allowances for period less than/(in excess of) depreciation	**24,684**	(16,346)
Other timing differences	**(3,000)**	-
Unrelieved tax losses	-	1,090,730
Tax losses utilised	**(271,089)**	-
Group relief surrendered	-	271,996
Receipt of payment for group relief	-	(284,000)
Total current tax charge/(credit) (see above)	-	(284,000)

Deferred taxation

	£
At 1 January 2003 (included within debtors)	(150,000)
Credit for the year	(186,000)
At 31 December 2003 (included within debtors)	(336,000)

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	Provided		Unprovided	
	2003 £	2002 £	2003 £	2002 £
Capital allowances in excess of depreciation	-	-	**40,000**	66,000
Tax losses	**(336,000)**	(150,000)	**(490,000)**	(948,000)
Deferred tax asset	**(336,000)**	(150,000)	**(450,000)**	(882,000)

Notes *(continued)*

8 Intangible fixed assets

	Goodwill £
Cost	
At beginning and end of year	322,173
Amortisation	
At beginning of year	30,204
Charged in year	16,109
At end of year	46,313
Net book value	
At 31 December 2003	**275,860**
At 31 December 2002	291,969

9 Tangible fixed assets

	Leasehold premises £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost						
At beginning of year	617,431	145,517	202,957	288,421	735,326	1,989,652
Additions	-	3,366	7,273	-	4,996	15,635
Disposals	(6,060)	-	(8,830)	(142,568)	-	(157,458)
At end of year	611,371	148,883	201,400	145,853	740,322	1,847,829
Depreciation						
At beginning of year	51,444	86,317	89,578	187,600	328,847	743,786
Charge for year	146,155	17,724	25,936	16,486	111,561	317,862
Eliminated on disposals	(79)	-	(1,290)	(93,279)	-	(94,648)
At end of year	197,520	104,041	114,224	110,807	440,408	967,000
Net book value						
At 31 December 2003	**413,851**	**44,842**	**87,176**	**35,046**	**299,914**	**880,829**
At 31 December 2002	565,987	59,200	113,379	100,821	406,479	1,245,866

Notes *(continued)*

10 Stocks

	2003	2002
	£	£
Consumable stock	**134,382**	156,054
Work in progress	**1,144,926**	1,810,987
	1,279,308	1,967,041

11 Debtors

	2003	2002
	£	£
Trade debtors	**3,935,481**	5,429,265
Amounts owed by group undertakings	**520,000**	500,000
Other debtors	**128,413**	95,364
Net deferred tax assets	**336,000**	150,000
Prepayments and accrued income	**93,843**	70,087
Group relief receivable	**-**	284,000
	5,013,737	6,528,716

12 Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	**961,927**	4,950,866
Trade creditors	**2,873,519**	4,125,185
Amounts owed to group undertakings	**4,014,699**	2,225,136
Taxation and social security	**1,029,547**	1,094,235
Other creditors	**83,505**	132,750
Accruals and deferred income	**204,497**	220,598
	9,167,694	12,748,770

The bank overdraft is secured by an all monies debenture over all assets of the company, incorporating fixed and floating charges. Set-off is available to the bank between the company and Environmental Property Services Plc and its group company members by virtue of the bank holding a debenture from each company together with a cross corporate guarantee.

13 Pension costs

The pension cost charge represents contributions payable by the company into various group and personal pension schemes and amounted to £240,093 *(2002: £222,898)*. Contributions totalling £nil *(2002: £1,936)* were payable at the year end and are included in creditors.

Notes *(continued)*

14 `Called up share capital

	2003	2002
	£	£
Authorised		
Equity: 1,025 ordinary shares of £1 each	**1,025**	1,025
Equity: 100 ordinary 'A' shares of £1 each	**100**	100
	1,125	1,125
Allotted, called up and fully paid		
Equity: 1,000 ordinary shares of £1 each	**1,000**	1,000

15 Movement on reserves

	Profit and loss account £
At beginning of year	(2,716,178)
Retained profit for the year	997,218
At end of year	(1,718,960)

16 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	**29,804**	**114,020**	-	163,603
Between two and five years	**159,865**	**79,569**	245,343	178,584
	189,669	**193,589**	245,343	342,187

Notes *(continued)*

17 Related party disclosures

The company has taken advantage of the exception under FRS 8 (paragraph 3c) from disclosure of transactions with group undertakings.

18 Ultimate parent undertaking

The immediate parent undertaking is Environmental Property Services Holdings Limited. In the directors' opinion, the company's ultimate parent undertaking and controlling party is Environmental Property Services Plc.

Environmental Property Services Plc is the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared. Copies of its group financial statements are available from the registered office.

19 Prior year adjustment

In preparing the financial statements for 2002 the company altered its accounting policy for work in progress. In previous years amounts relating to substantially complete projects other than long term contracts were recognised in trade debtors at gross sales value. In 2002 these amounts were shown as work in progress and valued at cost resulting in a prior year adjustment reducing shareholders' funds at 31 December 2001 by £445,497.

20 Post balance sheet events

On 1 January 2004 the trade, assets and liabilities of EPS Maintenance Limited were transferred to EPS Projects Limited.
EPS Maintenance Limited and EPS Projects Limited have worked increasingly more closely and the merger will enable the combined operation to offer a full life cycle package of refurbishment and maintenance to its clients from one source.