

MITIE SECURITY (SOUTHERN) LIMITED

Report and Financial Statements

52 week period ended 3 April 2004

**Deloitte & Touche LLP
Bristol**



REPORT AND FINANCIAL STATEMENTS 2004

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I R Stewart
N R Goodman
R McGregor-Smith

SECRETARY

C K Ross

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

National Westminster Bank plc
32 Corn Street
Bristol
BS99 7UG

AUDITORS

Deloitte & Touche LLP
Bristol

DIRECTORS' REPORT

The directors present their report and audited financial statements for the 52 week period from 6 April 2003 to 3 April 2004.

The financial statements have been made up to 3 April 2004, being a date not more than seven days after the accounting reference date of 31 March as permitted by Section 223 of the Companies Act 1985.

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 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; 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 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, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company ceased trading on 30 September 2003, at which time the trade and net assets were transferred to Trident Safeguards Limited.

RESULTS AND DIVIDENDS

The loss for the financial year after taxation amounted to £18,140 (2003: £8,924). The directors recommend that this amount be transferred from reserves (2003: £8,924).

DIRECTORS AND THEIR INTERESTS

The directors during the financial year were as follows:

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

The following director has a beneficial interest in the share capital of the company:

	At 3 April 2004 £1 'B' ordinary shares No.	At 5 April 2003 £1 'B' ordinary shares No.
N R Goodman	-	2,500

No other director had an interest in the share capital of the company.

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

N R Goodman, 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 are shown in the financial statements of MITIE Group PLC.

No other director had an interest in the share capital of MITIE Group PLC, or had any share options.

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. As at 3 April 2004 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented nil days (5 April 2003: 27 days).

EMPLOYEES

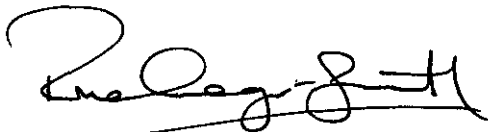
The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their attitudes and abilities in common with all employees, providing the disability 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 provision 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

A handwritten signature in black ink, appearing to read 'R McGregor-Smith', with a horizontal line drawn underneath it.

R McGregor-Smith
Director

29 July 2004



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MITIE SECURITY (SOUTHERN) LIMITED**

We have audited the financial statements of MITIE Security (Southern) Limited for the 52 week period ended 3 April 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 period 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 3 April 2004 and of its loss for the 52 week period 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

MITIE SECURITY (SOUTHERN) LIMITED

PROFIT AND LOSS ACCOUNT
52 week period ended 3 April 2004

		Discontinued operations	
		52 week	56 week
		period ended	period ended
		3 April	5 April
	Notes	2004	2003
		£	£
TURNOVER	1	582,892	876,712
Cost of sales		(497,125)	(706,290)
GROSS PROFIT		85,767	170,422
Administrative expenses		(105,537)	(182,205)
OPERATING LOSS	2	(19,770)	(11,783)
Interest receivable	3	-	41
Interest payable	3	(5,087)	(1,007)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(24,857)	(12,749)
Tax credit on loss on ordinary activities	4	6,717	3,825
RETAINED LOSS FOR THE FINANCIAL YEAR	9	(18,140)	(8,924)

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 is presented.

MITIE SECURITY (SOUTHERN) LIMITED

BALANCE SHEET
At 3 April 2004

	Notes	At 3 April 2004		At 5 April 2003	
		£	£	£	£
FIXED ASSETS					
Tangible assets	5		-		23,626
CURRENT ASSETS					
Debtors	6	17,546		201,594	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(19,278)		(208,812)	
NET CURRENT LIABILITIES			(1,732)		(7,218)
NET (LIABILITIES)/ASSETS			(1,732)		16,408
SHARE CAPITAL AND RESERVES					
Called up share capital	8		176,000		176,000
Profit and loss account	9		(177,732)		(159,592)
TOTAL EQUITY SHAREHOLDERS' (DEBT)/FUNDS	10		(1,732)		16,408

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

MITIE SECURITY (SOUTHERN) LIMITED

CASH FLOW STATEMENT
52 week period ended 3 April 2004

	Notes	52 week period ended 3 April 2004 £ £	56 week period ended 5 April 2003 £ £
Net cash inflow/(outflow) from operating activities	11	26,878	(43,202)
Returns on investments and servicing of finance			
Interest received		-	41
Interest paid		(3,688)	(2,100)
Net cash outflow from returns on investments and servicing of finance		(3,688)	(2,059)
Taxation			
UK corporation tax (paid)/received		(4,563)	15,093
Capital expenditure			
Payments to acquire tangible fixed assets		(13,933)	(20,806)
Proceeds from disposal of tangible fixed assets		33,301	7,620
Net cash inflow/(outflow) from capital expenditure		19,368	(13,186)
Increase/(decrease) in cash in the period	13	37,995	(43,354)

NOTES TO THE FINANCIAL STATEMENTS
52 week period ended 3 April 2004**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.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied. All turnover arises within the United Kingdom, from the company's principal activity.

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:

Office equipment	3 to 5 years
Motor vehicles	4 years

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 is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. 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.

NOTES TO THE FINANCIAL STATEMENTS
52 week period ended 3 April 2004

2. OPERATING LOSS is stated after charging:	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
Depreciation	4,258	9,414
Auditors' remuneration - audit services	2,250	2,000
Loss on disposal of tangible fixed assets	-	70
	<u> </u>	<u> </u>
 3. INTEREST	 52 week period ended 3 April 2004 £	 56 week period ended 5 April 2003 £
Interest payable		
On bank overdraft repayable within five years	5,087	1,007
	<u> </u>	<u> </u>
 Interest receivable	 £	 £
Bank interest	-	41
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

52 week period ended 3 April 2004

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
(a) Analysis of charge in period		
United Kingdom corporation tax at 30% (2003: 30%)	(7,030)	(3,002)
Adjustment in respect of prior periods	-	8
Total current tax (note 4(b))	<u>(7,030)</u>	<u>(2,994)</u>
Deferred taxation:		
Timing differences - origination and reversal	(427)	(823)
Adjustment in respect of prior periods	740	(8)
Tax credit on loss on ordinary activities	<u>(6,717)</u>	<u>(3,825)</u>

(b) Factors affecting tax charge in period

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

	£	£
Loss on ordinary activities before tax	<u>(24,857)</u>	<u>(12,749)</u>
	£	£
Tax at 30% thereon	(7,457)	(3,825)
Capital allowances in excess of depreciation	427	802
Loss on disposal of tangible fixed assets	-	21
Adjustment in respect of prior periods	-	8
Current tax charge for the period (note 4(a))	<u>(7,030)</u>	<u>(2,994)</u>

(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
52 week period ended 3 April 2004

5. TANGIBLE FIXED ASSETS

	Office equipment £	Motor vehicles £	Total £
Cost			
At 6 April 2003	6,584	26,885	33,469
Transfer in	-	18,113	18,113
Transfers out	(1,734)	(44,998)	(46,732)
Disposals	(4,850)	-	(4,850)
At 3 April 2004	-	-	-
Depreciation			
At 6 April 2003	4,710	5,133	9,843
Charge for the financial year	451	3,807	4,258
Transfers in	-	4,180	4,180
Transfers out	(311)	(13,120)	(13,431)
Disposals	(4,850)	-	(4,850)
At 3 April 2004	-	-	-
Net book value			
At 3 April 2004	-	-	-
At 5 April 2003	1,874	21,752	23,626

Capital commitments

At 3 April 2004 the directors had no authorised capital expenditure (5 April 2003: nil).

6. DEBTORS

	3 April 2004 £	5 April 2003 £
Trade debtors	350	28,500
Amounts owed by group undertakings	-	168,790
Prepayments and accrued income	3,070	860
Group relief receivable	10,995	-
Deferred tax asset	3,131	3,444
	<u>17,546</u>	<u>201,594</u>

A deferred tax asset of £3,131 has been recognised at 3 April 2004 (5 April 2003: £3,444). This asset relates to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount charged to the profit and loss account in the financial year was £313 (5 April 2003: credit of £831).

NOTES TO THE FINANCIAL STATEMENTS
52 week period ended 3 April 2004

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	3 April 2004 £	5 April 2003 £
Bank overdraft	15,115	53,110
Trade creditors	-	74,666
Other taxes and social security costs	358	55,964
Accruals and deferred income	3,805	24,474
Corporation tax	-	598
	<u>19,278</u>	<u>208,812</u>
 8. CALLED UP SHARE CAPITAL	 3 April 2004 £	 5 April 2003 £
Authorised		
128,000 £1 'A' ordinary shares	128,000	128,000
122,000 £1 'B' ordinary shares	122,000	122,000
	<u>250,000</u>	<u>250,000</u>
	£	£
Allotted and fully paid		
128,000 £1 'A' ordinary shares	128,000	128,000
48,000 £1 'B' ordinary shares	48,000	48,000
	<u>176,000</u>	<u>176,000</u>

Rights attached to shares

The holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board. Thereafter, MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid, together with any arrears of such cumulative dividends unpaid from any previous financial year.

Thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

Both classes of shareholder have equal voting rights.

NOTES TO THE FINANCIAL STATEMENTS
52 week period ended 3 April 2004

9. PROFIT AND LOSS ACCOUNT

	£
At 6 April 2003	(159,592)
Retained loss for the financial year	(18,140)
	<hr/>
At 3 April 2004	(177,732)
	<hr/>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEBT)/FUNDS

	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
Loss for the financial year	(18,140)	(8,924)
Issue of ordinary shares	-	33,000
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' (debt)/funds	(18,140)	24,076
Opening shareholders' funds/(debt)	16,408	(7,668)
	<hr/>	<hr/>
Closing shareholders' (debt)/funds	(1,732)	16,408
	<hr/>	<hr/>

**11. RECONCILIATION OF OPERATING LOSS TO NET CASH
 INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
Operating loss	(19,770)	(11,783)
Depreciation charge	4,258	9,414
Loss on disposal of tangible fixed assets	-	70
Decrease/(increase) in debtors	194,730	(60,386)
(Decrease)/increase in creditors	(152,340)	19,483
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	26,878	(43,202)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
52 week period ended 3 April 2004

12. ANALYSIS OF CHANGES IN NET DEBT

	At 6 April 2003 £	Cash flow £	At 3 April 2004 £
Cash at bank and in hand	<u>(53,110)</u>	<u>37,995</u>	<u>(15,115)</u>

**13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET (DEBT)/FUNDS**

	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
Increase/(decrease) in cash in the financial year	37,995	(43,354)
Transfer of debt	-	33,000
Movement in net funds/(debt) in financial year	<u>37,995</u>	<u>(10,354)</u>
Net debt at beginning of financial year	<u>(53,110)</u>	<u>(42,756)</u>
Net funds/(debt) at end of financial year	<u>15,115</u>	<u>(53,110)</u>

14. FINANCIAL COMMITMENTS

Operating leases

At 3 April 2004 the company had no annual commitments under non-cancellable operating leases (5 April 2003: nil).

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 3 April 2004, the overall commitment was nil (5 April 2003: nil).

NOTES TO THE FINANCIAL STATEMENTS

52 week period ended 3 April 2004

15. DIRECTORS

	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	-	-
	No.	No.
The number of directors who were members of a defined benefit pension scheme	-	-

N R Goodman, 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 MITIE Security (Southern) Limited and their services as directors of other group companies.

16. EMPLOYEES

Number of employees

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

	52 week period ended 3 April 2004 No.	56 week period ended 5 April 2003 No.
Operatives	29	32
Administration and management	1	1
	30	33
Employment costs	£	£
Wages and salaries	490,653	696,115
Social security costs	49,422	62,627
	540,075	758,742

NOTES TO THE FINANCIAL STATEMENTS
52 week period ended 3 April 2004

17. 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.

18. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Security (Southern) Limited has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

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.