

MGM Limited

**Directors' report and financial
statements**

Registered number 02682028

31 March 2008

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2008

Principal activities

The principal activity of the company is that of property preservation

Business review

The company has had a satisfactory years trading, with strong cash generation and a low gearing placing it in a strong financial position

The principal risks and uncertainties are

- Economic stability – the company's success will in part be determined by the stability of the economic situation in the North of England, and
- Key clients – there can be no guarantee that the company's clients will not change suppliers

Proposed dividend

The directors do not recommend the payment of a dividend

Directors

The directors who held office during the year were as follows

GSL Forrest

S Gray

D Jay (appointed 14 May 2007)

GR Jennings (appointed 30 June 2008)

L Rainey

K Soulsby

B Young

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

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

By order of the board


D Jay
Director

Rhodes Street
Walker
Newcastle upon Tyne
NE6 3LZ

29 August 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 year

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions



KPMG Audit Plc

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditors' report to the members of MGM Limited

We have audited the financial statements of MGM Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes. 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

Independent auditors' report to the members of MGM Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



KPMG Audit Plc
Chartered Accountants
Registered Auditor

29 August 2008

Profit and loss account
for the year ended 31 March 2008

	<i>Note</i>	2008 £	11 month period ended 31 March 2007 £
Turnover	2	7,996,231	7,353,910
Cost of sales		(6,234,733)	(5,776,140)
Gross profit		1,761,498	1,557,770
Administrative expenses		(890,608)	(764,813)
Other operating income		39,538	24,447
Operating profit		910,428	837,404
Other interest receivable and similar income	6	3,187	19,047
Interest payable and similar charges	7	(1,499)	(320)
Profit on ordinary activities before taxation	2-7	912,116	856,131
Tax on profit on ordinary activities	8	(285,943)	(272,985)
Profit for the financial period	15	626,173	583,146

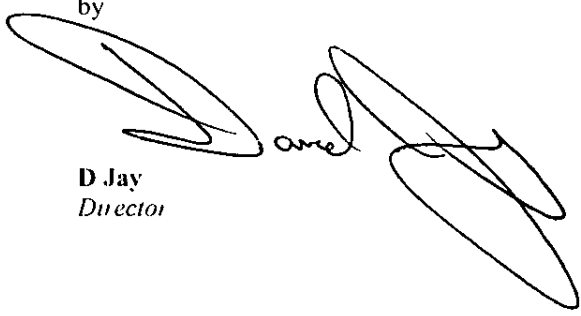
All results derive from continuing operations

The company has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet
at 31 March 2008

	<i>Note</i>	2008		2007	
		£	£	£	£
Fixed assets					
Tangible assets	9	181,307		201,538	
Current assets					
Stocks	10	-		5 000	
Debtors (including £1,628,247 (2007 £nil) due after more than one year)	11	3,238,530		2,371,109	
Cash at bank and in hand		164,661		208,410	
		<u>3,403,191</u>		<u>2 584,519</u>	
Creditors amounts falling due within one year	12	(1,555,014)		(1 417 261)	
Net current assets		<u>1,848,177</u>		<u>1,167,258</u>	
Total assets less current liabilities		<u>2,029,484</u>		<u>1,368,796</u>	
Provisions for liabilities	13	(10,977)		(17,515)	
Net assets		<u>2,018,507</u>		<u>1,351,281</u>	
Capital and reserves					
Called up share capital	14	749		749	
Capital redemption reserve	15	451		451	
Capital contribution reserve	15	44,785		3,732	
Profit and loss account	15	1,972,522		1,346,349	
Shareholders' funds		<u>2,018,507</u>		<u>1,351,281</u>	

These financial statements were approved by the board of directors on 29 August 2008 and were signed on its behalf by


D. Jay
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2008

	2008 £	11 month period ended 31 March 2007 £
Profit for the financial period	626,173	583,146
Charge in relation to share based payments	41,053	3,732
Net addition to shareholders' funds	667,226	586,878
Opening shareholders' funds	1,351,281	764,403
Closing shareholders' funds	2,018,507	1,351,281

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 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 FRS 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

As the company is a wholly owned subsidiary of Northern Bear Plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Northern Bear Plc, within which this company is included, can be obtained from the address given in note 19

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 land and buildings	-	straight line basis over term of the lease
Plant and machinery	-	15% on reducing balance
Fixtures and fittings	-	15% on reducing balance
Motor vehicles	-	25% on reducing balance
Computer equipment	-	33 3% straight line

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 year of the lease

Post-retirement benefits

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year

Stocks

Stocks are stated at the lower of cost and net realisable value In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years Provision is made for any losses as soon as they are foreseen

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, 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

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee

Share based payments

The share option programme operated by the parent company, Northern Bear plc, allows employees to acquire shares in the parent company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity, representing a capital contribution by the parent company. The fair value is measured at grant date and spread over the year during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

Turnover

Turnover represents net services provided, excluding value added tax

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Notes (continued)

2 Analysis of turnover

	2008 £	11 month period ended 31 March 2007 £
<i>By geographical market</i>		
United Kingdom	7,996,231	7,353,910

3 Notes to the profit and loss account

	2008 £	11 month period ended 31 March 2007 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	51,409	42,221
Leased	625	652
<i>Auditors' remuneration</i>		
Audit of these financial statements	12,000	7,500

Amounts receivable by the company's auditor in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Northern Bear Plc

4 Remuneration of directors

	2008 £	11 month period ended 31 March 2007 £
Directors' emoluments	308,810	189,784
Company contributions to money purchase pension schemes	8,769	10,580
	317,579	200,364

Notes (continued)

4 Remuneration of directors (continued)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £60,000 and company pension contributions of £7,500 were made to a money purchase scheme on his behalf

	Number of directors	
	2008	11 month period ended 31 March 2007
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	3	3

5 Staff numbers and costs

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

	Number of employees	
	2008	11 month period ended 31 March 2007
Production	65	66
Administration	8	11
	<u>73</u>	<u>77</u>

The aggregate payroll costs of these persons were as follows

	2008	11 month period ended 31 March 2007
	£	£
Wages and salaries	1,576,382	1,391,309
Share based payments (see note 18)	41,053	3,732
Social security costs	158,028	135,940
Other pension costs (see note 17)	12,537	12,899
	<u>1,788,000</u>	<u>1,543,880</u>

6 Other interest receivable and similar income

	2008	11 month period ended 31 March 2007
	£	£
Bank interest receivable	3,187	19,047

Notes (continued)

7 Interest payable and similar charges

	2008	11 month period ended 31 March 2007
	£	£
Finance charges payable in respect of finance leases and hire purchase contracts	1,499	320

8 Taxation

Analysis of charge in period

	2008		11 month period ended 31 March 2007
	£	£	£
<i>UK corporation tax</i>			
Current tax on income for the period	294,816		266,857
Adjustments in respect of prior periods	(2,335)		-
	<u>292,481</u>		<u>266,857</u>
Total current tax		292,481	266,857
<i>Deferred tax (see note 13)</i>			
Origination/reversal of timing differences	(5,072)		6,128
Adjustment in respect of previous periods	(319)		-
Effect of decreased tax rate	(1,147)		-
	<u>(6,538)</u>		<u>6,128</u>
Total deferred tax		(6,538)	6,128
Tax on profit on ordinary activities		<u>285,943</u>	<u>272,985</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2007 higher) than the standard rate of corporation tax in the UK (30%, 2007 30%). The differences are explained below

	2008	11 month period ended 31 March 2007
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	912,116	856,131
Current tax at 30% (2007 30%)	273,635	256,839
<i>Effects of</i>		
Expenses not deductible for tax purposes	15,747	11,623
Capital allowances for period in excess of depreciation	5,773	(1,605)
Other short term timing differences	(339)	-
Adjustments to tax charge in respect of previous periods	(2,335)	-
Total current tax charge (see above)	<u>292,481</u>	<u>266,857</u>

Notes (continued)

8 Taxation (continued)

Factors that may affect future current and total tax charges

It has been announced that the corporation tax rate applicable to the company is expected to change from 30% to 28% from 1 April 2008. Any timing differences which reverse prior to 1 April 2008 will be relieved at 30%, any timing differences which exist at 1 April 2008 will be relieved at 28%. The directors do not expect the change to have a

9 Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Motor vehicles £	Total £
<i>Cost</i>					
At beginning of year	70,000	85,308	44,304	295,355	494,967
Additions	-	2,118	2,077	29,247	33,442
Disposals	-	-	-	(5,750)	(5,750)
At end of year	70,000	87,426	46,381	318,852	522,659
<i>Depreciation</i>					
At beginning of year	42,000	40,253	36,461	174,715	293,429
Charge for year	6,910	7,044	3,986	34,094	52,034
On disposals	-	-	-	(4,111)	(4,111)
At end of year	48,910	47,297	40,447	204,698	341,352
<i>Net book value</i>					
At 31 March 2008	21,090	40,129	5,934	114,154	181,307
At 1 April 2007	28,000	45,055	7,843	120,640	201,538

Included in the total net book value of motor vehicles is £1,875 (2007 £2,500) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £625 (2007 £652).

10 Stocks

	2008 £	2007 £
Raw materials and consumables	-	5,000

Notes (continued)

11 Debtors

	2008 £	2007 £
Trade debtors	401,304	835,260
Amounts recoverable on contracts	1,189,005	731,617
Amounts owed by group undertakings	1,628,247	750,000
Prepayments and accrued income	19,974	54,232
	<u>3,238,530</u>	<u>2,371,109</u>

Debtors include amounts owed by group undertakings of £1,628,247 (2007: £nil) due after more than one year

12 Creditors: amounts falling due within one year

	2008 £	2007 £
Obligations under finance leases and hire purchase contracts	521	1,561
Trade creditors	1,048,705	593,678
Corporation tax	194,816	266,857
Taxation and social security	143,396	243,510
Accruals and deferred income	167,576	311,655
	<u>1,555,014</u>	<u>1,417,261</u>

The maturity of obligations under finance leases and hire purchase contracts are as follows

	2008 £	2007 £
Within one year	<u>521</u>	<u>1,561</u>

The obligations under finance leases and hire purchase contracts are secured on the assets to which they relate

Notes (continued)

13 Provisions for liabilities

	Deferred taxation £
At beginning of year	17,515
Credit to the profit and loss for the year	(6,538)
	<hr/>
At end of year	10,977
	<hr/> <hr/>

The elements of deferred taxation are as follows

	2008 £	2007 £
Difference between accumulated depreciation and amortisation and capital allowances	13,585	18,463
Other timing differences	(2,608)	(948)
	<hr/>	<hr/>
	10,977	17,515
	<hr/> <hr/>	<hr/> <hr/>

14 Called up share capital

	2008 £	2007 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
1 000 ordinary A shares of £1 each	1,000	1,000
	<hr/>	<hr/>
	2,000	2,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Allotted, called up and fully paid</i>		
549 ordinary shares of £1 each	549	549
200 ordinary A shares of £1	200	200
	<hr/>	<hr/>
	749	749
	<hr/> <hr/>	<hr/> <hr/>
Shares classified in shareholders' funds	749	749
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

15 Reserves

	Capital redemption £	Capital contribution £	Profit and loss account £
At beginning of year	451	3,732	1,346,349
Profit for the year	-	-	626,173
Charge in relation to share based payments	-	41,053	-
	<hr/>	<hr/>	<hr/>
At end of year	451	44,785	1,972,522
	<hr/>	<hr/>	<hr/>

16 Contingent liabilities

The company is part of the cross guarantee of the banking facilities of the other members of the group headed by Northern Bear Plc, the amount outstanding at the year end was £6,481,939 (2007 £1 095 856)

17 Pension scheme

The company operates a defined contribution pension scheme. The pension cost for the year represents contributions payable by the company to the scheme and amounted to £12,537 (2007 £12,899)

Contributions amounting to £nil (2007 £1,713) were payable to the scheme and are included in creditors

18 Share based payments

The parent company, Northern Bear plc, has granted share options to certain of the company's employees. The total share based payment charge for the year amounted to £41,053 (2007 £3,732) with a corresponding increase in equity through a capital contribution reserve (see note 15). Full details of the share options are given in the consolidated financial statements of Northern Bear plc, available from the address given in note 19.

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Northern Bear Plc, the ultimate parent company incorporated in England and Wales.

The only group in which the results of the company are consolidated is that headed by Northern Bear Plc. The consolidated financial statements of Northern Bear Plc are available to the public and may be obtained from Unit 1, Station House, Station Road, Chester-le-Street, Co Durham, DH3 3DU.