

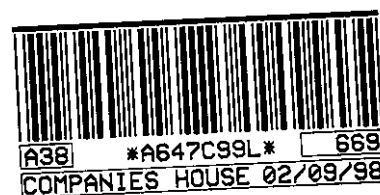


**MITIE SECURE SERVICES LIMITED**

**Report and Financial Statements**

**14 March 1998**

**Deloitte & Touche  
Queen Anne House  
69-71 Queen Square  
Bristol  
BS1 4JP**



**REPORT AND FINANCIAL STATEMENTS 1998**

**CONTENTS**

|                                    | <b>Page</b> |
|------------------------------------|-------------|
| Officers and professional advisers | 1           |
| Directors' report                  | 2           |
| Auditors' report                   | 4           |
| Profit and loss account            | 5           |
| Balance sheet                      | 6           |
| Cash flow statement                | 7           |
| Notes to the accounts              | 8           |

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D M Telling  
I R Stewart

**SECRETARIES**

A F Waters  
M O Thomas

**REGISTERED OFFICE**

The Stable Block  
Barley Wood  
Wrington  
Bristol  
BS40 5SA

**BANKERS**

Barclays Bank plc  
54 Lombard Street  
London  
EC3P 3AH

**AUDITORS**

Deloitte & Touche  
Queen Anne House  
69-71 Queen Square  
Bristol  
BS1 4JP

**DIRECTORS' REPORT**

The directors present their annual report and financial statements for the year ended 14 March 1998.

The financial statements have been made up to 14 March 1998, being a date not more than seven days before the accounting reference date as permitted by Section 223 of the Companies Act 1985.

**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 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 and to enable them to ensure that the financial statements comply with the Companies Act. 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.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

On 15 March 1997 the business was transferred to MITIE Cleaning (North) Limited, MITIE Cleaning (South East) Limited, MITIE Cleaning (South West) Limited, MITIE Cleaning (Midlands) Limited and Olscot Limited.

**RESULTS AND DIVIDENDS**

The profit for the year after taxation amounted to £1,598,552 (1997: £39,715) which has been transferred to reserves.

The directors do not recommend the payment of a dividend for the year.

**FIXED ASSETS**

The changes in fixed assets during the year are detailed in Note 6 to the financial statements.

**DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

D M Telling  
I R Stewart  
D J Robertson (resigned 11 July 1997)

No director had any interest in the share capital of the company.

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC, the company's parent undertaking and their interests in the share capital of that company are shown in the financial statements of MITIE Group PLC.

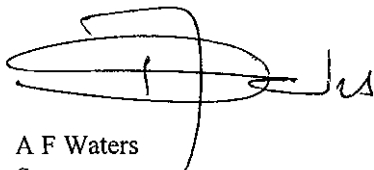
**DIRECTORS' REPORT (continued)****YEAR 2000**

The company is in the process of preparing a detailed report including an assessment of our relationship with customers as well as suppliers. It covers all our internal systems, and looks into telephone, security and access systems. An action plan is being developed in order to ensure that our systems are year 2000 compliant. Costs in the year to 14 March 1998 were not significant and we estimate that further costs will not be material.

**AUDITORS**

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



A F Waters  
Secretary

14 AUGUST 1998



## AUDITORS' REPORT TO THE MEMBERS OF

### MITIE SECURE SERVICES LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on page 8.

#### Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of 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 14 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte + Touche*

Chartered Accountants and  
Registered Auditors

*17 August 1998*


**PROFIT AND LOSS ACCOUNT**  
 Year ended 14 March 1998

|   |       | Discontinued operations  |                                |
|---|-------|--------------------------|--------------------------------|
|   |       | Year ended 14 March 1998 | 10 March 1996 to 15 March 1997 |
|   | Notes | £                        | £                              |
| <b>TURNOVER</b>   | 2     | -                        | 8,772,829                      |
| Cost of sales   |       | -                        | (6,415,775)                    |
| <b>GROSS PROFIT</b>   |       | -                        | 2,357,054                      |
| Administrative expenses (including in 1998 an exceptional write back of intercompany creditors of £1,354,524) |       | 1,354,524                | (2,282,608)                    |
| <b>OPERATING PROFIT</b>   | 3     | 1,354,524                | 74,446                         |
| Interest payable  | 4     | -                        | (55,468)                       |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>  |       | 1,354,524                | 18,978                         |
| Tax credit on profit on ordinary activities   | 5     | 244,028                  | 20,737                         |
| <b>RETAINED PROFIT FOR THE YEAR</b>   | 12    | 1,598,552                | 39,715                         |

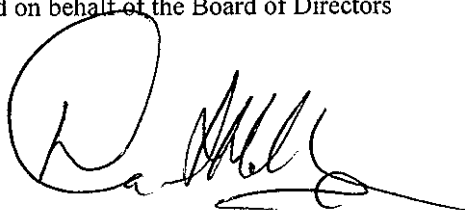
There are no recognised gains and losses for the current financial year or preceding financial period other than as stated in the profit and loss account.

**BALANCE SHEET**  
**At 14 March 1998**

|  | Notes | 1998            |               | 1997               |                    |
|--|-------|-----------------|---------------|--------------------|--------------------|
|  |       | £               | £             | £                  | £                  |
| <b>FIXED ASSETS</b>  |       |                 |               |                    |                    |
| Tangible assets  | 6     |                 | -             |                    | 309,825            |
| <b>CURRENT ASSETS</b>  |       |                 |               |                    |                    |
| Debtors  | 7     | 109,068         |               | 1,399,623          |                    |
| Cash at bank and in hand   |       | -               |               | 850                |                    |
|  |       | <u>109,068</u>  |               | <u>1,400,473</u>   |                    |
| <b>CREDITORS: AMOUNTS FALLING DUE<br/>WITHIN ONE YEAR</b>          | 8     | <u>(84,177)</u> |               | <u>(2,738,357)</u> |                    |
| <b>NET CURRENT ASSETS/(LIABILITIES)</b>                            |       |                 | <u>24,891</u> |                    | <u>(1,337,884)</u> |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b>                   |       |                 | 24,891        |                    | (1,028,059)        |
| <b>CREDITORS: AMOUNTS FALLING DUE<br/>AFTER MORE THAN ONE YEAR</b> | 9     |                 | -             |                    | (375,367)          |
| <b>PROVISIONS FOR LIABILITIES<br/>AND CHARGES</b>                  | 10    |                 | -             |                    | (170,235)          |
| <b>NET ASSETS/(LIABILITIES)</b>                                    |       |                 | <u>24,891</u> |                    | <u>(1,573,661)</u> |
| <b>CAPITAL AND RESERVES</b>  |       |                 |               |                    |                    |
| Called up share capital  | 11    |                 | 75,000        |                    | 75,000             |
| Capital reserves   |       |                 | 63,504        |                    | 63,504             |
| Profit and loss account  | 12    |                 | (113,613)     |                    | (1,712,165)        |
| <b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>                            |       |                 | <u>24,891</u> |                    | <u>(1,573,661)</u> |

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



D M Telling  
Director

14 August 1998




**CASH FLOW STATEMENT**  
**Year ended 14 March 1998**

|  | Notes | Year ended<br>14 March 1998<br>£ | £ | 10 March 1996 to<br>15 March 1997<br>£ | £ |
|--|-------|----------------------------------|---|--|---|
| <b>Net cash inflow/(outflow) from operating activities</b> | 14    | 441,592                          |   | (2,301)                                |   |
| <b>Returns on investments and servicing of finance</b>     |       |                                  |   |  |   |
| Interest paid  |       | -                                |   | (75,649)                               |   |
| <b>Taxation</b>  |       |                                  |   |  |   |
| UK corporation tax received                                |       | 161,176                          |   | 103,589                                |   |
| <b>Capital expenditure</b>                                 |       |                                  |   |  |   |
| Payments to acquire tangible fixed assets                  |       | -                                |   | (62,971)                               |   |
| Receipts from disposal of tangible fixed assets            |       | -                                |   | 4,957                                  |   |
| <b>Net cash outflow from capital expenditure</b>           |       | -                                |   | (58,014)                               |   |
| <b>Increase/(decrease) in cash in the year</b>             | 16    | 602,768                          |   | (32,375)                               |   |

**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998****1. ACCOUNTING POLICIES****Accounting convention**

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

**Turnover**

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied in the UK.

**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:

|                                       |              |
|---------------------------------------|--------------|
| Plant, machinery and office equipment | 4 to 5 years |
| Motor vehicles                        | 4 years      |

**Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the estimated net present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract.

Rentals paid under other leases (operating leases) are charged against income on a straight-line basis over the lease term.

**Deferred taxation**

Provision is made for deferred taxation using the liability method in respect of timing differences to the extent that liabilities will crystallise in the foreseeable future.

**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.

**2. TURNOVER**

The company's turnover derived from its principal activity and all sales made in the United Kingdom.


**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**
**3. OPERATING PROFIT** is stated after charging:

|  | Year ended<br>14 March<br>1998<br>£ | 10 March 1996<br>to 15 March<br>1997<br>£ |
|--|-------------------------------------|---|
| Depreciation and amounts written off tangible fixed assets: owned assets | -                                   | 150,444                                   |
| Operating lease rentals:   |                                     |   |
| - motor vehicles   | -                                   | 155,636                                   |
| - land and buildings   | -                                   | 24,200                                    |
| Auditors' remuneration: audit services                                   | -                                   | 3,500                                     |
|  | <u>-</u>                            | <u>308,780</u>                            |

**4. INTEREST PAYABLE**

|                       | Year ended<br>14 March<br>1998<br>£ | 10 March 1996<br>to 15 March<br>1997<br>£ |
|-----------------------|-------------------------------------|---|
| Bank interest payable | -                                   | 55,468                                    |
|                       | <u>-</u>                            | <u>55,468</u>                             |

**5. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES**

|                                       | Year ended<br>14 March<br>1998<br>£ | 10 March 1996<br>to 15 March<br>1997<br>£ |
|---------------------------------------|-------------------------------------|---|
| <b>UK current year taxation</b>       |                                     |   |
| UK corporation tax at 31% (1997: 33%) | -                                   | 6,263                                     |
| <b>Prior years</b>                    |                                     |   |
| UK corporation tax                    | (244,028)                           | (27,000)                                  |
|                                       | <u>(244,028)</u>                    | <u>(20,737)</u>                           |

The prior year tax credit relates to the surrender of tax losses to other group companies. No tax charge arises in the year as the write-back of the intercompany creditors is not taxable.


**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**
**6. TANGIBLE FIXED ASSETS**

| Summary               | Office<br>equipment<br>£ | Plant and<br>machinery<br>£ | Motor<br>vehicles<br>£ | Total<br>£        |
|-----------------------|--------------------------|-----------------------------|------------------------|-------------------|
| <b>Cost</b>           |                          |                             |                        |                   |
| At 15 March 1997      | 136,569                  | 915,874                     | 101,538                | 1,153,981         |
| Transfers out         | (136,569)                | (915,874)                   | (101,538)              | (1,153,981)       |
|                       | <u>          </u>        | <u>          </u>           | <u>          </u>      | <u>          </u> |
| At 14 March 1998      | -                        | -                           | -                      | -                 |
|                       | <u>          </u>        | <u>          </u>           | <u>          </u>      | <u>          </u> |
| <b>Depreciation</b>   |                          |                             |                        |                   |
| At 15 March 1997      | 101,533                  | 709,600                     | 33,023                 | 844,156           |
| Transfers out         | (101,533)                | (709,600)                   | (33,023)               | (844,156)         |
|                       | <u>          </u>        | <u>          </u>           | <u>          </u>      | <u>          </u> |
| At 14 March 1998      | -                        | -                           | -                      | -                 |
|                       | <u>          </u>        | <u>          </u>           | <u>          </u>      | <u>          </u> |
| <b>Net book value</b> |                          |                             |                        |                   |
| At 14 March 1998      | -                        | -                           | -                      | -                 |
|                       | <u>          </u>        | <u>          </u>           | <u>          </u>      | <u>          </u> |
|                       | <u>          </u>        | <u>          </u>           | <u>          </u>      | <u>          </u> |
| At 15 March 1997      | 68,515                   | 35,036                      | 206,274                | 309,825           |
|                       | <u>          </u>        | <u>          </u>           | <u>          </u>      | <u>          </u> |

**Capital commitments**

At 14 March 1998 the directors had authorised capital expenditure of £nil (1997: £nil).

**7. DEBTORS**

|  | 1998<br>£         | 1997<br>£         |
|--|-------------------|-------------------|
| Trade debtors  | -                 | 1,399,623         |
| Amounts due from parent undertaking and fellow subsidiary undertakings | 109,068           | -                 |
|  | <u>          </u> | <u>          </u> |
|  | 109,068           | 1,399,623         |
|  | <u>          </u> | <u>          </u> |


**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**

|   |                |                  |
|---|----------------|------------------|
| <b>8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>              | <b>1998</b>    | <b>1997</b>      |
|   | <b>£</b>       | <b>£</b>         |
| Bank overdraft  | -              | 603,618          |
| Trade creditors   | -              | 313,759          |
| Amounts owed to parent undertaking and fellow subsidiary undertakings | 84,177         | 978,587          |
| Other taxation and social security costs                              | -              | 193,093          |
| Other creditors   | -              | 243,995          |
| Accruals and deferred income  | -              | 322,453          |
| Corporation tax   | -              | 82,852           |
|   | <u>84,177</u>  | <u>2,738,357</u> |
| <b>9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>     | <b>1998</b>    | <b>1997</b>      |
|   | <b>£</b>       | <b>£</b>         |
| Other creditors   | -              | 375,367          |
|   | <u>-</u>       | <u>375,367</u>   |
| <b>10. PROVISIONS FOR LIABILITIES AND CHARGES</b>                     |                |                  |
| <b>Contract loss provision</b>  | <b>£</b>       |                  |
| At 15 March 1997  | 170,235        |                  |
| Transferred to fellow subsidiary undertaking                          | (170,235)      |                  |
|   | <u>-</u>       |                  |
| At 14 March 1998  | -              |                  |
|   | <u>-</u>       |                  |
| This provision relates to future losses on contracts.                 |                |                  |
| <b>11. CALLED UP SHARE CAPITAL</b>                                    |                |                  |
| <b>Authorised</b>   | <b>No.</b>     | <b>1998</b>      |
|   |                | <b>£</b>         |
| £1 Ordinary shares  | 200,000        | 200,000          |
|   | <u>200,000</u> | <u>200,000</u>   |
| <b>Allotted and fully paid</b>  | <b>1998</b>    | <b>1997</b>      |
|   | <b>£</b>       | <b>£</b>         |
| £1 Ordinary shares  | 75,000         | 75,000           |
|   | <u>75,000</u>  | <u>75,000</u>    |


**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**
**12. PROFIT AND LOSS ACCOUNT**

|                              | £           |
|------------------------------|-------------|
| At 15 March 1997             | (1,712,165) |
| Retained profit for the year | 1,598,552   |
|                              | <hr/>       |
| At 14 March 1998             | (113,613)   |
|                              | <hr/> <hr/> |

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|                               | Year ended<br>14 March<br>1998<br>£ | 10 March 1996<br>to 15 March<br>1997<br>£ |
|-------------------------------|-------------------------------------|---|
| Profit for the financial year | 1,598,552                           | 39,715                                    |
| Opening shareholders' funds   | (1,573,661)                         | (1,613,376)                               |
|                               | <hr/>                               | <hr/>                                     |
| Closing shareholders' funds   | 24,891                              | (1,573,661)                               |
|                               | <hr/> <hr/>                         | <hr/> <hr/>                               |

**14. RECONCILIATION OF OPERATING PROFIT TO NET CASH  
INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

|   | Year ended<br>14 March<br>1998<br>£ | 10 March 1996<br>to 15 March<br>1997<br>£ |
|---|-------------------------------------|---|
| Operating profit                                    | 1,354,524                           | 74,446                                    |
| Depreciation charges                                | -                                   | 150,444                                   |
| Decrease in debtors                                 | 1,290,555                           | 58,816                                    |
| Decrease in creditors                               | (2,203,487)                         | (286,007)                                 |
|   | <hr/>                               | <hr/>                                     |
| Net cash inflow/(outflow) from operating activities | 441,592                             | (2,301)                                   |
|   | <hr/> <hr/>                         | <hr/> <hr/>                               |

**15. ANALYSIS OF CHANGES IN NET DEBT**

|                          | At 15 March<br>1997<br>£ | Cash flows<br>£ | At 14 March<br>1998<br>£ |
|--------------------------|--------------------------|-----------------|--------------------------|
| Cash at bank and in hand | 850                      | (850)           | -                        |
| Overdrafts               | (603,618)                | 603,618         | -                        |
|                          | <hr/>                    | <hr/>           | <hr/>                    |
|                          | (602,768)                | 602,768         | -                        |
|                          | <hr/> <hr/>              | <hr/> <hr/>     | <hr/> <hr/>              |



**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**

**16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT  
IN NET DEBT**

|   | 1998<br>£ | 1997<br>£ |
|---|-----------|-----------|
| Increase/(decrease) in cash in the year | 602,768   | (32,375)  |
| Net debt at 15 March                    | (602,768) |           |
| <b>Net debt at 14 March</b>             | <b>-</b>  |           |

**17. FINANCIAL COMMITMENTS**

**Operating leases**

At 14 March 1998 the company had annual commitments under non-cancellable operating leases as follows:

|                               | 1998                       |            | 1997                       |            |
|-------------------------------|----------------------------|------------|----------------------------|------------|
|                               | Land and<br>buildings<br>£ | Other<br>£ | Land and<br>buildings<br>£ | Other<br>£ |
| Expiry date - within one year | -                          | -          | 1,200                      | 37,980     |
| - between one and two years   | -                          | -          | -                          | 31,308     |
| - between two to five years   | -                          | -          | 6,000                      | 72,588     |
| - after five years            | -                          | -          | 16,750                     | -          |
|                               | -                          | -          | 23,950                     | 141,876    |

**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 14 March 1998, the overall commitment was nil.

**18. DIRECTORS**

|  | 1998<br>£ | 1997<br>£ |
|--|-----------|-----------|
| 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      | - | - |
| - a defined contribution pension scheme | - | - |

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC and their remuneration and pension details are disclosed in the group accounts.



**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**

**19. EMPLOYEES**

**Number of employees**

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

|                               | Year ended<br>14 March<br>1998<br>No. | 10 March 1996<br>to 15 March<br>1997<br>No. |
|-------------------------------|---------------------------------------|---|
| Site labour                   | -                                     | 2,524                                       |
| Administration and management | -                                     | 62  |
|                               | -                                     | 2,586                                       |
|                               |                                       |   |
| <b>Employment costs</b>       | <b>£</b>                              | <b>£</b>                                    |
| Wages and salaries            | -                                     | 6,335,758                                   |
| Social security costs         | -                                     | 214,881                                     |
| Other pension costs           | -                                     | 29,380                                      |
|                               | -                                     | 6,580,019                                   |

**20. RELATED PARTY TRANSACTIONS**

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

**21. PARENT UNDERTAKING**

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.