

MITIE ENGINEERING SERVICES (SOUTH EAST) LIMITED

Report and Financial Statements

31 March 2001



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

REPORT AND FINANCIAL STATEMENTS 2001

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
C S Acheson
J D Cullen
K Edwards
P Knapp
S J Macey
A Pearce
D L Stent
M A Tivey

SECRETARIES

A F Waters
M O Thomas (resigned 4 May 2000)
C K Ross (appointed 4 May 2000)

REGISTERED OFFICE

The Stable Block
Barley Wood
Wrighton
Bristol
BS40 5SA

BANKERS

National Westminster Bank plc
32 Corn Street
Bristol
BS99 7UG

AUDITORS

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

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2001.

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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is the installation of electrical and mechanical services in commercial and industrial premises.

The company's business has developed satisfactorily and the directors consider that the company is in a good position to continue that development.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,439,119 (2000: £263,373). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed £71.90 per share	719,000
Transfer from reserves	720,119
	<hr/>
	1,439,119
	<hr/>

DIRECTORS' REPORT (continued)**DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

D M Telling
C S Acheson
J D Cullen
K Edwards
P Knapp
S J Macey
A Pearce
D L Stent
M A Tivey (appointed 27 March 2001)

No director had a beneficial interest in the share capital of the company.

Mr D M Telling is a director of MITIE Group PLC, the parent undertaking, and his interest in the share capital of that company is shown in the financial statements of MITIE Group PLC.

Other directors' interests in the share capital of MITIE Group PLC were as follows:

	At 31 March 2001 5p Ordinary shares No.	At 1 April 2000 or date of appointment 5p Ordinary shares No.
C S Acheson	714,750	814,750
J D Cullen	627,200	732,200
K Edwards	22,500	5,000
S J Macey	465,000	580,000
M A Tivey	303,831	179,764

No other director had an interest in the share capital of MITIE Group PLC.

Share Options

		At 1 April 2000	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2001
K Edwards	(i)	10,952	-	-	Sep 2001	-	-	-	10,952
		1,191	-	-	Sep 2004	-	-	-	1,191
		-	495	£3.00	Sep 2005	-	-	-	495
	(ii)	25,000	-	-	1998	2002	25,000	£0.42	-
A Pearce	(i)	-	1,485	£3.00	Sep 2005	-	-	-	1,485
	(ii)	20,000	-	-	2001	2005	-	-	20,000
		3,500	-	-	2002	2006	-	-	3,500
D L Stent	(i)	1,191	-	-	Sep 2004	-	-	-	1,191
		-	1,485	£3.00	Sep 2005	-	-	-	1,485
	(ii)	20,000	-	-	2001	2005	-	-	20,000
		3,500	-	-	2002	2006	-	-	3,500

(i) Options under the Savings Related Option Scheme

(ii) Options under the Executive Share Option Scheme

No other directors had options in the shares of MITIE Group PLC at the beginning or end of the year.

Further details of the MITIE Group PLC Share Schemes are given in the accounts of that company.

DIRECTORS' REPORT (continued)

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 31 March 2001 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 60 (2000: 50) days.

In the industry in which the company operates credit periods are frequently extended by agreement. The company's creditor days are a reflection of this custom.

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 handwritten signature in black ink, appearing to be 'C K Ross', written in a cursive style.

C K Ross
Secretary

20 August 2001

AUDITORS' REPORT TO THE MEMBERS OF

MITIE ENGINEERING SERVICES (SOUTH EAST) LIMITED

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

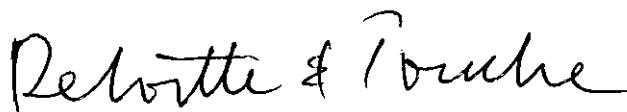
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2001 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

20 August 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2001

	Notes	Continuing operations 2001 £	2000 £
TURNOVER	1	23,048,457	13,186,842
Cost of sales		(19,457,451)	(11,421,172)
GROSS PROFIT		3,591,006	1,765,670
Administrative expenses		(1,652,851)	(1,494,102)
OPERATING PROFIT	2	1,938,155	271,568
Interest receivable	3	135,673	124,505
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,073,828	396,073
Tax on profit on ordinary activities	4	(634,709)	(132,700)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,439,119	263,373
Transfer from reserves		-	281,627
Dividends	5	(719,000)	(545,000)
RETAINED PROFIT FOR THE YEAR	11	720,119	-

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

BALANCE SHEET
At 31 March 2001

	Notes	2001	2000
		£	£
FIXED ASSETS			
Tangible assets	6	200,428	219,654
CURRENT ASSETS			
Work in progress	7	2,052,417	253,692
Debtors	8	1,941,911	1,401,700
Cash at bank and in hand		1,728,899	2,510,852
		<u>5,723,227</u>	<u>4,166,244</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(4,802,719)</u>	<u>(3,985,081)</u>
NET CURRENT ASSETS		<u>920,508</u>	<u>181,163</u>
NET ASSETS		<u>1,120,936</u>	<u>400,817</u>
CAPITAL AND RESERVES			
Called up share capital	10	10,999	10,999
Share premium		19,700	19,700
Profit and loss account	11	1,090,237	370,118
TOTAL SHAREHOLDERS' FUNDS (including non-equity)	12	<u>1,120,936</u>	<u>400,817</u>

These financial statements were approved by the Board of Directors on 20 August 2001.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT

Year ended 31 March 2001

	Notes	2001		2000	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	14		(513,632)		730,264
Returns on investments and servicing of finance					
Interest received			136,620		122,251
Taxation					
UK corporation tax paid			(182,748)		(87,500)
Capital expenditure					
Payments to acquire tangible fixed assets		(122,095)		(108,739)	
Receipts from disposal of tangible fixed assets		30,902		21,014	
Net cash outflow from capital expenditure			(91,193)		(87,725)
Equity dividends paid			(131,000)		(445,000)
(Decrease)/increase in cash in the year	16		<u>(781,953)</u>		<u>232,290</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001**1. ACCOUNTING POLICIES****Accounting convention**

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

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied and contract work completed in the year. 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:

Plant and office equipment	4 to 10 years
Motor vehicles	4 years

Leasing 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.

Work in progress

Work in progress is stated at the lower of cost (including appropriate overheads) and net realisable value. Provision is made for foreseeable losses.

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.

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

2. OPERATING PROFIT is stated after charging/(crediting):	2001	2000
	£	£
Depreciation	114,514	119,062
Operating lease rentals - land and buildings	82,451	71,922
Auditors' remuneration - audit services	4,000	4,000
Profit on disposal of tangible fixed assets	(4,095)	(5,927)
	<u> </u>	<u> </u>
3. INTEREST RECEIVABLE	2001	2000
	£	£
Bank interest	135,673	124,505
	<u> </u>	<u> </u>
4. TAX ON PROFIT ON ORDINARY ACTIVITIES	2001	2000
	£	£
UK current year taxation		
UK corporation tax at 30%% (2000: 30%)	634,561	133,000
Prior years		
UK corporation tax	148	(300)
	<u> </u>	<u> </u>
	634,709	132,700
	<u> </u>	<u> </u>
5. EQUITY DIVIDENDS	2001	2000
	£	£
Ordinary:		
Interim paid of nil (2000: £41.40) per share	-	414,000
Final proposed of £71.90 (2000: £13.10) per share	719,000	131,000
	<u> </u>	<u> </u>
	719,000	545,000
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001**6. TANGIBLE FIXED ASSETS**

Summary	Office equipment £	Motor vehicles £	Plant and equipment £	Total £
Cost				
At 1 April 2000	259,089	347,104	1,816	608,009
Additions	24,965	96,145	985	122,095
Disposals	-	(93,920)	-	(93,920)
Transfers out	-	(12,194)	-	(12,194)
At 31 March 2001	284,054	337,135	2,801	623,990
Depreciation				
At 1 April 2000	206,545	179,994	1,816	388,355
Charge for the year	32,555	81,795	164	114,514
Disposals	-	(73,464)	-	(73,464)
Transfers out	-	(5,843)	-	(5,843)
At 31 March 2001	239,100	182,482	1,980	423,562
Net book value				
At 31 March 2001	44,954	154,653	821	200,428
At 31 March 2000	52,544	167,110	-	219,654

Capital commitments

At 31 March 2001 the directors had authorised capital expenditure of nil (2000: nil).

7. WORK IN PROGRESS

	2001 £	2000 £
Work in progress	3,327,114	8,662,975
Cash received on account	(1,274,697)	(8,409,283)
	<u>2,052,417</u>	<u>253,692</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

8. DEBTORS	2001	2000
	£	£
Trade debtors	1,712,834	1,265,036
Amounts owed by group undertakings	3,919	71,056
Other debtors	211,752	37,517
Prepayments and accrued income	13,406	28,091
	<u>1,941,911</u>	<u>1,401,700</u>
 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	 2001	 2000
	£	£
Trade creditors	3,350,531	2,770,246
Amounts owed to group undertakings	73,116	60,714
Corporation tax	538,161	86,200
Other taxes and social security costs	84,239	273,107
Other creditors	1,324	-
Accruals and deferred income	36,348	184,065
Payments on account	-	479,749
Proposed dividends	719,000	131,000
	<u>4,802,719</u>	<u>3,985,081</u>
 10. CALLED UP SHARE CAPITAL	 2001 and 2000	
	No.	£
Authorised		
10p Ordinary shares (equity)	10,000	1,000
£1 Non-voting preferred ordinary shares (non-equity)	10,000	10,000
	<u>20,000</u>	<u>11,000</u>
	No.	£
Allotted and fully paid		
10p Ordinary shares	10,000	1,000
£1 Non-voting preferred ordinary shares	9,999	9,999
	<u>19,999</u>	<u>10,999</u>

Rights attached to shares

The non-voting preferred ordinary shares of £1 do not carry a right to receive a dividend. Limited voting rights also exist.

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

11. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2000	370,118
Retained profit for the year	720,119
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At 31 March 2001	1,090,237
	<hr/>

12. TOTAL SHAREHOLDERS' FUNDS

For the purposes of Financial Reporting Standard No. 4 'Capital Instruments', these are analysed as follows:

	2001 £	2000 £
Equity funds	1,110,937	390,818
Non-equity funds	9,999	9,999
	<hr/>	<hr/>
	1,120,936	400,817
	<hr/>	<hr/>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	1,439,119	263,373
Dividends	(719,000)	(545,000)
	<hr/>	<hr/>
Net (addition)/reduction to shareholders' funds	720,119	(281,627)
Opening shareholders' funds	400,817	682,444
	<hr/>	<hr/>
Closing shareholders' funds	1,120,936	400,817
	<hr/>	<hr/>

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

	2001 £	2000 £
Operating profit	1,938,155	271,568
Depreciation charges	114,514	119,062
Profit on disposal of tangible fixed assets	(4,095)	(5,927)
(Increase)/decrease in work in progress	(1,798,725)	969,642
(Increase)/decrease in debtors	(541,157)	71,395
Decrease in creditors	(222,324)	(695,476)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(513,632)	730,264
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001**15. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 April 2000 £	Cash flows £	At 31 March 2001 £
Cash at bank and in hand	2,510,852	(781,953)	1,728,899

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

	2001 £	2000 £
(Decrease)/increase in cash in the year	(781,953)	232,290
Movement in net funds in the year	(781,953)	232,290
Net funds at 1 April	2,510,852	2,278,562
Net funds at 31 March	1,728,899	2,510,852

17. FINANCIAL COMMITMENTS**Operating leases**

At 31 March 2001 the company had annual commitments under non-cancellable operating leases as follows:

Land and buildings	2001 £	2000 £
Expiry date - in over five years	57,890	57,890

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 31 March 2001, the overall commitment was nil (2000: nil).

NOTES TO THE ACCOUNTS
Year ended 31 March 2001**18. DIRECTORS**

	2001 £	2000 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions)	<u>423,855</u>	<u>207,090</u>

Messrs C S Acheson and J D Cullen are remunerated by MITIE Group PLC and Mr T A Tivey was remunerated by MITIE Engineering Services (North) Limited until 31 December 2000 and subsequently MITIE Group PLC for their services to the group as a whole. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Services (South East) Limited and their services as directors of other group companies.

	£	£
The highest paid director (excluding pension contributions)	<u>96,805</u>	<u>61,717</u>

The accrued pension of the highest paid director at 31 March 2001 was £2,396 (2000: £5,337).

	No.	No.
The number of directors who are members of a defined benefit pension scheme	<u>3</u>	<u>4</u>

Mr D M Telling is a director of MITIE Group PLC and his pension details are disclosed in the group accounts.

One of the directors exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the year (2000: nil).

19. EMPLOYEES**Number of employees**

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

	2001 No.	2000 No.
Administration and management	<u>45</u>	<u>44</u>
Employment costs	£	£
Wages and salaries	1,373,822	1,309,186
Social security costs	172,875	150,524
Other pension costs	61,111	70,472
	<u>1,607,808</u>	<u>1,530,182</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

20. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Engineering Services (South East) 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 AND CONTROLLING PARTY

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