



MITIE ENGINEERING SERVICES (CARDIFF) LIMITED

Report and Financial Statements

31 March 1998

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



**REPORT AND FINANCIAL STATEMENTS 1998****CONTENTS**

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
W E Harding
B R Edwards
G Gaffney
C J Williams
C S Acheson
M Clark

SECRETARIES

A F Waters
M O Thomas

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
Bristol
BS40 5SA

BANKERS

Midland Bank plc
49 Corn Street
Bristol
BS99 7PP

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 31 March 1998.

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 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

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

The company's business 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 £506,939 (1997: £266,815). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed £13.15 per share	263,000
Transfer to reserves	243,939
	<hr/> 506,939 <hr/>

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 6 to the financial statements.

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

W E Harding
D M Telling
B R Edwards
G Gaffney
C J Williams
C S Acheson
M Clark

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

Messrs W E Harding and D M Telling 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.

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

	31 March 1998	1 April 1997
	10p Ordinary shares	10p Ordinary shares
	No.	No.
B R Edwards	364,800	372,000
C S Acheson	456,800	588,150
C J Williams	21,550	26,700

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

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 1998 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 85 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.

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 31 March 1998 were not significant and we estimate that further costs will not be material.

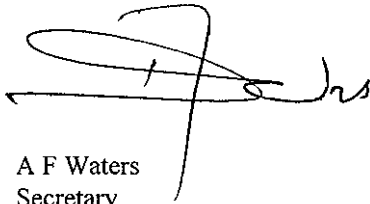


DIRECTORS' REPORT (continued)

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 ENGINEERING SERVICES (CARDIFF) LIMITED

We have audited the financial statements on pages 6 to 15 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. 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 31 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 31 March 1998

	Notes	Continuing operations	
		1998	1997
		£	£
TURNOVER		9,528,875	8,458,703
Cost of sales		(8,194,651)	(7,513,601)
GROSS PROFIT		1,334,224	945,102
Administrative expenses		(709,926)	(604,967)
Other operating income		9,750	8,379
OPERATING PROFIT	2	634,048	348,514
Interest receivable	3	103,332	57,096
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		737,380	405,610
Tax on profit on ordinary activities	4	(230,441)	(138,795)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		506,939	266,815
Dividends	5	(263,000)	(133,000)
RETAINED PROFIT FOR THE YEAR	11	243,939	133,815

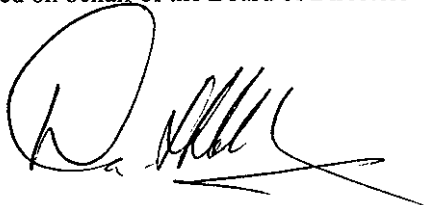
There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account.

BALANCE SHEET
At 31 March 1998

	Notes	£	1998	£	£	1997	£
FIXED ASSETS							
Tangible assets	6		170,243			106,099	
CURRENT ASSETS							
Work in progress	7	385,415			514,496		
Debtors	8	751,358			662,014		
Cash at bank and in hand		2,070,826			1,260,375		
			3,207,599		2,436,885		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(2,754,521)			(2,163,602)		
NET CURRENT ASSETS			453,078			273,283	
NET ASSETS			623,321			379,382	
CAPITAL AND RESERVES							
Called up share capital	10	20,000			20,000		
Profit and loss account	11	603,321			359,382		
TOTAL EQUITY SHAREHOLDERS' FUNDS			623,321			379,382	

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 31 March 1998

	Notes	£	1998	£	£	1997	£
Net cash inflow from operating activities	13		1,092,585			314,431	
Returns on investments and servicing of finance							
Interest received			100,485			57,781	
Taxation							
UK corporation tax paid			(137,641)			(100,445)	
Capital expenditure							
Payments to acquire tangible fixed assets		(124,578)			(59,129)		
Receipts from disposal of tangible fixed assets		12,600			19,877		
Net cash outflow from capital expenditure			(111,978)			(39,252)	
Equity dividends paid			(133,000)			(230,422)	
Increase in cash in the year	15		810,451			2,093	

**NOTES TO THE ACCOUNTS**
Year ended 31 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 and contract work completed in the year.

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:

Leasehold property	Period of lease
Plant and office equipment	4 to 10 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.

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 1998

2. OPERATING PROFIT is stated after charging/(crediting):	1998	1997
	£	£
Depreciation	58,037	46,605
Operating lease rentals: land and buildings	23,250	23,250
Auditors' remuneration: audit services	2,500	3,000
Profit on disposal of tangible fixed assets	(10,203)	(6,054)
	<u> </u>	<u> </u>
 3. INTEREST RECEIVABLE	 1998	 1997
	£	£
Bank interest receivable	103,332	57,096
	<u> </u>	<u> </u>
 4. TAX ON PROFIT ON ORDINARY ACTIVITIES	 1998	 1997
	£	£
UK current year taxation		
UK corporation tax at 31% (1997: 33%)	230,500	137,700
 Prior years		
UK corporation tax	(59)	1,095
	<u> </u>	<u> </u>
	<u>230,441</u>	<u>138,795</u>
 5. DIVIDENDS	 1998	 1997
	£	£
Ordinary:		
Final proposed of £13.15 (1997: £6.65) per share	263,000	133,000
	<u> </u>	<u> </u>


NOTES TO THE ACCOUNTS
 Year ended 31 March 1998

6. TANGIBLE FIXED ASSETS

Summary	Leasehold property £	Plant £	Office equipment £	Motor vehicles £	Total £
Cost					
At 1 April 1997	3,000	29,763	34,164	164,851	231,778
Additions	-	-	16,006	108,572	124,578
Disposals	-	-	-	(51,172)	(51,172)
At 31 March 1998	3,000	29,763	50,170	222,251	305,184
Depreciation					
At 1 April 1997	1,749	21,531	20,336	82,063	125,679
Charge for the year	212	2,365	5,239	50,221	58,037
Disposals	-	-	-	(48,775)	(48,775)
At 31 March 1998	1,961	23,896	25,575	83,509	134,941
Net book value					
At 31 March 1998	1,039	5,867	24,595	138,742	170,243
At 31 March 1997	1,251	8,232	13,828	82,788	106,099

Capital commitments

At 31 March 1998 the directors had authorised capital expenditure of £1,250 (1997: £43,150).

7. WORK IN PROGRESS

	1998 £	1997 £
Work in progress	968,731	749,625
Cash received on account	(583,316)	(235,129)
	385,415	514,496

8. DEBTORS

	1998 £	1997 £
Trade debtors	738,838	651,771
Other debtors	6,371	3,509
Prepayments and accrued income	6,149	6,734
	751,358	662,014



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1998	1997
	£	£
Trade creditors	1,869,550	1,671,802
Amounts owed to parent undertaking and fellow subsidiary undertakings	279,409	111,352
Corporation tax	230,500	137,700
Other taxes and social security costs	74,588	65,408
Other creditors	15,384	14,956
Accruals and deferred income	15,106	18,483
Proposed dividend	263,000	133,000
Payments on account	6,984	10,901
	<u>2,754,521</u>	<u>2,163,602</u>

10. CALLED UP SHARE CAPITAL

Authorised	1998	
	No.	£
£1 Ordinary shares	<u>20,000</u>	<u>20,000</u>
Allotted and fully paid	1998	1997
	£	£
£1 Ordinary shares	<u>20,000</u>	<u>20,000</u>

11. PROFIT AND LOSS ACCOUNT

	£
At 1 April 1997	359,382
Retained profit for the year	<u>243,939</u>
At 31 March 1998	<u>603,321</u>


NOTES TO THE ACCOUNTS
Year ended 31 March 1998

12.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1998	1997	
		£	£	
	Profit for the financial year	506,939	266,815	
	Proposed dividend	(263,000)	(133,000)	
	Net addition to shareholders' funds	243,939	133,815	
	Opening shareholders' funds	379,382	245,567	
	Closing shareholders' funds	623,321	379,382	
13.	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	1998	1997	
		£	£	
	Operating profit	634,048	348,514	
	Depreciation charges	58,037	46,605	
	Profit on disposal of tangible fixed assets	(10,203)	(6,054)	
	Decrease/(increase) in work in progress	129,081	(249,371)	
	Increase in debtors	(86,497)	(19,848)	
	Increase in creditors	368,119	194,585	
	Net cash inflow from operating activities	1,092,585	314,431	
14.	ANALYSIS OF CHANGES IN NET FUNDS	At 1 April 1997	Cash flows	At 31 March 1998
		£	£	£
	Cash at bank and in hand	1,260,375	810,451	2,070,826
15.	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	1998	1997	
		£	£	
	Increase in cash in the year	810,451	2,093	
	Movement in net funds in the year	810,451	2,093	
	Net funds at 1 April	1,260,375	1,258,282	
	Net funds at 31 March	2,070,826	1,260,375	



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

16. FINANCIAL COMMITMENTS

Operating leases

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998	1997
	£	£
<i>Land and buildings</i>		
Expiry date - two to five years	10,750	-
- in over five years	-	10,750
	<u>10,750</u>	<u>10,750</u>

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 1998, the overall commitment was nil.

17. DIRECTORS

The emoluments of directors of the company were:

	1998	1997
	£	£
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	174,862	123,141
	<u>174,862</u>	<u>123,141</u>
	No.	No.

The number of directors who were members of a defined benefit pension scheme

5	4
<u>5</u>	<u>4</u>

Messrs D M Telling and W E Harding are directors of MITIE Group PLC and their pension details are disclosed in the group accounts.

18. EMPLOYEES

Number of employees

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

	1998	1997
	No.	No.
Site labour	48	39
Administration and management	19	17
	<u>67</u>	<u>56</u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

18. EMPLOYEES (continued)

	1998	1997
	£	£
Employment costs		
Wages and salaries	1,445,030	1,072,531
Social security costs	140,988	104,316
Other pension costs	18,940	15,973
	<u>1,604,958</u>	<u>1,192,820</u>

19. RELATED PARTY TRANSACTIONS

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

20. 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.