

**MITIE ENGINEERING SERVICES LIMITED**

**Report and Financial Statements**

**31 March 2004**

Deloitte & Touche LLP  
Bristol



REPORT AND FINANCIAL STATEMENTS 2004

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

C S Acheson  
G Allen  
D Freeman  
K McEntaggart  
R McGregor-Smith  
I R Stewart  
M A Tivey  
D J Underwood  
A T White

**SECRETARY**

C K Ross

**REGISTERED OFFICE**

8 Monarch Court  
The Brooms  
Emersons Green  
Bristol  
BS16 7FH

**BANKERS**

HSBC Bank plc  
49 Corn Street  
Bristol  
BS99 7PP

**AUDITORS**

Deloitte & Touche LLP  
Bristol

## DIRECTORS' REPORT

The directors present their annual report and financial statements for the financial year ended 31 March 2004.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 provision of administrative services to other group undertakings.

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 £4,232 (2003: loss of £1,176). The directors do not propose the payment of a dividend (2003: nil) and recommend that £4,232 be transferred to reserves (2003: £1,176 transferred from reserves).

### DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

C S Acheson	
G Allen	
D Freeman	
K McEntaggart	
I R Stewart	
M A Tivey	
D J Underwood	
A T White	(appointed 10 April 2003)
Ms R McGregor-Smith	(appointed 7 October 2003)
B R Edwards	(resigned 8 May 2003)
D M Telling	(resigned 10 October 2003)

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

## DIRECTORS' REPORT (continued)

## DIRECTORS AND THEIR INTERESTS (continued)

Messrs C S Acheson and I R Stewart and Ms R McGregor-Smith are directors of MITIE Group PLC, the parent undertaking, and their interests in and options on 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:

	At 31 March 2004 2.5p Ordinary shares No.	At 1 April 2003 2.5p Ordinary shares No.
G Allen	266,030	365,030
D Freeman	1,561,336	1,661,336
M A Tivey	256,134	523,362
D J Underwood	34,292	34,292
A T White	51,780	- *

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

## Share Options

		At 1 April 2003	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2004
K McEntaggart	(i)	2,389	-	-	2007	-	-	-	2,389
	(i)	-	2,654	£1.20	2008	-	-	-	2,654
	(ii)	24,000	-	-	2005	2012	-	-	24,000
D J Underwood	(i)	2,389	-	-	2007	-	-	-	2,389
A T White	(i)	2,389*	-	-	2007	-	-	-	2,389
	(ii)	18,000*	-	-	2002	2006	-	-	18,000

(i) Options under the Savings Related Option Scheme

(ii) Options under the Executive Share Option Scheme

\* At date of appointment.

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

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

## 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 2004 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 23 days (2003: 34 days).

**DIRECTORS' REPORT (continued)**

**EMPLOYEES**

The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their attitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical or the employee unable to conform to the stringent regulations which apply to the operations of the company.

The company recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of MITIE Group PLC and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

**AUDITORS**

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in black ink, appearing to read 'R McGregor-Smith', written over a horizontal line.

R McGregor-Smith  
Director

29 July 2004

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE ENGINEERING SERVICES LIMITED

We have audited the financial statements of MITIE Engineering Services Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### Basis of audit opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

DELOITTE & TOUCHE LLP  
Chartered Accountants and Registered Auditors  
Bristol

29 July 2004

**PROFIT AND LOSS ACCOUNT**  
Year ended 31 March 2004

	Notes	Continuing operations	
		2004	2003
		£	£
<b>TURNOVER</b>	1	4,007,216	3,405,312
Cost of sales		(4,012,397)	(3,402,403)
<b>OPERATING (LOSS)/PROFIT</b>	2	(5,181)	2,909
Interest receivable	3	20,087	6,521
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		14,906	9,430
Tax on profit on ordinary activities	4	(10,674)	(10,606)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	10	4,232	(1,176)

There are no recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.



## MITIE ENGINEERING SERVICES LIMITED

## BALANCE SHEET

At 31 March 2004

	Notes	2004		2003	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	5		321,172		258,805
<b>CURRENT ASSETS</b>					
Debtors	6	511,749		708,592	
Cash at bank and in hand		947,270		81,299	
		1,459,019		789,891	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	7	(1,191,133)		(463,033)	
<b>NET CURRENT ASSETS</b>			267,886		326,858
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	8		-		(837)
<b>NET ASSETS</b>			589,058		584,826
<b>CAPITAL AND RESERVES</b>					
Called up share capital	9		277,722		277,722
Profit and loss account	10		311,336		307,104
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	11		589,058		584,826

These financial statements were approved by the Board of Directors on 29 July 2004.

Signed on behalf of the Board of Directors



R McGregor-Smith  
Director

## CASH FLOW STATEMENT

Year ended 31 March 2004

	Notes	2004		2003	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	12		1,038,921		(101,048)
Returns on investments and servicing of finance					
Interest received			17,869		5,974
Taxation					
UK corporation tax paid			(16,400)		(77,783)
Capital expenditure					
Payments to acquire tangible fixed assets		(214,094)		(156,313)	
Receipts from disposal of tangible fixed assets		39,675		60,597	
Net cash outflow from capital expenditure			(174,419)		(95,716)
Increase/(decrease) in cash in the year	14		865,971		(268,573)

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

## 1. ACCOUNTING POLICIES

**Accounting convention**

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

**Turnover**

Turnover represents the total, excluding sales taxes, receivable in respect of administrative services supplied 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:

Office equipment	3 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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

## 1. ACCOUNTING POLICIES (continued)

## Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## Pension costs

Pension costs represent amounts paid to one of the group's pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC.

2.	<b>OPERATING PROFIT is stated after charging/(crediting):</b>	<b>2004</b>	<b>2003</b>
		<b>£</b>	<b>£</b>
	Depreciation on owned assets	118,054	65,619
	Auditors' remuneration - audit services	2,500	2,500
	Profit on disposal of tangible fixed assets	(6,002)	(701)
		<u>          </u>	<u>          </u>
3.	<b>INTEREST RECEIVABLE</b>	<b>2004</b>	<b>2003</b>
		<b>£</b>	<b>£</b>
	Bank interest	20,087	6,521
		<u>          </u>	<u>          </u>
4.	<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2004</b>	<b>2003</b>
	<b>(a) Analysis of charge in year</b>	<b>£</b>	<b>£</b>
	United Kingdom corporation tax at 30% (2003: 30%)	15,200	2,528
	Adjustment in respect of prior years	-	1,062
		<u>          </u>	<u>          </u>
	<b>Total current tax (note 4(b))</b>	<b>15,200</b>	<b>3,590</b>
	Deferred taxation:		
	Timing differences - origination and reversal	(4,526)	5,271
	Adjustment in respect of prior years	-	1,745
		<u>          </u>	<u>          </u>
	<b>Tax on profit on ordinary activities</b>	<b>10,674</b>	<b>10,606</b>
		<u>          </u>	<u>          </u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

## 4. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

## (b) Factors affecting tax charge in year

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

	2004 £	2003 £
Profit on ordinary activities before tax	14,906	9,430
	£	£
Tax at 30% thereon	4,472	2,829
Expenses not deductible for tax purposes	6,202	4,970
Capital allowances less than (in excess of) depreciation	5,899	(5,061)
Profit on disposal of fixed assets	(1,801)	(210)
Other timing differences	428	-
Prior period adjustments	-	1,062
Current tax charge for the year (note 4(a))	15,200	3,590

## (c) Factors affecting future tax charges

The company is not aware of any matters that will materially affect the future tax charge.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2004**

**5. TANGIBLE FIXED ASSETS**

	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>			
At 1 April 2003	167,083	242,578	409,661
Additions	43,931	168,961	212,892
Disposals	(10,032)	(134,324)	(144,356)
Transfers in	1,602	-	1,602
At 31 March 2004	<u>202,584</u>	<u>277,215</u>	<u>479,799</u>
<b>Depreciation</b>			
At 1 April 2003	32,969	117,887	150,856
Charge for the year	49,071	68,983	118,054
Disposals	(9,737)	(100,946)	(110,683)
Transfers in	400	-	400
At 31 March 2004	<u>72,703</u>	<u>85,924</u>	<u>158,627</u>
<b>Net book value</b>			
At 31 March 2004	<u>129,881</u>	<u>191,291</u>	<u>321,172</u>
At 31 March 2003	<u>134,114</u>	<u>124,691</u>	<u>258,805</u>

£17,837 (2003: £95,201) of office equipment additions represent assets under development which are not being depreciated.

**Capital commitments**

At 31 March 2004 the directors had authorised capital expenditure of nil (2003: nil).

**6. DEBTORS**

	2004 £	2003 £
Amounts owed by group undertakings	485,434	674,834
Other debtors and prepayments	22,626	33,758
Deferred tax asset	3,689	-
	<u>511,749</u>	<u>708,592</u>

A deferred tax asset of £3,689 has been recognised at 31 March 2004 (2003: £nil). This asset related to negative accelerated capital allowances and other timing differences. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited to the profit and loss account in the year was £4,526 (2003: charge £7,016).

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 March 2004

7.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2004 £	2003 £
	Trade creditors	86,515	280,201
	Amounts owed to group undertakings	424,172	94,417
	Corporation tax	2,390	3,590
	Other taxes and social security costs	427,880	80,078
	Other creditors	91,314	110
	Accruals and deferred income	158,862	4,637
		<u>1,191,133</u>	<u>463,033</u>

8. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
At 1 April 2003	837
Profit and loss account	(4,526)
At 31 March 2004 – (note 6)	<u>(3,689)</u>

The amount of deferred tax provided in the financial statements represent:

	2004 £	2003 £
Capital allowances (less than )/in excess of depreciation	(3,261)	837
Other short term timing differences	(428)	-
	<u>(3,689)</u>	<u>837</u>

There are no amounts of unprovided deferred taxation liabilities at either year end.

9.	CALLED UP SHARE CAPITAL	2004 £	2003 £
	Authorised		
	500,000 £1 Ordinary shares	<u>500,000</u>	<u>500,000</u>
		£	£
	Allotted and fully paid		
	277,722 £1 Ordinary shares	<u>277,722</u>	<u>277,722</u>

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 March 2004

10. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2003	307,104
Retained profit for the financial year	4,232
	<hr/>
At 31 March 2004	311,336
	<hr/>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit/(loss) for the financial year	4,232	(1,176)
Opening shareholders' funds	584,826	586,002
	<hr/>	<hr/>
Closing shareholders' funds	589,058	584,826
	<hr/>	<hr/>

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

	2004 £	2003 £
Operating (loss)/profit	(5,181)	2,909
Depreciation charges	118,054	65,619
Profit on disposal of tangible fixed assets	(6,002)	(701)
Decrease/(increase) in debtors	202,750	(127,111)
Increase/(decrease) in creditors	729,300	(41,764)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	1,038,921	(101,048)
	<hr/>	<hr/>



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

## 13. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2003 £	Cash flow £	At 31 March 2004 £
Cash at bank and in hand	<u>81,299</u>	<u>865,971</u>	<u>947,270</u>

## 14. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £	2003 £
Increase/(decrease) in cash in the year	865,971	(268,573)
Net funds at beginning of year	<u>81,299</u>	<u>349,872</u>
<i>Net funds at end of year</i>	<u>947,270</u>	<u>81,299</u>

## 15. FINANCIAL COMMITMENTS

## Operating leases

At 31 March 2004 the company had no annual commitments under non-cancellable operating leases (2003: nil).

## Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts. As at 31 March 2004, the overall commitment was nil (2003: nil).

## 16. DIRECTORS

	2004 £	2003 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>862,295</u>	<u>723,495</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest paid director	<u>188,000</u>	<u>163,160</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

16. DIRECTORS (continued)	2004 No.	2003 No.
The number of directors who were members of:		
- a defined benefit pension scheme	5	4
- a defined contribution pension scheme	1	1
	<u>          </u>	<u>          </u>
	£	£
Contributions paid to defined contribution pension scheme	7,866	7,610
	<u>          </u>	<u>          </u>

Messrs C S Acheson, I R Stewart and Ms R McGregor-Smith are directors of MITIE Group PLC and their salaries and pension details are disclosed in the group accounts. Mr B R Edwards is a director of MITIE Engineering Services (Cardiff) Limited and his salary and pension details are disclosed in that company's accounts.

None of the directors exercised options in the shares of the ultimate group company, MITIE Group PLC, during the year (2003: one director).

## 17. EMPLOYEES

## Number of employees

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

	2004 No.	2003 No.
Administration and management	21	20
	<u>          </u>	<u>          </u>
Employment costs	£	£
Wages and salaries	1,303,037	1,185,268
Social security costs	160,154	135,079
Other pension costs	86,928	78,735
	<u>          </u>	<u>          </u>
	1,550,119	1,399,082
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2004

**18. RELATED PARTY TRANSACTIONS**

As a wholly owned subsidiary of MITIE Group PLC, MITIE Engineering 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.

**19. PENSION ARRANGEMENTS**

The company participates in the MITIE Group PLC Pension Scheme. This is a defined multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme for the period are shown in note 17 and the agreed contribution rate for the next 12 months is 10% (2003:10%) and 7.5% (2003: 7.5%) for the group and employees respectively.

An updated FRS17 valuation of the scheme as at 31 March 2004 indicated that the scheme was 85% funded.

**20. PARENT UNDERTAKING AND CONTROLLING PARTY**

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