

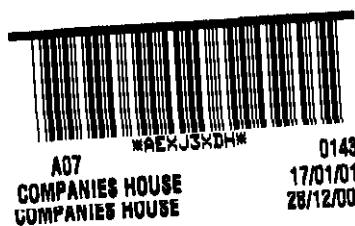
Company Number 2564600

**Deloitte  
& Touche**

**MITIE ENGINEERING SERVICES (MIDLANDS) LIMITED**

**Report and Financial Statements**

**31 March 2000**



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

**REPORT AND FINANCIAL STATEMENTS 2000**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D M Telling  
C S Acheson  
D Freeman  
M A McKean  
C J Williams

**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  
Wroughton  
Bristol  
BS40 5SA

**BANKERS**

HSBC 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 audited financial statements for the year ended 31 March 2000.

### **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**

The company's principal activity is the installation 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.

The company enjoys the support of its parent undertaking.

### **RESULTS AND DIVIDENDS**

The loss for the year after taxation amounted to £42,748 (1999: profit of £37,956). The directors do not propose the payment of a dividend and recommend that £42,748 be transferred from reserves.

### **FIXED ASSETS**

Details of movements in fixed assets during the year are set out in Note 5 to the financial statements.

### **DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

D M Telling  
C S Acheson  
D Freeman  
M A McKean  
C J Williams  
W E Harding (resigned 16 September 1999)

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

The beneficial interests of the directors and their families in the share capital and loan stock of the company were as follows:

	At 31 March 2000			At 1 April 1999		
	£1 'A' ordinary shares No.	£1 'B' ordinary shares No.	Loan stock £	£1 'A' ordinary shares No.	£1 'B' ordinary shares No.	Loan stock £
D Freeman	-	22,000	500	-	22,000	500
M A McKean	15,000	-	10,000	15,000	-	10,000
C J Williams	4,802	-	1,500	4,802	-	1,500

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

Messrs D M Telling and W E Harding 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:

	At 31 March 2000 5p Ordinary shares No.	At 1 April 1999 5p Ordinary shares No.
D Freeman	1,027,640	1,217,640
C S Acheson	814,750	902,350
C J Williams	53,029	43,100
M A McKean	500	500

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 2000 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 75 (1999: 95) 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.

**DIRECTORS' REPORT (continued)**

**YEAR 2000**

The year 2000 project completed all critical milestones well within the project timescale and all the primary business systems have completed both the millennium rollover and leap year rollover without any issues. Although these critical dates have been successfully passed, the Executive Steering Committee is not being complacent in considering the possible impact from latent problems outside the control of MITIE.

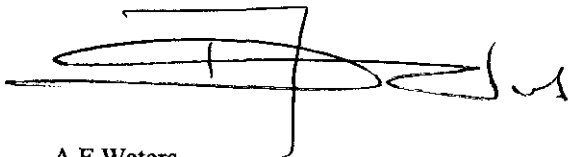
We have made considerable effort in determining the compliance of critical players in our suppliers/customer chain and are confident of continued trouble free operation.

The year 2000 project team will remain operational, with suitable contingency plans, until it is considered that sufficient time has passed for all possible external issues to be identified and resolved.

**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 'A F Waters', written over a horizontal line.

A F Waters  
Secretary

11 August 2000

**AUDITORS' REPORT TO THE MEMBERS OF  
MITIE ENGINEERING SERVICES (MIDLANDS) 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants and  
Registered Auditors

14 August 2000

**PROFIT AND LOSS ACCOUNT**

Year ended 31 March 2000

	Notes	Continuing operations 2000 £	1999 £
<b>TURNOVER</b>	1	2,456,670	2,145,858
Cost of sales		(2,113,471)	(1,786,892)
<b>GROSS PROFIT</b>		343,199	358,966
Administrative expenses		(409,083)	(313,072)
<b>OPERATING (LOSS)/PROFIT</b>	2	(65,884)	45,894
Interest receivable	3	6,493	11,197
Interest payable	3	(576)	-
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(59,967)	57,091
Tax credit/(charge) on (loss)/profit on ordinary activities	4	17,219	(19,135)
<b>RETAINED (LOSS)/PROFIT FOR THE YEAR</b>	11	(42,748)	37,956

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 2000

	Notes	£	2000 £	£	1999 £
<b>FIXED ASSETS</b>					
Tangible assets	5		57,023		26,390
<b>CURRENT ASSETS</b>					
Work in progress	6	757,789		283,508	
Debtors	7	370,790		156,622	
Cash at bank and in hand		327		225,325	
			1,128,906		665,455
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	(1,307,986)		(771,154)	
<b>NET CURRENT LIABILITIES</b>			(179,080)		(105,699)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(122,057)		(79,309)
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	9		(22,000)		(22,000)
<b>NET LIABILITIES</b>			(144,057)		(101,309)
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		228,243		228,243
Profit and loss account	11		(372,300)		(329,552)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	12		(144,057)		(101,309)

These financial statements were approved by the Board of Directors on 11 August 2000

Signed on behalf of the Board of Directors


D M Telling  
Director

**CASH FLOW STATEMENT**

Year ended 31 March 2000

	Notes	2000		1999	
		£	£	£	£
<b>Net cash outflow from operating activities</b>	13		(562,916)		(53,747)
<b>Returns on investments and servicing of finance</b>					
Interest received		6,556		11,948	
<b>Net cash inflow from returns on investments and servicing of finance</b>			6,556		11,948
<b>Taxation</b>					
UK corporation tax paid			(29,031)		(2,635)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(62,061)		(20,401)	
Receipts from disposal of tangible fixed assets		3,200		3,450	
<b>Net cash outflow from capital expenditure</b>			(58,861)		(16,951)
<b>Decrease in cash in the year</b>	15		(644,252)		(61,385)

**NOTES TO THE ACCOUNTS**

Year ended 31 March 2000

**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. All turnover arises within the United Kingdom.

**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 2000

<b>2. OPERATING (LOSS)/PROFIT</b> is stated after charging/(crediting):	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Depreciation	19,141	14,629
Operating lease rentals - land and buildings	11,241	7,310
Auditors' remuneration - audit services	2,500	2,500
Profit on disposal of tangible fixed assets	(1,230)	(96)
	<u>          </u>	<u>          </u>
 <b>3. INTEREST</b>	 <b>2000</b>	 <b>1999</b>
	<b>£</b>	<b>£</b>
<b>Interest receivable</b>		
Bank interest	6,493	11,197
	<u>          </u>	<u>          </u>
 <b>Interest payable</b>	 <b>£</b>	 <b>£</b>
Bank interest	576	-
	<u>          </u>	<u>          </u>
 <b>4. TAX (CREDIT)/CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES</b>	 <b>2000</b>	 <b>1999</b>
	<b>£</b>	<b>£</b>
<b>UK current year taxation</b>		
UK corporation tax at 30% (1999: 31%)	-	19,900
Group relief	(16,600)	-
 <b>Prior years</b>		
UK corporation tax	(619)	(765)
	<u>          </u>	<u>          </u>
	(17,219)	19,135
	<u>          </u>	<u>          </u>

**NOTES TO THE ACCOUNTS**

Year ended 31 March 2000

**5. TANGIBLE FIXED ASSETS**

Summary	Plant £	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 April 1999	7,869	25,622	42,311	75,802
Additions	326	8,599	53,236	62,161
Group transfers out	-	-	(11,111)	(11,111)
Disposals	-	-	(11,823)	(11,823)
At 31 March 2000	8,195	34,221	72,613	115,029
<b>Depreciation</b>				
At 1 April 1999	7,274	18,809	23,329	49,412
Charge for the year	623	2,567	15,951	19,141
Group transfers out	-	-	(694)	(694)
Disposals	-	-	(9,853)	(9,853)
At 31 March 2000	7,897	21,376	28,733	58,006
<b>Net book value</b>				
At 31 March 2000	298	12,845	43,880	57,023
At 31 March 1999	595	6,813	18,982	26,390

**Capital commitments**

At 31 March 2000 the directors had authorised capital expenditure of nil (1999: nil).

**6. WORK IN PROGRESS**

	2000 £	1999 £
Work in progress	2,468,032	944,474
Cash received on account	(1,710,243)	(660,966)
	757,789	283,508

**7. DEBTORS**

	2000 £	1999 £
Trade debtors	227,005	146,293
Amounts owed by parent undertaking and fellow subsidiary undertakings	45,252	4,296
Other debtors	906	1,618
Prepayments and accrued income	11,485	4,415
Value added tax	59,792	-
Group relief receivable	26,350	-
	370,790	156,622

**NOTES TO THE ACCOUNTS**

Year ended 31 March 2000

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2000 £	1999 £
Bank overdraft	419,254	-
Trade creditors	848,917	689,702
Amounts owed to parent undertaking and fellow subsidiary undertakings	1,475	26,034
Corporation tax	-	19,900
Other taxes and social security costs	22,029	31,109
Other creditors	1,694	526
Accruals and deferred income	11,188	3,883
Payments on account	3,429	-
	<u>1,307,986</u>	<u>771,154</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2000 £	1999 £
Convertible unsecured redeemable loan stock 2003	2,000	2,000
Convertible unsecured redeemable loan stock 2004	20,000	20,000
	<u>22,000</u>	<u>22,000</u>

The £2,000 and £20,000 convertible unsecured loan stock may be converted at the holder's option into fully paid ordinary shares of £1 each at any time to 31 August 2003 or 31 August 2004 respectively. If the loan stock is not converted it will be redeemable at par on 1 September 2003 and 1 September 2004 respectively.

The holders have confirmed that the loan stock will not be converted until after March 2001.

## 10. CALLED UP SHARE CAPITAL

	1999 and 2000	
	No.	£
<b>Authorised</b>		
£1 'A' ordinary shares	311,000	311,000
£1 'B' ordinary shares	39,000	39,000
	<u>350,000</u>	<u>350,000</u>
	<b>2000 £</b>	<b>1999 £</b>
<b>Allotted and fully paid</b>		
191,243 £1 'A' ordinary shares	191,243	191,243
37,000 £1 'B' ordinary shares	37,000	37,000
	<u>228,243</u>	<u>228,243</u>

**NOTES TO THE ACCOUNTS****Year ended 31 March 2000****10. CALLED UP SHARE CAPITAL (continued)****Rights attached to shares**

The holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board. Thereafter, MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid, together with any arrears of such cumulative dividends unpaid from any previous financial year.

Thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

Both classes of shareholder have equal voting rights.

**11. PROFIT AND LOSS ACCOUNT**

	£
At 1 April 1999	(329,552)
Retained loss for the year	(42,748)
	<hr/>
<b>At 31 March 2000</b>	<b>(372,300)</b>
	<hr/>

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

	2000 £	1999 £
(Loss)/profit for the financial year	(42,748)	37,956
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(42,748)	37,956
Opening shareholders' funds	(101,309)	(139,265)
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>(144,057)</b>	<b>(101,309)</b>
	<hr/>	<hr/>

**13. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2000 £	1999 £
Operating (loss)/profit	(65,884)	45,894
Depreciation charges	19,141	14,629
Profit on disposal of tangible fixed assets	(1,230)	(96)
Increase in work in progress	(474,281)	(150,437)
(Increase)/decrease in debtors	(177,464)	234,693
Increase/(decrease) in creditors	136,802	(198,430)
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(562,916)</b>	<b>(53,747)</b>
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS****Year ended 31 March 2000****14. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At 1 April 1999 £</b>	<b>Cash flows £</b>	<b>At 31 March 2000 £</b>
Bank overdraft	-	(419,254)	(419,254)
Cash at bank and in hand	225,325	(224,998)	327
Debt due after one year	(22,000)	-	(22,000)
	<u>203,325</u>	<u>(644,252)</u>	<u>(440,927)</u>

**15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT  
IN NET (DEBT)/FUNDS**

	<b>2000 £</b>	<b>1999 £</b>
Decrease in cash in the year	(644,252)	(61,385)
Movement in net debt in the year	(644,252)	(61,385)
Net funds at 1 April	203,325	264,710
<b>Net funds at 31 March</b>	<u>(440,927)</u>	<u>203,325</u>

**16. FINANCIAL COMMITMENTS****Operating leases**

At 31 March 2000 the company had annual commitments under non-cancellable operating leases as follows:

<b>Land and buildings</b>	<b>2000 £</b>	<b>1999 £</b>
Expiry date - after five years	<u>41,000</u>	<u>-</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 2000, the overall commitment was nil.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000****17. DIRECTORS**

	2000	1999
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	50,221	44,948

Some directors also provide services to other companies in MITIE Group PLC and their emoluments are disclosed in those accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Services (Midlands) Limited and their services as directors of other group companies.

	No.	No.
The number of directors who were members of:		
- a defined benefit pension scheme	2	2
- a money purchase pension scheme	1	1

There were no contributions paid to money purchase scheme in either year.

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:

	2000	1999
	No.	No.
Administration and management	9	7
Site labour	5	4
	14	11
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	294,131	157,000
Social security costs	31,032	15,795
Pension	2,835	-
	327,998	172,795

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2000**

**19. RELATED PARTY TRANSACTIONS**

MITIE Group PLC was a 75% shareholder in MITIE Engineering Services (Midlands) Limited at 31 March 2000.

During the year, MITIE Engineering Services (Midlands) Limited paid £58,144 in management charges to MITIE Group PLC and paid £34,300 to MITIE Engineering Services (South West) Limited.

During the year, MITIE Engineering Services (Midlands) Limited received management charges of £5,982 from companies within the MITIE Group. An amount of £4,412 is included in debtors in respect of these charges.

During the year MITIE Engineering Services (Midlands) Limited paid £7,310 in rent to MITIE Property Investments Limited.

During the year MITIE Engineering Services (Midlands) Limited provided goods and services to MITIE Engineering Maintenance Limited amounting to £25,793. An amount of £25,793 is included in debtors in respect of these sales.

During the year MITIE Engineering Services (Midlands) Limited purchased goods and services from companies within MITIE Group PLC amounting to £4,627. An amount of £1,255 is included in creditors in respect of these purchases.

During the year MITIE Engineering Services (Midlands) Limited transferred a vehicle at net book value of £10,417 to MITIE Air Conditioning (Midlands) Limited. An amount of £10,417 is included in debtors in respect of this asset transfer.

**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. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.