



MITIE ENGINEERING MAINTENANCE (WEST) LIMITED

Report and Financial Statements

31 March 1998

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



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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
T G Lewis
N A Quintin
D Needs
C S Acheson
P T Spellissy

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 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 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 £118,498 (1997: £138,660). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed 107p per share	214,438
Transfer from reserves	(95,940)
	<hr/>
	118,498
	<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:

D M Telling
T G Lewis
N A Quintin
D Needs
C S Acheson
P T Spellissy

The beneficial interests of the directors and their families in the share capital of the company at the beginning and end of the financial year were:

	31 March 1998 £1 'B' ordinary shares No.	1 April 1997 £1 'B' ordinary shares No.
N A Quintin	-	20,000
D Needs	-	8,000

No other 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 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 10p Ordinary shares No.	1 April 1997 10p Ordinary shares No.
T G Lewis	1,256,915	1,261,915
N A Quintin	79,288	16,750
D Needs	24,148	-
C S Acheson	456,800	588,150
P T Spellissy	24,250	24,250

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 88 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.

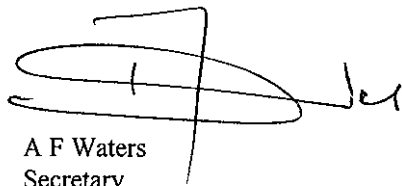
**DIRECTORS' REPORT (continued)****YEAR 2000**

The 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.

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 MAINTENANCE (WEST) 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		2,657,588	2,432,069
Cost of sales		(2,086,516)	(1,858,781)
GROSS PROFIT		571,072	573,288
Administrative expenses		(424,646)	(384,529)
OPERATING PROFIT	2	146,426	188,759
Interest receivable	3	29,571	18,877
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		175,997	207,636
Tax on profit on ordinary activities	4	(57,499)	(68,976)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		118,498	138,660
Transfer from/(to) reserves	11	95,940	(114,660)
DIVIDENDS	5	214,438	24,000

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.

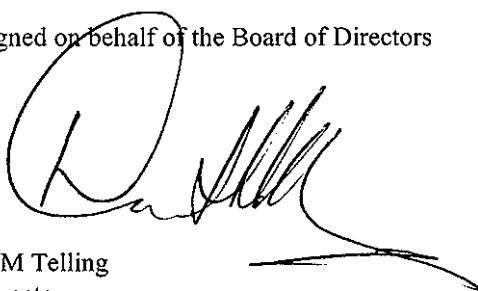


BALANCE SHEET
At 31 March 1998

	Notes	1998	1997
		£	£
FIXED ASSETS			
Tangible assets	6	206,520	165,291
CURRENT ASSETS			
Work in progress	7	121,999	225,682
Debtors	8	613,590	405,810
Cash at bank and in hand		400,173	643,512
		<u>1,135,762</u>	<u>1,275,004</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(878,958)</u>	<u>(881,031)</u>
NET CURRENT ASSETS		<u>256,804</u>	<u>393,973</u>
NET ASSETS		<u><u>463,324</u></u>	<u><u>559,264</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	200,000	200,000
Profit and loss account	11	<u>263,324</u>	<u>359,264</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u><u>463,324</u></u>	<u><u>559,264</u></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 31 March 1998

	Notes	1998	1997
		£	£
Net cash (outflow)/inflow from operating activities	13	(57,128)	388,652
Returns on investments and servicing of finance			
Interest received		28,301	20,173
Net cash inflow from returns on investments and servicing of finance		28,301	20,173
Taxation			
UK corporation tax paid		(68,999)	(51,776)
Capital expenditure			
Payments to acquire tangible fixed assets		(141,163)	(63,095)
Receipts from sales of tangible fixed assets		19,650	13,500
Net cash outflow from capital expenditure		(121,513)	(49,595)
Equity dividends paid		(24,000)	(24,000)
(Decrease)/increase in cash in the year	14	<u>(243,339)</u>	<u>283,454</u>

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:

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	87,649	72,594
Operating lease rentals: land and buildings	2,622	2,100
Auditors' remuneration: audit services	2,500	1,500
Profit on disposal of fixed assets	(7,365)	(8,842)
	<u> </u>	<u> </u>
3. INTEREST RECEIVABLE	1998	1997
	£	£
Bank interest receivable	29,571	18,877
	<u> </u>	<u> </u>
4. TAX ON PROFIT ON ORDINARY ACTIVITIES	1998	1997
	£	£
UK current year taxation		
UK corporation tax at 31% (1997: 33%)	57,700	69,200
Prior years		
UK corporation tax	(201)	(224)
	<u> </u>	<u> </u>
	57,499	68,976
	<u> </u>	<u> </u>
5. DIVIDENDS	1998	1997
	£	£
Final proposed:		
'A' ordinary 107p (1997: 12p) per share	184,417	20,640
'B' ordinary 107p (1997: 12p) per share	30,021	3,360
	<u> </u>	<u> </u>
	214,438	24,000
	<u> </u>	<u> </u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

6. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 1997	29,990	279,068	309,058
Additions	796	137,472	138,268
Transfers	-	7,314	7,314
Disposals	-	(73,644)	(73,644)
At 31 March 1998	30,786	350,210	380,996
Depreciation			
At 1 April 1997	12,153	131,614	143,767
Charge for the year	6,709	80,940	87,649
Transfers	-	4,419	4,419
Disposals	-	(61,359)	(61,359)
At 31 March 1998	18,862	155,614	174,476
Net book value			
At 31 March 1998	11,924	194,596	206,520
At 31 March 1997	17,837	147,454	165,291

Capital commitments

At 31 March 1998 the directors had authorised capital expenditure of £nil (1997: £23,000).

7. WORK IN PROGRESS

	1998 £	1997 £
Work in progress	294,506	267,374
Cash received on account	(172,507)	(41,692)
	121,999	225,682

8. DEBTORS

	1998 £	1997 £
Trade debtors	465,752	323,854
Amounts owed by parent undertaking and fellow subsidiary undertakings	140,547	79,720
Other debtors	7,291	1,396
Advance corporation tax recoverable	-	840
	613,590	405,810



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1998	1997
	£	£
Trade creditors	417,209	524,963
Amounts owed to parent undertaking and fellow subsidiary undertakings	20,778	70,659
Corporation tax	56,860	68,360
Other taxes and social security costs	92,352	93,732
Other creditors	24,869	15,611
Accruals and deferred income	7,500	4,500
Payments on account	44,952	78,366
Proposed dividend	214,438	24,000
Advance corporation tax payable	-	840
	<u>878,958</u>	<u>881,031</u>

10. CALLED UP SHARE CAPITAL

Authorised

	No.	1998
		£
£1 'A' ordinary shares	172,000	172,000
£1 'B' ordinary shares	28,000	28,000
	<u>200,000</u>	<u>200,000</u>

Allotted and fully paid

	1998	1997
	£	£
£1 'A' ordinary shares	172,000	172,000
£1 'B' ordinary shares	28,000	28,000
	<u>200,000</u>	<u>200,000</u>

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.


NOTES TO THE ACCOUNTS
 Year ended 31 March 1998

11. PROFIT AND LOSS ACCOUNT	£	
At 1 April 1997	359,264	
Retained loss for the year	(95,940)	
At 31 March 1998	263,324	
12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1998	1997
	£	£
Profit for the financial year	118,498	138,660
Proposed dividend	(214,438)	(24,000)
Net (reduction)/addition to shareholders' funds	(95,940)	114,660
Opening shareholders' funds	559,264	444,604
Closing shareholders' funds	463,324	559,264
13. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	1998	1997
	£	£
Operating profit	146,426	188,759
Depreciation charges	87,649	72,594
Profit on disposal of tangible fixed assets	(7,365)	(8,842)
Decrease/(increase) in work in progress	103,683	(52,729)
Increase in debtors	(206,510)	(146,035)
(Decrease)/increase in creditors	(181,011)	334,905
Net cash (outflow)/inflow from operating activities	(57,128)	388,652
14. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	1998	1997
	£	£
(Decrease)/increase in cash for the year	(243,339)	283,454
Net funds at 1 April	643,512	360,058
Net funds at 31 March	400,173	643,512



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

15. FINANCIAL COMMITMENTS

Operating leases

At 31 March 1998 the company had no annual commitments under non-cancellable operating leases (1997: £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 1998, the overall commitment was nil.

16. DIRECTORS

	1998 £	1997 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	81,058	76,622
	<u>No.</u>	<u>No.</u>
The number of directors who were members of:		
- a defined benefit pension scheme	4	4
- a money purchase pension scheme	1	1

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

17. EMPLOYEES

Number of employees

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

	1998 No.	1997 No.
Site labour	25	22
Administration and management	9	8
	<u>34</u>	<u>30</u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

17. EMPLOYEES (continued)

	1998	1997
	£	£
Employment costs		
Wages and salaries	727,103	622,255
Social security costs	64,727	57,439
Other pension costs	9,550	10,350
	<u>801,380</u>	<u>690,044</u>

18. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Engineering Maintenance (West) 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. 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.