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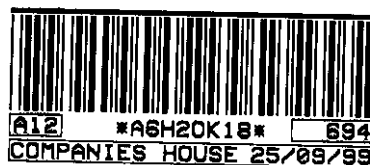
Company Number 2684714

MITIE ENGINEERING MAINTENANCE (WEST) LIMITED

Report and Financial Statements

31 March 1999

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



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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

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 audited financial statements for the year ended 31 March 1999.

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 £126,584 (1998: £118,498). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed 31.5p per share	63,000
Transfer to reserves	63,584
	<hr/>
	126,584
	<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 (resigned 2 November 1998)

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 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 were as follows:

	31 March 1999	1 April 1998
	5p Ordinary shares	10p Ordinary shares
	No.	No.
T G Lewis	2,504,830	1,256,915
N A Quintin	158,576	79,288
D Needs	48,296	24,148
C S Acheson	902,350	456,800
P T Spellissy	-	24,250

On 17 September 1998, each 10p ordinary share in MITIE Group PLC was subdivided into two ordinary shares of 5p each.

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 1999 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 75 (1998: 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 project to cope with the year 2000 technology problem is well under way. An Executive Steering Committee chaired by a Group Managing Director has been established. Its responsibility is to ensure that all operating companies within the group have identified the systems (included embedded chips) with associated business criticality, which require change and have made appropriate plans to ensure that all changes are successfully implemented no later than October 1999.

In addition, systems which are critical to the business but are part of the supplier/customer chain and are outside the direct control of the MITIE Group are also included in the project.

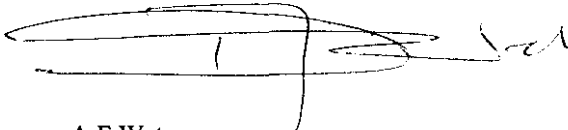
Phase one of this programme has been concluded with all subsidiary companies completing a detailed assessment as to their state of readiness for year 2000. Phase two of this programme has also been completed, which confirms that all key business systems within the group are or have been made compliant well before the target deadline.

Due to the general level of uncertainty inherent with the year 2000 issue it is not possible to be 100% certain that no business interruption will occur. Costs incurred to date have been written off to the profit and loss account and the Board consider that future costs will not have a material impact on the group accounts.

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

12 August 1999



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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

16 August 1999


PROFIT AND LOSS ACCOUNT
Year ended 31 March 1999

	Notes	Continuing operations 1999 £	1998 £
TURNOVER		2,718,498	2,657,588
Cost of sales		(2,074,309)	(2,086,516)
GROSS PROFIT		644,189	571,072
Administrative expenses		(481,203)	(424,646)
OPERATING PROFIT	2	162,986	146,426
Interest receivable	3	29,277	29,571
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		192,263	175,997
Tax on profit on ordinary activities	4	(65,679)	(57,499)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		126,584	118,498
Dividends	5	(63,000)	(214,438)
RETAINED PROFIT/(LOSS) FOR THE YEAR	11	63,584	(95,940)

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.



MITIE ENGINEERING MAINTENANCE (WEST) LIMITED

BALANCE SHEET
At 31 March 1999

	Notes	£	1999	£	£	1998	£
FIXED ASSETS							
Tangible assets	6		178,084			206,520	
CURRENT ASSETS							
Work in progress	7	180,513			121,999		
Debtors	8	416,275			613,590		
Cash at bank and in hand		348,432			400,173		
			945,220		1,135,762		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(596,396)			(878,958)		
NET CURRENT ASSETS			348,824			256,804	
NET ASSETS			526,908			463,324	
CAPITAL AND RESERVES							
Called up share capital	10	200,000			200,000		
Profit and loss account	11	326,908			263,324		
TOTAL EQUITY SHAREHOLDERS' FUNDS			526,908			463,324	

These financial statements were approved by the Board of Directors on 12 August 1999.

Signed on behalf of the Board of Directors

D M Telling
Director


CASH FLOW STATEMENT
Year ended 31 March 1999

	Notes	£	1999	£	£	1998	£
Net cash inflow/(outflow) from operating activities	13		245,058			(57,128)	
Returns on investments and servicing of finance							
Interest received			29,447			28,301	
Taxation							
UK corporation tax paid			(56,539)			(68,999)	
Capital expenditure							
Payments to acquire tangible fixed assets		(68,841)			(141,163)		
Receipts from disposal of tangible fixed assets		13,572			19,650		
Net cash outflow from capital expenditure			(55,269)			(121,513)	
Equity dividends paid			(214,438)			(24,000)	
Decrease in cash in the year	15		(51,741)			(243,339)	

NOTES TO THE ACCOUNTS
Year ended 31 March 1999

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:

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 defined benefit and money purchase schemes are given in the financial statements of MITIE Group PLC.


NOTES TO THE ACCOUNTS
Year ended 31 March 1999

2. OPERATING PROFIT is stated after charging/(crediting):	1999	1998
	£	£
Depreciation	84,532	87,649
Operating lease rentals - land and buildings	8,130	2,622
Auditors' remuneration - audit services	2,500	2,500
Profit on disposal of tangible fixed assets	(827)	(7,365)
	<u> </u>	<u> </u>
3. INTEREST RECEIVABLE	1999	1998
	£	£
Bank interest receivable	29,277	29,571
	<u> </u>	<u> </u>
4. TAX ON PROFIT ON ORDINARY ACTIVITIES	1999	1998
	£	£
UK current year taxation		
UK corporation tax at 31% (1998: 31%)	66,000	57,700
Prior years		
UK corporation tax	(321)	(201)
	<u> </u>	<u> </u>
	<u>65,679</u>	<u>57,499</u>
5. DIVIDENDS	1999	1998
	£	£
Final proposed:		
'A' ordinary 31.5p (1998: 107p) per share	54,180	184,417
'B' ordinary 31.5p (1998: 107p) per share	8,820	30,021
	<u> </u>	<u> </u>
	<u>63,000</u>	<u>214,438</u>


NOTES TO THE ACCOUNTS
Year ended 31 March 1999
6. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 1998	30,786	350,210	380,996
Additions	7,617	61,224	68,841
Disposals	-	(32,812)	(32,812)
At 31 March 1999	38,403	378,622	417,025
Depreciation			
At 1 April 1998	18,862	155,614	174,476
Charge for the year	7,777	76,755	84,532
Disposals	-	(20,067)	(20,067)
At 31 March 1999	26,639	212,302	238,941
Net book value			
At 31 March 1999	11,764	166,320	178,084
At 31 March 1998	11,924	194,596	206,520

Capital commitments

At 31 March 1999 the directors had authorised capital expenditure of nil (1998: nil).

7. WORK IN PROGRESS

	1999 £	1998 £
Work in progress	323,683	294,506
Cash received on account	(143,170)	(172,507)
	180,513	121,999

8. DEBTORS

	1999 £	1998 £
Trade debtors	402,081	465,752
Amounts owed by parent undertaking and fellow subsidiary undertakings	10,852	140,547
Other debtors	3,342	7,291
	416,275	613,590



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1999	1998
	£	£
Payments on account	10,321	44,952
Trade creditors	303,016	417,209
Amounts owed to parent undertaking and fellow subsidiary undertakings	47,225	20,778
Corporation tax	66,000	56,860
Other taxes and social security costs	80,044	92,352
Other creditors	23,139	24,869
Accruals and deferred income	3,651	7,500
Proposed dividend	63,000	214,438
	<u>596,396</u>	<u>878,958</u>

10. CALLED UP SHARE CAPITAL

Authorised	No.	1999	£
£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	1999	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>	

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 1999
11. PROFIT AND LOSS ACCOUNT

	£
At 1 April 1998	263,324
Retained profit for the year	63,584
At 31 March 1999	326,908

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year	126,584	118,498
Proposed dividend	(63,000)	(214,438)
Net addition/(reduction) to shareholders' funds	63,584	(95,940)
Opening shareholders' funds	463,324	559,264
Closing shareholders' funds	526,908	463,324

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

	1999 £	1998 £
Operating profit	162,986	146,426
Depreciation charges	84,532	87,649
Profit on disposal of tangible fixed assets	(827)	(7,365)
(Increase)/decrease in work in progress	(58,514)	103,683
Decrease/(increase) in debtors	197,145	(206,510)
Decrease in creditors	(140,264)	(181,011)
Net cash inflow/(outflow) from operating activities	245,058	(57,128)

14. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1998 £	Cash flows £	At 31 March 1999 £
Cash at bank and in hand	400,173	(51,741)	348,432



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

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

	1999	1998
	£	£
Decrease in cash for the year	(51,741)	(243,339)
Net funds at 1 April	400,173	643,512
Net funds at 31 March	<u>348,432</u>	<u>400,173</u>

16. FINANCIAL COMMITMENTS

Operating leases

At 31 March 1999 the company had no annual commitments under non-cancellable operating leases (1998: 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 1999, the overall commitment was nil.

17. DIRECTORS

	1999	1998
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>83,291</u>	<u>81,058</u>

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 Maintenance (West) 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	4	4
- a money purchase pension scheme	<u>1</u>	<u>1</u>

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

NOTES TO THE ACCOUNTS
Year ended 31 March 1999

18. EMPLOYEES

Number of employees

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

	1999	1998
	No.	No.
Site labour	28	25
Administration and management	9	9
	<u>37</u>	<u>34</u>
Employment costs	£	£
Wages and salaries	910,632	727,103
Social security costs	90,142	64,727
Other pension costs	11,408	9,550
	<u>1,012,182</u>	<u>801,380</u>

19. 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.

20. PARENT UNDERTAKING

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.