

Company Registration Number 2684714

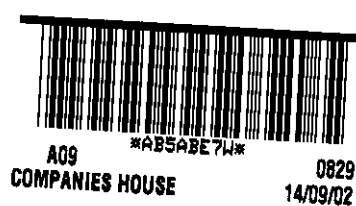
**Deloitte
& Touche**

MITIE ENGINEERING MAINTENANCE (WEST) LIMITED

Report and Financial Statements

31 March 2002

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



REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the accounts	9

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
M G Brown
A B Horwood
T G Lewis
D Needs
N A Quintin
I R Stewart

SECRETARIES

C K Ross
A F Waters (resigned 31 March 2002)

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 2002.

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 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 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 £58,965 (2001: £180,927). The directors recommend this amount be dealt with as follows:

	2002 £	2001 £
Ordinary dividends:		
- Final proposed 'A' ordinary shares of 13p (2001: £1.775) per share	22,227	305,300
- Final proposed 'B' ordinary shares of nil (2001: £1.775) per share	-	49,700
Transferred to/(from) reserves	36,738	(174,073)
	<u>58,965</u>	<u>180,927</u>

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

The directors during the year were as follows:

D M Telling
M G Brown
A B Horwood
T G Lewis
D Needs
N A Quintin
I R Stewart

No director had a beneficial interest in the share capital of the company.

Messrs D M Telling and I R Stewart 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 shares of the ultimate parent company, MITIE Group PLC, were as follows:

	At 31 March 2002 2.5p Ordinary shares No.	At 1 April 2001 5p Ordinary shares No.
T G Lewis	4,991,060	2,500,530
D Needs	60,992	35,296
N A Quintin	49,160	21,296

On 2 April 2001 each MITIE Group PLC 5p ordinary share was subdivided into two ordinary shares of 2.5p each.

Share Options

	At 1 April 2001	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2002
D Needs (i)	4,812	-	-	2005	2006	-	-	4,812
N A Quintin (i)	14,946	1,296	£1.25	2002	2007	3,284	£0.63	12,958

(i) Options under the Savings Related Option Scheme

Further details of the MITIE Group PLC Share Schemes are given in the accounts of that 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 2002 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 54 days (2001: 67 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)

EMPLOYEES

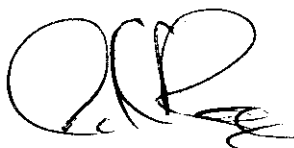
The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their attitudes and abilities in common with all employees, providing the disability 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

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 'C K Ross', with a stylized flourish at the end.

C K Ross
Secretary

12 August 2002

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MITIE ENGINEERING MAINTENANCE (WEST) LIMITED**

We have audited the financial statements of MITIE Engineering Maintenance (West) Limited for the year ended 31 March 2002 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the 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 2002 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

12 August 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

	Notes	Continuing operations	
		2002	2001
		£	£
TURNOVER	1	3,741,995	4,023,016
Cost of sales		(2,983,803)	(3,140,323)
GROSS PROFIT		758,192	882,693
Administrative expenses		(683,909)	(626,446)
OPERATING PROFIT	2	74,283	256,247
Interest receivable	3	1,042	4,987
Interest payable	3	(7,317)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		68,008	261,234
Tax on profit on ordinary activities	4	(9,043)	(80,307)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		58,965	180,927
Dividends	5	(22,227)	(355,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	11	36,738	(174,073)

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. Accordingly, no separate statement of total recognised gains and losses is presented.

BALANCE SHEET
At 31 March 2002

	Notes	£	2002	£	£	2001	£
FIXED ASSETS							
Tangible assets	6		185,253			183,183	
CURRENT ASSETS							
Work in progress	7	353,034			286,870		
Debtors	8	721,197			818,596		
Cash at bank and in hand		1,833			239,107		
			1,076,064		1,344,573		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(855,983)			(1,159,160)		
NET CURRENT ASSETS			220,081			185,413	
NET ASSETS			405,334			368,596	
CAPITAL AND RESERVES							
Called up share capital	10		200,000			200,000	
Profit and loss account	11		205,334			168,596	
TOTAL EQUITY SHAREHOLDERS' FUNDS			405,334			368,596	

These financial statements were approved by the Board of Directors on 12 August 2002.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Year ended 31 March 2002

	Notes	2002	2001
		£	£
Net cash inflow from operating activities	13	109,821	150,949
Returns on investments and servicing of finance			
Interest received		1,042	5,790
Interest paid		(7,317)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(6,275)	5,790
Taxation			
UK corporation tax paid		(86,248)	(6,593)
Capital expenditure			
Payments to acquire tangible fixed assets		(93,994)	(84,908)
Receipts from disposal of tangible fixed assets		11,103	7,250
Net cash outflow from capital expenditure		(82,891)	(77,658)
Equity dividends paid		(355,000)	(15,000)
(Decrease)/increase in cash in the year	15	<u>(420,593)</u>	<u>57,488</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**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, 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:

Plant and office equipment	4 to 10 years
Motor vehicles	4 years

Leasing and hire purchase commitments

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

This is the first year of adoption of FRS 19 (Deferred Tax). FRS 19 requires full provision to be made for deferred tax, as stated below. It replaces the "partial provision" rules previously allowed under Statement of Standard Accounting Practice No. 15. This change had no material impact on the company and hence there is no restatement of the opening reserves.

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 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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

2. OPERATING PROFIT is stated after charging/(crediting):	2002	2001
	£	£
Depreciation	89,471	86,931
Operating lease rentals - land and buildings	-	16,334
Auditors' remuneration - audit services	3,000	2,500
Profit on disposal of tangible fixed assets	(8,650)	(2,000)
	<u> </u>	<u> </u>

3. INTEREST	2002	2001
Interest receivable	£	£
Bank interest	1,042	4,987
	<u> </u>	<u> </u>
Interest payable	£	£
Bank interest	7,317	-
	<u> </u>	<u> </u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2001: 30%). The current tax charge for the year exceeds 30% (2001: exceeds 30%) for the reasons set out in the following reconciliation:

	2002	2001
	£	£
Profit on ordinary activities before tax	68,008	261,234
	<u> </u>	<u> </u>
	£	£
Tax on profit on ordinary activities at standard rate	20,402	78,370
Factors affecting the charge:		
- disallowable expenses	3,423	1,774
- capital allowances for period in excess of depreciation	3,206	1,377
- profit on disposal of tangible fixed assets	(2,595)	(600)
	<u> </u>	<u> </u>
UK corporation tax charge for the year	24,436	80,921
Deferred tax		
Timing differences, origination and reversal	(611)	-
Prior years		
UK corporation tax	(883)	(614)
Deferred tax	(13,899)	-
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	9,043	80,307
	<u> </u>	<u> </u>

The company is not aware of any factors that may materially affect the future tax charge.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

5. DIVIDENDS

	2002 £	2001 £
Final proposed:		
'A' ordinary 13p (2001: £1.775) per share	22,227	305,300
'B' ordinary nil (2001: £1.775) per share	-	49,700
	<u>22,227</u>	<u>355,000</u>

6. TANGIBLE FIXED ASSETS

Summary

	Plant and office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 2001	56,910	426,484	483,394
Additions	12,737	81,257	93,994
Transfers out	(970)	(20,738)	(21,708)
Disposals	-	(84,634)	(84,634)
At 31 March 2002	<u>68,677</u>	<u>402,369</u>	<u>471,046</u>
Depreciation			
At 1 April 2001	38,767	261,444	300,211
Charge for the year	8,621	80,850	89,471
Transfers out	(27)	(19,228)	(19,255)
Disposals	-	(84,634)	(84,634)
At 31 March 2002	<u>47,361</u>	<u>238,432</u>	<u>285,793</u>
Net book value			
At 31 March 2002	<u>21,316</u>	<u>163,937</u>	<u>185,253</u>
At 31 March 2001	<u>18,143</u>	<u>165,040</u>	<u>183,183</u>

Capital commitments

At 31 March 2002 the directors had authorised capital expenditure of nil (2001: nil).

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

7. WORK IN PROGRESS	2002	2001
	£	£
Work in progress	353,034	306,084
Payments received on account	-	(19,214)
	<u>353,034</u>	<u>286,870</u>

8. DEBTORS	2002	2001
	£	£
Trade debtors	690,023	693,867
Amounts owed by group undertakings	15,121	124,261
Other debtors	16,016	468
Prepayments and accrued income	37	-
	<u>721,197</u>	<u>818,596</u>

A deferred tax asset of £14,511 has been recognised at 31 March 2002 (2001: nil). This asset relates to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2002	2001
	£	£
Bank overdraft	183,319	-
Trade creditors	418,390	558,923
Amounts owed to group undertakings	77,664	27,875
Corporation tax	11,236	73,931
Other taxes and social security costs	109,498	108,934
Other creditors	4,003	10,929
Accruals and deferred income	29,646	23,568
Proposed dividend	22,227	355,000
	<u>855,983</u>	<u>1,159,160</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

10. CALLED UP SHARE CAPITAL	2002 £	2001 £
Authorised		
172,000 £1 'A' ordinary shares	172,000	172,000
28,000 £1 'B' ordinary shares	28,000	28,000
	<u>200,000</u>	<u>200,000</u>
	£	£
Allotted and fully paid		
172,000 £1 'A' ordinary shares	172,000	172,000
28,000 £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.

11. PROFIT AND LOSS ACCOUNT	£	
At 1 April 2001	168,596	
Retained profit for the year	36,738	
At 31 March 2002	<u>205,334</u>	
 12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	 2002 £	 2001 £
Profit for the financial year	58,965	180,927
Proposed dividend	(22,227)	(355,000)
Net addition/(reduction) to shareholders' funds	36,738	(174,073)
Opening shareholders' funds	368,596	542,669
Closing shareholders' funds	<u>405,334</u>	<u>368,596</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 200213. RECONCILIATION OF OPERATING PROFIT TO NET CASH
INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	74,283	256,247
Depreciation charges	89,471	86,931
Profit on disposal of tangible fixed assets	(8,650)	(2,000)
Increase in work in progress	(66,165)	(186,594)
Decrease/(increase) in debtors	111,910	(258,598)
(Decrease)/increase in creditors	(91,028)	254,963
Net cash inflow from operating activities	109,821	150,949

14. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1 April 2001 £	Cash flow £	At 31 March 2002 £
Cash at bank and in hand	239,107	(237,274)	1,833
Bank overdraft	-	(183,319)	(183,319)
	239,107	(420,593)	(181,486)

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

	2002 £	2001 £
Net funds at beginning of year	239,107	181,619
(Decrease)/increase in cash for the year	(420,593)	57,488
Net (debt)/funds at end of year	(181,486)	239,107

16. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2002 the company had no annual commitments under non-cancellable operating leases (2001: 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 2002, the overall commitment was nil (2001: nil).

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

17. DIRECTORS

	2002 £	2001 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>93,864</u>	<u>88,851</u>

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts. Where directors are remunerated by MITIE Group PLC for their services to the group as a whole, 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	<u>2</u>	<u>2</u>

There were no contributions paid to a defined contribution pension scheme in either year.

Messrs D M Telling and I R Stewart are also directors of MITIE Group PLC and their emoluments and 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:

	2002 No.	2001 No.
Site labour	44	33
Administration and management	<u>8</u>	<u>10</u>
	<u>52</u>	<u>43</u>
 Employment costs	 £	 £
Wages and salaries	1,180,655	1,083,661
Social security costs	120,377	112,026
Other pension costs	<u>25,430</u>	<u>20,788</u>
	<u>1,326,462</u>	<u>1,216,475</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

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. PENSION ARRANGEMENTS

For the purposes of FRS 17, the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme, the MITIE Group Pension Scheme, on a consistent and reasonable basis. Therefore, following full implementation of FRS 17, the company will account for contributions to the scheme as if it were a defined contribution scheme. At 31 March 2002, the valuation of the scheme for the purposes of FRS 17 showed a net pension liability as set out in note 25 of the report and accounts of MITIE Group PLC.

21. 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.