

MITIE ENGINEERING MAINTENANCE (WEST) LIMITED

Report and Financial Statements

31 March 2003



REPORT AND FINANCIAL STATEMENTS 2003

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 A Needs
N A Quintin
I R Stewart

SECRETARY

C K Ross

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
Bristol
BS40 5SA

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche
Bristol

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2003.

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 ceased trading during the year and at 1 October 2002 the remaining assets and liabilities were transferred into MITIE Engineering Maintenance (South West) Limited.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £74,204 (2002: profit of £58,965). The directors recommend this amount be dealt with as follows:

	2003 £	2002 £
Ordinary dividends:		
- Final proposed 'A' ordinary shares of nil (2002: 13p) per share	-	22,227
- Final proposed 'B' ordinary shares of nil (2002: nil) per share	-	-
Transferred to/(from) reserves	(74,204)	36,738
	<u>(74,204)</u>	<u>58,965</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 A Needs
N A Quintin
I R Stewart

No director had a beneficial interest in the share capital of the company or any other group company, except as disclosed below.

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 2003 2.5p Ordinary shares No.	At 1 April 2002 2.5p Ordinary shares No.
T G Lewis	3,973,160	4,991,060
D A Needs	50,992	60,992
N A Quintin	56,119	49,160

Share Options

	At 1 April 2002	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2003
D A Needs (i)	4,812	-	-	2005	2006	-	-	4,812
N A Quintin (i)	12,958	2,389	£1.10	2005	2008	4,600	£0.75	10,747

(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 2003 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented nil days (2002: 54 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

Deloitte & Touche have informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time. All other large accountancy firms are, or are becoming, LLPs.

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



C K Ross
Secretary

2 July 2003

**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 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 21. 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 2003 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
Bristol

3 July 2003

PROFIT AND LOSS ACCOUNT
 Year ended 31 March 2003

	Notes	Discontinued operations	
		2003 £	2002 £
TURNOVER	1	1,841,016	3,741,995
Cost of sales		(1,581,349)	(2,983,803)
GROSS PROFIT		259,667	758,192
Administrative expenses		(354,609)	(683,909)
OPERATING (LOSS)/PROFIT	2	(94,942)	74,283
Interest receivable	3	-	1,042
Interest payable	3	(9,830)	(7,317)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(104,772)	68,008
Tax on (loss)/profit on ordinary activities	4	30,568	(9,043)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(74,204)	58,965
Dividends	5	-	(22,227)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	11	(74,204)	36,738

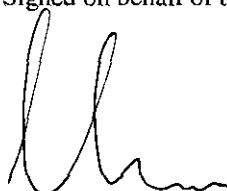
There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.

BALANCE SHEET
At 31 March 2003

	Notes	2003	2002
		£	£
FIXED ASSETS			
Tangible assets	6	-	185,253
CURRENT ASSETS			
Work in progress	7	-	353,034
Debtors	8	841,768	721,197
Cash at bank and in hand		-	1,833
		<u>841,768</u>	<u>1,076,064</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(510,638)</u>	<u>(855,983)</u>
NET CURRENT ASSETS		<u>331,130</u>	<u>220,081</u>
NET ASSETS		<u>331,130</u>	<u>405,334</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	10	200,000	200,000
Profit and loss account	11	131,130	205,334
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>331,130</u>	<u>405,334</u>

These financial statements were approved by the Board of Directors on 2 July 2003.

Signed on behalf of the Board of Directors



M G Brown
Director

02/07/03.

CASH FLOW STATEMENT
Year ended 31 March 2003

	Notes	2003	2002
		£	£
Net cash (outflow)/inflow from operating activities	13	(447,458)	109,821
Returns on investments and servicing of finance			
Interest received		-	1,042
Interest paid		(9,830)	(7,317)
Net cash outflow from returns on investments and servicing of finance		(9,830)	(6,275)
Taxation			
UK corporation tax received/(paid)		8,106	(86,248)
Capital expenditure			
Payments to acquire tangible fixed assets		(32,580)	(93,994)
Receipts from disposal of tangible fixed assets		174,837	11,103
Net cash inflow/(outflow) from capital expenditure		142,257	(82,891)
Equity dividends paid		(22,227)	(355,000)
Decrease in cash in the year	15	(329,152)	(420,593)

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**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 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	2 to 10 years
Motor vehicles	4 years

Leasing and hire purchase commitments

Rentals paid under 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

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 2003

2.	OPERATING (LOSS)/PROFIT is stated after charging/(crediting):	2003	2002
		£	£
	Depreciation	45,165	89,471
	Auditors' remuneration - audit services	1,000	3,000
	Loss/(profit) on disposal of tangible fixed assets	2,171	(8,650)
		<u> </u>	<u> </u>
 3.	 INTEREST	 2003	 2002
	Interest receivable	£	£
	Bank interest	-	1,042
		<u> </u>	<u> </u>
	 Interest payable	 £	 £
	Bank interest	9,830	7,317
		<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2002: 30%)	(46,031)	24,436
Adjustment in respect of prior years	901	(883)
Total current tax (note 4(b))	(45,130)	23,553
Deferred taxation:		
Timing differences - origination and reversal	15,532	(611)
Adjustment in respect of prior years	(970)	(13,899)
Tax on profit on ordinary activities	(30,568)	9,043

(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% (2002: 30%). The differences are as follows:

	£	£
(Loss)/profit on ordinary activities before tax	(104,772)	68,008
	£	£
Tax at 30% thereon	(31,432)	20,402
Expenses not deductible for tax purposes	932	3,423
Capital allowances in excess of depreciation	(14,880)	3,206
Profit on disposal of tangible fixed assets	(651)	(2,595)
Prior period adjustments	901	(883)
Current tax (credit)/ charge for the year (note 4(a))	(45,130)	23,553

(c) Factors affecting future tax charges

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

5. DIVIDENDS

	2003 £	2002 £
Final proposed:		
'A' ordinary nil (2002: 13p) per share	-	22,227

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**6. TANGIBLE FIXED ASSETS**

Summary	Plant and office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 2002	68,677	402,369	471,046
Additions	2,520	30,060	32,580
Transfers out	(71,197)	(394,514)	(465,711)
Disposals	-	(37,915)	(37,915)
At 31 March 2003	-	-	-
Depreciation			
At 1 April 2002	47,361	238,432	285,793
Charge for the year	4,975	40,190	45,165
Transfers out	(52,336)	(242,210)	(294,546)
Disposals	-	(36,412)	(36,412)
At 31 March 2003	-	-	-
Net book value			
At 31 March 2003	-	-	-
At 31 March 2002	21,316	163,937	185,253

Capital commitments

At 31 March 2003 the directors had authorised capital expenditure of nil (2002: nil).

7. WORK IN PROGRESS	2003 £	2002 £
Work in progress	-	353,034

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

8. DEBTORS	2003 £	2002 £
Trade debtors	-	690,023
Amounts owed by group undertakings	841,768	15,121
Other debtors	-	16,016
Prepayments and accrued income	-	37
	<u>841,768</u>	<u>721,197</u>
No deferred tax asset has been recognised at 31 March 2003 (2002: £14,562). This asset related to negative accelerated capital allowances. The amount charged to the profit and loss account in the year was £14,562 (2002: credit of £14,510).		
9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2003 £	2002 £
Bank overdraft	510,638	183,319
Trade creditors	-	418,390
Amounts owed to group undertakings	-	77,664
Corporation tax	-	11,236
Other taxes and social security costs	-	109,498
Other creditors	-	4,003
Accruals and deferred income	-	29,646
Proposed dividend	-	22,227
	<u>510,638</u>	<u>855,983</u>
10. CALLED UP SHARE CAPITAL	2003 £	2002 £
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>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**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 2002	205,334
Retained loss for the year	(74,204)
	<hr/>
At 31 March 2003	131,130
	<hr/>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
(Loss)/profit for the financial year	(74,204)	58,965
Proposed dividend	-	(22,227)
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(74,204)	36,738
Opening shareholders' funds	405,334	368,596
	<hr/>	<hr/>
Closing shareholders' funds	331,130	405,334
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**13. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH
(OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	2003	2002
	£	£
Operating (loss)/profit	(94,942)	74,283
Depreciation charges	45,165	89,471
Profit on disposal of tangible fixed assets	(2,171)	(8,650)
Decrease/(increase) in work in progress	353,034	(66,165)
(Increase)/decrease in debtors	(109,346)	111,910
Decrease in creditors	(639,198)	(91,028)
Net cash (outflow)/inflow from operating activities	<u>(447,458)</u>	<u>109,821</u>

14. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2002	Cash flow	At 31 March 2003
	£	£	£
Cash at bank and in hand	1,833	(1,833)	-
Bank overdraft	(183,319)	(327,319)	(510,638)
	<u>(181,486)</u>	<u>(329,152)</u>	<u>(510,638)</u>

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

	2003	2002
	£	£
Net (debt)/funds at beginning of year	(181,486)	239,107
Decrease in cash for the year	(329,152)	(420,593)
Net debt at end of year	<u>(510,638)</u>	<u>(181,486)</u>

16. FINANCIAL COMMITMENTS**Operating leases**

At 31 March 2003 the company had no annual commitments under non-cancellable operating leases (2002: 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 2003, the overall commitment was nil (2002: nil).

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

17. DIRECTORS

	2003 £	2002 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	55,051	93,864

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. Messrs A B Horwood and T G Lewis are remunerated by MITIE Engineering Maintenance (South West) Limited and Mr M G Brown by MITIE Engineering Maintenance Limited. 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	2	2

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:

	2003 No.	2002 No.
Site labour	21	44
Administration and management	2	8
	23	52
Employment costs	£	£
Wages and salaries	607,665	1,180,655
Social security costs	37,359	120,377
Other pension costs	8,566	25,430
	653,590	1,326,462

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**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 Financial Reporting Standard 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 FRS17, the company will account for contributions to the scheme as if it were a defined contribution scheme. At 31 March 2003, the valuation of the scheme for the purposes of FRS17 showed a net pension liability as set out in 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.