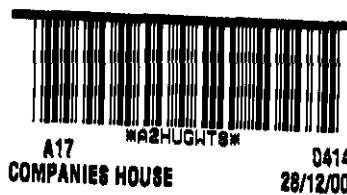


MITIE AIR CONDITIONING (WALES) LIMITED

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
B R Edwards
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
Wrington
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 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 and maintenance of air conditioning systems in commercial industrial and domestic premises.

The result for the period has been disappointing, but the directors consider that, following the remedial action they have taken, the company is now positioned to develop its business. The company enjoys the support of the parent undertaking.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £42,931 (1999: £3,266). The directors do not propose the payment of a dividend and recommend that £42,931 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
B R Edwards
C J Williams

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

Mr D M Telling is a director of MITIE Group PLC, the parent undertaking, and his interest in the share capital of that company is shown in the financial statements of MITIE Group PLC.

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

Other directors' interests in the share capital of MITIE Group PLC are as follows:

	At 31 March 2000	At 1 April 1999
	5p Ordinary shares	5p Ordinary shares
	No.	No.
C S Acheson	814,750	902,350
B R Edwards	351,400	504,600
C J Williams	53,029	43,100

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 76 (1999: 85) 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.

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.

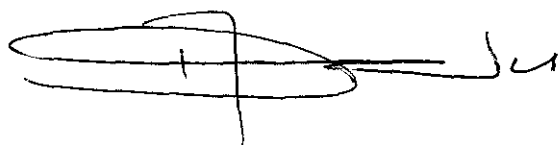
We have made considerable effort in determining the compliance of critical players in our suppliers/customer chain and are confident of continued trouble free operation.

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 F Waters
Secretary

11 August 2000

**AUDITORS' REPORT TO THE MEMBERS OF
MITIE AIR CONDITIONING (WALES) LIMITED**

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 8.

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	
		1 April 1999 to 31 March 2000 £	16 March 1998 to 31 March 1999 £
TURNOVER	1	381,521	255,222
Cost of sales		(367,529)	(190,094)
GROSS PROFIT		13,992	65,128
Administrative expenses		(75,922)	(72,222)
OPERATING LOSS	2	(61,930)	(7,094)
Interest receivable	3	990	1,800
Interest payable	3	-	(72)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(60,940)	(5,366)
Tax credit on loss on ordinary activities	4	18,009	2,100
RETAINED LOSS FOR THE YEAR	11	(42,931)	(3,266)

There are no recognised gains and losses for the current financial year or preceding financial period other than as stated in the profit and loss account.

BALANCE SHEET
At 31 March 2000

	Notes	2000		1999	
		£	£	£	£
FIXED ASSETS					
Tangible assets	5		22,716		23,861
CURRENT ASSETS					
Work in progress	6	4,491		21,944	
Debtors	7	58,055		20,534	
Cash at bank and in hand		181		69,637	
		62,727		112,115	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(101,640)		(109,242)	
NET CURRENT (LIABILITIES)/ASSETS			(38,913)		2,873
TOTAL ASSETS LESS CURRENT LIABILITIES			(16,197)		26,734
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9		(8,100)		(8,100)
NET (LIABILITIES)/ASSETS			(24,297)		18,634
CAPITAL AND RESERVES					
Called up share capital	10		21,900		21,900
Profit and loss account	11		(46,197)		(3,266)
TOTAL EQUITY SHAREHOLDERS' FUNDS	12		(24,297)		18,634

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	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	13		(79,293)		65,843
Returns on investments and servicing of finance					
Interest received			923		1,800
Taxation					
UK corporation tax recovered			196		-
Capital expenditure					
Payments to acquire tangible fixed assets		(13,890)		(28,006)	
Proceeds on disposal of tangible fixed assets		6,827		-	
Net cash outflow from capital expenditure			(7,063)		(28,006)
Cash (outflow)/inflow before financing			(85,237)		39,637
Financing					
Issue of ordinary share capital		-		21,900	
Debt due beyond a year - new unsecured loan stock repayable in 2008		-		8,100	
Net cash inflow from financing			-		30,000
(Decrease)/increase in cash in the year	15		(85,237)		69,637

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 period. 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	4 years
Motor vehicles	4 years

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**2. OPERATING LOSS** is stated after charging:

	1 April 1999 to 31 March 2000 £	16 March 1998 to 31 March 1999 £
Depreciation	8,208	4,145
Auditors' remuneration - audit services	750	750
	<u> </u>	<u> </u>

3. INTEREST

	1 April 1999 to 31 March 2000 £	16 March 1998 to 31 March 1999 £
Interest receivable		
Bank interest	990	1,800
	<u> </u>	<u> </u>
Interest payable on borrowings due within five years	£	£
Bank interest	-	72
	<u> </u>	<u> </u>

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	1 April 1999 to 31 March 2000 £	16 March 1998 to 31 March 1999 £
UK current year taxation		
Group relief at 30% (1999: 31%)	17,963	2,100
Prior years		
Under provision for Group relief	46	-
	<u> </u>	<u> </u>
	<u>18,009</u>	<u>2,100</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**5. TANGIBLE FIXED ASSETS****Summary**

	Plant	Motor	Total
	£	vehicles	£
		£	
Cost			
At 1 April 1999	-	29,419	29,419
Additions	7,063	-	7,063
Transfers in	-	11,300	11,300
Transfers out	-	(11,300)	(11,300)
At 31 March 2000	7,063	29,419	36,482
Depreciation			
At 1 April 1999	-	5,558	5,558
Charge for the year	1,089	7,119	8,208
Transfers in	-	4,473	4,473
Transfers out	-	(4,473)	(4,473)
At 31 March 2000	1,089	12,677	13,766
Net book value			
At 31 March 2000	5,974	16,742	22,716
At 31 March 1999	-	23,861	23,861

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	4,491	96,641
Cash received on account	-	(74,697)
	4,491	21,944

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

7. DEBTORS	2000	1999
	£	£
Trade debtors	14,085	15,410
Amounts owed by parent undertaking and fellow subsidiary undertakings	19,174	2,534
Group relief receivable	19,913	2,100
Other taxes	3,543	-
Prepayments and accrued income	1,340	490
	<u>58,055</u>	<u>20,534</u>
 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	 2000	 1999
	£	£
Bank overdraft	15,781	-
Trade creditors	64,940	57,807
Amounts owed to parent undertaking and fellow subsidiary undertakings	14,725	26,727
Other taxes and social security costs	1,898	17,992
Other creditors	306	747
Accruals and deferred income	3,990	990
Payments on account	-	4,979
	<u>101,640</u>	<u>109,242</u>

The overdraft is secured by a group undertaking to cross guarantee each other's bank overdrafts.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2000	1999
	£	£
Convertible redeemable unsecured loan stock 2008	<u>8,100</u>	<u>8,100</u>

The convertible redeemable 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 2008. If the loan stock is not converted it will be redeemable at par on 1 September 2008.

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**10. CALLED UP SHARE CAPITAL**

	1999 and 2000	
	No.	£
Authorised		
£1 'A' ordinary shares	17,400	17,400
£1 'B' ordinary shares	82,600	82,600
	<u>100,000</u>	<u>100,000</u>
	2000	1999
	£	£
Allotted and fully paid		
17,400 £1 'A' ordinary shares	17,400	17,400
4,500 £1 'B' ordinary shares	4,500	4,500
	<u>21,900</u>	<u>21,900</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 1999	(3,266)
Retained loss for the year	<u>(42,931)</u>
At 31 March 2000	<u>(46,197)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1 April 1999 to 31 March 2000 £	16 March 1998 to 31 March 1999 £
Loss for the financial year	(42,931)	(3,266)
Issue of ordinary shares	-	21,900
Net (reduction)/addition to shareholders' funds	(42,931)	18,634
Opening shareholders' funds	18,634	-
Closing shareholders' funds	<u>(24,297)</u>	<u>18,634</u>

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

	1 April 1999 to 31 March 2000 £	16 March 1998 to 31 March 1999 £
Operating loss	(61,930)	(7,094)
Depreciation charges	8,208	4,145
Decrease/(increase) in work in progress	17,453	(21,944)
Increase in debtors	(19,708)	(18,434)
(Decrease)/increase in creditors	(23,316)	109,170
Net cash (outflow)/inflow from operating activities	<u>(79,293)</u>	<u>65,843</u>

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

	At 1 April 1999 £	Cash flow £	At 31 March 2000 £
Cash at bank and in hand	69,637	(69,456)	181
Bank overdraft	-	(15,781)	(15,781)
Debt due after one year	(8,100)	-	(8,100)
	<u>61,537</u>	<u>(85,237)</u>	<u>(23,700)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 200015. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET (DEBT)/FUNDS

	1 April 1999 to 31 March 2000 £	16 March 1998 to 31 March 1999 £
(Decrease)/increase in cash in the year	(85,237)	69,637
Cash inflow from increase in debt	-	(8,100)
Movement in net (debt)/funds in the year	(85,237)	61,537
Net funds at 1 April	61,537	-
Net (debt)/funds at 31 March	<u>(23,700)</u>	<u>61,537</u>

16. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2000 the company had no annual commitments under non-cancellable operating leases.

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.

17. DIRECTORS

	1 April 1999 to 31 March 2000 £	16 March 1998 to 31 March 1999 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	-	26,361

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 Air Conditioning (Wales) 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>3</u>	<u>3</u>

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**18. EMPLOYEES****Number of employees**

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

	1 April 1999 to 31 March 2000 No.	16 March 1998 to 31 March 1999 No.
Administration and management	1	2
Site	3	-
	<u>4</u>	<u>2</u>
Employment costs	£	£
Wages and salaries	57,914	38,874
Social security costs	6,216	3,818
	<u>64,130</u>	<u>42,692</u>

19. RELATED PARTY TRANSACTIONS

As MITIE Group PLC owns over 90% of MITIE Air Conditioning (Wales) Limited, they have 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 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.