

MITIE HYDROCAT LIMITED
(formerly MITIE Roofing (Scotland) 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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MITIE HYDROCAT LIMITED
(formerly MITIE Roofing (Scotland) Limited)

**Deloitte
& Touche**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
J J Clifford
G P Halkett
I S Jennings
D G Lindsay
P F Wayte

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

Royal Bank of Scotland
1 Moncrieff Street
Paisley
Glasgow
PA3 2AN

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 2000.

On 21 October 1999 MITIE Roofing (Scotland) Limited changed its name to MITIE Hydrocat Limited.

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 ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activities are to hire contract labour and equipment in the Ultra High Pressure market.

The company commenced trading on 1 November 1999.

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 loss for the year after taxation amounted to £29,126. The directors do not propose the payment of a dividend and recommend that the loss be transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling	
J J Clifford	(appointed 19 January 2000)
G P Halkett	(appointed 19 January 2000)
I S Jennings	(appointed 19 January 2000)
D G Lindsay	(appointed 17 January 2000)
P F Wayte	(appointed 19 January 2000)

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

The beneficial interest of the directors and their families in the share capital of the company were as follows:

	At 31 March 2000 £1 'B' ordinary shares No.	At 31 March 1999 or date of appointment £1 'B' ordinary shares No.
G P Halkett	10,000	10,000
I S Jennings	60,000	60,000
P F Wayte	60,000	60,000

Messrs D M Telling and J J Clifford 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' interest in the share capital of MITIE Group PLC are as follows:

	At 31 March 2000 5p Ordinary shares No.	At 31 March 1999 or date of appointment 5p Ordinary shares No.
D G Lindsay	75,000	75,000

No other director had an interest in the share capital of MITIE Group PLC.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made no political or charitable contributions.

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.

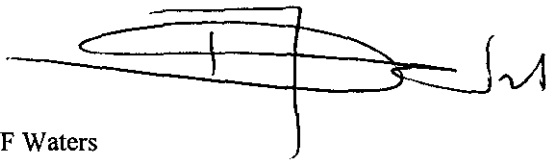
The year 2000 project team will remain operational, with suitable contingency plans, until it is considered that sufficient time has passed for all possible external issues to be identified and resolved.

DIRECTORS' REPORT (continued)

AUDITORS

During the period Deloitte & Touche were appointed as the company's 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 'A F Waters', written over a horizontal line.

A F Waters
Secretary

11 August 2000

AUDITORS' REPORT TO THE MEMBERS OF

**MITIE HYDROCAT LIMITED
(formerly MITIE Roofing (Scotland) Limited)**

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on pages 9 and 10.

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	
		2000	1999
		£	£
TURNOVER	2	132,486	-
Cost of sales		(102,616)	-
GROSS PROFIT		29,870	-
Administrative expenses		(77,950)	-
OPERATING LOSS	3	(48,080)	-
Interest receivable	4	6,570	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(41,510)	-
Tax credit on loss on ordinary activities	5	12,384	-
RETAINED LOSS FOR THE YEAR	13	(29,126)	-

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

MITIE HYDROCAT LIMITED
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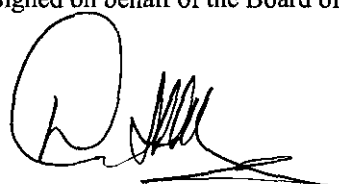
**Deloitte
& Touche**

BALANCE SHEET
At 31 March 2000

	Notes	2000	1999
		£	£
FIXED ASSETS			
Tangible assets	6	106,425	-
Investments	7	217,084	-
		<u>323,509</u>	<u>-</u>
CURRENT ASSETS			
Stock	8	47,375	-
Debtors	9	72,754	2
Cash at bank and in hand		1,400,607	-
		<u>1,520,736</u>	<u>2</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(240,707)	-
NET CURRENT ASSETS		<u>1,280,029</u>	<u>2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,603,538	-
PROVISION FOR LIABILITIES AND CHARGES	11	(2,664)	-
NET ASSETS		<u>1,600,874</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,630,000	2
Profit and loss account		(29,126)	-
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>1,600,874</u>	<u>2</u>

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 inflow from operating activities	14			88,381			-
Returns on investments and servicing of finance							
Interest received				6,569			-
Capital expenditure							
Payments to acquire tangible fixed assets		(107,257)			-		
Payments to acquire investments		(157,084)			-		
Net cash outflow from capital expenditure				(264,341)			-
Net cash outflow before financing				(169,391)			-
Financing							
Issue of own shares				1,569,998			-
Increase in cash in the year	16			1,400,607			-

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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost. 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 machinery and fixtures and fittings	4 to 14 years
Motor vehicles	4 years

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is included on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

2. TURNOVER

Turnover which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract.

Turnover is attributable to the continuing activity of contracting services. An analysis of turnover by geographical market is given below:

	2000 £	1999 £
United Kingdom	21,417	-
Rest of the World	111,069	-
	<u>132,486</u>	<u>-</u>

3. OPERATING LOSS is stated after charging:

	2000 £	1999 £
Depreciation - owned assets	832	-
Hire of plant and equipment	21,703	-
	<u>22,535</u>	<u>-</u>

4. INTEREST RECEIVABLE

	2000 £	1999 £
Bank interest	6,570	-
	<u>6,570</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2000	1999
	£	£
UK current year taxation		
Group relief	(15,048)	-
Transfer to deferred taxation	2,664	-
	<u>(12,384)</u>	<u>-</u>

6. TANGIBLE FIXED ASSETS

Summary

	Plant and machinery and fixtures and fittings £	Motor vehicles £	Total £
Cost			
At 1 April 1999	-	-	-
Additions	13,164	21,227	34,391
Group transfers in	53,227	28,550	81,777
	<u>66,391</u>	<u>49,777</u>	<u>116,168</u>
At 31 March 2000			
Depreciation			
At 1 April 1999	-	-	-
Charge for the year	390	442	832
Group transfers in	5,278	3,633	8,911
	<u>5,668</u>	<u>4,075</u>	<u>9,743</u>
At 31 March 2000			
Net book value			
At 31 March 2000	<u>60,723</u>	<u>45,702</u>	<u>106,425</u>
At 31 March 1999	<u>-</u>	<u>-</u>	<u>-</u>

Capital commitments

At 31 March 2000 the directors had contracted commitments for future capital expenditure of £1,376,399.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

7. INVESTMENTS

	£
Cost	
At 1 April 1999	-
Additions	217,084
	<hr/>
At 31 March 2000	217,084
	<hr/>

The following investments exist at 31 March 2000:

	Number of shares	Proportion of share capital held %
MDK Marine Limited	2	100

This company is incorporated in England and Wales.

The principal activity of MDK Marine Limited is that of a dormant company.

The company has taken advantage of Section 228 of the Companies Act 1985 and therefore no consolidated financial statements have been prepared.

These financial statements therefore present information about the company alone. Consolidated group accounts have been prepared by the ultimate parent company, MITIE Group PLC.

The directors consider that in their opinion the aggregate value of the shares in and amounts owed by the subsidiary is not less than the aggregate of the amounts at which they are stated in the company's balance sheet.

8. STOCKS

	2000 £	1999 £
Raw materials and consumables	47,375	-
	<hr/>	<hr/>

There is no material difference between the replacement costs of stocks and the amounts as stated above.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

9. DEBTORS	2000	1999
	£	£
Amounts recoverable on contracts	34,129	-
Amounts owed by parent undertaking	-	2
Group relief recoverable	15,048	-
Other debtors	23,577	-
	<u>72,754</u>	<u>2</u>
 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	 2000	 1999
	£	£
Trade creditors	133,424	-
Amounts owed to fellow subsidiary undertaking	102,565	-
Accruals and deferred income	4,718	-
	<u>240,707</u>	<u>-</u>
 11. PROVISION FOR LIABILITIES AND CHARGES	 Potential and provided	
	2000	1999
	£	£
Deferred taxation is made up as follows:		
Capital allowances in advance of depreciation	2,664	-
	<u>2,664</u>	<u>-</u>
 Movements on the provision for deferred taxation are:		
	£	
At 1 April 1999	-	
Transferred from profit and loss account	2,664	
	<u>2,664</u>	
 At 31 March 2000	<u>2,664</u>	

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

12. CALLED UP SHARE CAPITAL

	1999 and 2000	
	No.	£
Authorised		
£1 'A' ordinary shares	1,500,000	1,500,000
£1 'B' ordinary shares	130,000	130,000
	<u>1,630,000</u>	<u>1,630,000</u>
	2000	1999
	£	£
Allotted, called up and fully paid		
£1 'A' ordinary shares	1,500,000	2
£1 'B' ordinary shares	130,000	-
	<u>1,630,000</u>	<u>2</u>

On 19 January 2000 1,499,998 'A' ordinary shares of £1 each were issued for £1 each and 130,000 'B' ordinary shares of £1 each were issued for £1 each, in order to provide working capital for the company.

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.

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
AND MOVEMENT ON RESERVES**

	Share capital £	Profit and loss account £	Total £
At 1 April 1999	2	-	2
Retained loss for the year	-	(29,126)	(29,126)
Shares issued in the year	1,629,998	-	1,629,998
At 31 March 2000	<u>1,630,000</u>	<u>(29,126)</u>	<u>1,600,874</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

**14. RECONCILIATION OF OPERATING LOSS TO NET CASH
INFLOW FROM OPERATING ACTIVITIES**

	2000 £	1999 £
Operating loss	(48,080)	-
Depreciation	832	-
Increase in stocks	(47,374)	-
Increase in debtors	(57,704)	-
Increase in creditors	240,707	-
Net cash inflow from continuing operating activities	<u>88,381</u>	<u>-</u>

15. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1999 £	Cash flows £	At 31 March 2000 £
Cash at bank and in hand	<u>-</u>	<u>1,400,607</u>	<u>1,400,607</u>

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

	2000 £	1999 £
Increase in cash in the year	1,400,607	-
Net funds at 1 April	<u>-</u>	<u>-</u>
Net funds at 31 March	<u>1,400,607</u>	<u>-</u>

17. ACQUISITION

In January 2000, 100% of the share capital of MDK Marine Limited was purchased for a consideration of £217,084. The consideration being £60,000 of 10p ordinary shares in MITIE Group PLC and £157,084 in cash. This was accounted for by the acquisition method of accounting.

The book values of the net assets at acquisition equate to the fair values of the net assets at acquisition. Net assets on acquisition were £2.

The profits after taxation in the period to 31 December 1999 and in the period to acquisition were nil.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

18. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 March 2000 the company had annual commitments under non-cancellable operating leases as set out below:

Land and buildings	2000	1999
	£	£
Expiry date - between two and five years	45,000	-

Commitments on behalf of the 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.

19. DIRECTORS' EMOLUMENTS

	2000	1999
Directors	£	£
Emoluments	37,363	-
	No.	No.
Number of directors who were members of a defined contribution pension scheme	-	-

Messrs D M Telling, J J Clifford and D G Lindsay also provide services to other companies in MITIE group and their emoluments are disclosed in those accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE Hydrocat Limited and their services as directors of other group companies.

Number of employees

The average weekly number of employees during the year was as follows:	No.	No.
Operation staff	2	-
Management and administration staff	5	-
	7	-

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

19. DIRECTORS' EMOLUMENTS (continued)

	2000	1999
	£	£
Employment costs		
Wages and salaries	37,550	-
Social security costs	4,096	-
	<u>41,646</u>	<u>-</u>

20. RELATED PARTY TRANSACTIONS

MITIE Group PLC is the holder of the 'A' ordinary shares and was a 92% shareholder of MITIE Hydrocat Limited at 31 March 2000.

MITIE Hydrocat Limited (formerly MITIE Roofing (Scotland) Limited) has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

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. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.