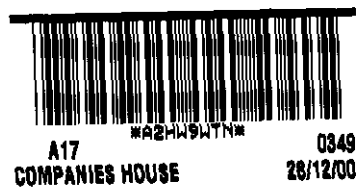


MULTICOTE PAINTING CONTRACTORS LIMITED

Report and Financial Statements

31 March 2000

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



REPORT AND FINANCIAL STATEMENTS 2000

CONTENTS

	Page
Officers and professional advisers	1
Director's report	2
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the accounts	8

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

D M Telling

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

DIRECTOR'S REPORT

The director presents his annual report and audited financial statements for the year ended 31 March 2000.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director 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 director is 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 director is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act. He is 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 trading activities of the company were merged with its fellow subsidiary MITIE Property Services (North West) Limited with effect from 1 April 1999. No new contracts have been entered into by Multicote Painting Contractors Limited from 1 April 1999.

The profit in the year is attributable to the wind down of residual contracts.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £10,962 (1998: loss of £17,482). The directors do not propose the payment of a dividend.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 5 to the financial statements.

DIRECTOR AND HIS INTERESTS

The director during the year was as follows:

D M Telling

The director did not hold a beneficial interest in the share capital of the company at the beginning and end of the financial year.

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.

DIRECTOR'S REPORT (continued)

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 nil (1999: 74) days. As the company no longer trades it would be inappropriate to disclose creditor days statistic.

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.

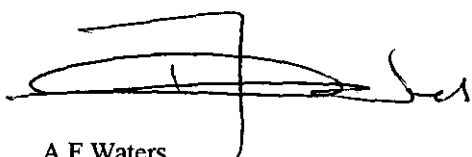
We have made considerable effort in determining the compliance of critical players in our suppliers/customer chain and are confident of continued trouble free operation.

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 handwritten signature in dark ink, appearing to read 'A F Waters', written over a horizontal line.

A F Waters
Secretary

11 August 2000

**AUDITORS' REPORT TO THE MEMBERS OF
MULTICOTE PAINTING CONTRACTORS LIMITED**

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of the director and auditors

As described on page 2, the company's director is 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 director 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 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

14 August 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2000

		Continuing operations	
		Year ended 31 March 2000	19 March 1998 to 31 March 1999
	Notes	£	£
TURNOVER	1	241	834,987
Cost of sales		-	(646,899)
GROSS PROFIT		241	188,088
Administrative expenses		(1,149)	(212,661)
Other operating income		12,945	-
OPERATING PROFIT/(LOSS)	2	12,037	(24,573)
Interest receivable	3	3,404	1,538
Interest payable	3	-	(647)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		15,441	(23,682)
Tax (charge)/credit on profit/(loss) on ordinary activities	4	(4,479)	6,200
RETAINED PROFIT/(LOSS) FOR THE YEAR	9	10,962	(17,482)

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		-		27,014
CURRENT ASSETS					
Debtors	6	20,910		232,390	
Cash at bank and in hand		-		25,152	
		20,910		257,542	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(27,428)		(302,036)	
NET CURRENT LIABILITIES			(6,518)		(44,494)
NET LIABILITIES			(6,518)		(17,480)
CAPITAL AND RESERVES					
Called up share capital	8		2		2
Profit and loss account	9		(6,520)		(17,482)
TOTAL EQUITY SHAREHOLDERS' FUNDS	10		(6,518)		(17,480)

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	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
Net cash (outflow)/inflow from operating activities	11	(75,356)	60,585
Returns on investments and servicing of finance			
Interest received		3,497	1,490
Interest element of finance lease rentals		(70)	(577)
Net cash returns on investments and servicing of finance		3,427	913
Taxation			
UK corporation tax - group relief		6,421	-
Capital expenditure			
Payments to acquire tangible fixed assets		-	(29,729)
Receipts from disposal of tangible fixed assets		27,014	4,065
Cash inflow/(outflow) before management of liquid resources and financing		27,014	(25,664)
Financing			
Issue of ordinary share capital		-	2
Capital element of finance lease rental payments		(2,046)	(10,684)
Net cash outflow from financing		(2,046)	(10,682)
(Decrease)/increase in cash in the year	13	(40,540)	25,152

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:

Office equipment	4 to 10 years
Motor vehicles	4 years

Leasing 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.

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.

2. OPERATING PROFIT/(LOSS) is stated after charging/(crediting):

	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
Depreciation	-	15,282
Auditors' remuneration - audit services	-	1,750
Profit on disposal of tangible fixed assets	-	(3,902)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**3. INTEREST**

	Year ended 31 March 2000	19 March 1998 to 31 March 1999
	£	£
Interest receivable		
Bank interest	3,404	1,538
	<u> </u>	<u> </u>
Interest payable	£	£
Leasing interest	-	(647)
	<u> </u>	<u> </u>

4. TAX CHARGE/(CREDIT) ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 March 2000	19 March 1998 to 31 March 1999
	£	£
UK current year taxation		
UK corporation tax at 30%	4,700	-
Relief on loss	-	6,200
Prior year overprovision	(221)	-
	<u>(4,479)</u>	<u>6,200</u>

5. TANGIBLE FIXED ASSETS

	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 1999	399	41,897	42,296
Transfers	(399)	(41,897)	(42,296)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2000	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 April 1999	100	15,182	15,282
Transfers	(100)	(15,182)	(15,282)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2000	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 31 March 2000	-	-	-
	<u> </u>	<u> </u>	<u> </u>
At 31 March 1999	299	26,715	27,014
	<u> </u>	<u> </u>	<u> </u>

The net book value of assets held under finance leases is nil.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

6. DEBTORS	2000	1999
	£	£
Trade debtors	20,140	212,816
Amounts owed by parent undertaking and fellow subsidiary undertakings	-	8,392
Prepayments and accrued income	-	4,982
Group relief recoverable	-	6,200
VAT recoverable	770	-
	<u>20,910</u>	<u>232,390</u>
 7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	 2000	 1999
	£	£
Bank overdraft	15,388	-
Trade creditors	7,274	132,172
Amounts owed to group undertakings and fellow subsidiary undertakings	-	135,996
Corporation tax	4,700	-
Other taxes and social security costs	-	26,262
Finance lease obligations	-	2,046
Accruals and deferred income	66	5,560
	<u>27,428</u>	<u>302,036</u>
 8. CALLED UP SHARE CAPITAL	 1999 and 2000	
	No.	£
Authorised		
£1 'A' ordinary shares	<u>1,000</u>	<u>1,000</u>
	2000	1999
	£	£
Allotted and fully paid		
£1 'A' ordinary shares	<u>2</u>	<u>2</u>
 9. PROFIT AND LOSS ACCOUNT	 £	
At 1 April 1999	(17,482)	
Retained profit for the year	10,962	
 At 31 March 2000	<u>(6,520)</u>	

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
Profit/(loss) for the financial year	10,962	(17,482)
Share capital subscribed	-	2
Net addition/(reduction) to shareholders' funds	10,962	(17,480)
Opening shareholders' funds	(17,480)	-
Closing shareholders' funds	(6,518)	(17,480)

11. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
Operating profit/(loss)	12,037	(24,573)
Depreciation charges	-	15,282
Profit on disposal of tangible fixed assets	-	(3,902)
Decrease/(increase) in debtors	205,188	(226,142)
(Decrease)/increase in creditors	(292,581)	299,920
Net cash (outflow)/inflow from operating activities	(75,356)	60,585

12. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1999 £	Cash flows £	Other At 31 March 2000 £
Cash at bank and in hand	25,152	(25,152)	-
Overdraft	-	(15,388)	(15,388)
Finance leases	(2,046)	2,046	-
	23,106	(38,494)	(15,388)

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

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

	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
(Decrease)/increase in cash for the year	(40,540)	25,152
Change in net funds resulting from cash flows	(40,540)	25,152
Cash outflow from increase in debt and lease finance	(10,684)	10,684
Finance leases disposal/(acquired)	12,730	(12,730)
Movement in net funds in the year	(38,494)	23,106
Net funds at 1 April	23,106	-
Net (debt)/funds at 31 March	(15,388)	23,106

14. FINANCIAL COMMITMENTS**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.

15. DIRECTORS

	Year ended 31 March 2000 £	19 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)	-	-
	No.	No.
The number of directors who were members of a defined benefit pension scheme	-	-

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 2000

16. EMPLOYEES**Number of employees**

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

	Year ended 31 March 2000 No.	19 March 1998 to 31 March 1999 No.
Site labour	-	20
Administration and management	-	5
	-	25
Employment costs	£	£
Wages and salaries	-	284,459
Social security costs	-	23,998
Other pension costs	-	2,472
	-	310,929

17. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, Multicote Painting Contractors Limited, has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

18. 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.