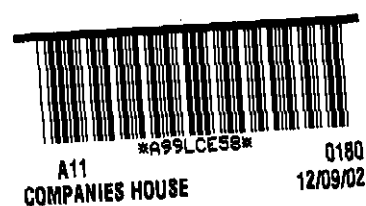


MITIE ENGINEERING SERVICES (PENINSULA) LIMITED
(formerly MITIE Engineering Services (Plymouth) Limited)

Report and Financial Statements

31 March 2002



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

REPORT AND FINANCIAL STATEMENTS 2002

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
C S Acheson
D Freeman
J G Kent
R J Knight
I R Stewart
C J Williams

SECRETARIES

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

REGISTERED OFFICE

The Stable Block
Barley Wood
Wrighton
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.

On 10 June 2002 MITIE Engineering Services (Plymouth) Limited changed its name to MITIE Engineering Services (Peninsula) Limited.

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 installation 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 £51,548 (2001: £359,483). The directors recommend that this amount be dealt with as follows:

Ordinary dividends:

| | |
|---|--------|
| - Final proposed 'A' ordinary shares 8p per share | 3,264 |
| - Final proposed 'B' ordinary shares 8p per share | 1,024 |
| Transfer to reserves | 47,260 |
| | <hr/> |
| | 51,548 |

£

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling
C S Acheson
D Freeman
J G Kent
R J Knight
C J Williams
I R Stewart (appointed 31 October 2001)

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

| | At 31 March 2002 | | At 1 April 2001 | |
|------------|------------------------|---------------------------------|------------------------|---------------------------------|
| | £1 'B' Ordinary shares | Redeemable unsecured loan stock | £1 'B' Ordinary shares | Redeemable unsecured loan stock |
| | No. | £ | No. | £ |
| J G Kent | - | 5,600 | - | 5,600 |
| R J Knight | 5,600 | - | 5,600 | - |

No other director had an interest in the share capital or loan stock of the company.

Messrs D M Telling, C S Acheson and I R Stewart are directors of MITIE Group PLC, the parent undertaking, and their interests in and options on the share capital of that company are shown in the financial statements of MITIE Group PLC.

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

| | At 31 March 2002 | At 1 April 2001 |
|--------------|----------------------|--------------------|
| | 2.5p Ordinary shares | 5p Ordinary shares |
| | No. | No. |
| D Freeman | 1,659,280 | 939,640 |
| J G Kent | 232,408 | 51,024 |
| R J Knight | 208,259 | 84,164 |
| C J Williams | 195,152 | 97,576 |

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

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

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 |
|--------------|------|--------------------|---|-------|----------------------------|------|---|--------|---------------------|
| J G Kent | (i) | 5,476 | - | - | 2001 | - | 10,952 | £0.315 | - |
| | (i) | 3,496 | - | - | 2002 | - | - | - | 6,992 |
| | (i) | 1,191 | - | - | 2004 | - | - | - | 2,382 |
| | (ii) | 50,000 | - | - | 1998 | 2002 | 100,000 | £0.21 | - |
| | (ii) | 50,000 | - | - | 2000 | 2004 | 100,000 | £0.50 | - |
| | (ii) | 25,000 | - | - | 2001 | 2005 | 50,000 | £0.58 | - |
| R J Knight | (i) | 5,888 | - | - | 2002 | - | - | - | 11,776 |
| | (i) | 2,182 | - | - | 2005 | - | - | - | 4,364 |
| | (i) | - | 1,296 | £1.25 | 2006 | - | - | - | 1,296 |
| | (ii) | 25,000 | - | - | 2001 | 2005 | - | - | 50,000 |
| C J Williams | (i) | 27,380 | - | - | 2001 | - | - | - | 54,760 |

(i) Options under the Savings Related Option Scheme

(ii) Options under the Executive Share 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 107 days (2001: 69 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.

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.

DIRECTORS' REPORT (continued)

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', written over a horizontal line.

C K Ross
Secretary

12 August 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE ENGINEERING SERVICES (PENINSULA) LIMITED
(formerly MITIE Engineering Services (Plymouth) Limited)

We have audited the financial statements of MITIE Engineering Services (Peninsula) Limited (formerly MITIE Engineering Services (Plymouth) 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 22. 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.

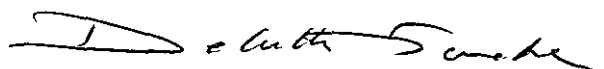
Basis of audit opinion

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

**Deloitte
& Touche
Tohmatsu**

Aberdeen, Belfast, Birmingham, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Edinburgh, Glasgow, Leeds, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available: Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Financial Services Authority in respect of regulated activities.

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

| | Notes | Continuing operations | |
|--|-------|-----------------------|-------------|
| | | 2002 | 2001 |
| | | £ | £ |
| TURNOVER | 1 | 6,931,833 | 11,215,957 |
| Cost of sales | | (5,717,827) | (9,804,493) |
| GROSS PROFIT | | 1,214,006 | 1,411,464 |
| Administrative expenses | | (1,155,151) | (933,880) |
| OPERATING PROFIT | 2 | 58,855 | 477,584 |
| Interest receivable | 3 | 21,359 | 43,541 |
| Interest payable | 3 | (2,640) | (2,720) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 77,574 | 518,405 |
| Tax on profit on ordinary activities | 4 | (26,026) | (158,922) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 51,548 | 359,483 |
| Dividends | 5 | (4,288) | (4,224) |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | 12 | 47,260 | 355,259 |

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.

MITIE ENGINEERING SERVICES (PENINSULA) LIMITED
(formerly MITIE Engineering Services (Plymouth) Limited)

**Deloitte
& Touche**

BALANCE SHEET
At 31 March 2002

| | Notes | £ | 2002 | £ | £ | 2001 | £ |
|---|-------|-------------|-----------|---|-------------|--------|---|
| FIXED ASSETS | | | | | | | |
| Tangible assets | 6 | | 132,422 | | | 95,477 | |
| CURRENT ASSETS | | | | | | | |
| Work in progress | 7 | 1,244,422 | | | 456,152 | | |
| Debtors | 8 | 974,751 | | | 1,172,191 | | |
| Cash at bank and in hand | | 384,412 | | | 472,142 | | |
| | | | 2,603,585 | | 2,100,485 | | |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (including convertible redeemable unsecured loan stock) | 9 | (2,103,073) | | | (1,583,888) | | |
| NET CURRENT ASSETS | | | 500,512 | | 516,597 | | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 632,934 | | 612,074 | | |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 10 | | - | | (27,200) | | |
| NET ASSETS | | | 632,934 | | 584,874 | | |
| CAPITAL AND RESERVES | | | | | | | |
| Called up share capital | 11 | 53,600 | | | 52,800 | | |
| Profit and loss account | 12 | 579,334 | | | 532,074 | | |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 13 | 632,934 | | | 584,874 | | |

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 | 14 | | 191,757 | | 16,575 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 22,884 | | 44,292 | |
| Loan stock interest paid | | (2,720) | | (2,720) | |
| | | | | | |
| Net cash inflow on returns on investments and servicing of finance | | | 20,164 | | 41,572 |
| Taxation | | | | | |
| UK corporation tax paid | | | (198,800) | | (67,648) |
| Equity dividends paid | | | (4,224) | | (4,224) |
| Capital expenditure | | | | | |
| Payments to acquire tangible fixed assets | | (122,518) | | (38,230) | |
| Receipts from disposal of tangible fixed assets | | 25,891 | | - | |
| | | | | | |
| Net cash outflow from capital expenditure | | | (96,627) | | (38,230) |
| Decrease in cash in the year | 16 | | (87,730) | | (51,955) |

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

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.

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

1. ACCOUNTING POLICIES (continued)

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 is stated after charging/(crediting): | 2002 | 2001 |
| | £ | £ |
| Depreciation | 61,312 | 34,128 |
| Operating lease rentals - land and buildings | 28,258 | 8,643 |
| Auditors' remuneration - audit services | 4,500 | 2,500 |
| Profit on disposal of tangible fixed assets | (2,150) | - |
| | <u>21,359</u> | <u>43,541</u> |
| 3. INTEREST | 2002 | 2001 |
| | £ | £ |
| Interest receivable | | |
| Bank interest | 21,318 | 43,541 |
| Other interest | 41 | - |
| | <u>21,359</u> | <u>43,541</u> |
| Interest payable | £ | £ |
| Loan stock interest | <u>2,640</u> | <u>2,720</u> |

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

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 | <u>77,574</u> | <u>518,405</u> |
| | £ | £ |
| Tax on profit on ordinary activities at standard rate | 23,272 | 155,522 |
| Factors affecting the charge: | | |
| - disallowable expenses | 3,578 | 2,681 |
| - capital allowances for period in deficit of depreciation | 2,641 | 1,740 |
| - profit on disposal of tangible fixed assets | (645) | - |
| - other short-term timing differences | (24) | - |
| UK corporation tax charge for the year | <u>28,822</u> | <u>159,943</u> |
| Deferred tax | | |
| Timing differences, origination and reversal: | | |
| - current year | (1,997) | - |
| - prior years | (801) | - |
| Prior years | | |
| UK corporation tax | 2 | (1,021) |
| Tax on profit on ordinary activities | <u>26,026</u> | <u>158,922</u> |

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

5. DIVIDENDS

| | 2002 £ | 2001 £ |
|--|--------------|--------------|
| Final proposed: | | |
| 'A' ordinary shares of 8p (2001: 8p) per share | 3,264 | 3,264 |
| 'B' ordinary shares of 8p (2001: 8p) per share | 1,024 | 960 |
| | <u>4,288</u> | <u>4,224</u> |

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

6. TANGIBLE FIXED ASSETS

| Summary | Plant and equipment £ | Office equipment £ | Motor vehicles £ | Total £ |
|-----------------------|-----------------------------|--------------------------|------------------------|------------|
| Cost | | | | |
| At 1 April 2001 | 9,016 | 40,378 | 126,674 | 176,068 |
| Additions | 6,125 | 20,190 | 66,679 | 92,994 |
| Disposals | - | - | (29,996) | (29,996) |
| Transfers in | - | 4,571 | 55,289 | 59,860 |
| Transfers out | - | (1,918) | (17,417) | (19,335) |
| At 31 March 2002 | 15,141 | 63,221 | 201,229 | 279,591 |
| Depreciation | | | | |
| At 1 April 2001 | 1,731 | 15,192 | 63,668 | 80,591 |
| Charge for the year | 2,646 | 11,529 | 47,137 | 61,312 |
| Disposals | - | - | (15,996) | (15,996) |
| Transfers in | - | 1,839 | 29,017 | 30,856 |
| Transfers out | - | (160) | (9,434) | (9,594) |
| At 31 March 2002 | 4,377 | 28,400 | 114,392 | 147,169 |
| Net book value | | | | |
| At 31 March 2002 | 10,764 | 34,821 | 86,837 | 132,422 |
| At 31 March 2001 | 7,285 | 25,186 | 63,006 | 95,477 |

Capital commitments

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

7. WORK IN PROGRESS

| | 2002 £ | 2001 £ |
|---------------------|------------------|----------------|
| Work in progress | 2,200,016 | 588,609 |
| Payments on account | (955,594) | (132,457) |
| | <u>1,244,422</u> | <u>456,152</u> |

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

| 8. DEBTORS | 2002 | 2001 |
|------------------------------------|----------------|------------------|
| | £ | £ |
| Trade debtors | 660,321 | 1,061,345 |
| Amounts owed by group undertakings | 264,352 | 95,582 |
| Corporation tax recoverable | 23,978 | - |
| Other debtors | 760 | 2,176 |
| Prepayments and accrued income | 22,542 | 13,088 |
| Deferred tax asset | 2,798 | - |
| | <u>974,751</u> | <u>1,172,191</u> |

A deferred tax asset of £2,798 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 |
|---|------------------|------------------|
| | £ | £ |
| Convertible redeemable unsecured loan stock (see note 10) | 26,400 | - |
| Payments on account | 10,714 | - |
| Trade creditors | 1,915,695 | 1,259,072 |
| Amounts owed to group undertakings | 8,940 | 13,459 |
| Corporation tax | - | 145,998 |
| Other taxes and social security costs | 121,451 | 144,248 |
| Other creditors | 4,543 | 4,479 |
| Accruals and deferred income | 11,042 | 12,408 |
| Proposed dividend | 4,288 | 4,224 |
| | <u>2,103,073</u> | <u>1,583,888</u> |

| 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 2002 | 2001 |
|--|-------------|---------------|
| | £ | £ |
| Convertible redeemable unsecured loan stock 2008 | <u>-</u> | <u>27,200</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.

On 18 January 2002 £800 of loan stock was converted into 'B' ordinary shares.

The remaining loan stock was converted to £1 'B' ordinary shares on 5 July 2002.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

| 11. CALLED UP SHARE CAPITAL | 2002 | 2001 |
|--|----------------|----------------|
| | £ | £ |
| Authorised | | |
| 127,500 £1 'A' ordinary shares | 127,500 | 127,500 |
| 122,500 £1 'B' ordinary shares | 122,500 | 122,500 |
| | <u>250,000</u> | <u>250,000</u> |
| | £ | £ |
| Allotted and fully paid | | |
| 40,800 £1 'A' ordinary shares | 40,800 | 40,800 |
| 12,800 £1 'B' ordinary shares (2001: 12,000) | 12,800 | 12,000 |
| | <u>53,600</u> | <u>52,800</u> |

On 18 January 2002 £800 of loan stock was converted into 'B' ordinary shares.

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.

12. PROFIT AND LOSS ACCOUNT

| | |
|--|----------------|
| | £ |
| At 1 April 2001 | 532,074 |
| Retained profit for the financial year | 47,260 |
| | <u>579,334</u> |
| At 31 March 2002 | |

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

| | | | | | |
|-----|---|-----------|-----------|-------------|----------|
| 13. | RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS | 2002 | 2001 | | |
| | | £ | £ | | |
| | Profit for the financial year | 51,548 | 359,483 | | |
| | Issue of ordinary shares | 800 | - | | |
| | Proposed dividend | (4,288) | (4,224) | | |
| | | | | | |
| | Net addition to shareholders' funds | 48,060 | 355,259 | | |
| | Opening shareholders' funds | 584,874 | 229,615 | | |
| | | | | | |
| | Closing shareholders' funds | 632,934 | 584,874 | | |
| | | | | | |
| 14. | RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES | 2002 | 2001 | | |
| | | £ | £ | | |
| | Operating profit | 58,855 | 477,584 | | |
| | Depreciation charges | 61,312 | 34,128 | | |
| | Profit on disposal of tangible fixed assets | (2,150) | - | | |
| | Increase in work in progress | (788,270) | (106,230) | | |
| | Decrease/(increase) in debtors | 222,691 | (896,823) | | |
| | Increase in creditors | 639,319 | 507,916 | | |
| | | | | | |
| | Net cash inflow from operating activities | 191,757 | 16,575 | | |
| | | | | | |
| 15. | ANALYSIS OF CHANGES IN NET FUNDS | | | | |
| | | | | | |
| | At 1 April | | Non-cash | At 31 March | |
| | 2001 | Cash flow | changes | 2002 | |
| | £ | £ | £ | £ | |
| | Cash at bank and in hand | 472,142 | (87,730) | - | 384,412 |
| | Debt due within one year | - | - | (26,400) | (26,400) |
| | Debt due after more than one year | (27,200) | - | 27,200 | - |
| | | | | | |
| | 444,942 | (87,730) | 800 | | 358,012 |

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

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

| | 2002 | 2001 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Net funds at beginning of year | 444,942 | 496,897 |
| Decrease in cash in the year | (87,730) | (51,955) |
| Conversion of loan stock to shares | 800 | - |
| Movement in net funds in the year | (86,930) | (51,955) |
| Net funds at end of year | 358,012 | 444,942 |

17. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2002 the company had annual commitments under non-cancellable operating leases as follows:

| Land and buildings | 2002 | 2001 |
|-------------------------------|-------------|-------------|
| | £ | £ |
| Expiry date - over five years | 24,000 | 24,000 |

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).

18. DIRECTORS

| | 2002 | 2001 |
|--|-------------|-------------|
| | £ | £ |
| The emoluments of directors of the company were: | | |
| Fees and other emoluments (excluding pension contributions but including benefits-in-kind) | 160,321 | 165,158 |

Messrs D M Telling, C S Acheson and I R Stewart are remunerated by MITIE Group PLC and Messrs D Freeman and C J Williams are remunerated by MITIE Engineering Services Limited 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 Services (Peninsula) Limited (formerly MITIE Engineering Services (Plymouth) Limited) and their services as directors of other group companies.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

18. DIRECTORS (continued)

| | 2002 No. | 2001 No. |
|--|---------------------|---------------------|
| The number of directors who were members of a defined benefit pension scheme | <u>2</u> | <u>2</u> |

Messrs D M Telling, C S Acheson and I R Stewart are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts.

One of the directors exercised options in the shares of the ultimate group company, MITIE Group PLC, during the year (2001: one director).

19. 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 | 78 | 63 |
| Administration and management | 18 | 10 |
| | <u>96</u> | <u>73</u> |
| Employment costs | £ | £ |
| Wages and salaries | 2,422,191 | 2,053,485 |
| Social security costs | 240,078 | 193,652 |
| Other pension costs | 27,182 | 21,982 |
| | <u>2,689,451</u> | <u>2,269,119</u> |

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

20. RELATED PARTY TRANSACTIONS

MITIE Group PLC is the holder of the 'A' ordinary shares and a 77.6% shareholder of MITIE Engineering Services (Peninsula) Limited (formerly MITIE Engineering Services (Plymouth) Limited).

During the year management charges of £19,200 (2001: £187,500) were paid to MITIE Engineering Services (South West) Limited and £201,432 (2001: £147,562) paid to MITIE Engineering Services Limited, both group companies.

During the year MITIE Engineering Services (Peninsula) Limited purchased goods and services from companies within MITIE Group PLC on normal commercial terms, amounting to £365,597 (2001: £220,101). An amount of £8,940 (2001: £13,459) is included in creditors in respect of these purchases.

During the year the company provided services of £14,797 (2001: £67,883) to other companies within MITIE Group PLC. An amount of £7,352 (2001: £15,582) is included in debtors as a result of these services.

During the year the company made a loan of £177,000 (2001: £80,000) to MITIE Group PLC. Total loans of £257,000 (2001: £80,000) remained outstanding at the year end.

During the year MITIE Engineering Services (Peninsula) Limited purchased motor vehicles and office equipment from MITIE Engineering Services (South West) Limited at net book value of £29,004 (2001: nil) and sold motor vehicles and office equipment to that company at net book value of £9,741 (2001: nil).

21. 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.

22. 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.

DETAILED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

| | 2002 £ | 2001 £ |
|---|--------------------|------------------|
| TURNOVER | 6,931,833 | 11,215,957 |
| Cost of sales | (5,717,827) | (9,804,493) |
| GROSS PROFIT | <u>1,214,006</u> | <u>1,411,464</u> |
| ADMINISTRATIVE EXPENSES | | |
| Management charges payable | 220,632 | 335,062 |
| Salaries, including directors' salaries | 615,883 | 400,269 |
| Rent and rates | 41,384 | 20,603 |
| Light and heat | 1,160 | 393 |
| Insurance | 51,227 | 41,042 |
| Telephone | 17,461 | 13,055 |
| Postage, stationery and advertising | 23,297 | 16,107 |
| Repairs and renewals | 1,267 | 569 |
| Entertaining | 10,528 | 4,133 |
| Motor expenses | 74,225 | 44,616 |
| Computer services | 12,453 | 5,679 |
| Trade subscriptions | 4,183 | 4,569 |
| Education and training | (472) | 669 |
| Bank charges | 3,020 | 3,000 |
| Audit fee | 4,500 | 2,500 |
| Legal and professional | 11,218 | 5,011 |
| Sundry expenses | 4,023 | 2,475 |
| Depreciation | 61,312 | 34,128 |
| Profit on disposal of tangible fixed assets | (2,150) | - |
| | <u>(1,155,151)</u> | <u>(933,880)</u> |
| OPERATING PROFIT | <u>58,855</u> | <u>477,584</u> |