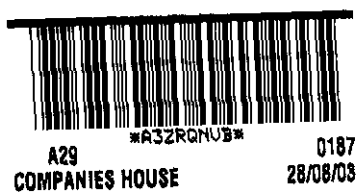


MITIE AIR CONDITIONING (LONDON) LIMITED

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
C S Acheson
M A Kadir
D R Mackey
I R Stewart
M A Tivey

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 installation and maintenance of air conditioning systems in commercial, industrial and domestic premises.

The company's business is progressing satisfactorily and the directors consider that the company is in a good position to continue that development. The company enjoys the support of its parent undertaking.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £68,031 (2002: loss of £2,918). The directors propose a final dividend of £6,400 and recommend that £61,631 be transferred to reserves (2002: £2,918 transferred from reserves).

Ordinary dividends:

- Final proposed 8p per share

Transfer to reserves

£

	6,400
	61,631
	68,031

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

The directors during the year were as follows:

D M Telling
C S Acheson
M A Tivey
M A Kadir
D R Mackey
I R Stewart

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

	At 31 March 2003 £1 'B' ordinary shares No.	At 1 April 2002 £1 'B' ordinary shares No.
M A Kadir	12,000	4,500
D R Mackey	12,000	4,500

No other director had an interest in the share capital 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 the share capital and share options 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 2003 2.5p Ordinary shares No.	At 1 April 2002 2.5p Ordinary shares No.
M A Tivey	523,362	598,362

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

Share Options

No directors had any share options in MITIE Group PLC at the beginning or end of the year.

Further details of the MITIE Group PLC Share Schemes are given in the accounts of that company.

DIRECTORS' 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 2003 trade creditors, as a proportion of amounts invoiced from suppliers for the period, represented 80 days (2002: 116 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.

AUDITORS

Deloitte & Touche has 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.

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 AIR CONDITIONING (LONDON) LIMITED**

We have audited the financial statements of MITIE Air Conditioning (London) 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.

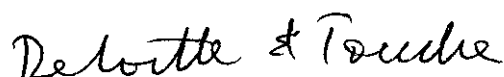
Basis of audit opinion

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 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
Bristol

3 July 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

	Notes	Continuing operations	
		2003	2002
		£	£
TURNOVER	1	2,592,453	993,594
Cost of sales		(2,027,602)	(724,494)
GROSS PROFIT		564,851	269,100
Administrative expenses		(463,027)	(269,212)
OPERATING PROFIT/(LOSS)	2	101,824	(112)
Interest receivable	3	2,713	166
Interest payable	3	-	(2,669)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		104,537	(2,615)
Tax charge on profit/(loss) on ordinary activities	4	(36,506)	(303)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		68,031	(2,918)
Dividends	5	(6,400)	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	11	61,631	(2,918)

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		75,085		29,066
CURRENT ASSETS					
Work in progress	7	57,050		93,434	
Debtors	8	358,670		158,451	
Cash at bank and in hand		157,991		96,321	
		<u>573,711</u>		<u>348,206</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (including convertible redeemable unsecured loan stock)	9	<u>(699,689)</u>		<u>(519,996)</u>	
NET CURRENT LIABILITIES			<u>(125,978)</u>		<u>(171,790)</u>
NET LIABILITIES			<u>(50,893)</u>		<u>(142,724)</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	10		80,000		49,800
Profit and loss account	11		<u>(130,893)</u>		<u>(192,524)</u>
TOTAL EQUITY SHAREHOLDERS' DEFICIT	12		<u>(50,893)</u>		<u>(142,724)</u>

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

Signed on behalf of the Board of Directors



C S Acheson
Director

CASH FLOW STATEMENT
Year ended 31 March 2003

	Notes	2003		2002	
		£	£	£	£
Net cash inflow from operating activities	13		145,277		147,993
Returns on investments and servicing of finance					
Interest received		2,653		-	
Interest paid		-		(3,083)	
Cash inflow/(outflow) from returns on investments and servicing of finance			2,653		(3,083)
Taxation					
UK corporation tax paid		(14,982)		(2,042)	
Group relief received		162		61,904	
Tax (paid)/received			(14,820)		59,862
Capital expenditure					
Payments to acquire tangible fixed assets		(75,455)		(12,871)	
Proceeds from disposal of tangible fixed assets		4,015		8,394	
Net cash outflow from capital expenditure			(71,440)		(4,477)
Cash inflow before financing			61,670		200,295
Financing					
Issue of ordinary share capital		-		10,200	
Debt due beyond a year - new unsecured loan stock repayable in 2009		-		11,900	
Net cash inflow from financing			-		22,100
Increase in cash in the year	15		61,670		222,395

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:

Office equipment	3 to 10 years
Motor vehicles	4 years
Plant and equipment	4 to 10 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

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.

2. OPERATING PROFIT/(LOSS) is stated after charging:	2003	2002
	£	£
Depreciation on owned assets	25,169	12,992
Auditors' remuneration - audit services	2,100	2,750
Loss on disposal of tangible fixed assets	252	-
Operating lease rentals - land and buildings	29,606	-
Management charges payable	52,344	52,503

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

3. INTEREST

	2003 £	2002 £
Interest receivable		
Bank interest	2,713	166
	<u> </u>	<u> </u>
Interest payable	£	£
Bank interest	-	2,669
	<u> </u>	<u> </u>

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

	2003 £	2002 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2002: 30%)	36,488	1,881
	<u> </u>	<u> </u>
Total current tax (note 4(b))	36,488	1,881
Deferred taxation:		
Timing differences - origination and reversal	18	(505)
Adjustment in respect of prior years	-	(1,073)
	<u> </u>	<u> </u>
Tax charge on profit/(loss) on ordinary activities	36,506	303
	<u> </u>	<u> </u>

(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:

	£	£
Profit/(loss) on ordinary activities before tax	104,537	(2,615)
	<u> </u>	<u> </u>
	£	£
Tax at 30% thereon	31,361	(785)
Expenses not deductible for tax purposes	5,144	2,343
Capital allowances in excess of depreciation	(94)	506
Loss on disposal of fixed assets	77	(183)
	<u> </u>	<u> </u>
Current tax charge for the year (note 4(a))	36,488	1,881
	<u> </u>	<u> </u>

(c) Factors affecting future tax charges

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

5. DIVIDENDS

	2003 £	2002 £
'A' ordinary shares of 8p (2002: nil) per share	3,264	-
'B' ordinary shares of 8p (2002: nil) per share	3,136	-
	<u>6,400</u>	<u>-</u>

6. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Motor vehicles £	Plant and equipment £	Total £
Cost				
At 1 April 2002	6,732	47,263	579	54,574
Additions	35,609	39,846	-	75,455
Disposals	(1,971)	(11,278)	-	(13,249)
At 31 March 2003	<u>40,370</u>	<u>75,831</u>	<u>579</u>	<u>116,780</u>
Depreciation				
At 1 April 2002	4,062	21,118	328	25,508
Charge for the year	7,755	17,163	251	25,169
Disposals	(54)	(8,928)	-	(8,982)
At 31 March 2003	<u>11,763</u>	<u>29,353</u>	<u>579</u>	<u>41,695</u>
Net book value				
At 31 March 2003	<u>28,607</u>	<u>46,478</u>	<u>-</u>	<u>75,085</u>
At 31 March 2002	<u>2,670</u>	<u>26,145</u>	<u>251</u>	<u>29,066</u>

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	58,151	345,524
Payments on account	(1,101)	(252,090)
	<u>57,050</u>	<u>93,434</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

8. DEBTORS	2003	2002
	£	£
Trade debtors	254,272	117,030
Amounts owed by group undertakings	88,463	37,760
Group relief receivable	-	162
Other debtors	1,458	1,921
Prepayments and accrued income	12,917	-
Deferred tax asset	1,560	1,578
	<u>358,670</u>	<u>158,451</u>

A deferred tax asset of £1,560 has been recognised at 31 March 2003 (2002: £1,578). This asset relates to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the period in which these differences will reverse. The amount charged to the profit and loss account in the year was £18 (2002: credited £1,578).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2003	2002
	£	£
Convertible loan stock	-	30,200
Payments on account	399	7,478
Trade creditors	527,200	340,741
Amounts owed to group undertakings	67,488	116,017
Other taxes and social security costs	52,873	14,394
Corporation tax	21,506	-
Other creditors	1,309	309
Accruals and deferred income	22,514	10,857
Proposed dividend	6,400	-
	<u>699,689</u>	<u>519,996</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

10. CALLED UP SHARE CAPITAL

	2003 £	2002 £
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
Nil £1 'B' ordinary shares (2002: 9,000 shares)	-	9,000
39,200 £1 'B' ordinary shares (2002: nil)	39,200	-
	<u>80,000</u>	<u>49,800</u>

On 17 May 2002, 30,200 £1 'B' ordinary shares were issued at par on conversion of loan stock.

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	(192,524)
Retained profit for the year	61,631
	<u>(130,893)</u>
At 31 March 2003	

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

12.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT	2003	2002	
		£	£	
	Profit/(loss) for the financial year	61,631	(2,918)	
	Conversion of loan stock to ordinary shares	30,200	10,200	
	Net addition to shareholders' funds	91,831	7,282	
	Opening shareholders' deficit	(142,724)	(150,006)	
	Closing shareholders' deficit	(50,893)	(142,724)	
13.	RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2003	2002	
		£	£	
	Operating profit/(loss)	101,824	(112)	
	Depreciation charges	25,169	12,992	
	Loss on disposal of tangible fixed assets	252	-	
	Decrease/(increase) in work in progress	36,384	(14,638)	
	Increase in debtors	(200,339)	(56,137)	
	Increase in creditors	181,987	205,888	
	Net cash inflow from operating activities	145,277	147,993	
14.	ANALYSIS OF CHANGES IN NET FUNDS			
	At 1 April		Non-cash	At 31 March
	2002	Cash flow	changes	2003
	£	£	£	£
	Cash at bank and in hand	96,321	-	157,991
	Debt due within one year	(30,200)	30,200	-
	66,121	61,670	30,200	157,991

NOTES TO THE ACCOUNTS
Year ended 31 March 200315. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET FUNDS

	2003 £	2002 £
Increase in cash in the year	61,670	222,395
Conversion of loan stock	30,200	(11,900)
Movement in net funds in year	91,870	210,495
Net funds/(deficit) at beginning of year	66,121	(144,374)
Net funds at end of year	157,991	66,121

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).

17. DIRECTORS

	2003 £	2002 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	102,363	88,767

Messrs D M Telling, C S Acheson and I R Stewart are remunerated by MITIE Group PLC for their services to the group as a whole and Mr M A Tivey is remunerated by MITIE Engineering Services Limited for his services to the group as a whole. It is not practicable to allocate their remuneration between their services as directors of MITIE Air Conditioning (London) 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	1	1

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**18. EMPLOYEES****Number of employees**

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

	2003 No.	2002 No.
Administration and management	<u>7</u>	<u>4</u>
Employment costs	£	£
Wages and salaries	228,615	117,197
Social security costs	28,631	17,959
Pension costs	<u>4,829</u>	<u>4,434</u>
	<u>262,075</u>	<u>139,590</u>

19. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a holder of 'A' ordinary shares and is an 65% (2002: 81.93%) shareholder.

During the year, MITIE Air Conditioning (London) Limited undertook services for other group companies on normal commercial terms of £962,631 (2002: £406,150). An amount of £88,463 (2002: £37,760) was included in debtors at 31 March 2003 in respect of these services.

Some £68,024 (2002: £55) of services were purchased from group companies, an amount of £7,488 (2002: nil) remains outstanding at 31 March 2003 in respect of these purchases.

Management charges of £44,994 (2002: £27,836) and £7,350 (2002: £24,667) were incurred from MITIE Engineering Services Limited and MITIE Engineering Services (London) Limited respectively. An amount of nil (2002: £16,500) was outstanding at 31 March 2003 in respect of these charges. The company raised a charge of £25,775 (2002: nil) on other group companies in the year and this was fully paid at 31 March 2003.

Mr M A Tivey has received a loan of £385,000 (2002: £385,000) from MITIE Group PLC. This loan, which was made in consideration of Mr M A Tivey relocating, was outstanding at the year end and carries interest of 5.75% (2002: 6.25%).

A loan of nil (2002: £80,000) has been received from MITIE Engineering Services Limited during the year, an amount of £60,000 (2002: £80,000) was outstanding in respect of the loan at the year end.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

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.