

MITIE AIR CONDITIONING (LONDON) LIMITED
(formerly MITIE Air Conditioning (South East) Limited)

Report and Financial Statements

31 March 2001

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



REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the accounts	9

MITIE AIR CONDITIONING (LONDON) LIMITED
(formerly MITIE Air Conditioning (South East) Limited)

**Deloitte
& Touche**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
C S Acheson
D P Cooke
M A Tivey

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
Wroughton
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 2001.

On 31 March 2001 the company changed its name from MITIE Air Conditioning (South East) Limited to MITIE Air Conditioning (London) 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 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 result for the year has been disappointing, but the directors consider that, following the remedial action they have taken, the company is now positioned to develop its business.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £122,857 (2000: £66,749). The directors do not propose the payment of a dividend and recommend that £122,857 be transferred from reserves. The company enjoys the support of its parent undertaking.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling	
C S Acheson	
D P Cooke	
M A Tivey	(appointed 27 March 2001)
R M Charrot	(resigned 7 November 2000)
M O Thomas	(resigned 4 May 2000)

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

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 2001 £1 'B' ordinary shares No.	At 1 April 2000 £1 'B' ordinary shares No.
D P Cooke	9,000	9,000

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

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

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

	At 31 March 2001 5p Ordinary shares No.	At 1 April 2000 5p Ordinary shares No.
C S Acheson	714,750	814,750
M A Tivey	303,831	179,764

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.

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 2001 trade creditors, as a proportion of amounts invoiced from suppliers for the period, represented 74 (2000: 126) days.

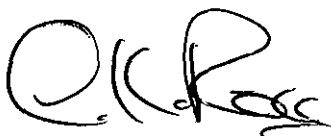
In the industry in which the company operates credit periods are frequently extended by agreement. The company's creditor days are a reflection of this custom.

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 read 'C K Ross', with a stylized flourish at the end.

C K Ross
Secretary

20 August 2001

AUDITORS' REPORT TO THE MEMBERS OF

MITIE AIR CONDITIONING (LONDON) LIMITED
(formerly MITIE Air Conditioning (South East) Limited)

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 9.

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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

20 August 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2001

	Notes	Continuing operations	
		2001	2000
		£	£
TURNOVER	1	1,101,286	651,251
Cost of sales		(1,021,294)	(560,058)
GROSS PROFIT		79,992	91,193
Administrative expenses		(251,982)	(186,719)
OPERATING LOSS	2	(171,990)	(95,526)
Interest receivable	3	-	1,177
Interest payable	3	(506)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(172,496)	(94,349)
Tax credit on loss on ordinary activities	4	49,639	27,600
RETAINED LOSS FOR THE YEAR	11	(122,857)	(66,749)

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

BALANCE SHEET
At 31 March 2001

	Notes	£	2001 £	£	2000 £
FIXED ASSETS					
Tangible assets	5		37,581		22,614
CURRENT ASSETS					
Work in progress	6	78,796		71,516	
Debtors	7	162,370		232,246	
Cash at bank and in hand		616		61,659	
			241,782		365,421
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(411,069)		(396,884)	
NET CURRENT LIABILITIES			(169,287)		(31,463)
TOTAL ASSETS LESS CURRENT LIABILITIES			(131,706)		(8,849)
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Convertible loan stock	9		(18,300)		(18,300)
NET LIABILITIES			(150,006)		(27,149)
CAPITAL AND RESERVES					
Called up share capital	10		39,600		39,600
Profit and loss account	11		(189,606)		(66,749)
TOTAL EQUITY SHAREHOLDERS' FUNDS	12		(150,006)		(27,149)

These financial statements were approved by the Board of Directors on 20 August 2001.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Year ended 31 March 2001

	Notes	2001		2000	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	13		(171,181)		32,434
Returns on investments and servicing of finance					
Interest received		-		1,215	
Interest paid		(72)		-	
Net cash (outflow)/inflow on returns on investments and servicing of finance			(72)		1,215
Taxation					
UK corporation tax paid		-		(18)	
Group relief received		15,353		-	
Tax received/(paid)			15,353		(18)
Capital expenditure					
Payments to acquire tangible fixed assets		(36,033)		(39,738)	
Proceeds from disposal of tangible fixed assets		4,200		9,868	
Net cash outflow from capital expenditure			(31,833)		(29,870)
Cash (outflow)/inflow before financing			(187,733)		3,761
Financing					
Issue of ordinary share capital		-		39,598	
Debt due beyond a year - new unsecured loan stock repayable in 2009		-		18,300	
Net cash inflow from financing			-		57,898
(Decrease)/increase in cash in the year	15		(187,733)		61,659

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

Basis of preparation

These financial statements have been prepared on a going concern basis. The ability of MITE Air Conditioning (London) Limited to continue operating in this manner is dependent upon a number of factors including that the ultimate parent company, MITIE Group PLC, continues to support it in meeting the company's liabilities as they fall due. The directors have received assurance from the parent company that it is its current intention to provide ongoing financial support.

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	5 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

Provision is made for deferred taxation using the liability method in respect of timing differences to the extent that liabilities will crystallise in the foreseeable future.

Pension costs

Pension costs represent amounts paid to one of the group's pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC.

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

2.	OPERATING LOSS is stated after charging:	2001	2000
		£	£
	Depreciation	14,252	7,256
	Auditors' remuneration - audit services	750	750
	Loss on disposal of tangible fixed assets	2,614	-
		<u> </u>	<u> </u>
3.	INTEREST	2001	2000
	Interest receivable	£	£
	Bank interest	-	1,177
		<u> </u>	<u> </u>
	Interest payable	£	£
	Bank interest	506	-
		<u> </u>	<u> </u>
4.	TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES	2001	2000
		£	£
	UK current year taxation		
	Group relief at 30% (2000: 30%)	49,609	27,600
	Prior years		
	UK corporation tax over provision	30	-
		<u> </u>	<u> </u>
		<u>49,639</u>	<u>27,600</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

5. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Motor vehicles £	Plant and equipment £	Total £
Cost				
At 1 April 2000	5,326	22,555	579	28,460
Additions	929	35,104	-	36,033
Disposals	-	(11,278)	-	(11,278)
At 31 March 2001	6,255	46,381	579	53,215
Depreciation				
At 1 April 2000	1,051	4,699	96	5,846
Charge for the year	1,397	12,739	116	14,252
Disposals	-	(4,464)	-	(4,464)
At 31 March 2001	2,448	12,974	212	15,634
Net book value				
At 31 March 2001	3,807	33,407	367	37,581
At 31 March 2000	4,275	17,856	483	22,614

Capital commitments

At 31 March 2001 the directors had authorised capital expenditure of nil (2000: nil).

6. WORK IN PROGRESS

	2001 £	2000 £
Work in progress	83,134	174,781
Cash received on account	(4,338)	(103,265)
	<u>78,796</u>	<u>71,516</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

7. DEBTORS	2001	2000
	£	£
Trade debtors	(76,061)	145,178
Amounts owed by group undertakings	176,527	59,192
Group relief receivable	61,904	27,618
Prepayments and accrued income	-	258
	<u>162,370</u>	<u>232,246</u>
8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2001	2000
	£	£
Overdraft	126,690	-
Trade creditors	267,075	339,123
Amounts owed to group undertakings	3,318	1,129
Other taxes and social security costs	10,341	54,042
Other creditors	308	-
Accruals and deferred income	3,337	2,590
	<u>411,069</u>	<u>396,884</u>
9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2001	2000
	£	£
Convertible redeemable unsecured loan stock 2009	<u>18,300</u>	<u>18,300</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 2009. If the loan stock is not converted it will be redeemable at par on 31 December 2009.

The holders have confirmed that the loan stock will not be converted until after 31 March 2002.

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

10. CALLED UP SHARE CAPITAL

	2001 and 2000	
	No.	£
Authorised		
£1 'A' ordinary shares	127,500	127,500
£1 'B' ordinary shares	122,500	122,500
	<u>250,000</u>	<u>250,000</u>
	No.	£
Allotted and fully paid		
£1 'A' ordinary shares	30,600	30,600
£1 'B' ordinary shares	9,000	9,000
	<u>39,600</u>	<u>39,600</u>

Rights attached to shares

The holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board. Thereafter, MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid, together with any arrears of such cumulative dividends unpaid from any previous financial year.

Thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share *pari passu*.

Both classes of shareholder have equal voting rights.

11. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2000	(66,749)
Retained loss for the year	<u>(122,857)</u>
At 31 March 2001	<u>(189,606)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

12.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2001	2000
		£	£
	Loss for the financial year	(122,857)	(66,749)
	Issue of ordinary shares	-	39,598
		<hr/>	<hr/>
	Net reductions to shareholders' funds	(122,857)	(27,151)
	Opening shareholders' funds	(27,149)	2
		<hr/>	<hr/>
	Closing shareholders' funds	(150,006)	(27,149)
		<hr/>	<hr/>
13.	RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	2001	2000
		£	£
	Operating loss	(171,990)	(95,526)
	Depreciation charges	14,252	7,256
	Loss on disposal of tangible fixed assets	2,614	-
	Increase in work in progress	(7,280)	(71,516)
	Decrease/(increase) in debtors	104,200	(204,664)
	(Decrease)/increase in creditors	(112,977)	396,884
		<hr/>	<hr/>
	Net cash (outflow)/inflow from operating activities	(171,181)	32,434
		<hr/>	<hr/>
14.	ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS	At 1 April 2000	Cash flow At 31 March 2001
		£	£
	Overdraft	-	(126,690)
	Cash at bank and in hand	61,659	(61,043)
	Debt due after one year - loan stock	(18,300)	-
		<hr/>	<hr/>
		43,359	(187,733)
		<hr/>	<hr/>
			(144,374)
			<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

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

	2001	2000
	£	£
(Decrease)/increase in cash in the year	(187,733)	61,659
Cash inflow from increase in debt	-	(18,300)
	<hr/>	<hr/>
Movement in net funds in year	(187,733)	43,359
Net funds at beginning of year	43,359	-
	<hr/>	<hr/>
Net (debt)/funds at end of year	(144,374)	43,359
	<hr/>	<hr/>

16. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2001 the company had no annual commitments under non-cancellable operating leases (2000: 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 2001 the overall commitment was nil (2000: nil).

17. DIRECTORS

	2001	2000
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	37,492	32,718
	<hr/>	<hr/>

Mr C S Acheson is remunerated by MITIE Group PLC. Mr M A Tivey was remunerated from 1 April 2000 to 31 December 2000 by MITIE Engineering Services (North) Limited and from 1 January 2001 by MITIE Group PLC for their 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	2	2
	<hr/>	<hr/>

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

18. EMPLOYEES

Number of employees

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

	2001 No.	2000 No.
Administration and management	<u>5</u>	<u>4</u>
Employment costs	£	£
Wages and salaries	151,900	117,018
Social security costs	<u>11,693</u>	<u>11,087</u>
	<u>163,593</u>	<u>128,105</u>

19. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a holder of 'A' ordinary shares and is a 77% shareholder.

During the year, MITIE Air Conditioning (London) Limited undertook services for other Group companies of £364,530 (2000: £145,503). An amount of £176,527 was outstanding at 31 March 2001 in respect of these services.

Some £3,056 (2000: £2,994) of services were purchased from Group companies.

Management charges of £57,153 (2000: 36,940) and £4,000 (2000: £4,444) were incurred from MITIE Group PLC and MITIE Engineering Services (South East) Limited, respectively. An amount of £3,318 was outstanding at 31 March 2001 in respect of these charges.

Mr M A Tivey has received a loan of £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 6.25%.

20. PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.