

Company Registration Number 3944875

**Deloitte  
& Touche**

**MITIE PFI 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  
J Astley  
C S Hale  
D A Morgan  
I R Stewart  
M P Woodhead

**SECRETARIES**

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

**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 2002.

### **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 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 provides a facilities management service to public and private sector outsourced projects under 'PFI' initiatives.

The period since incorporation has been a set up period and the reported loss reflects this. The directors consider that the company will trade profitably in the future.

### **RESULTS AND DIVIDENDS**

The loss for the year after taxation amounted to £32,253 (2001: £23,428). The directors propose that this amount be transferred from reserves. The directors do not recommend the payment of a dividend (2001: nil).

### **DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

D M Telling  
D A Morgan  
C S Hale  
I R Stewart  
J Astley (appointed 24 August 2001)  
M P Woodhead (appointed 2 April 2002)

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

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

	<b>At 31 March 2002</b> <b>£1 'B' ordinary shares</b> <b>No.</b>	<b>At 1 April 2001</b> <b>£1 'B' ordinary shares</b> <b>No.</b>
D A Morgan	25,000	25,000
	<b>Redeemable</b> <b>unsecured loan</b> <b>stock 2010</b> <b>£</b>	<b>Redeemable</b> <b>unsecured loan</b> <b>stock 2010</b> <b>£</b>
D A Morgan	25,000	25,000

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

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

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

	<b>At 31 March 2002</b> <b>2.5p Ordinary shares</b> <b>No.</b>	<b>At date of appointment</b> <b>2.5p Ordinary shares</b> <b>No.</b>
J Astley	796,440	806,440

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

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

**Share Options**

	<b>At 1 April 2001</b> <b>or date of</b> <b>appointment</b>	<b>Granted</b> <b>during the period</b> <b>Options</b>	<b>Price</b>	<b>Exercise period</b> <b>From</b>	<b>To</b>	<b>Exercised</b> <b>during the period</b> <b>Options</b>	<b>Price</b>	<b>At 31 March</b> <b>2002</b>
J Astley (ii)	800,000	-	-	-	-	-	-	800,000
D Morgan (i)	-	1,296	£1.25	2006	2007	-	-	1,296

(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.

**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 2002 trade creditors, as a proportion of amounts invoiced from suppliers for the period, represented 57 days (2001: 16 days).

**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**

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

12 August 2002

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **MITIE PFI LIMITED**

We have audited the financial statements of MITIE PFI 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 20. 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.

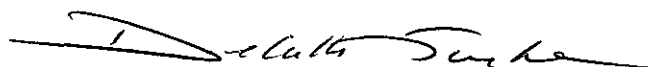
#### **Basis of audit opinion**

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



**DELOITTE & TOUCHE**  
Chartered Accountants and  
Registered Auditors

12 August 2002

**PROFIT AND LOSS ACCOUNT**  
Year ended 31 March 2002

	Notes	Continuing operations	
		1 April 2001 to 31 March 2002 £	10 March 2000 to 31 March 2001 £
<b>TURNOVER</b>	1	553,224	22,000
Cost of sales		(457,062)	(42,593)
<b>GROSS PROFIT/(LOSS)</b>		96,162	(20,593)
Administrative expenses		(145,513)	(15,636)
<b>OPERATING LOSS</b>	2	(49,351)	(36,229)
Interest receivable	3	3,660	3,037
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(45,691)	(33,192)
Tax credit on loss on ordinary activities	4	13,438	9,764
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>	10	(32,253)	(23,428)

There are no recognised gains and losses for the current financial year or preceding period other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been presented.



BALANCE SHEET  
At 31 March 2002

	Notes	2002		2001	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	5		13,094		6,897
<b>CURRENT ASSETS</b>					
Debtors	6	374,538		35,944	
Cash at bank and in hand		5,755		85,300	
		380,293		121,244	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	7	(322,068)		(24,569)	
Convertible redeemable unsecured loan stock	8	(25,000)		-	
<b>NET CURRENT ASSETS</b>			33,225		96,675
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			46,319		103,572
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
Convertible redeemable unsecured loan stock	8		-		(25,000)
<b>NET ASSETS</b>			46,319		78,572
<b>CAPITAL AND RESERVES</b>					
Called up share capital	9		102,000		102,000
Profit and loss account	10		(55,681)		(23,428)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	11		46,319		78,572

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 outflow from operating activities	12		(82,754)		(36,332)
<b>Returns on investments and servicing of finance</b>					
Interest received			3,924		2,707
<b>Taxation</b>					
UK corporation tax paid		(1,320)		-	
Group relief received		9,765		-	
<b>Tax received</b>			8,445		-
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets			(9,160)		(8,075)
<b>Financing</b>					
Issue of loan stock		-		25,000	
Issue of ordinary share capital		-		102,000	
<b>Net cash inflow from financing</b>			-		127,000
<b>(Decrease)/increase in cash in the year</b>	14		<u>(79,545)</u>		<u>85,300</u>

**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. 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 5 years
Motor vehicles	4 years

**Leasing commitments**

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

**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.

**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 2002

## 2. OPERATING LOSS is stated after charging:

	1 April 2001 to 31 March 2002 £	10 March 2000 31 March 2001 £
Depreciation - owned fixed assets	2,963	1,178
Auditors' remuneration - audit services	2,100	750

## 3. INTEREST RECEIVABLE

	1 April 2001 to 31 March 2002 £	10 March 2000 31 March 2001 £
Bank interest	3,600	3,037

## 4. TAX CREDIT ON LOSS 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 credit for the year exceeds 30% (2001: less than 30%) for the reasons set out in the following reconciliation:

	1 April 2001 to 31 March 2002 £	10 March 2000 31 March 2001 £
Loss on ordinary activities before tax	(45,691)	(33,192)
	£	£
Tax credit on loss on ordinary activities at standard rate	(13,707)	(9,958)
Factors affecting the charge:		
- disallowable expenses	258	205
- capital allowances for period in excess of depreciation	(313)	(12)
- other short-term timing differences	-	1
<b>UK corporation tax group relief for the year</b>	<b>(13,762)</b>	<b>(9,764)</b>
Deferred tax timing differences:		
- prior year adjustment loss	(1)	-
- deferred tax - current year charge	313	-
- deferred tax - prior year charge	12	-
<b>Tax credit on loss on ordinary activities</b>	<b>(13,438)</b>	<b>(9,764)</b>

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

NOTES TO THE ACCOUNTS  
Year ended 31 March 2002

## 5. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>			
At 1 April 2001	-	8,075	8,075
Additions	2,768	6,019	8,787
Transfers in	1,618	18,804	20,422
At 31 March 2002	4,386	32,898	37,284
<b>Depreciation</b>			
At 1 April 2001	-	1,178	1,178
Charge for the year	819	2,144	2,963
Transfers in	1,245	18,804	20,049
At 31 March 2002	2,064	22,126	24,190
<b>Net book value</b>			
At 31 March 2002	2,322	10,772	13,094
At 31 March 2001	-	6,897	6,897

**Capital commitments**

There were no capital commitments at 31 March 2002 (2001: nil).

## 6. DEBTORS

	2002 £	2001 £
Trade debtors	325,283	25,850
Amounts owed by group undertakings	9,400	-
Group relief receivable	15,082	9,764
Prepayments and accrued income	24,773	330
	374,538	35,944

NOTES TO THE ACCOUNTS  
Year ended 31 March 2002

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2002 £	2001 £
Convertible redeemable loan stock (see note 8)	25,000	-
Trade creditors	137,720	13,314
Amounts owed to group undertakings	164,716	-
Deferred tax	325	-
Other taxes and social security costs	12,485	5,395
Other creditors	140	-
Accruals and deferred income	6,682	5,860
	<u>347,068</u>	<u>24,569</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2002 £	2001 £
Convertible redeemable unsecured loan stock 2010:		
- convertible within one year	25,000	-
- convertible after more than one year	-	25,000
	<u>-</u>	<u>25,000</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 2010.

The loan stock was converted to £1 'B' ordinary shares on 17 May 2002.

9. CALLED UP SHARE CAPITAL	2002 £	2001 £
<b>Authorised</b>		
128,000 £1 'A' ordinary shares	128,000	128,000
122,000 £1 'B' ordinary shares	122,000	122,000
	<u>250,000</u>	<u>250,000</u>
	£	£
<b>Allotted and fully paid</b>		
77,000 £1 'A' ordinary shares	77,000	77,000
25,000 £1 'B' ordinary shares	25,000	25,000
	<u>102,000</u>	<u>102,000</u>

**NOTES TO THE ACCOUNTS**

Year ended 31 March 2002

**9. CALLED UP SHARE CAPITAL (continued)****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.

**10. PROFIT AND LOSS ACCOUNT**

	£
At 1 April 2001	(23,428)
Retained loss for the year	(32,253)
<b>At 31 March 2002</b>	<b>(55,681)</b>

**11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Loss for the financial year	(32,253)	(23,428)
Issue of ordinary shares	-	102,000
Net (reduction)/addition to shareholders' funds	(32,253)	78,572
Opening shareholders' funds	78,572	-
<b>Closing shareholders' funds</b>	<b>46,319</b>	<b>78,572</b>

**12. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2002 £	2001 £
Operating loss	(49,351)	(36,229)
Depreciation charges	2,963	1,178
Increase in debtors	(333,540)	(25,850)
Increase in creditors	297,174	24,569
<b>Net cash outflow from operating activities</b>	<b>(82,754)</b>	<b>(36,332)</b>

**NOTES TO THE ACCOUNTS**  
Year ended 31 March 2002**13. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)**

	<b>At 1 April 2001 £</b>	<b>Cash flow £</b>	<b>At 31 March 2002 £</b>
Cash at bank and in hand	85,300	(79,545)	5,755
Loan stock	(25,000)	-	(25,000)
	<u>60,300</u>	<u>(79,545)</u>	<u>(19,245)</u>

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

	<b>1 April 2001 to 31 March 2002 £</b>	<b>10 March 2000 31 March 2001 £</b>
(Decrease)/increase in cash in the year	(79,545)	85,300
Increase in debt due after one year	-	(25,000)
Movement in net funds in year	(79,545)	60,300
Net funds at beginning of year	60,300	-
<b>Net (debt)/funds at end of year</b>	<u>(19,245)</u>	<u>60,300</u>

**15. FINANCIAL COMMITMENTS****Operating leases**

At 31 March 2002 the company had no annual commitments under non-cancellable operating leases (2001: 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 2002, the overall commitment was nil (2001: nil).



NOTES TO THE ACCOUNTS  
Year ended 31 March 2002

## 16. DIRECTORS

	1 April 2001 to 31 March 2002 £	10 March 2000 31 March 2001 £
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	69,793	42,688
	<u>No.</u>	<u>No.</u>
The number of directors who were members of a defined benefit pension scheme	1	-

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

Where the directors are remunerated by other group companies for their services to the group as a whole, it is not practicable to allocate their remuneration between their services as directors of MITIE PFI Limited and their services as directors of other group companies.

## 17. EMPLOYEES

## Number of employees

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

	1 April 2001 to 31 March 2002 No.	10 March 2000 31 March 2001 No.
Administration and management	4	1
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	162,727	40,000
Social security costs	19,032	4,852
Pension costs	7,061	-
	<u>188,820</u>	<u>44,852</u>

## NOTES TO THE ACCOUNTS

Year ended 31 March 2002

## 18. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 75.49% shareholder of the company.

The following transactions occurred with fellow subsidiaries:

	Management charges from £	Fixed assets purchased from £	Goods and services provided to £	Goods and services provided by £	Balance at year end £
MITIE Engineering Services (South West) Limited	-	-	12,000	-	9,400
MITIE Catering Limited	2,617	-	-	6,945	(9,562)
Cole Motors Limited	-	-	-	580	(399)
MITIE Olscot Limited	8,473	373	-	201,228	(145,145)
MITIE Envirocare Limited	-	-	-	5,759	(9,610)

## 19. 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.

## 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. 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**

	<b>1 April 2001 to 31 March 2002 £</b>	<b>10 March 2000 to 31 March 2001 £</b>
<b>TURNOVER</b>	553,224	22,000
<b>COST OF SALES</b>		
Wages	101,482	35,881
Materials	339,333	4,000
Travelling	16,247	2,712
	(457,062)	(42,593)
<b>GROSS PROFIT/(LOSS)</b>	96,162	(20,593)
<b>ADMINISTRATIVE EXPENSES</b>		
Management charges payable	11,090	500
Salaries, including directors' salaries	88,780	8,971
Insurance	3,828	160
Telephone	2,734	578
Postage, stationery and advertising	3,083	166
Entertaining	861	182
Repairs and renewals	148	-
Motor expenses and travel	9,529	2,561
Trade subscriptions	109	-
Education and training	500	-
Bank charges	440	-
Audit and accountancy	2,100	750
Legal and professional	19,348	515
Vehicle hire	-	75
Depreciation	2,963	1,178
	(145,513)	(15,636)
<b>OPERATING LOSS</b>	(49,351)	(36,229)