

**MITIE ENGINEERING MAINTENANCE (SOUTH WEST) 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  
M G Brown  
A T Day  
A B Horwood  
I R Stewart

**SECRETARIES**

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

**REGISTERED OFFICE**

The Stable Block  
Barley Wood  
Wrington  
Bristol  
BS40 5SA

**BANKERS**

National Westminster Bank plc  
32 Corn Street  
Bristol  
BS99 7UG

**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 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 management and provision of engineering maintenance services.

The company commenced trading during the year and its business has developed satisfactorily, the directors consider that the company is in a good position to continue that development.

### **RESULTS AND DIVIDENDS**

The loss for the year after taxation amounted to £86,107 (2001: nil). The directors do not propose the payment of a dividend (2001: nil).

### **DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

D M Telling	
M G Brown	(appointed 29 June 2001)
A T Day	(appointed 13 July 2001)
A B Horwood	(appointed 29 June 2001)
I R Stewart	(appointed 29 June 2001)

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

The interests of the directors and their families in the share capital of the company at the beginning and end of the financial year were:

	At 31 March 2002 £1 'B' ordinary shares No.	At 1 April 2001 £1 'B' ordinary shares No.
M G Brown	3,000	-
A T Day	20,000	-
A B Horwood	40,000	-

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

Messrs D M Telling and I R Stewart 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.

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

**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 60 days (2001: nil 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 in a cursive style.

C K Ross  
Secretary

12 August 2002

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED**

We have audited the financial statements of MITIE Engineering Maintenance (South West) 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.

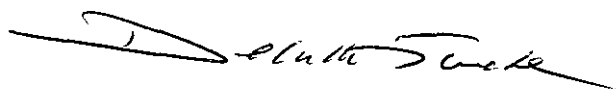
**Basis of audit opinion**

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

**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 £
<b>TURNOVER</b>	1	1,766,401	-
Cost of sales		(1,524,620)	-
<b>GROSS PROFIT</b>		241,781	-
Administrative expenses		(332,538)	-
<b>OPERATING LOSS</b>	2	(90,757)	-
Interest receivable	3	4,699	-
Interest payable	3	(49)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(86,107)	-
Tax on loss on ordinary activities	4	-	-
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>	10	(86,107)	-

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 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	81,583	-
<b>CURRENT ASSETS</b>			
Work in progress	6	88,797	-
Debtors	7	487,645	1
Cash at bank and in hand		65,738	-
		<u>642,180</u>	<u>1</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	<u>(409,870)</u>	<u>-</u>
<b>NET CURRENT ASSETS</b>		<u>232,310</u>	<u>1</u>
<b>NET ASSETS</b>		<u>313,893</u>	<u>1</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	400,000	1
Profit and loss account	10	(86,107)	-
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		<u>313,893</u>	<u>1</u>

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 £
<b>Net cash outflow from operating activities</b>	12		(247,609)		(1)
<b>Returns on investments and servicing of finance</b>					
Interest receivable		4,699		-	
Interest paid		(49)		-	
<b>Net cash inflow from returns on investments and servicing of finance</b>			4,650		-
<b>Taxation</b>					
UK corporation tax received			12,012		-
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets			(103,314)		-
<b>Cash outflow before financing</b>			(334,261)		(1)
<b>Financing</b>					
Issue of ordinary shares			399,999		1
<b>Increase in cash in the year</b>	14		65,738		-

**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 in 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	4 to 10 years
Motor vehicles	4 years

**Leasing and hire purchase commitments**

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.

**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**

<b>2. OPERATING LOSS is stated after charging:</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Depreciation	21,732	-
Auditors' remuneration - audit services	2,870	-
	<u>          </u>	<u>          </u>

<b>3. INTEREST</b>	<b>2002</b>	<b>2001</b>
<b>Interest receivable</b>	<b>£</b>	<b>£</b>
Bank interest	4,699	-
	<u>          </u>	<u>          </u>
<b>Interest payable</b>	<b>£</b>	<b>£</b>
Bank interest	49	-
	<u>          </u>	<u>          </u>

**4. TAX 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 is less than 30% (2001: was 30%) for the reasons set out in the following reconciliation:

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax	86,107	-
	<u>          </u>	<u>          </u>
	<b>£</b>	<b>£</b>
Tax credit on loss on ordinary activities at standard rate	(25,832)	-
Factors affecting the credit:		
- disallowable expenses	1,932	-
- capital allowances for period in excess of depreciation	(907)	-
- other	24,807	-
	<u>          </u>	<u>          </u>
<b>Tax on loss on ordinary activities</b>	<b>-</b>	<b>-</b>
	<u>          </u>	<u>          </u>

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	-	-	-
Additions	14,437	51,334	65,771
Transfers in	2,888	72,584	75,472
At 31 March 2002	17,325	123,918	141,243
<b>Depreciation</b>			
At 1 April 2001	-	-	-
Charge for the year	4,573	17,159	21,732
Transfers in	240	37,688	37,928
At 31 March 2002	4,813	54,847	59,660
<b>Net book value</b>			
At 31 March 2002	12,512	69,071	81,583
At 31 March 2001	-	-	-

**Capital commitments**

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

<b>6. WORK IN PROGRESS</b>	<b>2002 £</b>	<b>2001 £</b>
Work in progress	88,797	-
<b>7. DEBTORS</b>	<b>2002 £</b>	<b>2001 £</b>
Trade debtors	339,682	-
Amounts owed by group undertakings	141,313	-
Other debtors	-	1
Prepayments and accrued income	6,650	-
	487,645	1

NOTES TO THE ACCOUNTS  
Year ended 31 March 2002

8.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2002 £	2001 £
	Trade creditors	269,277	-
	Amounts owed to group undertakings	42,371	-
	Corporation tax	12,012	-
	Other taxes and social security costs	80,033	-
	Other creditors	184	-
	Accruals and deferred income	5,993	-
		<u>409,870</u>	<u>-</u>
9.	<b>CALLED UP SHARE CAPITAL</b>	<b>2002 £</b>	<b>2001 £</b>
	<b>Authorised</b>		
	300,000 £1 'A' ordinary shares (2001: 1,000)	300,000	1,000
	300,000 £1 'B' ordinary shares (2001: nil)	300,000	-
		<u>600,000</u>	<u>1,000</u>
		<b>£</b>	<b>£</b>
	<b>Allotted and fully paid</b>		
	204,000 £1 'A' ordinary shares (2001: 1)	204,000	1
	196,000 £1 'B' ordinary shares (2001: nil)	196,000	-
		<u>400,000</u>	<u>1</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.

**NOTES TO THE ACCOUNTS**  
Year ended 31 March 2002**10. PROFIT AND LOSS ACCOUNT**

	£
At 1 April 2001	-
Retained loss for the year	(86,107)
	<hr/>
At 31 March 2002	(86,107)
	<hr/>

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

	2002 £	2001 £
Loss for the financial year	(86,107)	-
Issue of shares	399,999	1
	<hr/>	<hr/>
Net addition to shareholders' funds	313,892	1
Opening shareholders' funds	1	-
	<hr/>	<hr/>
Closing shareholders' funds	313,893	1
	<hr/>	<hr/>

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

	2002 £	2001 £
Operating loss	(90,757)	-
Depreciation charges	21,732	-
Increase in work in progress	(88,797)	-
Increase in debtors	(487,645)	(1)
Increase in creditors	397,858	-
	<hr/>	<hr/>
Net cash outflow from operating activities	(247,609)	(1)
	<hr/>	<hr/>

**13. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 April 2001 £	Cash flow £	At 31 March 2002 £
Cash at bank and in hand	-	65,738	65,738
	<hr/>	<hr/>	<hr/>

## NOTES TO THE ACCOUNTS

Year ended 31 March 2002

14. RECONCILIATION OF NET CASH FLOW TO MOVEMENT  
IN NET FUNDS

	2002 £	2001 £
Net funds at beginning of year	-	-
Increase in cash in the year	65,738	-
Net funds at end of year	<u>65,738</u>	<u>-</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 the 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).

## 16. DIRECTORS

	2002 £	2001 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>113,223</u>	<u>-</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>2</u>	<u>-</u>

Messrs D M Telling and I R Stewart are also 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 2002**17. EMPLOYEES****Number of employees**

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

	<b>2002 No.</b>	<b>2001 No.</b>
Site labour	33	-
Administration and management	6	-
	<u>39</u>	<u>-</u>
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	814,455	-
Social security costs	75,750	-
Other pension costs	13,232	-
	<u>903,437</u>	<u>-</u>

**18. RELATED PARTY TRANSACTIONS**

MITIE Group PLC is a 57.5% shareholder of MITIE Engineering Maintenance (South West) Limited.

During the year the company purchased goods and services from the following subsidiary companies of MITIE Group PLC and owed balances as at 31 March 2002 of:

	<b>Purchases £</b>	<b>Balance £</b>
MITIE Cleaning (South West) Limited	3,799	17,738
MITIE Engineering Maintenance (West) Limited	37,184	10,629
MITIE Engineering Maintenance Limited	78,739	14,004

During the year the company sold goods and services to the following subsidiary companies of MITIE Group PLC and was owed balances as at 31 March 2002 of:

	<b>Sales £</b>	<b>Balance £</b>
MITIE Cleaning (South West) Limited	2,107	27,188
MITIE Engineering Maintenance (West) Limited	121,140	49,127
MITIE Engineering Maintenance Limited	79,816	64,998

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2002**

**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. As 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 to 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

	2002 £	2001 £
<b>TURNOVER</b>	1,766,401	-
Cost of sales	(1,524,620)	-
<b>GROSS PROFIT</b>	<u>241,781</u>	<u>-</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Management charges receivable	(32,641)	-
Salaries, including directors' salaries	221,385	-
Rents and rates	29,503	-
Light and heat	3,050	-
Insurance	1,059	-
Telephone	20,238	-
Postage, stationery and advertising	6,045	-
Entertaining	4,066	-
Repairs and renewals	4,420	-
Motor expenses	16,181	-
Computer services	4,935	-
Trade subscriptions	112	-
Education and training	14,860	-
Bank charges	261	-
Audit fee	2,870	-
Legal and professional	210	-
Recruitment costs	10,364	-
Sundry expenses	3,888	-
Depreciation	21,732	-
	<u>(332,538)</u>	<u>-</u>
<b>OPERATING LOSS</b>	<u>(90,757)</u>	<u>-</u>