



MITIE Property Services (Scotland) Limited
(formerly MITIE Painting & Maintenance Services (North) Limited)

Report and Financial Statements

31 March 1999

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





REPORT AND FINANCIAL STATEMENTS 1999

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
W Robson

SECRETARIES

A F Waters
M O Thomas

REGISTERED OFFICE

Dovehill Farm
180 Riverford Road
Glasgow
G43 2DE

BANKERS

Midland 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 1999.

On 20 April 1998 the company changed its name from MITIE Painting & Maintenance Services (North) Limited to MITIE Property Services (Scotland) 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. 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

With effect from 7 April 1998 the company commenced trading as painting and building maintenance contractors under the name MITIE Property Services (Scotland) Limited. The directors are confident that the company, after a difficult first year, will trade profitably in future years.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £6,079 (1998: profit of £2,695). The directors do not propose the payment of a dividend and recommend that the loss be transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling
W Robson

No director held a beneficial interest in the share capital of the company at the beginning or end of the financial year.

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

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:

| | 31 March 1999 5p Ordinary shares No. | 1 April 1998 10p Ordinary shares No. |
|----------|--|--|
| W Robson | 1,184,020 | 600,000 |

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

On 17 September 1998, each 10p ordinary share in MITIE Group PLC was subdivided into two ordinary shares of 5p each.

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 1999 trade creditors as a proportion of amounts invoiced from suppliers for the year represented 63 (1998: nil) days.

YEAR 2000

The project to cope with the year 2000 technology problem is well under way. An Executive Steering Committee chaired by a Group Managing Director has been established. Its responsibility is to ensure that all operating companies within the group have identified the systems (included embedded chips) with associated business criticality, which require change and have made appropriate plans to ensure that all changes are successfully implemented no later than October 1999.

In addition, systems which are critical to the business but are part of the supplier/customer chain and are outside the direct control of the MITIE Group are also included in the project.

Phase one of this programme has been concluded with all subsidiary companies completing a detailed assessment as to their state of readiness for year 2000. Phase two of this programme has also been completed, which confirms that all key business systems within the group are or have been made compliant well before the target deadline.

Due to the general level of uncertainty inherent with the year 2000 issue it is not possible to be 100% certain that no business interruption will occur. Costs incurred to date have been written off to the profit and loss account and the Board consider that future costs will not have a material impact on the group accounts.

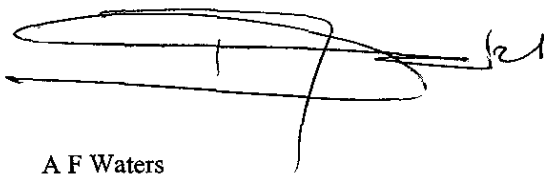


DIRECTORS' REPORT (continued)

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 F Waters
Secretary

12 August 1999



AUDITORS' REPORT TO THE MEMBERS OF

MITIE Property Services (Scotland) Limited (formerly MITIE Painting & Maintenance Services (North) 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. 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 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

16 August 1999

PROFIT AND LOSS ACCOUNT
Year ended 31 March 1999

| | Notes | Continuing operations 1999 £ | 1998 £ |
|---|-------|------------------------------------|-----------|
| TURNOVER | | 1,551,841 | - |
| Cost of sales | | (1,337,596) | 1,141 |
| GROSS PROFIT | | 214,245 | 1,141 |
| Administrative expenses | | (227,112) | 50 |
| OPERATING (LOSS)/PROFIT | 2 | (12,867) | 1,191 |
| Interest receivable | 3 | 170 | 2,212 |
| Interest payable | 3 | (2,882) | - |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (15,579) | 3,403 |
| Tax credit/(charge) on (loss)/profit on ordinary activities | 4 | 9,500 | (708) |
| RETAINED (LOSS)/PROFIT FOR THE YEAR | 11 | (6,079) | 2,695 |

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.


BALANCE SHEET
At 31 March 1999

| | Notes | 1999 | 1998 |
|--|-------|------------------|----------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Tangible assets | 5 | 23,435 | - |
| CURRENT ASSETS | | | |
| Work in progress | 6 | 90,486 | - |
| Debtors | 7 | 562,208 | 57,972 |
| Cash at bank and in hand | | 1,500 | - |
| | | <u>654,194</u> | <u>57,972</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 8 | <u>(599,783)</u> | <u>(1,047)</u> |
| NET CURRENT ASSETS | | 54,411 | 56,925 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 9 | <u>(25,000)</u> | - |
| NET ASSETS | | <u>52,846</u> | <u>56,925</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 10 | 75,000 | 73,000 |
| Profit and loss account | 11 | (22,154) | (16,075) |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 12 | <u>52,846</u> | <u>56,925</u> |

These financial statements were approved by the Board of Directors on 12 August 1999.

Signed on behalf of the Board of Directors

D M Telling
Director


CASH FLOW STATEMENT
31 March 1999

| | Notes | 1999 | | 1998 | |
|---|-------|----------|-----------|----------|----------|
| | | £ | £ | £ | £ |
| Net cash outflow from operating activities | 13 | | (90,771) | | (48,934) |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 170 | | 2,190 | |
| Interest paid | | (1,929) | | - | |
| Interest element of finance lease | | (572) | | - | |
| | | | | | |
| Net cash (outflow)/inflow from returns on investments and servicing of finance | | | (2,331) | | 2,190 |
| Taxation | | | | | |
| Corporation tax paid | | | (715) | | (124) |
| Capital expenditure | | | | | |
| Payments to acquire tangible fixed assets | | (25,677) | | - | |
| Receipts from disposal of tangible fixed assets | | 3,000 | | - | |
| | | | | | |
| | | | (22,677) | | - |
| Cash outflow before management of liquid resources and financing | | | (116,494) | | (46,868) |
| Financing | | | | | |
| Issue of share capital | | 2,000 | | - | |
| Issue of convertible loan stock | | 25,000 | | (27,000) | |
| Capital element of finance lease rental payments | | (6,178) | | - | |
| | | | | | |
| Cash inflow/(outflow) from financing | | | 20,822 | | (27,000) |
| Decrease in cash in the year | 15 | | (95,672) | | (73,868) |

NOTES TO THE ACCOUNTS
Year ended 31 March 1999

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied and contract work completed in the year. All turnover arises within the United Kingdom.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

| | |
|----------------------------|---------------|
| Plant and office equipment | 4 to 10 years |
| Motor vehicles | 4 years |

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the estimated net present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract.

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

Work in progress

Work in progress is stated at the lower of cost (including appropriate overheads) and net realisable value. Provision is made for foreseeable losses.

Deferred taxation

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 defined benefit and money purchase schemes are given in the financial statements of MITIE Group PLC.

NOTES TO THE ACCOUNTS
Year ended 31 March 1999

| | | |
|---|-------------------|-------------------|
| 2. OPERATING (LOSS)/PROFIT is stated after charging: | 1999 | 1998 |
| | £ | £ |
| Depreciation | 10,826 | - |
| Auditors' remuneration - audit services | 1,750 | 500 |
| Profit on disposal of tangible fixed assets | (3,000) | - |
| | <u> </u> | <u> </u> |
| 3. INTEREST | 1999 | 1998 |
| Interest receivable | £ | £ |
| Bank interest | 170 | 2,212 |
| | <u> </u> | <u> </u> |
| Interest payable | £ | £ |
| Bank interest | 2,255 | - |
| Leasing interest | 627 | - |
| | <u> </u> | <u> </u> |
| | 2,882 | - |
| | <u> </u> | <u> </u> |
| 4. TAX CREDIT/(CHARGE) ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES | 1999 | 1998 |
| | £ | £ |
| UK current year taxation | | |
| UK corporation tax (group relief)/charge | (9,500) | 714 |
| Prior years | | |
| Adjustment to prior year tax charge | - | (6) |
| | <u> </u> | <u> </u> |
| | (9,500) | 708 |
| | <u> </u> | <u> </u> |

The tax charge is disproportionate due to the waiver of the inter company balance which is non tax deductible.


NOTES TO THE ACCOUNTS
Year ended 31 March 1999
5. TANGIBLE FIXED ASSETS

| Summary | Plant £ | Office equipment £ | Motor vehicles £ | Total £ |
|-----------------------|------------|--------------------------|------------------------|------------|
| Cost | | | | |
| At 1 April 1998 | - | - | - | - |
| Additions | - | 1,890 | 23,787 | 25,677 |
| Acquisitions | 3,950 | 1,585 | 87,971 | 93,506 |
| Disposals | - | - | (22,784) | (22,784) |
| At 31 March 1999 | 3,950 | 3,475 | 88,974 | 96,399 |
| Depreciation | | | | |
| At 1 April 1998 | - | - | - | - |
| Charge for the year | - | 323 | 10,503 | 10,826 |
| Acquisitions | 3,950 | 1,585 | 79,387 | 84,922 |
| Disposals | - | - | (22,784) | (22,784) |
| At 31 March 1999 | 3,950 | 1,908 | 67,106 | 72,964 |
| Net book value | | | | |
| At 31 March 1999 | - | 1,567 | 21,868 | 23,435 |
| At 31 March 1998 | - | - | - | - |

The net book value of assets held under finance lease is £2,541.

Capital commitments

At 31 March 1999 the directors had authorised capital expenditure of nil (1998: nil).

6. WORK IN PROGRESS

| | 1999 £ | 1998 £ |
|--------------------------|-----------|-----------|
| Work in progress | 148,681 | - |
| Cash received on account | (58,195) | - |
| | 90,486 | - |


NOTES TO THE ACCOUNTS
Year ended 31 March 1999

| | | |
|--|----------------|---------------|
| 7. DEBTORS | 1999 | 1998 |
| | £ | £ |
| Trade debtors | 542,616 | - |
| Amounts owed by parent undertaking and fellow subsidiary undertakings | - | 57,972 |
| Other debtors | 10,092 | - |
| Corporation tax | 9,500 | - |
| | <u>562,208</u> | <u>57,972</u> |
| 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 1999 | 1998 |
| | £ | £ |
| Bank overdraft | 97,172 | - |
| Obligations under finance leases | 2,346 | - |
| Trade creditors | 178,278 | - |
| Amounts owed to parent undertakings and fellow subsidiary undertakings | 246,311 | - |
| Other taxes and social security costs | 68,053 | - |
| Corporation tax | - | 714 |
| Other creditors | 1,141 | - |
| Accruals | 6,482 | 333 |
| | <u>599,783</u> | <u>1,047</u> |
| 9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 1999 | 1998 |
| | £ | £ |
| Convertible redeemable unsecured loan stock 2008 | 25,000 | - |

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 December 2008. If the loan stock is not converted, it will be redeemable at par on 1 January 2009.

The holder has confirmed that the loan stock will not be converted until after March 2000.

NOTES TO THE ACCOUNTS
Year ended 31 March 1999

10. CALLED UP SHARE CAPITAL

| Authorised | 1999 | |
|-------------------------|----------------|----------------|
| | No. | £ |
| £1 'A' ordinary shares | 102,000 | 102,000 |
| £1 'B' ordinary shares | 98,000 | 98,000 |
| | <u>200,000</u> | <u>200,000</u> |
| | | |
| Allotted and fully paid | 1999 | 1998 |
| | £ | £ |
| £1 'A' ordinary shares | 57,000 | 55,000 |
| £1 'B' ordinary shares | 18,000 | 18,000 |
| | <u>75,000</u> | <u>73,000</u> |

The authorised capital was increased during the year from £100,000 to £200,000.

2,000 'A' ordinary shares were issued at par on 5 February 1999, to provide working capital for the company.

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 1998 | (16,075) |
| Retained loss for the year | <u>(6,079)</u> |
| At 31 March 1999 | <u>(22,154)</u> |


NOTES TO THE ACCOUNTS

Year ended 31 March 1999

| | | | | | |
|-----|--|-------------|-------------------------|---------------------|-------------|
| 12. | RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS | 1999 | 1998 | | |
| | | £ | £ | | |
| | (Loss)/profit for the financial year | (6,079) | 2,695 | | |
| | Shares issued | 2,000 | - | | |
| | | <hr/> | <hr/> | | |
| | Net (reduction)/addition to shareholders' funds | (4,079) | 2,695 | | |
| | Opening shareholders' funds | 56,925 | 54,230 | | |
| | | <hr/> | <hr/> | | |
| | Closing shareholders' funds | 52,846 | 56,925 | | |
| | | <hr/> <hr/> | <hr/> <hr/> | | |
| 13. | RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 1999 | 1998 | | |
| | | £ | £ | | |
| | Operating (loss)/profit | (12,867) | 1,191 | | |
| | Depreciation charge | 10,826 | - | | |
| | Profit on disposal of tangible fixed assets | (3,000) | - | | |
| | Increase in work in progress | (90,486) | - | | |
| | Increase in debtors | (494,736) | (40,370) | | |
| | Increase/(decrease) in creditors | 499,492 | (9,755) | | |
| | | <hr/> | <hr/> | | |
| | Net cash outflow from operating activities | (90,771) | (48,934) | | |
| | | <hr/> <hr/> | <hr/> <hr/> | | |
| 14. | ANALYSIS OF CHANGES IN NET FUNDS | | | | |
| | At 1 April 1998 | Cash flows | Other non cash flows | At 31 March 1999 | |
| | £ | £ | £ | £ | |
| | Cash at bank and in hand | - | 1,500 | - | 1,500 |
| | Bank overdraft | - | (97,172) | - | (97,172) |
| | Finance leases | - | - | (2,346) | (2,346) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | - | (95,672) | (2,346) | (98,018) |
| | | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

**15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET DEBT**

| | 1999 £ | 1998 £ |
|---|-----------------|-----------|
| Decrease in cash in the year | (95,672) | (73,868) |
| Cash inflow from decrease in debt and lease financing | 6,178 | 27,000 |
| Change in net debt resulting from cash flows | (89,494) | (46,868) |
| Finance lease acquired | (8,524) | - |
| Movement in net debt in the year | (98,018) | (46,868) |
| Net funds at 1 April | - | 46,868 |
| Net debt at 31 March | (98,018) | - |

16. FINANCIAL COMMITMENTS

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 1999, the overall commitment was nil.

17. DIRECTORS

Mr D M Telling is also a director of MITIE Group PLC and his emoluments and pension details are disclosed in the group accounts. Mr W Robson is paid for his services by MITIE Property Services Limited. It is not practicable to allocate his remuneration between his services as a director of MITIE Property Services (Scotland) Limited and his services as a director of other group companies.

NOTES TO THE ACCOUNTS
Year ended 31 March 1999

18. EMPLOYEES

Number of employees

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

| | 1999 | 1998 |
|-------------------------------|------------------|-------------|
| | No. | No. |
| Site labour | 67 | - |
| Administration and management | 6 | - |
| | <u>73</u> | <u>-</u> |
| Employment costs | £ | £ |
| Wages and salaries | 965,036 | - |
| Social security costs | 71,544 | - |
| Other pension costs | 4,390 | - |
| | <u>1,040,970</u> | <u>-</u> |

19. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 76% shareholder of MITIE Property Services (Scotland) Limited.

Management charges of £32,000 were paid to MITIE Group PLC. Management charges of £16,075 were waived by MITIE Group PLC.

20. PARENT UNDERTAKING

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.