

MITIE MCCARTNEY FIRE PROTECTION LIMITED

Report and Financial Statements

31 March 2003



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REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
W Robson
C W Aitken
B J Boucher-Myers
S Holmes
C S Spruce
I R Stewart

SECRETARY

C K Ross

REGISTERED OFFICE

35 Duchess Road
Rutherglen
Glasgow
G73 1AU

BANKERS

The Royal Bank of Scotland
Glasgow City Branch
10 Gordon Street
Glasgow
G1 3PL

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 during the year was the provision of passive fire protection throughout the United Kingdom.

The company has had a difficult year but having undergone a strategic review, business has developed satisfactorily and 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 £51,971 (2002: profit of £310,555). The directors recommend that this amount be transferred from reserves. The directors do not recommend the payment of a dividend (2002: nil).

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling
W Robson
C W Aitken
B J Boucher-Myers
S Holmes
C S Spruce
I R Stewart
W A Clark (resigned 24 July 2002)

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

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

	At 31 March 2003 £1 Ordinary shares No.	At 1 April 2002 £1 Ordinary shares No.
C W Aitken	15,768	13,244
B J Boucher-Myers	1,636	1,325
S Holmes	3,152	2,647
C S Spruce	2,648	2,647

No other director had any interest in the share capital of the company or any other group company, except as disclosed below.

Messrs D M Telling, I R Stewart and W Robson are directors of MITIE Group PLC, the parent undertaking, and their interest 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 were as follows:

	At 31 March 2003 2.5p Ordinary shares No.	At 1 April 2002 2.5p Ordinary shares No.
C W Aitken	200,250	200,250
B J Boucher-Myers	56,016	64,016
S Holmes	123,734	123,734

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 year, represented 41 days (2002: 61 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.

DIRECTORS' REPORT (continued)

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

A handwritten signature in black ink, appearing to be 'C K Ross', with a horizontal line underneath the letters.

C K Ross
Secretary

2 July 2003

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MITIE MCCARTNEY FIRE PROTECTION LIMITED**

We have audited the financial statements of MITIE McCartney Fire Protection 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 19. 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 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
Bristol

4 July 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

	Notes	Continuing operations 2003 £	2002 £
TURNOVER	1	5,299,208	6,351,931
Cost of sales		(3,754,973)	(4,349,851)
GROSS PROFIT		1,544,235	2,002,080
Administrative expenses		(1,654,610)	(1,617,556)
Other operating income		37,508	49,900
OPERATING (LOSS)/PROFIT	2	(72,867)	434,424
Interest receivable	3	10,376	17,797
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(62,491)	452,221
Tax credit/(charge) on (loss)/profit on ordinary activities	4	10,520	(141,666)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	10	(51,971)	310,555

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 provided.

BALANCE SHEET
At 31 March 2003

	Notes	£	2003 £	£	2002 £
FIXED ASSETS					
Tangible assets	5		281,211		330,027
CURRENT ASSETS					
Stock	6	1,505,543		1,266,297	
Debtors	7	439,843		770,982	
Cash at bank and in hand		158,507		521,483	
			2,103,893	2,558,762	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(721,050)		(1,172,764)	
NET CURRENT ASSETS			1,382,843		1,385,998
NET ASSETS			1,664,054		1,716,025
SHARE CAPITAL AND RESERVES					
Called up share capital	9		83,598		82,770
Profit and loss account	10		1,580,456		1,633,255
TOTAL SHAREHOLDERS' FUNDS	10		1,664,054		1,716,025
Shareholders' funds are represented by:					
Attributable to equity shareholders			1,581,284		1,716,025
Attributable to non-equity shareholders			82,770		-
			1,664,054		1,716,025

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

Signed on behalf of the Board of Directors


W Robson
Director

CASH FLOW STATEMENT
Year ended 31 March 2003

	Notes	2003		2002	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	11		(233,513)		234,569
Returns on investments and servicing of finance					
Interest received			19,493		13,644
Taxation					
UK corporation tax paid			(97,124)		(140,267)
Capital expenditure					
Payments to acquire tangible fixed assets		(61,378)		(129,282)	
Receipts from disposal of tangible fixed assets		9,546		-	
Net cash outflow from capital expenditure			(51,832)		(129,282)
Decrease in cash in the year	13		(362,976)		(21,336)

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. Turnover arises from the principal activity in 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:

Freehold property	25 years
Plant, office equipment and furniture	3 to 10 years
Plant and equipment	3 to 10 years
Motor vehicles	4 years

Operating leases

Rentals paid under 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

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 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 (LOSS)/PROFIT is stated after charging:	2003 £	2002 £
Depreciation	100,648	88,750
Auditors' remuneration	3,000	2,500
Operating lease rentals - motor vehicles	24,409	52,313
	<u>128,057</u>	<u>143,563</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

3. INTEREST RECEIVABLE	2003 £	2002 £
Bank interest	10,007	17,315
Other interest	369	482
	<u>10,376</u>	<u>17,797</u>

4. TAX CREDIT/(CHARGE) ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	2003 £	2002 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2002: 30%)	(2,947)	146,384
Adjustment in respect of prior years	-	60
Total current tax (note 4(b))	<u>(2,947)</u>	<u>146,444</u>
Deferred taxation:		
Timing differences - origination and reversal	(7,573)	(3,776)
Adjustment in respect of prior years	-	(1,002)
Tax credit/(charge) on (loss)/profit on ordinary activities	<u>(10,520)</u>	<u>141,666</u>

(b) Factors affecting tax credit 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:

	£	£
(Loss)/profit on ordinary activities before tax	<u>(62,491)</u>	<u>452,221</u>
	£	£
Tax at 30% thereon	(18,747)	135,666
Expenses not deductible for tax purposes	7,958	5,022
Capital allowances in excess of depreciation	7,573	3,776
Movement in short-term timing differences	269	1,920
Prior period adjustments	-	60
Current tax (credit)/charge for the year (note 4(a))	<u>(2,947)</u>	<u>146,444</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. TANGIBLE FIXED ASSETS

Summary	Freehold property £	Office equipment and furniture £	Plant and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2002	160,000	217,482	170,670	176,345	724,497
Additions	-	11,009	-	41,587	52,596
Transfers in	-	-	-	13,174	13,174
Transfers out	-	-	-	(15,273)	(15,273)
At 31 March 2003	160,000	228,491	170,670	215,833	774,994
Depreciation					
At 1 April 2002	51,200	188,824	104,846	49,600	394,470
Charge for the year	6,400	16,042	25,634	52,572	100,648
Transfers in	-	-	-	4,392	4,392
Transfers out	-	-	-	(5,727)	(5,727)
At 31 March 2003	57,600	204,866	130,480	100,837	493,783
Net book value					
At 31 March 2003	102,400	23,625	40,190	114,996	281,211
At 31 March 2002	108,800	28,658	65,824	126,745	330,027

Capital commitments

At 31 March 2003 the directors had authorised capital expenditure of nil (2002: nil).

6. STOCK	2003 £	2002 £
Work in progress	1,505,543	1,266,297

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

7. DEBTORS	2003 £	2002 £
Trade debtors	363,186	713,134
Amounts owed by group undertakings	4,314	13,545
Prepayments and accrued income	24,618	23,076
Other debtors	24,927	16,449
Deferred tax asset	12,351	4,778
Corporation tax	10,447	-
	<u>439,843</u>	<u>770,982</u>

A deferred tax asset of £12,351 has been recognised at 31 March 2003 (2002: £4,778). This asset relates to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited to the profit and loss account in the year was £7,573 (2002: £4,778).

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2003 £	2002 £
Trade creditors	435,373	743,017
Amounts owed to group undertakings	315	3,621
Corporation tax	-	89,624
Other taxes and social security costs	263,424	313,179
Other creditors	1,786	1,109
Accruals and deferred income	20,152	22,214
	<u>721,050</u>	<u>1,172,764</u>

9. CALLED UP SHARE CAPITAL	2003 £	2002 £
Authorised		
150,000 £1 Deferred shares (2002: nil)	150,000	-
Nil £1 Ordinary shares (2002: 150,000 shares)	-	150,000
150,000 1p Ordinary shares (2002: nil)	1,500	-
	<u>151,500</u>	<u>150,000</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

9. CALLED UP SHARE CAPITAL (continued)	2003 £	2002 £
Allotted and fully paid		
82,770 £1 Deferred shares (2002: nil)	82,770	-
Nil £1 Ordinary shares (2002: 82,770 shares)	-	82,770
82,800 1p Ordinary shares (2002: nil)	828	-
	<u>83,598</u>	<u>82,770</u>

On 12 September 2002 the following transactions took place:

- the authorised share capital of MITIE McCartney Fire Protection Limited was increased by the creation of 150,000 1p ordinary shares;
- 82,770 of the 1p ordinary shares were issued as a bonus issue where one new 1p ordinary share was issued for each £1 ordinary share held; and
- all of the £1 ordinary shares were converted into deferred shares of £1 each.

The deferred shares carry no rights except on a return of capital, where after payment of all company's liabilities, the holders of the deferred shares would be entitled to the par value (together with any premium paid on subscription).

10. **COMBINED STATEMENT OF MOVEMENTS ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share capital £	Profit and loss account £	2003 Total £	2002 Total £
At 1 April 2002	82,770	1,633,255	1,716,025	1,405,470
Retained (loss)/profit for the year	-	(51,971)	(51,971)	310,555
Issue of bonus shares	828	(828)	-	-
At 31 March 2003	<u>83,598</u>	<u>1,580,456</u>	<u>1,664,054</u>	<u>1,716,025</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

11. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH
(OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating (loss)/profit	(72,867)	434,424
Depreciation charges	100,648	88,750
Increase in work in progress	(239,246)	(278,282)
Decrease/(increase) in debtors	340,042	(264,692)
(Decrease)/increase in creditors	(362,090)	254,369
Net cash (outflow)/inflow from operating activities	(233,513)	234,569

12. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2002 £	Cash flow £	At 31 March 2003 £
Cash at bank and in hand	521,483	(362,976)	158,507

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

	2003 £	2002 £
Decrease in cash in the year	(362,976)	(21,336)
Net funds at beginning of year	521,483	542,819
Net funds at end of year	158,507	521,483

14. 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 2003, the overall commitment was nil (2002: nil).

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

15. DIRECTORS

	2003 £	2002 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>279,553</u>	<u>380,999</u>
Fees and emoluments above (excluding pension contributions) include amounts paid to:	£	£
Highest paid director	<u>75,534</u>	<u>86,615</u>

The accrued pension of the highest paid director at 31 March 2003 was £2,060 (2002: £1,000).

	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>3</u>	<u>3</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. Mr W Robson is remunerated by MITIE Property Services Limited. It is not practicable to allocate their remuneration between their services as directors of MITIE McCartney Fire Protection Limited and their services as directors of other group companies.

16. EMPLOYEES

Number of employees

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

	2003 No.	2002 No.
Site labour	69	60
Administration and management	<u>24</u>	<u>24</u>
	<u>93</u>	<u>84</u>
Employment costs (including directors)	£	£
Wages and salaries	2,631,292	2,476,617
Social security costs	246,679	242,803
Other pension costs	<u>47,219</u>	<u>30,979</u>
	<u>2,925,190</u>	<u>2,750,399</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**17. RELATED PARTY TRANSACTIONS**

MITIE Group PLC is a 71.96% shareholder of MITIE McCartney Fire Protection Limited.

During the year KBS Fire Protection Systems Limited provided services to the value of £145,613 (2002: £160,707) of which nil (2002: nil) is included in creditors at the year end.

During the year MITIE Generation Limited provided services to the value of £29,454 (2002: £27,097) of which £1,876 (2002: £3,621) is included in accruals at the year end.

During the year MITIE Powered Access Limited provided services to the value of nil (2002: £10,965) of which nil (2002: nil) is included in creditors at the year end.

During the year MITIE Olscot Limited provided services to the value of £4,767 (2002: £4,122) of which nil (2002: £359) is included in creditors at the year end.

During the year MITIE Engineering Services (South East) Limited provided services to the value of nil (2002: £216) of which nil (2002: nil) is included in creditors at the year end.

During the year MITIE McCartney Fire Protection Limited provided services to KBS Fire Protection Systems Limited of £96,908 (2002: £44,578) of which nil (2002: nil) is included in debtors at the year end.

During the year MITIE McCartney Fire Protection Limited provided services to MITIE Engineering Services (South East) Limited and MITIE Property Services (Southern) Limited of £3,927 (2002: £444) and £2,645 (2002: nil) respectively, both nil balance in debtors at the year end.

During the year MITIE Property Services (Scotland) Limited provided services to the value of £23,625 (2002: £35,340) of which £4,314 (2002: £13,101) is included in creditors at the year end.

During the year management charges of £126,000 (2002: £106,500), £9,250 (2002: nil) and £7,734 (2002: £6,359) were paid to MITIE Group PLC, MITIE Property Services (London) Limited and MITIE Property Services (Scotland) Limited respectively. Management charges of £25,000 (2002: £36,000) were received from KBS Fire Protection Systems Limited during the year.

During the year MITIE Air Conditioning (London) Limited provided services to the value of £3,000 (2002: nil) of which nil (2002: nil) is included in creditors at the year end.

During the year MITIE Business Services Limited provided services to the value of £172 (2002: nil) of which nil (2002: nil) is included in creditors at the year end.

During the year MITIE Property Service (London) Limited provided services to the value of £10,507 (2002: nil) of which nil (2002: nil) is included in creditors at the year end.

NOTES TO THE ACCOUNTS**Year ended 31 March 2003****18. 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.

19. 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.