

**MITIE ENGINEERING SERVICES LIMITED**

**Report and Financial Statements**

**31 March 2003**



**REPORT AND FINANCIAL STATEMENTS 2003**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D M Telling  
C S Acheson  
G Allen  
D Freeman  
K McEntaggart  
I R Stewart  
M A Tivey  
D J Underwood  
A T White

**SECRETARY**

C K Ross

**REGISTERED OFFICE**

The Stable Block  
Barley Wood  
Wrighton  
Bristol  
BS40 5SA

**BANKERS**

HSBC Bank plc  
49 Corn Street  
Bristol  
BS99 7PP

**AUDITORS**

Deloitte & Touche  
Bristol

**DIRECTORS' REPORT**

The directors present their annual report and financial statements for the financial 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 is the provision of administrative services to other group undertakings.

The company's 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 £1,176 (2002: profit of £180,395). The directors do not propose the payment of a dividend (2002: nil) and recommend that £1,176 be transferred from reserves (2002: £180,395 transferred to reserves).

**DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

D M Telling  
C S Acheson  
G Allen  
D Freeman  
K McEntaggart  
I R Stewart  
M A Tivey  
D J Underwood  
A T White (appointed 10 April 2003)  
B R Edwards (resigned 8 May 2003)

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

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

Messrs D M Telling, C S Acheson and I R Stewart are directors of MITIE Group PLC, the parent undertaking, and their interests in and options on 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:

	At 31 March 2003 2.5p Ordinary shares No.	At 1 April 2002 2.5p Ordinary shares No.
G Allen	365,030	615,030
B R Edwards	406,325	453,800
D Freeman	1,661,336	1,659,280
M A Tivey	523,362	598,362
D J Underwood	34,292	28,404

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

**Share Options**

	At 1 April 2002	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2003
K McEntaggart (i)	-	2,389	£1.10	2007	-	-	-	2,389
(ii)	-	24,000	£1.17	2005	2012	-	-	24,000
D J Underwood (i)	5,888	-	-	-	-	5,888	£0.515	-
(ii)	-	2,389	£1.10	2007	-	-	-	2,389

(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.

**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 34 days (2002: 25 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.

**C K Ross**  
Secretary

2 July 2003

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MITIE ENGINEERING SERVICES LIMITED**

We have audited the financial statements of MITIE Engineering Services 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 21. 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.

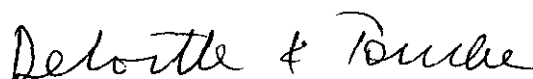
**Basis of audit opinion**

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

3 July 20003

**PROFIT AND LOSS ACCOUNT**  
Year ended 31 March 2003

	Notes	Continuing operations	
		2003	2002
		£	£
<b>TURNOVER</b>	1	3,405,312	3,055,379
Cost of sales		(3,402,403)	(2,809,158)
<b>OPERATING PROFIT</b>	2	2,909	246,221
Interest receivable	3	6,521	7,899
Interest payable	3	-	(2,121)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		9,430	251,999
Tax on profit on ordinary activities	4	(10,606)	(71,604)
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	10	(1,176)	180,395

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 separate statement of total recognised gains and losses is presented.

**BALANCE SHEET**  
At 31 March 2003

	Notes	2003		2002	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	5		258,805		229,218
<b>CURRENT ASSETS</b>					
Debtors	6	708,592		587,113	
Cash at bank and in hand		81,299		349,872	
		789,891		936,985	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	7	(463,033)		(580,201)	
<b>NET CURRENT ASSETS</b>			326,858		356,784
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	8		(837)		-
<b>NET ASSETS</b>			584,826		586,002
<b>CAPITAL AND RESERVES</b>					
Called up share capital	9		277,722		277,722
Profit and loss account	10		307,104		308,280
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	11		584,826		586,002

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

Signed on behalf of the Board of Directors



**C S Acheson**  
Director

**CASH FLOW STATEMENT**  
**Year ended 31 March 2003**

	Notes	2003		2002	
		£	£	£	£
<b>Net cash (outflow)/inflow from operating activities</b>	12		(101,048)		144,194
<b>Returns on investments and servicing of finance</b>					
Interest received		5,974		9,642	
Interest paid		-		(2,121)	
		<u>5,974</u>		<u>7,521</u>	
<b>Net cash inflow on returns on investments and servicing of finance</b>			5,974		7,521
<b>Taxation</b>					
UK corporation tax paid			(77,783)		-
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(156,313)		(260,890)	
Receipts from disposal of tangible fixed assets		60,597		43,491	
		<u>60,597</u>		<u>43,491</u>	
<b>Net cash outflow from capital expenditure</b>			(95,716)		(217,399)
<b>Acquisition and disposals</b>					
Cash acquired from group undertaking	13		-		415,556
			<u>-</u>		<u>415,556</u>
<b>(Decrease)/increase in cash in the year</b>	15		<u>(268,573)</u>		<u>349,872</u>

**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.

**Acquisitions**

On the acquisition of a business fair values are attributed to the company's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill.

**Turnover**

Turnover represents the total, excluding sales taxes, receivable in respect of administrative services supplied in the year. All turnover arises within the United Kingdom, from the company's principal activity.

**Tangible fixed assets and depreciation**

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

Office equipment	3 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.

**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 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 2003

<b>2. OPERATING PROFIT is stated after charging/(crediting):</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Depreciation on owned assets	65,619	76,181
Auditors' remuneration - audit services	2,500	2,500
Profit on disposal of tangible fixed assets	(701)	(9,488)
	<u>          </u>	<u>          </u>
<b>3. INTEREST</b>	<b>2003</b>	<b>2002</b>
<b>Interest receivable</b>	<b>£</b>	<b>£</b>
Bank interest	6,521	7,899
	<u>          </u>	<u>          </u>
<b>Interest payable</b>	<b>£</b>	<b>£</b>
Bank interest	-	2,121
	<u>          </u>	<u>          </u>
<b>4. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2003</b>	<b>2002</b>
<b>(a) Analysis of charge in year</b>	<b>£</b>	<b>£</b>
United Kingdom corporation tax at 30% (2002: 30%)	2,528	77,783
Adjustment in respect of prior years	1,062	-
	<u>          </u>	<u>          </u>
<b>Total current tax (note 4(b))</b>	<b>3,590</b>	<b>77,783</b>
Deferred taxation:		
Timing differences - origination and reversal	5,271	(6,179)
Adjustment in respect of prior years	1,745	-
	<u>          </u>	<u>          </u>
<b>Tax on profit on ordinary activities</b>	<b>10,606</b>	<b>71,604</b>
	<u>          </u>	<u>          </u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003****4. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)****(b) Factors affecting tax charge 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:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	9,430	251,999
	<u>£</u>	<u>£</u>
Tax at 30% thereon	2,829	75,600
Expenses not deductible for tax purposes	4,970	5,274
Capital allowances in excess of depreciation	(5,061)	(245)
Profit on disposal of fixed assets	(210)	(2,846)
Prior period adjustments	1,062	-
<b>Current tax charge for the year (note 4(a))</b>	<u><b>3,590</b></u>	<u><b>77,783</b></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	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>			
At 1 April 2002	58,425	276,998	335,423
Additions	108,007	33,481	141,488
Disposals	-	(43,869)	(43,869)
Transfers in	1,918	31,841	33,759
Transfers out	(1,267)	(55,873)	(57,140)
At 31 March 2003	167,083	242,578	409,661
<b>Depreciation</b>			
At 1 April 2002	20,248	85,957	106,205
Charge for the year	11,570	54,049	65,619
Disposals	-	(20,970)	(20,970)
Transfers in	1,172	18,973	20,145
Transfers out	(21)	(20,122)	(20,143)
At 31 March 2003	32,969	117,887	150,856
<b>Net book value</b>			
<b>At 31 March 2003</b>	<u>134,114</u>	<u>124,691</u>	<u>258,805</u>
At 31 March 2002	<u>38,177</u>	<u>191,041</u>	<u>229,218</u>

£95,201 of office equipment additions represent assets under development which are not being depreciated.

**Capital commitments**

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

6. DEBTORS	2003 £	2002 £
Amounts owed by group undertakings	674,834	565,434
Other debtors and prepayments	33,758	15,500
Deferred tax asset	-	6,179
	<u>708,592</u>	<u>587,113</u>

A deferred tax asset of nil has been recognised at 31 March 2003 (2002: £6,179). This asset related to negative accelerated capital allowances.

NOTES TO THE ACCOUNTS  
Year ended 31 March 2003

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2003 £	2002 £
Trade creditors	280,201	53,539
Amounts owed to group undertakings	94,417	103,459
Corporation tax	3,590	77,783
Other taxes and social security costs	80,078	118,531
Other creditors	110	33,824
Accruals and deferred income	4,637	193,065
	<u>463,033</u>	<u>580,201</u>

## 8. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
At 1 April 2002 - asset	(6,179)
Profit and loss account	<u>7,016</u>
At 31 March 2003	<u>837</u>

The amounts of deferred tax provided in the financial statements represent:

	2003 £	2002 £
Capital allowances in excess of/(less than) depreciation	<u>837</u>	<u>(6,179)</u>

There are no amounts of unprovided deferred taxation liabilities at either period end.

9. CALLED UP SHARE CAPITAL	2003 £	2002 £
Authorised		
500,000 £1 Ordinary shares	<u>500,000</u>	<u>500,000</u>
	£	£
Allotted and fully paid		
277,722 £1 Ordinary shares	<u>277,722</u>	<u>277,722</u>

NOTES TO THE ACCOUNTS  
Year ended 31 March 2003

## 10. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2002	308,280
Retained loss for the financial year	(1,176)
<b>At 31 March 2003</b>	<b>307,104</b>

## 11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
(Loss)/profit for the financial year	(1,176)	180,395
Opening shareholders' funds	586,002	405,607
<b>Closing shareholders' funds</b>	<b>584,826</b>	<b>586,002</b>

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

	2003 £	2002 £
Operating profit	2,909	246,221
Depreciation charges	65,619	76,181
Profit on disposal of tangible fixed assets	(701)	(9,488)
(Increase)/decrease in debtors	(127,111)	337,982
Decrease in creditors	(41,764)	(506,702)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(101,048)</b>	<b>144,194</b>

## 13. PURCHASES OF TRADE AND ASSETS FROM GROUP UNDERTAKING

	2003 £	2002 £
<b>Net assets acquired</b>		
Fixed assets	-	77,301
Debtors	-	515,052
Creditors	-	(1,007,909)
Cash	-	415,556
<b>Net cash effect</b>	<b>-</b>	<b>-</b>

On 1 April 2001 the company acquired trade and assets from MITIE Group PLC at net book value.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003****14. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 April 2002 £	Cash flow £	At 31 March 2003 £
Cash at bank and in hand	349,872	(268,573)	81,299

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

	2003 £	2002 £
(Decrease)/increase in cash in the year	(268,573)	349,872
Net funds at beginning of year	349,872	-
Net funds at end of year	81,299	349,872

**16. FINANCIAL COMMITMENTS****Operating leases**

At 31 March 2003 the company had no annual commitments under non-cancellable operating leases (2002: 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 2003, the overall commitment was nil (2002: nil).

**17. DIRECTORS**

	2003 £	2002 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	723,495	682,379
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest paid director	163,160	135,676

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

<b>17. DIRECTORS (continued)</b>	<b>2003 No.</b>	<b>2002 No.</b>
The number of directors who were members of:		
- a defined benefit pension scheme	4	6
- a defined contribution pension scheme	1	1
	<u>          </u>	<u>          </u>
	<b>£</b>	<b>£</b>
Contributions paid to defined contribution pension scheme - all in respect of the highest paid director	7,610	7,610
	<u>          </u>	<u>          </u>

Messrs D M Telling, C S Acheson and I R Stewart are directors of MITIE Group PLC and their salaries and pension details are disclosed in the group accounts. B R Edwards is a director of MES Cardiff and his salary and pension details are disclosed in that company's accounts.

One of the directors exercised options in the shares of the ultimate group company, MITIE Group PLC, during the year (2002: one director).

**18. EMPLOYEES****Number of employees**

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

	<b>2003 No.</b>	<b>2002 No.</b>
Administration and management	20	19
	<u>          </u>	<u>          </u>
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	1,185,268	909,724
Social security costs	135,079	115,621
Other pension costs	78,735	66,468
	<u>          </u>	<u>          </u>
	<u>1,399,082</u>	<u>1,091,813</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2003**

**19. RELATED PARTY TRANSACTIONS**

As a wholly owned subsidiary of MITIE Group PLC, MITIE Engineering Services Limited, has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

**20. 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.

**21. 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.