

MITIE ENGINEERING SERVICES (NORTH) LIMITED

Report and Financial Statements

31 March 2001



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

REPORT AND FINANCIAL STATEMENTS 2001

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
C S Acheson
G Allen
C J Williams
D A Wilson

SECRETARIES

A F Waters
M O Thomas (resigned 4 May 2000)
C K Ross (appointed 4 May 2000)

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
Bristol
BS40 5SA

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

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

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2001.

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 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 installation of electrical and mechanical services in commercial and industrial premises.

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 profit for the year after taxation amounted to £401,485 (2000: £849,413). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed 'A' ordinary shares £9.26 per share	875,700
- Final proposed 'B' ordinary shares £9.26 per share	514,300
Transfer from reserves	(988,515)
	<hr/>
	401,485
	<hr/>

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling
C S Acheson
G Allen
C J Williams
D A Wilson
M A Tivey (resigned 27 March 2001)

The beneficial 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 2001 £1 'B' ordinary shares No.	At 1 April 2000 £1 'B' ordinary shares No.
G Allen	-	9,000
C J Williams	-	750
D A Wilson	-	8,500

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

Mr D M Telling is a director of MITIE Group PLC, the parent undertaking, and his interests in the share capital of that company are shown in the financial statements of MITIE Group PLC.

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

	At 31 March 2001 5p Ordinary shares No.	At 1 April 2000 5p Ordinary shares No.
C S Acheson	714,750	814,750
G Allen	312,515	180,914
C J Williams	97,576	53,029
D A Wilson	302,281	178,614

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

Share Options

		At 1 April 2000	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2001
C J Williams	(i)	27,380	-	-	2001	-	-	-	27,380
	(ii)	25,000	-	-	1999	2003	25,000	£0.63	-

- (i) Options under the Savings Related Option Scheme
(ii) Options under the Executive Share Option Scheme

Further details of the MITIE Group PLC Share Schemes are given in the accounts of that company.

DIRECTORS' REPORT (continued)

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2001 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 88 (2000: 58) 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.

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 read 'C K Ross', with a stylized flourish at the end.

C K Ross
Secretary

20 August 2001

**AUDITORS' REPORT TO THE MEMBERS OF
MITIE ENGINEERING 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, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

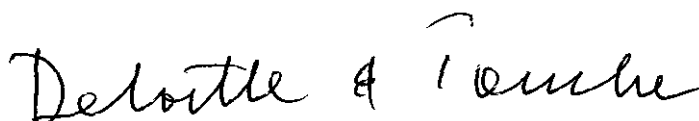
Basis of opinion

We conducted our audit in accordance with 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

20 August 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2001

	Notes	Continuing operations	
		2001	2000
		£	£
TURNOVER	1	5,817,554	10,862,861
Cost of sales		(4,266,744)	(8,597,075)
GROSS PROFIT		1,550,810	2,265,786
Administrative expenses		(1,070,024)	(1,157,871)
OPERATING PROFIT	2	480,786	1,107,915
Interest receivable	3	105,588	112,176
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		586,374	1,220,091
Tax on profit on ordinary activities	4	(184,889)	(370,678)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		401,485	849,413
Transfer from/(to) reserves	11	988,515	(831,413)
Dividends	5	(1,390,000)	(18,000)

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 2001

	Notes	2001	2000
		£	£
FIXED ASSETS			
Tangible assets	6	121,029	162,948
CURRENT ASSETS			
Work in progress	7	504,957	484,867
Debtors	8	1,263,649	1,317,379
Cash at bank and in hand		2,390,895	1,954,325
		4,159,501	3,756,571
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(3,342,964)	(1,993,438)
NET CURRENT ASSETS		816,537	1,763,133
NET ASSETS		937,566	1,926,081
CAPITAL AND RESERVES			
Called up share capital	10	150,000	150,000
Profit and loss account	11	787,566	1,776,081
TOTAL EQUITY SHAREHOLDERS' FUNDS	12	937,566	1,926,081

These financial statements were approved by the Board of Directors on 20 August 2001.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT

Year ended 31 March 2001

	Notes	£	2001 £	£	2000 £
Net cash inflow from operating activities	13		755,577		468,292
Returns on investments and servicing of finance					
Interest received			105,388		109,189
Taxation					
UK corporation tax paid			(371,718)		(214,746)
Capital expenditure					
Payments to acquire tangible fixed assets		(35,877)		(98,364)	
Receipts from disposal of tangible fixed assets		1,200		16,575	
Net cash outflow from capital expenditure			(34,677)		(81,789)
Equity dividends paid			(18,000)		(18,000)
Increase in cash in the year	15		<u>436,570</u>		<u>262,946</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001**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, 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:

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 schemes are given in the financial statements of MITIE Group PLC.

NOTES TO THE ACCOUNTS**Year ended 31 March 2001**

2. OPERATING PROFIT is stated after charging/(crediting):	2001	2000
	£	£
Depreciation	66,118	60,766
Operating lease rentals - land and buildings	33,173	28,424
Auditors' remuneration - audit services	2,500	2,500
Profit on disposal of fixed assets	20	(9,209)
	<u> </u>	<u> </u>
3. INTEREST RECEIVABLE	2001	2000
	£	£
Bank interest	105,588	112,176
	<u> </u>	<u> </u>
4. TAX ON PROFIT ON ORDINARY ACTIVITIES	2001	2000
	£	£
UK current year taxation		
UK corporation tax at 30% (2000: 30%)	184,972	370,900
Prior years		
UK corporation tax	(83)	(222)
	<u> </u>	<u> </u>
	184,889	370,678
	<u> </u>	<u> </u>
5. DIVIDENDS	2001	2000
	£	£
Final proposed:		
'A' ordinary shares of £9.26 (2000: £0.12) per share	875,700	11,340
'B' ordinary shares of £9.26 (2000: £0.12) per share	514,300	6,660
	<u> </u>	<u> </u>
	1,390,000	18,000
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

6. TANGIBLE FIXED ASSETS

Summary	Plant £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2000	5,496	61,849	227,853	295,198
Additions	-	12,390	23,487	35,877
Transfers out	-	-	(21,049)	(21,049)
Disposals	-	(18,189)	(8,425)	(26,614)
At 31 March 2001	5,496	56,050	221,866	283,412
Depreciation				
At 1 April 2000	5,403	42,019	84,828	132,250
Charge for the year	93	6,612	59,413	66,118
Transfers out	-	-	(18,856)	(18,856)
Disposals	-	(8,704)	(8,425)	(17,129)
At 31 March 2001	5,496	39,927	116,960	162,383
Net book value				
At 31 March 2001	-	16,123	104,906	121,029
At 31 March 2000	93	19,830	143,025	162,948

Capital commitments

At 31 March 2001 the directors had authorised capital expenditure of nil (2000: nil).

7. WORK IN PROGRESS

	2001 £	2000 £
Work in progress	1,823,652	783,349
Cash received on account	(1,318,695)	(298,482)
	504,957	484,867

8. DEBTORS

	2001 £	2000 £
Trade debtors	330,380	829,129
Amounts owed by group undertakings	907,538	472,638
Other debtors	16,369	8,647
Prepayments and accrued income	9,362	6,965
	1,263,649	1,317,379

NOTES TO THE ACCOUNTS**Year ended 31 March 2001**

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2001	2000
	£	£
Payments on account	1,490	19,466
Trade creditors	1,590,353	1,475,098
Amounts owed to group undertakings	63,274	78,222
Corporation tax	125,571	312,400
Other taxes and social security costs	157,071	56,177
Other creditors	6,950	6,950
Accruals and deferred income	8,255	27,125
Proposed dividend	1,390,000	18,000
	<u>3,342,964</u>	<u>1,993,438</u>

10. CALLED UP SHARE CAPITAL

	2001 and 2000	
	No.	£
Authorised		
£1 'A' ordinary shares	94,500	94,500
£1 'B' ordinary shares	55,500	55,500
	<u>150,000</u>	<u>150,000</u>
	No.	£
Allotted and fully paid		
£1 'A' ordinary shares	94,500	94,500
£1 'B' ordinary shares	55,500	55,500
	<u>150,000</u>	<u>150,000</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 2001****11. PROFIT AND LOSS ACCOUNT**

	£
At 1 April 2000	1,776,081
Retained loss for the year	(988,515)
At 31 March 2001	<u>787,566</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	401,485	849,413
Proposed dividend	(1,390,000)	(18,000)
Net (reduction)/addition to shareholders' funds	(988,515)	831,413
Opening shareholders' funds	1,926,081	1,094,668
Closing shareholders' funds	<u>937,566</u>	<u>1,926,081</u>

13. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating profit	480,786	1,107,915
Depreciation charges	66,118	60,766
Loss/(profit) on disposal of tangible fixed assets	20	(9,209)
(Increase)/decrease in work in progress	(20,090)	42,966
Decrease/(increase) in debtors	64,388	(456,209)
Increase/(decrease) in creditors	164,355	(277,937)
Net cash inflow from operating activities	<u>755,577</u>	<u>468,292</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

14. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2000 £	Cash flows £	At 31 March 2001 £
Cash at bank and in hand	<u>1,954,325</u>	<u>436,570</u>	<u>2,390,895</u>

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

	2001 £	2000 £
Increase in cash in the year	436,570	262,946
Net funds at beginning of year	<u>1,954,325</u>	<u>1,691,379</u>
Net funds at end of year	<u>2,390,895</u>	<u>1,954,325</u>

16. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2001 the company had annual commitments under non-cancellable operating leases as follows:

Land and buildings	2001 £	2000 £
Expiry date - two to five years	<u>33,420</u>	<u>33,420</u>

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 2001, the overall commitment was nil (2000: nil).

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****17. DIRECTORS**

	2001	2000
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>230,715</u>	<u>289,317</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
Emoluments of the highest paid director	<u>86,354</u>	<u>99,489</u>

Messrs C S Acheson and C J Williams are remunerated by MITIE Group PLC for their services to the group as a whole. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Services (North) Limited and their services as directors of other group companies.

	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>4</u>	<u>4</u>

The accrued pension of the highest paid director at 31 March 2001 was £7,500 (2000: £4,167).

Mr D M Telling is a director of MITIE Group PLC and his emoluments and pension details are disclosed in the group accounts.

One of the directors exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the year (2000: nil).

18. EMPLOYEES**Number of employees**

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

	2001	2000
	No.	No.
Administration and management	<u>24</u>	<u>23</u>
Employment costs	£	£
Wages and salaries	680,619	680,381
Social security costs	81,072	79,390
Other pension costs	42,807	36,423
	<u>804,498</u>	<u>796,194</u>

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****19. RELATED PARTY TRANSACTIONS**

MITIE Group PLC was a 80.8% shareholder of MITIE Engineering Services (North) Limited at 1 April 2000. During the year, MITIE Group PLC acquired the remaining shares of MITIE Engineering Services (North) Limited so that it is now a wholly owned subsidiary.

MITIE Engineering Services (North) Limited paid management charges of £183,840 (2000: £185,000) to MITIE Group PLC.

MITIE Engineering Services (North) Limited provided a loan of £406,000 to MITIE Group PLC in the year. An amount of £871,000 remains owing to MITIE Engineering Services (North) Limited at the year end.

MITIE Engineering Services (North) Limited received management charges totalling £98,000 (2000: £12,500) from other companies within the MITIE Group PLC. An amount of £29,000 remains outstanding at the year end in respect of these charges.

MITIE Engineering Services (North) Limited transferred a director's car to MITIE Group PLC during the year at net book value and an amount of £2,193 remains owing at 31 March 2001.

MITIE Engineering Services (North) Limited provided goods and services of £9,660 (2000: £2,800) to other MITIE Group PLC companies and an amount of £230 (2000: £1,500) remains owing at year end.

MITIE Engineering Services (North) Limited purchased goods and services of £831,113 (2000: £40,958) from other MITIE Group PLC companies and an amount of £68,674 (2000: nil) remains outstanding at 31 March 2001 in respect of these transactions.

Mr M A Tivey has received a loan of £385,000 from MITIE Group PLC. This loan, which was made in consideration of Mr Tivey relocating, was outstanding at the year end and carries interest at 6.25%.

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. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.