

MITIE HYDROCAT LIMITED

Report and Financial Statements

31 March 2004

Deloitte & Touche LLP
Bristol



REPORT AND FINANCIAL STATEMENTS 2004

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R McGregor-Smith
W Robson
I R Stewart

SECRETARY

C K Ross

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

Royal Bank of Scotland
1 Moncrieff Street
Paisley
Glasgow
PA3 2AW

AUDITORS

Deloitte & Touche LLP
Bristol

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2004.

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 the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activities are to hire contract labour and equipment in the Ultra High Pressure Pump market.

As a result of poor market conditions throughout the year and an uncertain future within the High Pressure Pump business, the directors have made the decision to withdraw from the market. The company ceased to trade on 31 July 2003, with the remaining assets being sold where possible, and all contractual obligations satisfied.

The company has the continued support of the parent company.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £409,253 (2003: £805,115). The directors do not propose the payment of a dividend (2003: nil) and recommend £409,253 (2003: £805,115) be transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

I R Stewart	
Ms R McGregor-Smith	(appointed 7 October 2003)
W Robson	(appointed 31 October 2003)
D M Telling	(resigned 10 October 2003)

Messrs W Robson and I R Stewart and Ms R McGregor-Smith 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 or any other group 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 2004, trade creditor days were nil (2003: 31 days), as the company has ceased trading in the year.

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.

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



C K Ross
Secretary

4 June 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE HYDROCAT LIMITED

We have audited the financial statements of MITIE Hydrocat Limited for the year ended 31 March 2004 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol

4 June 2004

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2004

	Notes	Discontinued operations	
		2004 £	2003 £
TURNOVER	2	278,211	776,428
Cost of sales		5,955	(644,049)
GROSS PROFIT		284,166	132,379
Administrative expenses		(838,242)	(1,125,284)
OPERATING LOSS	3	(554,076)	(992,905)
Interest payable	4	(29,217)	(63,358)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(583,293)	(1,056,263)
Tax credit on loss on ordinary activities	5	174,040	251,148
RETAINED LOSS FOR THE FINANCIAL YEAR	11	(409,253)	(805,115)

There are no recognised gains and losses for the current and 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.

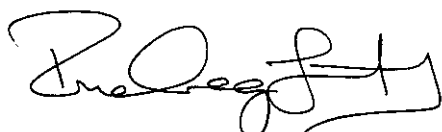
MITIE HYDROCAT LIMITED

BALANCE SHEET
At 31 March 2004

	Notes	2004		2003	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		-		953,880
CURRENT ASSETS					
Debtors	7	179,216		253,827	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(584,458)</u>		<u>(1,158,674)</u>	
NET CURRENT LIABILITIES			<u>(405,242)</u>		<u>(904,847)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(405,242)		49,033
PROVISION FOR LIABILITIES AND CHARGES	9		-		(45,022)
NET (LIABILITIES)/ASSETS			<u>(405,242)</u>		<u>4,011</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	10		1,658,000		1,658,000
Profit and loss account	11		<u>(2,063,242)</u>		<u>(1,653,989)</u>
TOTAL EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS	12		<u>(405,242)</u>		<u>4,011</u>

These financial statements were approved by the Board of Directors on 4 June 2004.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

CASH FLOW STATEMENT
Year ended 31 March 2004

	Notes	2004		2003	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	13		271,037		(81,978)
Returns on investments and servicing of finance					
Interest paid			(30,521)		(88,350)
Taxation					
Group relief received			146,278		217,792
Capital expenditure					
Payments to acquire tangible fixed assets			-		(9,445)
Receipts from disposal of tangible fixed assets		162,340		552,604	
Net cash inflow from capital expenditure			162,340		543,159
Increase in cash in the year	15		549,134		590,623

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

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.

Accounting developments

The Group has adopted FRS 5 Application Note G during the year as this is the first year for which it is applicable. It is considered appropriate under this Application Note that the Group now recognises revenue in respect of its performance under contracts as they progress where, in prior periods, revenue was only recognised on certain contracts for contract work completed in the year. The directors do not consider that the effect of implementing the Application Note is material in either period, with the consequence that the prior year profit and loss account has not been restated. Where appropriate, contract work in progress, trade debtors and amounts recoverable on contracts have been restated in respect of the prior year in order to make them comparable with the classifications being used this year.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost. 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 machinery and fixtures and fittings	up to 14 years
Motor vehicles	4 years

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

1. **ACCOUNTING POLICIES (continued)**

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 the 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Pension costs

Pension costs represent amounts paid to one of the group's pension schemes. Details of schemes are given in the financial statements of MITIE Group PLC.

2. **TURNOVER**

Turnover which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract.

Turnover is attributable to the continuing activity of contracting services. An analysis of turnover by geographical market is given below:

	2004 £	2003 £
United Kingdom	278,211	720,858
Rest of the World	-	55,570
	<u>278,211</u>	<u>776,428</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

3.	OPERATING LOSS is stated after charging:	2004	2003
		£	£
	Depreciation and amounts written off fixed assets	764,394	652,771
	Hire of plant and equipment	-	15,041
	Auditors' remuneration - audit services	1,750	2,100
	Rentals under other operating leases	-	37,715
	Impairment of intangible fixed assets	-	217,082
	Amounts written off investments	-	2
	Loss on disposal of tangible fixed assets	27,146	11,103
		<u> </u>	<u> </u>
4.	INTEREST PAYABLE	2004	2003
		£	£
	Bank interest	29,217	63,358
		<u> </u>	<u> </u>
5.	TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES	2004	2003
	(a) Analysis of credit in year	£	£
	United Kingdom corporation tax at 30% (2002: 30%)	128,493	145,652
	Adjustment in respect of prior years	526	(224)
	Total current tax (note 5(b))	<u>129,019</u>	<u>145,428</u>
	Deferred taxation:		
	Timing differences - origination and reversal	46,495	105,720
	Adjustments in respect of prior years	(1,474)	-
	Tax credit on loss on ordinary activities	<u>174,040</u>	<u>251,148</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES (continued)

(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% (2003: 30%). The differences are as follows:

	£	£
Loss on ordinary activities before tax	<u>(583,293)</u>	<u>(1,056,263)</u>
	£	£
Tax at 30% thereon	174,988	316,879
Expenses not deductible for tax purposes	-	(65,507)
Capital allowances in excess of depreciation	(46,495)	(102,389)
Profit on disposal of tangible fixed assets	-	(3,331)
Prior period adjustments	526	(224)
	<u>129,019</u>	<u>145,428</u>
Current tax credit for the year (note 5(a))		

(c) Factors affecting future tax charges

The company is not aware of any matters that will materially affect the future tax charge.

6. TANGIBLE FIXED ASSETS

	Plant and machinery and fixtures and fittings £	Motor vehicles £	Total £
Cost			
At 1 April 2003	2,102,731	27,680	2,130,411
Disposals	(429,769)	(27,680)	(457,449)
Transfers out	(70,109)	-	(70,109)
	<u>1,602,853</u>	<u>-</u>	<u>1,602,853</u>
At 31 March 2004			
Depreciation			
At 1 April 2003	1,150,135	26,396	1,176,531
Charge for the year	764,394	-	764,394
Disposals	(262,917)	(26,396)	(289,313)
Transfers out	(48,759)	-	(48,759)
	<u>1,602,853</u>	<u>-</u>	<u>1,602,853</u>
At 31 March 2004			
Net book value			
At 31 March 2004	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2003	<u>952,596</u>	<u>1,284</u>	<u>953,880</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

6. TANGIBLE FIXED ASSETS (continued)

Capital commitments

At 31 March 2004 the directors had contracted commitments for future capital expenditure of nil (2003: nil).

7. DEBTORS	2004 £	2003 £
Trade debtors	-	135,942
Other debtors	88,125	3,342
Group relief recoverable	91,091	108,351
Prepayments and accrued income	-	6,192
	<u>179,216</u>	<u>253,827</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2004 £	2003 £
Bank overdraft	527,386	1,076,520
Trade creditors	41,339	64,893
Other taxation and social security	12,216	79
Accruals and deferred income	3,517	17,182
	<u>584,458</u>	<u>1,158,674</u>

9. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation	£
At 1 April 2003	45,022
Movement for the year	(45,022)
At 31 March 2004	<u>-</u>

Deferred taxation provided in the accounts is analysed as follows:	2004 £	2003 £
Excess of capital allowances over depreciation	<u>-</u>	<u>45,022</u>

There are no unprovided deferred taxation amounts.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

10. CALLED UP SHARE CAPITAL	2004 £	2003 £
Authorised		
1,500,000 £1 'A' ordinary shares	1,500,000	1,500,000
130,000 £1 'B' ordinary shares	130,000	130,000
370,000 £1 'C' ordinary shares	370,000	370,000
	<u>2,000,000</u>	<u>2,000,000</u>
	£	£
Allotted, called up and fully paid		
1,500,000 £1 'A' ordinary shares	1,500,000	1,500,000
130,000 £1 'B' ordinary shares	130,000	130,000
28,000 £1 'C' ordinary shares	28,000	28,000
	<u>1,658,000</u>	<u>1,658,000</u>

Rights attached to shares

The holders of the £1 'A' ordinary shares, the £1 'B' ordinary shares and the £1 'C' 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*.

All classes of shareholder have equal voting rights.

11. PROFIT AND LOSS ACCOUNT	£
At 1 April 2003	(1,653,989)
Retained loss for the year	(409,253)
	<u>(2,063,242)</u>
At 31 March 2004	<u>(2,063,242)</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS	2004 £	2003 £
Loss for the financial year	(409,253)	(805,115)
Opening shareholders' funds	4,011	809,126
	<u>(405,242)</u>	<u>4,011</u>
Closing shareholders' (deficit)/funds	<u>(405,242)</u>	<u>4,011</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

13.	RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	2004	2003
		£	£
	Operating loss	(554,076)	(992,905)
	Depreciation	764,394	652,771
	Impairment of intangible fixed assets and investments	-	217,084
	Loss on disposal of tangible fixed assets	27,146	11,103
	Decrease in stocks	-	1,850
	Decrease in debtors	57,351	98,114
	Decrease in creditors	(23,778)	(69,995)
	Net cash inflow/(outflow) from operating activities	271,037	(81,978)

14.	ANALYSIS OF CHANGES IN NET DEBT	At 1 April	Cash flows	At 31 March
		2003		2004
		£	£	£
	Bank overdraft	(1,076,520)	549,134	(527,386)

15.	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	2004	2003
		£	£
	Increase in cash in the year	549,134	590,623
	Net debt at beginning of year	(1,076,520)	(1,667,143)
	Net debt at end of year	(527,386)	(1,076,520)

16. **FINANCIAL COMMITMENTS**

Operating leases

At 31 March 2004 the company had no annual commitments under non-cancellable operating leases (2003: 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 2004, the overall commitment was nil (2003: nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

17.	DIRECTORS	2004	2003
		£	£
	Fees and other emoluments (excluding pension contributions)	-	18,867
		<u> </u>	<u> </u>

Messrs W Robson and I R Stewart and Ms R McGregor-Smith are directors of MITIE Group PLC. Their emoluments and pension details are disclosed in the group accounts. Where the directors are remunerated by other MITIE Group companies for their services to the group as a whole, it is not practicable to allocate their remuneration between their services as directors of MITIE Hydrocat Limited and their services as directors of other group companies

18. **EMPLOYEES**

Number of employees (including directors)

	2004	2003
	No.	No.
The average weekly number of employees during the year was as follows:		
Operations staff	-	9
Management and administration staff	1	2
	<u> </u>	<u> </u>
	1	11
	<u> </u>	<u> </u>

Employment costs (including directors)

	£	£
Wages and salaries	33,731	351,491
Social security costs	3,749	33,671
Other pension costs	2,688	4,382
	<u> </u>	<u> </u>
	40,168	389,544
	<u> </u>	<u> </u>

19. **RELATED PARTY TRANSACTIONS**

MITIE Group PLC is the holder of the 'A' ordinary shares, the 'B' ordinary shares and the 'C' ordinary shares and was a 100% shareholder of MITIE Hydrocat Limited at 31 March 2004.

MITIE Hydrocat 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**

The company participates in the MITIE Group PLC Pension Scheme. This is a defined multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme for the period are shown in note 18 and the agreed contribution rate for the next 12 months is 10% (2003:10%) and 7.5% (2003: 7.5%) for the group and employees respectively.

An updated FRS17 valuation of the scheme as at 31 March 2004 indicated that the scheme was 85% funded.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

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.