

MITIE HYDROCAT 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
I R Stewart

SECRETARY

C K Ross

REGISTERED OFFICE

The Stable Block
Barley Wood
Wrington
Bristol
BS40 5SA

BANKERS

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

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 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.

The result for the year has been disappointing, but the directors consider that following the remedial action they have taken, the company is now better positioned to develop its business.

The company has the continued support of the parent company.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £805,115 (2002: £454,526). The directors do not propose the payment of a dividend (2002: nil) and recommend £805,115 be transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

- D M Telling
- I R Stewart
- J O Willsher (appointed 28 September 2002, resigned 13 February 2003)
- D G Lindsay (resigned on 1 July 2002)

Messrs D M Telling and I R Stewart 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.

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

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



C K Ross
Secretary

2 July 2003

**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 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 24. 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.

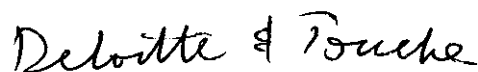
Basis of audit opinion

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	2	776,428	876,012
Cost of sales		(644,049)	(683,363)
GROSS PROFIT		132,379	192,649
Administrative expenses		(1,125,284)	(750,722)
OPERATING LOSS	3	(992,905)	(558,073)
Interest payable	4	(63,358)	(90,788)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,056,263)	(648,861)
Tax credit on loss on ordinary activities	5	251,148	194,335
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE FINANCIAL YEAR	14	(805,115)	(454,526)

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					
Intangible assets	6	-	-	217,082	
Tangible assets	7	953,880		2,160,912	
Investments	8	-	-	2	
			<u>953,880</u>	<u>2,377,996</u>	
CURRENT ASSETS					
Stock	9	-	-	1,850	
Debtors	10	253,827		424,306	
Cash at bank and in hand		-	-	476	
		<u>253,827</u>		<u>426,632</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	11	(1,158,674)		(1,844,760)	
NET CURRENT LIABILITIES					
			<u>(904,847)</u>	<u>(1,418,128)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES					
			49,033	959,868	
PROVISION FOR LIABILITIES AND CHARGES					
	12		(45,022)	(150,742)	
NET ASSETS					
			<u>4,011</u>	<u>809,126</u>	
SHARE CAPITAL AND RESERVES					
Called up share capital	13	1,658,000		1,658,000	
Profit and loss account	14	(1,653,989)		(848,874)	
TOTAL EQUITY SHAREHOLDERS' FUNDS					
	15		<u>4,011</u>	<u>809,126</u>	

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 from operating activities	16		(81,978)		(319,501)
Returns on investments and servicing of finance					
Interest paid			(88,350)		(72,275)
Taxation					
Group relief received			217,792		302,664
Capital expenditure					
Payments to acquire tangible fixed assets		(9,445)		(609,739)	
Receipts from disposal of tangible fixed assets		552,604		17,350	
Net cash inflow/(outflow) from capital expenditure			543,159		(592,389)
Increase/(decrease) in cash in the year	18		590,623		(681,501)

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.

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.

Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is included on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

1. ACCOUNTING POLICIES (continued)

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:

	2003 £	2002 £
United Kingdom	720,858	834,139
Rest of the World	55,570	41,873
	<u>776,428</u>	<u>876,012</u>

3. OPERATING LOSS is stated after charging:

	2003 £	2002 £
Depreciation and amounts written off fixed assets	652,771	349,723
Hire of plant and equipment	15,041	33,575
Auditors' remuneration - audit services	2,100	1,750
Rentals under other operating leases	37,715	41,386
Impairment of intangible fixed assets	217,082	-
Loss on disposal of tangible fixed assets	11,103	3,851
Amounts written off investments	2	-
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

4. INTEREST PAYABLE	2003	2002
	£	£
Bank interest	<u>63,358</u>	<u>90,788</u>
5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES	2003	2002
	£	£
(a) Analysis of credit in year		
United Kingdom corporation tax at 30% (2002: 30%)	145,652	254,872
Adjustment in respect of prior years	(224)	(40,439)
Total current tax (note 5(b))	<u>145,428</u>	<u>214,433</u>
Deferred taxation:		
Timing differences - origination and reversal	<u>105,720</u>	<u>(20,098)</u>
Tax credit on loss on ordinary activities	<u>251,148</u>	<u>194,335</u>

(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:

	£	£
Loss on ordinary activities before tax	<u>(1,056,263)</u>	<u>(648,861)</u>
	£	£
Tax at 30% thereon	316,879	194,658
Expenses not deductible for tax purposes	(65,507)	(331)
Capital allowances in excess of depreciation	(102,389)	61,700
Profit on disposal of tangible fixed assets	(3,331)	(1,155)
Prior period adjustments	(224)	(40,439)
Current tax credit for the year (note 5(a))	<u>145,428</u>	<u>214,433</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

6. INTANGIBLE FIXED ASSETS

	Goodwill £
At 1 April 2002	217,082
Impairment	(217,082)
Net book value	
At 31 March 2003	-

The directors consider there to be no residual worth in the goodwill, and as such the balances have been written off in the current year.

7. TANGIBLE FIXED ASSETS

	Plant and machinery and fixtures and fittings £	Motor vehicles £	Total £
Cost			
At 1 April 2002	2,793,947	162,923	2,956,870
Additions	9,445	-	9,445
Transfers in	-	9,245	9,245
Disposals	(700,661)	(129,968)	(830,629)
Transfers out	-	(14,520)	(14,520)
At 31 March 2003	2,102,731	27,680	2,130,411
Depreciation			
At 1 April 2002	660,682	135,276	795,958
Charge for the year	640,839	11,932	652,771
Transfers in	-	9,245	9,245
Disposals	(151,386)	(120,287)	(271,673)
Transfers out	-	(9,770)	(9,770)
At 31 March 2003	1,150,135	26,396	1,176,531
Net book value			
At 31 March 2003	952,596	1,284	953,880
At 31 March 2002	2,133,265	27,647	2,160,912

Capital commitments

At 31 March 2003 the directors had contracted commitments for future capital expenditure of nil (2002: nil).

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

8. INVESTMENTS

	£
Cost	
At 1 April 2002	2
Impairment	(2)
	<u> </u>
At 31 March 2003	<u> </u>

The following investments exist at 31 March 2003:

	Number of ordinary shares	Proportion of share capital held %
MDK Marine Limited	2	100
	<u> </u>	<u> </u>

The company is incorporated in England and Wales.

The directors consider there to be no residual worth in the goodwill, and as such the balances have been written off in the current year.

9. STOCKS

	2003 £	2002 £
Work in progress	-	1,850
	<u> </u>	<u> </u>

There is no material difference between the replacement costs of stocks and the amounts as stated above.

10. DEBTORS

	2003 £	2002 £
Trade debtors	135,942	185,753
Amounts owed by group undertakings	-	22,845
Other debtors	3,342	30,112
Group relief recoverable	108,351	180,715
Prepayments and accrued income	6,192	4,881
	<u> </u>	<u> </u>
	<u>253,827</u>	<u>424,306</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2003 £	2002 £
Bank overdraft	1,076,520	1,667,619
Trade creditors	64,893	95,664
Amounts owed to group undertakings	-	2,369
Other taxation and social security	79	21,396
Other creditors	-	5,497
Accruals and deferred income	17,182	52,215
	<u>1,158,674</u>	<u>1,844,760</u>

12. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation	£
At 1 April 2002	150,742
Movement for the year	(105,720)
At 31 March 2003	<u>45,022</u>

Deferred taxation provided in the accounts is analysed as follows:	2003 £	2002 £
Excess of capital allowances over depreciation	<u>45,022</u>	<u>150,742</u>

There are no unprovided deferred taxation amounts.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

13. CALLED UP SHARE CAPITAL	2003 £	2002 £
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.

14. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2002	(848,874)
Retained loss for the year	(805,115)
	<u>(1,653,989)</u>
At 31 March 2003	<u>(1,653,989)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2003	2002	
	£	£	
Loss for the financial year	(805,115)	(454,526)	
Opening shareholders' funds	809,126	1,263,652	
Closing shareholders' funds	4,011	809,126	
16. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2003	2002	
	£	£	
Operating loss	(992,905)	(558,073)	
Depreciation	652,771	349,723	
Impairment of intangible fixed assets	217,084	-	
Loss on disposal of tangible fixed assets	11,103	3,851	
Decrease in stocks	1,850	132,444	
Decrease in debtors	98,114	503	
Decrease in creditors	(69,995)	(247,949)	
Net cash outflow from operating activities	(81,978)	(319,501)	
17. ANALYSIS OF CHANGES IN NET DEFICIT	At 1 April	Cash flows	At 31 March
	2002	£	2003
	£		£
Cash at bank and in hand	476	(476)	-
Bank overdraft	(1,667,619)	591,099	1,076,520
	<u>(1,667,143)</u>	<u>590,623</u>	<u>(1,076,520)</u>
18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEFICIT	2003	2002	
	£	£	
Increase/(decrease) in cash in the year	590,623	(681,501)	
Net deficit at beginning of year	(1,667,143)	(985,642)	
Net deficit at end of year	(1,076,520)	(1,667,143)	

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

19. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as set out below:

Land and buildings	2003 £	2002 £
Expiry date - within one year	-	45,094

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

20. DIRECTORS

	2003 £	2002 £
Fees and other emoluments (excluding pension contributions)	18,867	133,088

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC, Mr J J Clifford resigned as director of MITIE Hydrocat Limited and MITIE Group PLC on 25 March 2002. Their emoluments and pension details are disclosed in the group accounts. Mr D G Lindsay was paid for his services by MITIE Property Services Limited. 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

21. EMPLOYEES

Number of employees (including directors)

The average weekly number of employees during the year was as follows:	2003 No.	2002 No.
Operations staff	9	11
Management and administration staff	2	3
	<u>11</u>	<u>14</u>

Employment costs (including directors)

	£	£
Wages and salaries	351,491	436,298
Social security costs	33,671	29,210
Other pension costs	4,382	-
	<u>389,544</u>	<u>465,508</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

22. RELATED PARTY TRANSACTIONS

MITIE Group PLC is the holder of the 'A' ordinary shares, the 'B' ordinary shares and the 'C' ordinary shares was a 100% shareholder of MITIE Hydrocat Limited at 31 March 2003.

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.

23. 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.

24. 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.