

MITIE HYDROCAT 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

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the accounts	8

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
J J Clifford
D G Lindsay

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
Wrington
Bristol
BS40 5SA

BANKERS

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

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 ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activities are to hire contract labour and equipment in the Ultra High Pressure 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 positioned to develop its business.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £365,222 (2000: £29,126). The directors do not propose the payment of a dividend and recommend that the loss be transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling	
J J Clifford	
D G Lindsay	
A Wilkinson	(appointed 20 November 2000, resigned 1 June 2001)
G P Halkett	(resigned 23 August 2000)
I S Jennings	(resigned 18 August 2000)
P F Wayte	(resigned 30 March 2001)

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

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

	At 31 March 2001 £1 'B' ordinary shares No.	At 1 April 2000 £1 'B' ordinary shares No.
D G Lindsay	20,000	-

Messrs D M Telling and J J Clifford 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.

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.
D G Lindsay	55,000	75,000

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made no political or charitable contributions.

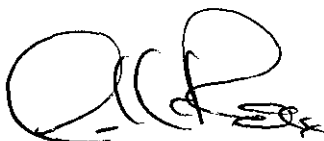
PAYMENT POLICY

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 period, represented 110 days.

AUDITORS

During the period Deloitte & Touche were appointed as the company's 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



C K Ross
Secretary

20 August 2001

**AUDITORS' REPORT TO THE MEMBERS OF
MITIE HYDROCAT LIMITED**

We have audited the financial statements on pages 5 to 17 which have been prepared under the accounting policies set out on pages 8 and 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

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	2	599,947	132,486
Cost of sales		(381,562)	(102,616)
GROSS PROFIT		218,385	29,870
Administrative expenses		(722,501)	(77,950)
OPERATING LOSS	3	(504,116)	(48,080)
Interest receivable	4	-	6,570
Interest payable	4	(16,292)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(520,408)	(41,510)
Tax credit on loss on ordinary activities	5	155,186	12,384
RETAINED LOSS FOR THE YEAR	13	(365,222)	(29,126)

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		1,922,097		106,425
Investments	7		217,084		217,084
			<u>2,139,181</u>		<u>323,509</u>
CURRENT ASSETS					
Stock	8	134,294		47,375	
Debtors	9	513,040		72,754	
Cash at bank and in hand		250		1,400,607	
		<u>647,584</u>		<u>1,520,736</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(1,392,469)</u>		<u>(240,707)</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(744,885)</u>		<u>1,280,029</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,394,296		1,603,538
PROVISION FOR LIABILITIES AND CHARGES	11		<u>(130,644)</u>		<u>(2,664)</u>
NET ASSETS			<u>1,263,652</u>		<u>1,600,874</u>
CAPITAL AND RESERVES					
Called up share capital	12		1,658,000		1,630,000
Profit and loss account	13		<u>(394,348)</u>		<u>(29,126)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>1,263,652</u>		<u>1,600,874</u>

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 (outflow)/inflow from operating activities	14		(371,560)		88,381
Returns on investments and servicing of finance					
Interest received			-	6,569	
Interest paid		(7,092)		-	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(7,092)		6,569
Taxation					
UK corporation tax			29,268		-
Capital expenditure					
Payments to acquire tangible fixed assets		(2,077,314)		(107,257)	
Payments to acquire investments		-		(157,084)	
Receipts from disposal of tangible fixed assets		12,449		-	
Net cash outflow from capital expenditure			(2,064,865)		(264,341)
Cash outflow before financing			(2,414,249)		(169,391)
Financing					
Issue of needed shares			28,000		1,569,998
(Decrease)/increase in cash in the year	16		(2,386,249)		1,400,607

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.

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	4 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

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

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:

	2001 £	2000 £
United Kingdom	356,204	21,417
Rest of the World	243,743	111,069
	<u>599,947</u>	<u>132,486</u>

3. OPERATING LOSS is stated after charging:

	2001 £	2000 £
Depreciation	244,182	832
Hire of plant and equipment	44,803	21,703
Auditors' remuneration - audit services	1,500	-
Rentals under other operating leases	30,000	-
Loss on disposal of tangible fixed assets	5,011	-
	<u>325,496</u>	<u>22,535</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

4. INTEREST		
Interest receivable	2001 £	2000 £
Bank interest	-	6,570
	<u> </u>	<u> </u>
Interest payable	£	£
Bank interest	16,292	-
	<u> </u>	<u> </u>
5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES	2001 £	2000 £
UK current year taxation		
Group relief	(282,751)	(15,048)
Transfer to deferred taxation	127,980	2,664
Adjustment in respect of prior year		
Under provision for group relief	(415)	-
	<u> </u>	<u> </u>
	<u>(155,186)</u>	<u>(12,384)</u>

The tax charge for the year is nil due to the current losses.

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

6. TANGIBLE FIXED ASSETS

Summary	Plant and machinery and fixtures and fittings £	Motor vehicles £	Total £
Cost			
At 1 April 2000	66,391	49,777	116,168
Additions	860,757	29,196	889,953
Transfers in	1,282,237	-	1,282,237
Transfers out	(5,538)	(10,550)	(16,088)
Disposals	(5,810)	-	(5,810)
At 31 March 2001	<u>2,198,037</u>	<u>68,423</u>	<u>2,266,460</u>
Depreciation			
At 1 April 2000	5,668	4,075	9,743
Charge for the year	226,805	17,377	244,182
Transfers in	94,876	-	94,876
Transfers out	(1,002)	(2,637)	(3,639)
Disposals	(799)	-	(799)
At 31 March 2001	<u>325,548</u>	<u>18,815</u>	<u>344,363</u>
Net book value			
At 31 March 2001	<u>1,872,489</u>	<u>49,608</u>	<u>1,922,097</u>
At 31 March 2000	<u>60,723</u>	<u>45,702</u>	<u>106,425</u>

Capital commitments

At 31 March 2001 the directors had contracted commitments for future capital expenditure of £544,825 (2000: £1,376,399).

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

7. INVESTMENTS

	£
Cost	
At 1 April 2000 and 31 March 2001	217,084

The following investments exist at 31 March 2001:

	Number of ordinary shares	Proportion of share capital held %
MDK Marine Limited	2	100

This company is incorporated in England and Wales.

The principal activity of MDK Marine Limited is that of a dormant company.

The company has taken advantage of Section 228 of the Companies Act 1985 and therefore no consolidated financial statements have been prepared.

These financial statements therefore present information about the company alone. Consolidated group accounts have been prepared by the ultimate parent company, MITIE Group PLC.

The directors consider that in their opinion the aggregate value of the shares in and amounts owed by the subsidiary is not less than the aggregate of the amounts at which they are stated in the company's balance sheet.

8. STOCKS

	2001 £	2000 £
Raw materials and consumables	81,944	47,375
Work in progress	52,350	-
	<u>134,294</u>	<u>47,375</u>

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

9. DEBTORS	2001	2000
	£	£
Trade debtors	190,380	34,129
Group relief recoverable	268,946	15,048
Other debtors	53,714	23,577
	<u>513,040</u>	<u>72,754</u>
10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2001	2000
	£	£
Bank overdraft	985,892	-
Trade creditors	270,126	133,424
Amounts owed to group undertakings	89,970	102,565
Other creditors	662	-
Other taxation and social security	8,899	-
Accruals and deferred income	36,920	4,718
	<u>1,392,469</u>	<u>240,707</u>
11. PROVISION FOR LIABILITIES AND CHARGES		
	£	
At 1 April 2000	2,664	
Profit and loss account	127,980	
	<u>130,644</u>	
The amounts of deferred tax provided in the financial statements are:	2001	2000
	£	£
Capital allowances in excess of depreciation	<u>130,644</u>	<u>2,664</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

14. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		2001	2000
		£	£
Operating loss		(504,116)	(48,080)
Depreciation		244,182	832
Loss on disposal of tangible fixed assets		5,011	-
Increase in stocks		(86,919)	(47,374)
Increase in debtors		(186,388)	(57,704)
Increase in creditors		156,670	240,707
Net cash (outflow)/inflow from operating activities		(371,560)	88,381
15. ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS			
	At 1 April	Cash flows	At 31 March
	2000		2001
	£	£	£
Cash at bank and in hand	1,400,607	(2,386,249)	(985,642)
16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS		2001	2000
		£	£
(Decrease)/increase in cash in the year		(2,386,249)	1,400,607
Net funds at beginning of year		1,400,607	-
Net (debt)/funds at end of year		(985,642)	1,400,607

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

17. FINANCIAL COMMITMENTS

Operating leases

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

Land and buildings	2001 £	2000 £
Expiry date - within one year	28,500	-
- between two and five years	-	45,000
	<u>28,500</u>	<u>45,000</u>

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

18. DIRECTORS

	2001 £	2000 £
Fees and other emoluments	<u>112,589</u>	<u>37,363</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>-</u>	<u>-</u>

Messrs D M Telling and J J Clifford are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts.

Messrs D G Lindsay and A Wilkinson also provide services to other companies in MITIE group and their emoluments are disclosed in those accounts. 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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

19. EMPLOYEES

Number of employees

	2001 No.	2000 No.
The average weekly number of employees during the year was as follows:		
Operations staff	3	2
Management and administration staff	5	5
	<u>8</u>	<u>7</u>
Employment costs	£	£
Wages and salaries	252,539	37,550
Social security costs	24,084	4,096
Other pension costs	2,019	-
	<u>278,642</u>	<u>41,646</u>

20. RELATED PARTY TRANSACTIONS

MITIE Group PLC is the holder of the 'A' ordinary shares and the 'B' ordinary shares and was a 98% shareholder of MITIE Hydrocat Limited at 31 March 2001.

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.

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