

MITIE GREENCOTE 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

I D Gordon
R McGregor-Smith
C Nixon
I B Robson
W Robson
I R Stewart

SECRETARY

C K Ross

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

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 ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company during the year was plastering and refurbishment contracting.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £26,614 (2003: £363,324). The directors recommend that this amount be dealt with as follows:

| | 2004 £ | 2003 £ |
|--|---------------|----------------|
| Ordinary dividends: | | |
| - Final proposed 'A' ordinary shares 29p (2003: 48p) per share | 28,789 | 48,000 |
| - Final proposed 'B' ordinary shares 29p (2003: 8p) per share | 12,814 | 3,560 |
| Transfer (from)/to reserves | (14,989) | 311,764 |
| | <u>26,614</u> | <u>363,324</u> |

On 1 October 2003, MITIE Greencote Limited and MITIE Property Services (North West) Limited merged with MITIE Property Services (North East) Limited to form MITIE Property Services (Northern) Limited. All contracts from that date were undertaken by MITIE Property Services (Northern) Limited. The directors believe the amalgamation of the above companies will benefit the future growth of business within the north of England.

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

The directors during the year and subsequently were as follows:

I D Gordon
 C Nixon
 I B Robson
 W Robson
 I R Stewart
 R McGregor-Smith (appointed 10 October 2003)
 D M Telling (resigned 7 October 2003)

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

| | At 31 March 2004 1p 'B' ordinary shares No. | At 31 March 2003 1p 'B' ordinary shares No. |
|------------|---|---|
| I D Gordon | 900 | 9,000 |
| C Nixon | 1,500 | 15,000 |
| I B Robson | 700 | 7,000 |

No other director had an interest in the share capital of the company or any other group company except as disclosed below.

Directors' interests in the share capital of MITIE Group PLC were as follows:

| | At 31 March 2004 2.5p Ordinary shares No. | At 31 March 2003 2.5p Ordinary shares No. |
|------------|---|---|
| C Nixon | 94,638 | 10,952 |
| I B Robson | 35,628 | - |
| I D Gordon | 47,643 | - |

W Robson, I R Stewart and 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.

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 2004 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 3 days (2003: 44 days).

DIRECTORS' REPORT (continued)

EMPLOYEES

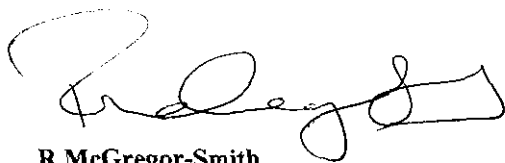
The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their attitudes and abilities in common with all employees, providing the disability 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



R McGregor-Smith
Director

18 January 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE GREENCOTE LIMITED

We have audited the financial statements of MITIE Greencote 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 20. 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 profit 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

25 January 2005

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2004

| | Notes | Continuing operations 2004 £ | 2003 £ |
|--|-------|------------------------------------|-------------|
| TURNOVER | 1 | 2,262,511 | 4,603,436 |
| Cost of sales | | (1,800,281) | (3,470,885) |
| GROSS PROFIT | | 462,230 | 1,132,551 |
| Administrative expenses | | (433,049) | (623,151) |
| OPERATING PROFIT | 2 | 29,181 | 509,400 |
| Interest receivable | 3 | 9,875 | 10,707 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 39,056 | 520,107 |
| Tax on profit on ordinary activities | 4 | (12,442) | (156,783) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 26,614 | 363,324 |
| Dividends | 5 | (41,603) | (51,560) |
| RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR | 11 | (14,989) | 311,764 |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2004

| | 2004 £ | 2003 £ |
|---|-------------------------|-------------------------|
| (Loss)/profit for the financial year | (14,989) | 311,764 |
| Total recognised losses and gains in the year | (14,989) | 311,764 |
| Prior period restatement | 56,595 | - |
| Total recognised gains and losses since last annual report | 41,606 | 311,764 |

BALANCE SHEET
At 31 March 2004

| | Notes | 2004 | | 2003 | |
|---|-------|----------|---------|-----------|---------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 6 | | - | | 64,722 |
| CURRENT ASSETS | | | | | |
| Work in progress | 7 | - | - | - | - |
| Debtors | 8 | 547,273 | | 957,705 | |
| Cash at bank and in hand | | 274,690 | | 508,303 | |
| | | 821,963 | | 1,466,008 | |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 9 | (78,609) | | (772,387) | |
| NET CURRENT ASSETS | | | 743,354 | | 693,621 |
| NET ASSETS | | | 743,354 | | 758,343 |
| SHARE CAPITAL AND RESERVES | | | | | |
| Called up share capital | 10 | | 2,890 | | 2,890 |
| Share premium account | 11 | | 44,055 | | 44,055 |
| Profit and loss account | 11 | | 696,409 | | 711,398 |
| TOTAL SHAREHOLDERS' FUNDS | 11 | | 743,354 | | 758,343 |
| Shareholders' funds are represented by: | | | | | |
| Attributable to equity shareholders | | | 741,909 | | 756,898 |
| Attributable to non-equity shareholders | | | 1,445 | | 1,445 |
| | | | 743,354 | | 758,343 |

These financial statements were approved by the Board of Directors on 18 January 2005.

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 (outflow)/inflow from operating activities | 12 | | (69,868) | | 452,308 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | | 10,478 | | 10,056 |
| Taxation | | | | | |
| UK corporation tax paid | | | (174,124) | | (57,971) |
| Capital expenditure | | | | | |
| Payments to acquire tangible fixed assets | | (90,032) | | (48,886) | |
| Receipts from disposal of tangible fixed assets | | 141,493 | | 3,425 | |
| Net cash inflow/(outflow) from capital expenditure | | | 51,461 | | (45,461) |
| Equity dividends paid | | | (51,560) | | (11,560) |
| (Decrease)/increase in cash in the year | 13 | | <u>(233,613)</u> | | <u>347,372</u> |

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 Financial Reporting Standard 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 effect of implementing the Application Note is to decrease the current year profit after tax by £56,595 and decrease turnover by £839,071, decrease the profit after tax in 2003 by £28,720 and decrease turnover by £412,180 and to increase the brought forward reserves at 1 April 2002 by £85,315. Where appropriate, contract work in progress, trade debtors and amounts recoverable on contracts have also been restated in respect of the prior year in order to make them comparable with the classifications being used this year.

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:

| | |
|------------------|---------------|
| Office equipment | 3 to 10 years |
| Motor vehicles | 4 years |

Leasing commitments

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts receivable as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

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 is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. 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.

| 2. OPERATING PROFIT is stated after charging/(crediting): | 2004 | 2003 |
|--|-------------------|-------------------|
| | £ | £ |
| Depreciation | 19,284 | 27,294 |
| Operating lease rentals - land and buildings | 15,072 | 16,000 |
| Auditors' remuneration - audit services | 2,500 | 3,000 |
| Profit on disposal of tangible fixed assets | (6,023) | (3,179) |
| | <u> </u> | <u> </u> |
| 3. INTEREST RECEIVABLE | 2004 | 2003 |
| | £ | £ |
| Bank interest | 9,875 | 10,571 |
| Other interest | - | 136 |
| | <u> </u> | <u> </u> |
| | 9,875 | 10,707 |

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2004 £ | 2003 £ |
|---|----------------------|-----------------------|
| (a) Analysis of charge in year | | |
| United Kingdom corporation tax at 30% (2003: 30%) | 8,930 | 156,247 |
| Adjustment in respect of prior years | (532) | - |
| Total current tax (note 4(b)) | <u>8,398</u> | <u>156,247</u> |
| Deferred taxation: | | |
| Timing differences - origination and reversal | 3,511 | 536 |
| Adjustment in respect of prior years | 533 | - |
| Tax on profit on ordinary activities | <u><u>12,442</u></u> | <u><u>156,783</u></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% (2003: 30%). The differences are as follows:

| | £ | £ |
|--|---------------------|-----------------------|
| Profit on ordinary activities before tax | <u>39,056</u> | <u>520,107</u> |
| | £ | £ |
| Tax at 30% thereon | 11,717 | 156,032 |
| Expenses not deductible for tax purposes | 724 | 752 |
| Capital allowances in excess of depreciation | (3,442) | 417 |
| Other timing differences | (69) | - |
| Profit on disposal of tangible fixed assets | - | (954) |
| Prior period adjustments | (532) | - |
| Current tax charge for the year (note 4(a)) | <u><u>8,398</u></u> | <u><u>156,247</u></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 FINANCIAL STATEMENTS
Year ended 31 March 2004

5. DIVIDENDS

| | 2004 £ | 2003 £ |
|--|---------------|---------------|
| Final equity proposed: | | |
| 1p 'A' ordinary shares 29p (2003: 48p) per share | 28,789 | 48,000 |
| 1p 'B' ordinary shares 29p (2003: 8p) per share | 12,814 | 3,560 |
| | <u>41,603</u> | <u>51,560</u> |

6. TANGIBLE FIXED ASSETS**Summary**

| | Office equipment £ | Motor vehicles £ | Total £ |
|-----------------------|--------------------------|------------------------|---------------|
| Cost | | | |
| At 1 April 2003 | 28,235 | 119,867 | 148,102 |
| Additions | 12,723 | 62,088 | 74,811 |
| Disposals | (16,457) | (39,044) | (55,501) |
| Transfers in | - | 20,875 | 20,875 |
| Transfers out | (24,501) | (163,786) | (188,287) |
| At 31 March 2004 | <u>-</u> | <u>-</u> | <u>-</u> |
| Depreciation | | | |
| At 1 April 2003 | 23,491 | 59,889 | 83,380 |
| Charge for the year | 2,538 | 16,746 | 19,284 |
| Disposals | (16,457) | (30,917) | (47,374) |
| Transfers in | - | 5,654 | 5,654 |
| Transfers out | (9,572) | (51,372) | (60,944) |
| At 31 March 2004 | <u>-</u> | <u>-</u> | <u>-</u> |
| Net book value | | | |
| At 31 March 2004 | <u>-</u> | <u>-</u> | <u>-</u> |
| At 31 March 2003 | <u>4,744</u> | <u>59,978</u> | <u>64,722</u> |

Capital commitments

At 31 March 2004 the directors had authorised capital expenditure of nil (2003: nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

| 7. WORK IN PROGRESS | 2004 | 2003 |
|----------------------------|-------------|-------------|
| | £ | £ |
| Work in progress | - | - |

Following the implementation of FRS5 Application Note G, £202,952 of work in progress has been reclassified in the prior year to trade debtors and amounts recoverable on contracts in order to make them comparable with the classifications being used this year. There has been no change to the overall total for current assets as a result of this.

| 8. DEBTORS | 2004 | 2003 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Trade debtors | 177,469 | 717,372 |
| Amounts recoverable on contracts | - | 186,422 |
| Other debtors | 663 | 19,567 |
| Amounts owed by group undertakings | 354,975 | 30,300 |
| Deferred tax asset | - | 4,044 |
| Corporation tax | 14,166 | - |
| | <u>547,273</u> | <u>957,705</u> |

There was no deferred tax asset at 31 March 2004 (2003: £4,044). This asset related to negative accelerated capital allowances. The amount charged to the profit and loss account in the year was £4,044 (2003: charge of £536).

Following the implementation of FRS5 Application Note G, £202,952 of work in progress has been reclassified in the prior year to trade debtors and amounts recoverable on contracts in order to make them comparable with the classifications being used this year. There has been no change to the overall total for current assets as a result of this reclassification. An adjustment of £80,850 has been made to amounts recoverable on contracts in 2003 for the effect of the change in policy described in note 1.

| 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2004 | 2003 |
|--|---------------|----------------|
| | £ | £ |
| Payments on account | - | 3,016 |
| Trade creditors | 20,110 | 471,467 |
| Corporation tax | - | 151,560 |
| Other taxes and social security costs | 4,638 | 79,032 |
| Other creditors | - | 910 |
| Accruals and deferred income | 12,258 | 14,842 |
| Proposed dividend | 41,603 | 51,560 |
| | <u>78,609</u> | <u>772,387</u> |

An adjustment of £24,254 has been made to corporation tax in 2003 for the effect of the change in policy described in note 1.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

| 10. CALLED UP SHARE CAPITAL | 2004 | 2003 |
|--|----------------|----------------|
| | £ | £ |
| Authorised | | |
| 10,000,000 1p Deferred shares | 100,000 | 100,000 |
| 9,950,000 1p 'A' ordinary shares | 99,500 | 99,500 |
| 50,000 1p 'B' ordinary shares | 500 | 500 |
| | <u>200,000</u> | <u>200,000</u> |
| | £ | £ |
| Issued, allotted and fully paid | | |
| 144,500 1p Deferred shares | 1,445 | 1,445 |
| 100,000 1p 'A' ordinary shares | 1,000 | 1,000 |
| 44,500 1p 'B' ordinary shares | 445 | 445 |
| | <u>2,890</u> | <u>2,890</u> |

Rights attaching to shares

The deferred shares carry no rights except on a return of capital, where after payment of all company's liabilities, the holders of the deferred shares would be entitled to the par value (together with any premium paid on subscription).

The rights attaching to the 'A' and 'B' 1p ordinary shares are as follows:

Income

Dividends are declared on the following basis:

- (i) the profits available for distribution should be applied first in paying to the holders of the 'A' shares a fixed cumulative dividend of 40 pence per 'A' share per annum together with any arrears of such cumulative dividend unpaid from any previous financial year in so far as there is sufficient profit;
- (ii) secondly in paying to the holders of the 'A' and 'B' shares a dividend of such amount as the Board shall decide;
- (iii) thirdly in paying a cumulative dividend to the holders of the 'A' shares one half of the profits of the company available for distribution in each financial year less the amount already paid in respect of the 'A' shares under clause (i) together with any arrears of such cumulative dividend unpaid from any previous financial year insofar as there is sufficient profit remaining after the payment in clause (i); and;
- (iv) fourthly in paying a dividend pari passu to the holders of the 'A' and 'B' shares.

Capital

On a return of capital, the assets of the company will be distributed equally to all ordinary shareholders.

Voting

Each 'A' and 'B' share will carry one vote.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

**11. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
AND STATEMENT OF MOVEMENTS ON RESERVES**

| | Share capital £ | Share premium account £ | Profit and loss account £ | 2004 Total £ | 2003 Total £ |
|--|-----------------------|----------------------------------|------------------------------------|--------------------|--------------------|
| At 1 April 2003, as previously stated | 2,890 | 44,055 | 654,803 | 701,748 | 361,264 |
| Prior year adjustment | - | - | 56,595 | 56,595 | 85,315 |
| At 1 April 2003 | 2,890 | 44,055 | 711,398 | 758,343 | 446,579 |
| Profit for the financial year | - | - | 26,614 | 26,614 | 363,324 |
| Dividends | - | - | (41,603) | (41,603) | (51,560) |
| At 31 March 2004 | 2,890 | 44,055 | 696,409 | 743,354 | 758,343 |

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

| | 2004 £ | 2003 £ |
|---|-----------|-----------|
| Operating profit | 29,181 | 509,400 |
| Depreciation charges | 19,284 | 27,294 |
| Profit on disposal of tangible fixed assets | (6,023) | (3,179) |
| Decrease in work in progress | - | 294,679 |
| Decrease/(increase) in debtors | 419,950 | (289,293) |
| Decrease in creditors | (532,260) | (86,593) |
| Net cash (outflow)/inflow from operating activities | (69,868) | 452,308 |

13. ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 April 2003 £ | Cash flow £ | At 31 March 2004 £ |
|--------------------------|-------------------------|----------------|--------------------------|
| Cash at bank and in hand | 508,303 | (233,613) | 274,690 |

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

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

| | 2004 | 2003 |
|---|----------------|----------------|
| | £ | £ |
| (Decrease)/increase in cash in the year | (233,613) | 347,372 |
| Net funds at beginning of year | 508,303 | 160,931 |
| | <hr/> | <hr/> |
| Net funds at end of year | 274,690 | 508,303 |
| | <hr/> | <hr/> |

15. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2004 the company had annual commitments under non-cancellable operating leases in respect of land and buildings amounting to nil (2003: £16,000) expiring after more than five years.

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).

16. DIRECTORS

| | 2004 | 2003 |
|--|-------------|-------------|
| | £ | £ |
| The emoluments of directors of the company were: | | |
| Fees and other emoluments (excluding pension contributions but including benefits-in-kind) | 98,242 | 137,944 |
| | <hr/> | <hr/> |
| | No. | No. |
| The number of directors who were members of a defined benefit pension scheme | 3 | 3 |
| | <hr/> | <hr/> |

I R Stewart and R McGregor-Smith are also directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE Greencote Limited and their services as directors of other group companies.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

17. EMPLOYEES

Number of employees

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

| | 2004 No. | 2003 No. |
|-------------------------------|---------------------|---------------------|
| Site labour | 34 | 66 |
| Administration and management | 7 | 13 |
| | <u>41</u> | <u>79</u> |
| Employment costs | £ | £ |
| Wages and salaries | 805,029 | 1,403,353 |
| Social security costs | 77,774 | 123,751 |
| Other pension costs | 11,608 | 21,025 |
| | <u>894,411</u> | <u>1,548,129</u> |

18. RELATED PARTY TRANSACTIONS

MITIE Group PLC is the holder of 100,000 'A' ordinary shares and is a 100% shareholder in MITIE Greencote Limited.

Advantage has been taken of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

19. 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

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. 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.