

MITIE PROPERTY SERVICES (UK) LIMITED

Report and Financial Statements

31 March 2004

Deloitte & Touche LLP
Bristol



MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

REPORT AND FINANCIAL STATEMENTS 2004

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M M Carr
A K Falconer
R McGregor-Smith
C T Nixon
P F Noble
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

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

DIRECTORS' REPORT

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

On 9 September 2003 the company changed its name from MITIE Property Services (North East) Limited to MITIE Property Services (Northern) Limited and on 11 June 2004 changed it to MITIE Property Services (UK) Limited.

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 company provides comprehensive property refurbishment painting services to the commercial and industrial sector.

The company's business has developed satisfactorily and the directors consider that the company is in a good position to continue that development.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £392,498 (2003: £157,231). The directors recommend that this amount be dealt with as follows:

	2004 £	2003 £
Ordinary dividends:		
- Final proposed 98p (2003: 39p) per share	196,249	78,000
Transfer to reserves	196,249	79,231
	<u>392,498</u>	<u>157,231</u>

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

M M Carr	
W Robson	
I R Stewart	
R McGregor-Smith	(appointed 10 October 2003)
C T Nixon	(appointed 26 November 2003)
P F Noble	(appointed 26 November 2003)
A K Falconer	(appointed 26 November 2003)
Mrs R E Thornton	(resigned 31 March 2004)
T Colling	(resigned 27 November 2003)
D M Telling	(resigned 7 October 2003)
C Leach	(resigned 6 July 2003)

No director had any interest in the share capital of the company or any other UK group companies at any time during the year, except as disclosed below.

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.

The interests of other directors who were in office at the year end in the share capital of MITIE Group PLC were as follows:

	At 31 March 2004 2.5p Ordinary shares No.	At 1 April 2003 2.5p Ordinary shares No.
M M Carr	108,952	170,902
A K Falconer	24,576	24,576
C T Nixon	94,638	10,952

Share Options

		At 1 April 2003	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2004
M M Carr	(i)	9,037	2,654	£1.20	Sep 08	Mar 09	-	-	11,691
A K Falconer	(i)	3,963	-	-	-	-	-	-	3,963
P F Noble	(i)	2,389	2,654	£1.20	Sep 08	Mar 09	-	-	5,043

(i) Options under the Savings Related Option Scheme

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

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

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 creditors, as a proportion of amounts invoiced from suppliers for the year, represented 69 days (2003: 49 days).

In the industry in which the company operates credit periods are frequently extended by agreement. The company's creditor days are a reflection of this custom.

EMPLOYEES

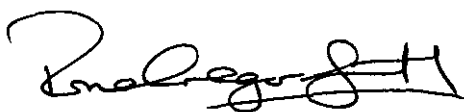
The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their attitudes and abilities in common with all employees, providing the disability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

29 July 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE PROPERTY SERVICES (UK) LIMITED

(formerly MITIE Property Services (Northern) Limited and formerly MITIE Property Services (North East) Limited)

We have audited the financial statements of MITIE Property Services (UK) 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 22. 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

29 July 2004

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2004

	Notes	Continuing operations 2004 £	2003 £
TURNOVER	1	10,535,453	5,007,922
Cost of sales		(8,290,096)	(3,756,381)
GROSS PROFIT		2,245,357	1,251,541
Administrative expenses		(1,594,335)	(1,010,782)
OPERATING PROFIT	2	651,022	240,759
Interest receivable	3	790	4
Interest payable	3	(20,683)	(6,171)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		631,129	234,592
Tax on profit on ordinary activities	4	(238,631)	(77,361)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		392,498	157,231
Dividends	5	(196,249)	(78,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	12	196,249	79,231

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 PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

BALANCE SHEET
At 31 March 2004

	Notes	2004		2003	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		530,421		194,966
CURRENT ASSETS					
Work in progress	7	10,457		-	
Debtors	8	3,495,844		881,277	
Cash at bank and in hand		3,000		259,867	
		3,509,301		1,141,144	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(3,304,282)		(810,359)	
NET CURRENT ASSETS			205,019		330,785
TOTAL ASSETS LESS CURRENT LIABILITIES			735,440		525,751
PROVISION FOR LIABILITIES AND CHARGES	10	(13,440)		-	
NET ASSETS			722,000		525,751
SHARE CAPITAL AND RESERVES					
Called up share capital	11	200,000		200,000	
Profit and loss account	12	522,000		325,751	
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	722,000		525,751	

These financial statements were approved by the Board of Directors on 29 July 2004.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

CASH FLOW STATEMENT
Year ended 31 March 2004

	Notes	2004		2003	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	14		(475,401)		479,989
Returns on investments and servicing of finance					
Interest received		1,405		4	
Interest paid		(18,380)		(7,095)	
Net cash outflow from returns on investments and servicing of finance			(16,975)		(7,091)
Taxation					
UK corporation tax paid			(81,095)		(83,232)
Capital expenditure					
Payments to acquire tangible fixed assets		(506,505)		(83,210)	
Receipts from disposal of tangible fixed assets		22,269		12,940	
Net cash outflow from capital expenditure			(484,236)		(70,270)
Equity dividends paid			(78,000)		(72,000)
(Decrease)/increase in cash in the year	16		<u>(1,135,707)</u>		<u>247,396</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 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.

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
Plant	10 years

Operating leases

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.

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

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.

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	151,310	104,524
Operating lease rentals - land and buildings	-	23,445
Auditors' remuneration - audit services	2,500	3,000
Profit on disposal of tangible fixed assets	(2,507)	(8,411)
	<u> </u>	<u> </u>

3. INTEREST	2004	2003
Interest receivable	£	£
Bank interest	790	-
Other interest	-	4
	<u> </u>	<u> </u>
	790	4
	<u> </u>	<u> </u>
Interest payable	£	£
Bank interest	20,683	6,171
	<u> </u>	<u> </u>

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

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%)	207,352	75,589
Adjustment in respect of prior years	357	900
Total current tax (note 4(b))	<u>207,709</u>	<u>75,589</u>
Deferred taxation:		
Timing differences - origination and reversal	30,948	872
Adjustment in respect of prior years	(26)	900
Tax on profit on ordinary activities	<u>238,631</u>	<u>77,361</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>631,129</u>	<u>234,592</u>
	£	£
Tax at 30% thereon	189,339	70,378
Expenses not deductible for tax purposes	48,961	6,282
Capital allowances in excess of depreciation	(35,760)	1,652
Profit on disposal of tangible fixed assets	-	(2,523)
Capital assets expensed	-	(200)
Other timing differences	4,812	-
Adjustment in respect of prior years	357	-
Current tax charge for the year (note 4(a))	<u>207,709</u>	<u>75,589</u>

(c) Factors affecting future tax charges

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

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

5. DIVIDENDS

	2004 £	2003 £
Final proposed:		
'A' ordinary 98p (2003: 39p) per share	100,087	39,780
'B' ordinary 98p (2003: 39p) per share	96,162	38,220
	<u>196,249</u>	<u>78,000</u>

6. TANGIBLE FIXED ASSETS

Summary	Plant £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2003	-	56,584	518,897	575,481
Additions	111,742	19,283	137,196	268,221
Disposals	-	(49,233)	(73,590)	(122,823)
Transfers	-	44,565	363,238	407,803
	<u>111,742</u>	<u>71,199</u>	<u>945,741</u>	<u>1,128,682</u>
At 31 March 2004	111,742	71,199	945,741	1,128,682
Depreciation				
At 1 April 2003	-	48,955	331,560	380,515
Charge for the year	5,636	8,585	137,089	151,310
Disposals	-	(48,442)	(69,861)	(118,303)
Transfers	-	22,485	162,254	184,739
	<u>5,636</u>	<u>31,583</u>	<u>561,042</u>	<u>598,261</u>
At 31 March 2004	5,636	31,583	561,042	598,261
Net book value				
At 31 March 2004	<u>106,106</u>	<u>39,616</u>	<u>384,699</u>	<u>530,421</u>
At 31 March 2003	-	7,629	187,337	194,966

Capital commitments

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

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

7. WORK IN PROGRESS	2004	2003
	£	£
Work in progress	<u>10,457</u>	<u>-</u>

Following the implementation of FRS5 Application Note G, £277,492 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	2,614,490	596,414
Amounts recoverable on contracts	781,674	182,229
Amounts owed by group undertakings	29,722	30,139
Other debtors	63,804	47,543
Prepayments and accrued income	6,154	7,471
Deferred tax asset	-	17,481
	<u>3,495,844</u>	<u>881,277</u>

There was no deferred tax asset at 31 March 2004 (2003: £17,481). This asset relates to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount charged to the profit and loss account in the year was £30,922 (2003: £1,772).

Following the implementation of FRS5 Application Note G, £277,492 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.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2004	2003
	£	£
Bank overdraft	878,840	-
Payments on account	-	13,160
Trade creditors	1,264,914	415,493
Amounts owed to group undertakings	288,252	-
Corporation tax	164,814	38,199
Other taxes and social security costs	419,838	246,685
Other creditors	25,967	3,410
Accruals and deferred income	65,408	15,412
Proposed dividend	196,249	78,000
	<u>3,304,282</u>	<u>810,359</u>

MITIE PROPERTY SERVICES (UK) LIMITED
 (formerly MITIE Property Services (Northern) Limited)
 (formerly MITIE Property Services (North East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

10. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation	£	
At 1 April 2003	(17,481)	
Movement for the year	30,921	
	<u>13,440</u>	
At 31 March 2004	13,440	
Deferred taxation provided in the financial statements is analysed as follows:		
	2004	2003
	£	£
Excess of capital allowances over depreciation	<u>13,440</u>	<u>-</u>
There are no unprovided deferred taxation amounts.		

11. CALLED UP SHARE CAPITAL

	2004	2003
	£	£
Authorised		
102,000 £1 'A' ordinary shares	102,000	102,000
98,000 £1 'B' ordinary shares	98,000	98,000
	<u>200,000</u>	<u>200,000</u>
	£	£
Allotted and fully paid		
102,000 £1 'A' ordinary shares	102,000	102,000
98,000 £1 'B' ordinary shares	98,000	98,000
	<u>200,000</u>	<u>200,000</u>

Rights attached to shares

The holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board. Thereafter, MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid, together with any arrears of such cumulative dividends unpaid from any previous financial year.

Thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

Both classes of shareholder have equal voting rights.

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

12. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2003	325,751
Retained profit for the financial year	196,249
	<hr/>
At 31 March 2004	522,000
	<hr/>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	392,498	157,231
Proposed dividend	(196,249)	(78,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	196,249	79,231
Opening shareholders' funds	525,751	446,520
	<hr/>	<hr/>
Closing shareholders' funds	722,000	525,751
	<hr/>	<hr/>

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

	2004 £	2003 £
Operating profit	651,022	240,759
Depreciation charges	151,310	104,524
Profit on disposal of tangible fixed assets	(2,527)	(8,411)
(Increase)/decrease in work in progress	(10,457)	229,291
Increase in debtors	(2,632,049)	(63,016)
Increase/(decrease) in creditors	1,367,300	(73,158)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(475,401)	479,989
	<hr/>	<hr/>

15. ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS

	At 1 April 2003 £	Cash flows £	At 31 March 2004 £
Cash at bank and in hand	259,867	(1,135,707)	(875,840)
	<hr/>	<hr/>	<hr/>

MITIE PROPERTY SERVICES (UK) LIMITED
 (formerly MITIE Property Services (Northern) Limited)
 (formerly MITIE Property Services (North East) Limited)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

**16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET (DEBT)/FUNDS**

	2004	2003
	£	£
(Decrease)/increase in cash in the year	(1,135,707)	247,396
Net funds at beginning of year	259,867	12,471
	<hr/>	<hr/>
Net (debt)/funds at end of year	(875,840)	259,867
	<hr/>	<hr/>

17. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004		2003
	Office equipment £	Land and buildings £	Office equipment £
			Land and buildings £
Expire date:			
- within one year	-	21,776	-
- within two to five years	16,228	26,664	10,950
- after more than five years	-	16,000	-
	<hr/>	<hr/>	<hr/>
	16,228	64,440	10,950
	<hr/>	<hr/>	<hr/>

Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts. As at 31 March 2004, the overall commitment was nil (2003: nil).

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

18. DIRECTORS

	2004	2003
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	181,726	145,373
	<u>No.</u>	<u>No.</u>
The number of directors who were members of a defined benefit pension scheme	4	3

I R Stewart, W Robson and R McGregor-Smith are 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 Property Services (UK) Limited and their services as directors of other group companies.

19. EMPLOYEES

Number of employees

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

	2004	2003
	No.	No.
Site labour	197	127
Administration and management	49	20
	<u>246</u>	<u>147</u>
Employment costs (including directors)	£	£
Wages and salaries	4,153,695	2,562,812
Social security costs	408,555	228,180
Other pension costs	89,134	60,124
	<u>4,651,384</u>	<u>2,851,116</u>

MITIE PROPERTY SERVICES (UK) LIMITED
(formerly MITIE Property Services (Northern) Limited)
(formerly MITIE Property Services (North East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

20. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Property Services (UK) 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. 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 19 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.

22. 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.