

Company Registration Number 2935593

MITIE PROPERTY SERVICES (UK) LIMITED

Report and Financial Statements

31 March 2005



MITIE PROPERTY SERVICES (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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MITIE PROPERTY SERVICES (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T G Cook
A M Dawson
R McGregor-Smith
T M McLuskie
A J Morton
P F Noble
J Ridley
W Robson
I R Stewart
C J Summers

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

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2005.

On 11 June 2004 the company changed its name from MITIE Property Services (Northern) Limited to MITIE Property Services (UK) Limited.

On 1 July 2004 the trades and assets of MITIE Property Services (London) Limited, MITIE Property Services (Scotland) Limited and MITIE Roofing (South East) Limited were amalgamated into MITIE Property Services (UK) Limited. On 1 October 2004 the trades and assets of MITIE Property Services (Midlands) Limited, MITIE Property Services (Southern) Limited, MITIE Property Services (Western) Limited, MITIE Roofing (South West) Limited and MITIE Roofing Services Limited, were amalgamated into 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 maintenance and refurbishment, painting and decorating and roofing services to the commercial, industrial and public sectors, throughout the United Kingdom.

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 £2,957,396 (2004: £392,498). The directors recommend that this amount be dealt with as follows:

	2005 £	2004 £
Ordinary dividends:		
- Final proposed £10.45 (2004: 98p) per share	2,089,424	196,249
Transfer to reserves	867,972	196,249
	<u>2,957,396</u>	<u>392,498</u>

MITIE PROPERTY SERVICES (UK) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

R McGregor-Smith	
P F Noble	
W Robson	
I R Stewart	
T G Cook	(appointed 8 October 2004)
A M Dawson	(appointed 10 September 2004)
T M McLuskie	(appointed 10 September 2004)
A J Morton	(appointed 10 September 2004)
J Ridley	(appointed 10 September 2004)
C J Summers	(appointed 10 September 2004)
M M Carr	(resigned 16 August 2004)
A K Falconer	(resigned 16 August 2004)
C T Nixon	(resigned 16 August 2004)

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 2005 2.5p Ordinary shares No.	At 1 April 2004* 2.5p Ordinary shares No.
T G Cook	3,159,382	3,659,382
A M Dawson	5,290	2,908
T M McLuskie	258,085	598,085
A J Morton	75,025	95,775
C J Summers	476,504	476,504
J Ridley	88,345	134,577

Share Options

		At 1 April *	Granted during the period	Price	Exercise period From	To	Exercised during the period	Price	At 31 March 2005
		2004	Options				Options		
A M Dawson	(i)	4,938	1,362	£1.20	Sep 2009	Mar 2010	2,382	£0.85	3,918
A M Dawson	(ii)	26,000	-	-	-	-	-	-	26,000
A J Morton	(i)	9,309	-	-	-	-	-	-	9,309
P F Noble	(i)	5,043	3,270	£1.20	Sep 2009	Mar 2010	-	-	8,313
J Ridley	(i)	10,971	4,087	£1.20	Sep 2009	Mar 2010	2,382	£0.85	12,676

(i) Options under the Savings Related Option Scheme

(ii) Options under the Executive Share Option Scheme

* or date of appointment

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

MITIE PROPERTY SERVICES (UK) 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 2005 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 76 days (2004: 69 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

Pursuant to Section 386 Companies Act 1985, an elective resolution was passed on 14 March 2005 dispensing with the requirement to appoint auditors annually. Therefore Deloitte & Touche LLP are deemed to continue as auditors.

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



C K Ross
Secretary

19 July 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE PROPERTY SERVICES (UK) LIMITED

We have audited the financial statements of MITIE Property Services (UK) Limited for the year ended 31 March 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 23. 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 2005 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

19 July 2005

MITIE PROPERTY SERVICES (UK) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2005

	Notes	Continuing operations	
		2005 £	2004 £
TURNOVER	1	68,869,149	10,535,453
Cost of sales		(53,804,414)	(8,290,096)
GROSS PROFIT		15,064,735	2,245,357
Administrative expenses		(11,269,717)	(1,594,335)
OPERATING PROFIT	2	3,795,018	651,022
Interest receivable	3	53,311	790
Interest payable	3	(160,145)	(20,683)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,688,184	631,129
Tax on profit on ordinary activities	4	(730,788)	(238,631)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,957,396	392,498
Dividends	5	(2,089,424)	(196,249)
RETAINED PROFIT FOR THE FINANCIAL YEAR	12	867,972	196,249

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

BALANCE SHEET
At 31 March 2005

	Notes	2005		2004	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		2,464,557		530,421
CURRENT ASSETS					
Work in progress	7	-		10,457	
Debtors	8	27,915,752		3,495,844	
Cash at bank and in hand		4,518,036		3,000	
		32,433,788		3,509,301	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(33,308,373)		(3,304,282)	
NET CURRENT (LIABILITIES)/ ASSETS			(874,585)		205,019
TOTAL ASSETS LESS CURRENT LIABILITIES			1,589,972		735,440
PROVISION FOR LIABILITIES AND CHARGES	10		-		(13,440)
NET ASSETS			1,589,972		722,000
SHARE CAPITAL AND RESERVES					
Called up share capital	11		200,000		200,000
Profit and loss account	12		1,389,972		522,000
TOTAL EQUITY SHAREHOLDERS' FUNDS	13		1,589,972		722,000

These financial statements were approved by the Board of Directors on 19 July 2005.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

MITIE PROPERTY SERVICES (UK) LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2005

	Notes	2005		2004	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	14		5,967,534		(475,401)
Returns on investments and servicing of finance					
Interest received		64,737		1,405	
Interest paid		(165,326)		(18,380)	
Net cash outflow from returns on investments and servicing of finance			(100,589)		(16,975)
Taxation					
UK corporation tax paid			(1,227,261)		(81,095)
Capital expenditure					
Payments to acquire tangible fixed assets		(971,781)		(506,505)	
Receipts from disposal of tangible fixed assets		149,861		22,269	
Net cash outflow from capital expenditure			(821,920)		(484,236)
Equity dividends paid			(389,745)		(78,000)
Increase/(decrease) in cash in the year	16		<u>3,428,019</u>		<u>(1,135,707)</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

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.

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:

Plant	10 years
Motor vehicles	4 years
Office equipment	3 to 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

1. ACCOUNTING POLICIES (continued)

Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

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 benefit pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC.

2.	OPERATING PROFIT is stated after charging/(crediting):	2005 £	2004 £
	Depreciation	842,747	151,310
	Operating lease rentals:		
	- land and buildings	170,160	-
	- office equipment	79,629	-
	Auditors' remuneration - audit services	20,592	2,500
	Profit on disposal of tangible fixed assets	(69,797)	(2,507)

3.	INTEREST	2005 £	2004 £
	Interest receivable		
	Bank interest	43,073	790
	Other interest	10,238	-
		<u>53,311</u>	<u>790</u>
	Interest payable		
	Bank interest	<u>160,145</u>	<u>20,683</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £	2004 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2004: 30%)	1,133,353	207,352
Adjustment in respect of prior years	(1,937)	357
Total current tax (note 4(b))	<u>1,131,416</u>	<u>207,709</u>
Deferred taxation:		
Timing differences - origination and reversal	(206,176)	30,948
Adjustment in respect of prior years	(194,452)	(26)
Tax on profit on ordinary activities	<u>730,788</u>	<u>238,631</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% (2004: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	<u>3,688,184</u>	<u>631,129</u>
	£	£
Tax at 30% thereon	1,106,455	189,339
Expenses not deductible for tax purposes	(18,308)	48,961
Capital allowances in excess of depreciation	45,206	(35,760)
Other timing differences	-	4,812
Adjustment in respect of prior years	(1,937)	357
Current tax charge for the year (note 4(a))	<u>1,131,416</u>	<u>207,709</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

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

5. DIVIDENDS	2005 £	2004 £
Final proposed:		
'A' ordinary £10.45 (2004: 98p) per share	1,065,606	100,087
'B' ordinary £10.45 (2004: 98p) per share	1,023,818	96,162
	<u>2,089,424</u>	<u>196,249</u>

6. TANGIBLE FIXED ASSETS

Summary	Plant £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2004	111,742	71,199	945,741	1,128,682
Additions	179,627	157,923	631,911	969,461
Disposals	(11,826)	(71,652)	(734,518)	(817,996)
Transfers	168,181	394,357	4,434,479	4,997,017
At 31 March 2005	<u>447,724</u>	<u>551,827</u>	<u>5,277,613</u>	<u>6,277,164</u>
Depreciation				
At 1 April 2004	5,636	31,583	561,042	598,261
Charge for the year	56,283	79,317	707,147	842,747
Disposals	(11,826)	(69,037)	(657,069)	(737,932)
Transfers	69,022	273,078	2,767,431	3,109,531
At 31 March 2005	<u>119,115</u>	<u>314,941</u>	<u>3,378,551</u>	<u>3,812,607</u>
Net book value				
At 31 March 2005	<u>328,609</u>	<u>236,886</u>	<u>1,899,062</u>	<u>2,464,557</u>
At 31 March 2004	<u>106,106</u>	<u>39,616</u>	<u>384,699</u>	<u>530,421</u>

Capital commitments

At 31 March 2005 the directors had authorised capital expenditure of nil (2004: nil).

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

7. WORK IN PROGRESS	2005	2004
	£	£
Work in progress	-	10,457
8. DEBTORS	2005	2004
	£	£
Trade debtors	18,054,719	2,614,490
Amounts recoverable on contracts	8,583,764	781,674
Amounts owed by group undertakings	497,666	29,722
Other debtors	231,614	63,804
Prepayments and accrued income	160,801	6,154
Deferred tax asset	387,188	-
	<u>27,915,752</u>	<u>3,495,844</u>

A deferred tax asset of £387,188 was recognised at 31 March 2005 (2004: nil). This asset relates to depreciation in excess of 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 credited to the profit and loss account in the year was £400,628 (2004: charge of £30,922).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2005	2004
	£	£
Bank overdraft	1,965,857	878,840
Payments on account	554,328	-
Trade creditors	12,652,224	1,264,914
Amounts owed to group undertakings	11,062,298	288,252
Corporation tax	967,583	164,814
Other taxes and social security costs	3,171,790	419,838
Other creditors	58,845	25,967
Accruals and deferred income	820,941	65,408
Proposed dividend	2,054,507	196,249
	<u>33,308,373</u>	<u>3,304,282</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

10. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation	£
At 1 April 2004	13,440
Movement for the year	(13,440)
At 31 March 2005	-

Deferred taxation provided in the financial statements is analysed as follows:	2005	2004
	£	£
Excess of capital allowances over depreciation	-	13,440

There are no unprovided deferred taxation amounts.

11. CALLED UP SHARE CAPITAL

	2005	2004
	£	£
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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2005

12. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2004	522,000
Retained profit for the financial year	867,972
	<hr/>
At 31 March 2005	1,389,972
	<hr/>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit for the financial year	2,957,396	392,498
Proposed dividend	(2,089,424)	(196,249)
	<hr/>	<hr/>
Net addition to shareholders' funds	867,972	196,249
Opening shareholders' funds	722,000	525,751
	<hr/>	<hr/>
Closing shareholders' funds	1,589,972	722,000
	<hr/>	<hr/>

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

	2005 £	2004 £
Operating profit	3,795,018	651,022
Depreciation charges	842,747	151,310
Profit on disposal of tangible fixed assets	(69,797)	(2,527)
Decrease/(increase) in work in progress	10,457	(10,457)
Increase in debtors	(24,786,797)	(2,632,049)
Increase in creditors	26,175,906	1,367,300
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	5,967,534	(475,401)
	<hr/>	<hr/>

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

	At 1 April 2004 £	Cash flows £	At 31 March 2005 £
Cash at bank	3,000	4,515,036	4,518,036
Overdraft	(878,840)	(1,087,017)	(1,965,857)
	<hr/>	<hr/>	<hr/>
	(875,840)	3,428,019	2,552,179
	<hr/>	<hr/>	<hr/>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

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

	2005 £	2004 £
Increase/(decrease) in cash in the year	3,428,019	(1,135,707)
Net (debt)/funds at beginning of year	(875,840)	259,867
Net funds/(debt) at end of year	2,552,179	(875,840)

17. ACQUISITIONS

On 1 July 2004 the trades and assets of MITIE Property Services (London) Limited, MITIE Property Services (Scotland) Limited and MITIE Roofing (South East) Limited were amalgamated into MITIE Property Services (UK) Limited. On 1 October 2004 the trades and assets of MITIE Property Services (Midlands) Limited, MITIE Property Services (Southern) Limited, MITIE Property Services (Western) Limited, MITIE Roofing (South West) Limited and MITIE Roofing Services Limited, were amalgamated into MITIE Property Services (UK) Limited.

The following table sets out the book values of the identifiable assets and liabilities acquired:

Purchase of trade and assets:

	Book value £
Tangible fixed assets	1,885,166
Debtors	25,368,520
Cash	1,706,342
Creditors	(16,575,604)
Overdraft	(3,060,962)
	<u>9,323,462</u>
Total consideration satisfied by intercompany loans	<u>9,323,462</u>

The directors considered the fair value of the assets and liabilities acquired to be the same as the book value.

It is not practicable to allocate the results of the acquired business between pre and post acquisition since post acquisition the operations of the businesses have been merged.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

18. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings £	2005 Office equipment £	Land and buildings £	2004 Office equipment £
Expire date:				
- within one year	36,254	-	21,776	-
- within two to five years	126,754	154,231	26,664	16,228
- after five years	250,110	-	16,000	-
	<u>413,118</u>	<u>154,231</u>	<u>64,440</u>	<u>16,228</u>

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 2005, the overall commitment was nil (2004: nil).

19. DIRECTORS

	2005 £	2004 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>441,127</u>	<u>181,726</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to	£	£
The highest paid director	<u>99,125</u>	<u>44,833</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>6</u>	<u>4</u>

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. J Ridley is a director of MITIE Property Services Limited and his emoluments are disclosed in those 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.

Two directors exercised options in the shares of the ultimate group company, MITIE Group PLC during the year (2004: none).

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

20. EMPLOYEES

Number of employees

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

	2005 No.	2004 No.
Site labour	741	197
Administration and management	193	49
	<u>934</u>	<u>246</u>
Employment costs (including directors)	£	£
Wages and salaries	19,810,779	4,153,695
Social security costs	2,004,992	408,555
Other pension costs	373,802	89,134
	<u>22,189,573</u>	<u>4,651,384</u>

21. 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.

22. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined benefit 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 20 and the agreed contribution rate for the next 12 months is 10% (2004: 10%) and 7.5% (2004: 7.5%) for the group and employees respectively.

The next actuarial valuation which was due on 6 April 2005 is currently being prepared. The 2002 actuarial valuation, which was performed on 6 April 2002 by a professional qualified actuary, showed that the actuarial value of the assets represented 87% of the benefits that had accrued to members after allowing for expected future increases in earnings.

An updated Financial Reporting Standard 17 valuation of the scheme as at 31 March 2005 indicated that the scheme was 85% funded.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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23. 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.