

MITIE AIR CONDITIONING (WALES) LIMITED

Report and Financial Statements

31 March 2003



REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
C S Acheson
B R Edwards
I R Stewart
C J Williams

SECRETARY

C K Ross

REGISTERED OFFICE

The Stable Block
Barley Wood
Wrington
Bristol
BS40 5SA

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche
Bristol

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is the installation and maintenance of air conditioning systems and associated mechanical and electrical systems in commercial, industrial and domestic premises.

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 £53,740 (2002: £34,036). The directors recommend that this be dealt with as follows:

| | £ |
|---|--------------------|
| Ordinary dividends: | |
| - Final proposed 'A' ordinary shares 8p per share | 1,224 |
| - Final proposed 'B' ordinary shares 8p per share | 1,176 |
| Transfer to reserves | 51,340 |
| | <hr/> 53,740 <hr/> |

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

The directors during the year were as follows:

D M Telling
C S Acheson
B R Edwards
I R Stewart
C J Williams

No director had an interest in the share capital and loan stock of the company.

Messrs D M Telling, C S Acheson and I R Stewart are directors of MITIE Group PLC, the parent undertaking, and their interests in and options on 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 2003 2.5p Ordinary shares No. | At 1 April 2002 2.5p Ordinary shares No. |
|--------------|---|--|
| B R Edwards | 406,325 | 453,800 |
| C J Williams | 199,912 | 195,152 |

Share Options

| | At 1 April 2002 | Granted during the period Options | Price | Exercise period From | To | Exercised during the period Options | Price | At 31 March 2003 |
|------------------|--------------------|---|-------|-------------------------|----|---|--------|---------------------|
| C J Williams (i) | 54,760 | - | - | - | - | 54,760 | £0.315 | - |

(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.

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 2003 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 133 days (2002: 151 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.

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

Deloitte & Touche has informed the directors that they are intending to transfer their business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



C K Ross
Secretary

2 July 2003

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MITIE AIR CONDITIONING (WALES) LIMITED**

We have audited the financial statements of MITIE Air Conditioning (Wales) Limited for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
Bristol

3 July 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

| | Notes | Continuing operations 2003 £ | 2002 £ |
|--|-------|------------------------------------|-----------|
| TURNOVER | 1 | 711,974 | 361,335 |
| Cost of sales | | (458,881) | (233,014) |
| GROSS PROFIT | | 253,093 | 128,321 |
| Administrative expenses | | (179,123) | (79,948) |
| OPERATING PROFIT | 2 | 73,970 | 48,373 |
| Interest receivable | 3 | 2,793 | 679 |
| Interest payable | 3 | (12) | - |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 76,751 | 49,052 |
| Tax on profit on ordinary activities | 4 | (23,011) | (15,016) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 53,740 | 34,036 |
| Dividends | 5 | (2,400) | - |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | 11 | 51,340 | 34,036 |

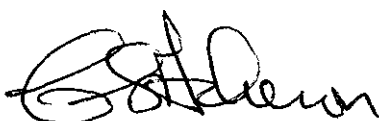
There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.

BALANCE SHEET
At 31 March 2003

| | Notes | 2003 | | 2002 | |
|---|-------|------------------|---------------|------------------|----------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 6 | | 26,688 | | 17,127 |
| CURRENT ASSETS | | | | | |
| Work in progress | 7 | 12,825 | | 17,251 | |
| Debtors | 8 | 99,689 | | 52,607 | |
| Cash at bank and in hand | | 285,225 | | 42,991 | |
| | | <u>397,739</u> | | <u>112,849</u> | |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (including convertible redeemable unsecured loan stock) | 9 | <u>(353,057)</u> | | <u>(118,046)</u> | |
| NET CURRENT ASSETS/(LIABILITIES) | | | <u>44,682</u> | | <u>(5,197)</u> |
| NET ASSETS | | | <u>71,370</u> | | <u>11,930</u> |
| SHARE CAPITAL AND RESERVES | | | | | |
| Called up share capital | 10 | | 30,000 | | 21,900 |
| Profit and loss account | 11 | | 41,370 | | (9,970) |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 12 | | <u>71,370</u> | | <u>11,930</u> |

These financial statements were approved by the Board of Directors on 2 July 2003.

Signed on behalf of the Board of Directors



C S Acheson
Director

CASH FLOW STATEMENT
Year ended 31 March 2003

| | Notes | 2003 | | 2002 | |
|---|-------|-------------------|----------------|-------------------|---------------|
| | | £ | £ | £ | £ |
| Net cash inflow from operating activities | 13 | | 275,355 | | 35,843 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 2,647 | | 625 | |
| Interest paid | | (12) | | - | |
| | | <u> </u> | | <u> </u> | |
| Net cash inflow from returns on investments and servicing of finance | | | 2,635 | | 625 |
| Taxation | | | | | |
| UK corporation tax (paid)/received | | | (21,373) | | 6,528 |
| Capital expenditure | | | | | |
| Payments to acquire tangible fixed assets | | (19,083) | | (7,437) | |
| Receipts from disposal of tangible fixed assets | | 4,700 | | - | |
| | | <u> </u> | | <u> </u> | |
| Net cash outflow from capital expenditure | | | (14,383) | | (7,437) |
| Increase in cash in the year | 15 | | <u>242,234</u> | | <u>35,559</u> |

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**1. ACCOUNTING POLICIES****Accounting convention**

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable United Kingdom accounting standards.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied and contract work completed in the period. 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 and 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.

Work in progress

Work in progress is stated at the lower of cost (including appropriate overheads) and net realisable value. Provision is made for foreseeable losses.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. 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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

| | | |
|--|-------------------|-------------------|
| 2. OPERATING PROFIT is stated after charging: | 2003 | 2002 |
| | £ | £ |
| Depreciation on owned assets | 11,159 | 7,759 |
| Auditors' remuneration - audit services | 1,750 | 2,100 |
| | <u> </u> | <u> </u> |
| 3. INTEREST | 2003 | 2002 |
| | £ | £ |
| Interest receivable | | |
| Bank interest | 2,725 | 679 |
| Other interest | 68 | - |
| | <u> </u> | <u> </u> |
| | 2,793 | 679 |
| | <u> </u> | <u> </u> |
| Interest payable | £ | £ |
| Other interest | 12 | - |
| | <u> </u> | <u> </u> |
| 4. TAX ON PROFIT ON ORDINARY ACTIVITIES | 2003 | 2002 |
| | £ | £ |
| (a) Analysis of charge in year | | |
| United Kingdom corporation tax at 30% (2002: 30%) | 23,570 | 15,016 |
| Adjustment in respect of prior years | 201 | - |
| | <u> </u> | <u> </u> |
| Total current tax (note 4(b)) | 23,771 | 15,016 |
| Deferred taxation: | | |
| Timing differences - origination and reversal | (425) | - |
| Adjustment in respect of prior years | (335) | - |
| | <u> </u> | <u> </u> |
| Tax on profit on ordinary activities | 23,011 | 15,016 |
| | <u> </u> | <u> </u> |

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

4. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge in year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are as follows:

| | 2003 £ | 2002 £ |
|--|----------------------|----------------------|
| Profit on ordinary activities before tax | <u>76,751</u> | <u>49,052</u> |
| | £ | £ |
| Tax at 30% thereon | 23,025 | 14,716 |
| Expenses not deductible for tax purposes | 120 | 503 |
| Capital allowances less than/(in excess of) depreciation | 425 | (203) |
| Prior period adjustments | <u>201</u> | <u>-</u> |
| Current tax charge for the year (note 4(a)) | <u><u>23,771</u></u> | <u><u>15,016</u></u> |

(c) Factors affecting future tax charges

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

5. DIVIDENDS

| | 2003 £ | 2002 £ |
|--|---------------------|-----------------|
| Final proposed: | | |
| 'A' ordinary share of 8p (2002: nil) per share | 1,224 | - |
| 'B' ordinary share of 8p (2002: nil) per share | <u>1,176</u> | <u>-</u> |
| | <u><u>2,400</u></u> | <u><u>-</u></u> |

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**6. TANGIBLE FIXED ASSETS**

| Summary | Plant and office equipment £ | Motor vehicles £ | Total £ |
|-----------------------|---|---------------------------------|--------------------|
| Cost | | | |
| At 1 April 2002 | 7,099 | 25,510 | 32,609 |
| Additions | - | 10,688 | 10,688 |
| Transfer in | - | 19,549 | 19,549 |
| Transfer out | - | (6,267) | (6,267) |
| At 31 March 2003 | 7,099 | 49,480 | 56,579 |
| Depreciation | | | |
| At 1 April 2002 | 3,486 | 11,996 | 15,482 |
| Charge for the year | 1,419 | 9,740 | 11,159 |
| Transfer in | - | 4,817 | 4,817 |
| Transfer out | - | (1,567) | (1,567) |
| At 31 March 2003 | 4,905 | 24,986 | 29,891 |
| Net book value | | | |
| At 31 March 2003 | 2,194 | 24,494 | 26,688 |
| At 31 March 2002 | 3,613 | 13,514 | 17,127 |

Capital commitments

At 31 March 2003 the directors had authorised capital expenditure of nil (2002: nil).

7. WORK IN PROGRESS

| | 2003 £ | 2002 £ |
|---------------------|-------------------|-------------------|
| Work in progress | 169,789 | 18,092 |
| Payments on account | (156,964) | (841) |
| | <u>12,825</u> | <u>17,251</u> |

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

| 8. DEBTORS | 2003 £ | 2002 £ |
|------------------------------------|---------------|---------------|
| Trade debtors | 79,409 | 30,713 |
| Amounts owed by group undertakings | 19,116 | 21,796 |
| Other debtors | 404 | 98 |
| Deferred tax | 760 | - |
| | <u>99,689</u> | <u>52,607</u> |

A deferred tax asset of £760 has been recognised at 31 March 2003 (2002: nil). 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 credited to the profit and loss account in the year was £760 (2002: nil).

| 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2003 £ | 2002 £ |
|---|----------------|----------------|
| Convertible redeemable unsecured loan stock | - | 8,100 |
| Payments on account | 24,369 | 3,539 |
| Trade creditors | 222,643 | 70,983 |
| Amounts owed to group undertakings | 37,977 | 15,965 |
| Other taxes and social security costs | 47,035 | 4,137 |
| Other creditors | 72 | 72 |
| Corporation tax | 14,773 | 12,375 |
| Accruals and deferred income | 3,788 | 2,875 |
| Proposed dividends | 2,400 | - |
| | <u>353,057</u> | <u>118,046</u> |

The loan stock was converted to £1 'B' ordinary shares on 17 May 2002.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

| 10. CALLED UP SHARE CAPITAL | 2003 £ | 2002 £ |
|--|----------------|----------------|
| Authorised | | |
| 55,900 £1 'A' ordinary shares | 55,900 | 55,900 |
| 44,100 £1 'B' ordinary shares | 44,100 | 44,100 |
| | <u>100,000</u> | <u>100,000</u> |
| | £ | £ |
| Allotted and fully paid | | |
| 15,300 £1 'A' ordinary shares | 15,300 | 15,300 |
| 14,700 £1 'B' ordinary shares (2002: 6,600 shares) | 14,700 | 6,600 |
| | <u>30,000</u> | <u>21,900</u> |

On 17 May 2002 8,100 £1 'B' ordinary shares were issued at par on the conversion of loan stock.

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.

11. PROFIT AND LOSS ACCOUNT

| | £ |
|--|----------------------|
| At 1 April 2002 | (9,970) |
| Retained profit for the financial year | <u>51,340</u> |
| At 31 March 2003 | <u>41,370</u> |

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

| | | | |
|-----|--|-----------|-----------|
| 12. | RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS | 2003 £ | 2002 £ |
| | Profit for the financial year | 53,740 | 34,036 |
| | Issue of ordinary shares | 8,100 | - |
| | Proposed dividend | (2,400) | - |
| | Net addition to shareholders' funds | 59,440 | 34,036 |
| | Opening shareholders' funds/(debt) | 11,930 | (22,106) |
| | Closing shareholders' funds | 71,370 | 11,930 |

| | | | |
|-----|---|-----------|-----------|
| 13. | RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES | 2003 £ | 2002 £ |
| | Operating profit | 73,970 | 48,373 |
| | Depreciation charges | 11,159 | 7,759 |
| | Decrease/(increase) in work in progress | 4,426 | (3,944) |
| | Increase in debtors | (46,176) | (8,089) |
| | Increase/(decrease) in creditors | 231,976 | (8,256) |
| | Net cash inflow from operating activities | 275,355 | 35,843 |

| | | | | | |
|-----|----------------------------------|-------------------------|----------------|--------------------------|--------------------------|
| 14. | ANALYSIS OF CHANGES IN NET FUNDS | At 1 April 2002 £ | Cash flow £ | Non-cash changes £ | At 31 March 2003 £ |
| | Cash at bank and in hand | 42,991 | 242,234 | - | 285,225 |
| | Debt due within one year | (8,100) | - | 8,100 | - |
| | | 34,891 | 242,234 | 8,100 | 285,225 |

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET FUNDS**

| | 2003 £ | 2002 £ |
|---------------------------------------|----------------|---------------|
| Increase in cash in the year | 242,234 | 35,559 |
| Conversion of loan stock to shares | 8,100 | - |
| | <hr/> | <hr/> |
| Movement in net funds in year | 250,334 | 35,559 |
| Net funds/(debt) at beginning of year | 34,891 | (668) |
| | <hr/> | <hr/> |
| Net funds at end of year | <u>285,225</u> | <u>34,891</u> |

16. FINANCIAL COMMITMENTS**Operating leases**

At 31 March 2003 the company had no annual commitments under non-cancellable operating leases.

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

17. DIRECTORS

Messrs D M Telling, C S Acheson and I R Stewart are remunerated by MITIE Group PLC, Mr B Edwards was remunerated by MITIE Engineering Services (Cardiff) Limited and Mr C J Williams was remunerated by MITIE Engineering Services Limited for their services to the group as a whole. It is not practicable to allocate their remuneration between their services as directors of MITIE Air Conditioning (Wales) Limited and their services as directors of other group companies.

Messrs D M Telling, C S Acheson and I R Stewart are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts.

One of the directors exercised options in the shares of the ultimate group company, MITIE Group PLC, during the year (2002: none).

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

18. EMPLOYEES

Number of employees

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

| | 2003 No. | 2002 No. |
|-------------------------------|----------------|---------------|
| Administration and management | 2 | 2 |
| Site | 3 | 2 |
| | <u>5</u> | <u>4</u> |
| Employment costs | £ | £ |
| Wages and salaries | 142,455 | 85,913 |
| Social security costs | 14,964 | 8,396 |
| Other pension costs | 4,546 | 4,860 |
| | <u>161,965</u> | <u>99,169</u> |

19. RELATED PARTY TRANSACTIONS

At 1 April 2002 MITIE Group PLC was a 69% shareholder in MITIE Air Conditioning (Wales) Limited. At 31 March 2003 MITIE Group PLC is a 54% shareholder in MITIE Air Conditioning (Wales) Limited following the issue of 8,100 £1 'B' ordinary shares at par.

During the year, MITIE Air Conditioning (Wales) Limited paid management charges of £37,400 (2002: £23,637) to companies within MITIE Group PLC. At the year end an amount of £12,044 (2002: £12,338) was included in creditors in respect of these transactions.

During the year MITIE Air Conditioning (Wales) Limited purchased goods and services amounting to £23,964 (2002: £2,709) on normal commercial terms from companies within MITIE Group PLC. An amount of £19,596 (2002: £3,627) remained outstanding at the year end in respect of these transactions and those of prior years.

During the year MITIE Air Conditioning (Wales) Limited provided goods and services amounting to £406,044 (2002: £160,268) on normal commercial terms to companies within MITIE Group PLC. At the year end an amount of £19,116 (2002: £14,341) was included in debtors in respect of these transactions.

During the year MITIE Air Conditioning (Wales) Limited purchased vehicles from MITIE Engineering Services (Cardiff) Limited at net book value of £14,732 (2002: nil). An amount of £6,337 remained outstanding at the year end in respect of these transactions.

During the year MITIE Air Conditioning (Wales) Limited sold a vehicle to MITIE Engineering Services (Cardiff) Limited at a net book value of £4,700 (2002: nil).

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

20. PENSION ARRANGEMENTS

For the purposes of Financial Reporting Standard 17, the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme, the MITIE Group Pension Scheme, on a consistent and reasonable basis. Therefore, following full implementation of FRS17, the company will account for contributions to the scheme as if it were a defined contribution scheme. At 31 March 2003, the valuation of the scheme for the purposes of FRS17 showed a net pension liability as set out in the report and accounts of MITIE Group PLC.

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. 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.