

**MITIE PROPERTY SERVICES LIMITED**

**Report and Financial Statements**

**31 March 2004**

**Deloitte & Touche LLP  
Bristol**



**REPORT AND FINANCIAL STATEMENTS 2004**

**CONTENTS**

	<b>Page</b>
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

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R McGregor-Smith  
J Ridley  
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 financial 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, 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 provides management and administration services to certain fellow subsidiary undertakings.

The directors believe the company is well placed to perform well in the future.

## RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £49,094 (2003: £87,284). The directors propose the payment of a dividend of £24,500 (2003: £43,000). The directors recommend that the amount of £24,594 be transferred to reserves (2003: £44,284 transferred to reserves).

## DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

J Ridley  
W Robson  
I R Stewart  
R McGregor-Smith (appointed 7 October 2003)  
D M Telling (resigned 10 October 2003)

No director held a beneficial interest in the share capital of the company or any other group company at the beginning or end of the financial year, except as disclosed below.

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

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.

Other directors' interests in the share capital of MITIE Group PLC are as follows:

	At 31 March 2004 2.5p Ordinary shares No.	At 1 April 2003 2.5p Ordinary shares No.
J Ridley	134,577	146,027

**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
J Ridley (i)	8,317	2,654	£1.20	Sept 2008	Mar 2009	-	-	10,971

(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. At 31 March 2004 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 25 days (2003: 28 days).

**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.

**DIRECTORS' REPORT (continued)**

**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

A handwritten signature in black ink, appearing to read 'R McGregor-Smith', written over a horizontal line.

**R McGregor-Smith**  
Director

29 July 2004

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE PROPERTY SERVICES LIMITED

We have audited the financial statements of MITIE Property Services 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

29 July 2004

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2004**

	Notes	Continuing operations	
		2004	2003
		£	£
Operating income	1	2,285,359	2,377,658
Administrative expenses		(2,238,434)	(2,277,849)
<b>OPERATING PROFIT</b>	2	46,925	99,809
Interest receivable	3	24,967	27,622
Interest payable	3	-	(2,421)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		71,892	125,010
Tax charge on profit on ordinary activities	4	(22,798)	(37,726)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		49,094	87,284
Dividends	5	(24,500)	(43,000)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	10	24,594	44,284

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 LIMITED**

**BALANCE SHEET**  
**At 31 March 2004**

	Notes	2004		2003	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	6		46,217		41,898
<b>CURRENT ASSETS</b>					
Debtors	7	532,971		564,126	
Cash at bank and in hand		77,074		96,218	
		<u>610,045</u>		<u>660,344</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	<u>(385,770)</u>		<u>(456,344)</u>	
<b>NET CURRENT ASSETS</b>			<u>224,275</u>		<u>204,000</u>
<b>NET ASSETS</b>			<u>270,492</u>		<u>245,898</u>
<b>SHARE CAPITAL AND RESERVES</b>					
Called up share capital	9		2		2
Profit and loss account	10		270,490		245,896
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	11		<u>270,492</u>		<u>245,898</u>

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

**CASH FLOW STATEMENT**

Year ended 31 March 2004

	Notes	2004		2003	
		£	£	£	£
<b>Net cash outflow from operating activities</b>	12		(10,689)		(71,751)
<b>Returns on investments and servicing of finance</b>					
Interest received		24,302		27,170	
Interest paid		-		(2,421)	
		<u>24,302</u>		<u>24,749</u>	
<b>Net cash inflow from returns on investments and servicing of finance</b>			24,302		24,749
<b>Taxation</b>					
UK corporation tax received/(paid)			40,267		(68,639)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(61,632)		(31,735)	
Receipts from disposal of tangible fixed assets		<u>31,608</u>		<u>25,250</u>	
<b>Net cash outflow from capital expenditure</b>			(30,024)		(6,485)
<b>Equity dividend paid</b>			(43,000)		(73,000)
<b>Decrease in cash in the year</b>	14		<u>(19,144)</u>		<u>(195,126)</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.

**Operating income**

Operating income represents management charges receivable from other group companies.

**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

**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 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.

<b>2. OPERATING PROFIT is stated after charging/(crediting):</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Depreciation	25,705	27,072
Auditors' remuneration - audit services	350	1,750
Profit on disposal of tangible fixed assets	-	(995)
	<hr/>	<hr/>
<b>3. INTEREST</b>	<b>2004</b>	<b>2003</b>
<b>Interest receivable</b>	<b>£</b>	<b>£</b>
Bank interest	24,790	27,622
Other interest	177	-
	<hr/>	<hr/>
	24,967	27,622
	<hr/>	<hr/>
<b>Interest payable</b>	<b>£</b>	<b>£</b>
Bank interest	-	2,421
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2004**

**4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>(a) Analysis of charge in year</b>		
United Kingdom corporation tax at 30% (2003: 30%)	27,557	42,594
Adjustment in respect of prior years	(3,044)	(10,693)
<b>Total current tax (note 4(b))</b>	<u>24,513</u>	<u>31,901</u>
Deferred taxation:		
Timing differences - origination and reversal	(4,760)	4,670
Adjustment in respect of prior years	3,045	1,155
<b>Tax on profit on ordinary activities</b>	<u>22,798</u>	<u>37,726</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:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<u>71,892</u>	<u>125,010</u>
	<b>£</b>	<b>£</b>
Tax at 30% thereon	21,568	37,503
Expenses not deductible for tax purposes	1,230	9,761
Capital allowances in excess of depreciation	3,564	(4,371)
Profit on disposal of tangible fixed assets	-	(299)
Other timing differences	1,195	-
Prior year adjustments	(3,044)	(10,693)
<b>Current tax charge for the year (note 4(a))</b>	<u>24,513</u>	<u>31,901</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**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Ordinary:		
Final proposed of £12,250 (2003: £21,500) per share	<u>24,500</u>	<u>43,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2004**

**6. TANGIBLE FIXED ASSETS**

Summary	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>			
At 1 April 2003	73,689	24,684	98,373
Additions	3,215	58,417	61,632
Transfers out	(1,396)	(34,750)	(36,146)
Disposals	(19,285)	-	(19,285)
At 31 March 2004	56,223	48,351	104,574
<b>Depreciation</b>			
At 1 April 2003	54,418	2,057	56,475
Charge for the year	11,300	14,405	25,705
Transfers out	(194)	(4,344)	(4,538)
Disposals	(19,285)	-	(19,285)
At 31 March 2004	46,239	12,118	58,357
<b>Net book value</b>			
At 31 March 2004	9,984	36,233	46,217
At 31 March 2003	19,271	22,627	41,898

**7. DEBTORS**

	2004 £	2003 £
Trade debtors	243,100	230,500
Amounts owed by group undertakings	67,731	67,731
Other debtors	217,432	263,567
Prepayments and accrued income	1,681	1,016
Deferred tax	3,027	1,312
	<u>532,971</u>	<u>564,126</u>

A deferred tax asset of £3,027 has been recognised at 31 March 2004 (2003: £1,312). 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 £1,715 (2003: charge of £5,825).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

8.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2004 £	2003 £
	Trade creditors	-	113,466
	Amounts owed to group undertakings	17,000	17,000
	Corporation tax	92,476	27,695
	Other taxes and social security costs	17,531	124,604
	Accruals and deferred income	226,519	129,371
	Proposed dividend	24,500	43,000
	Other creditors	7,744	1,208
		<u>385,770</u>	<u>456,344</u>
9.	<b>CALLED UP SHARE CAPITAL</b>	<b>2004 £</b>	<b>2003 £</b>
	<b>Authorised</b>		
	1,000 £1 'A' ordinary shares	<u>1,000</u>	<u>1,000</u>
		£	£
	<b>Allotted and fully paid</b>		
	2 £1 'A' ordinary shares	<u>2</u>	<u>2</u>
10.	<b>PROFIT AND LOSS ACCOUNT</b>	<b>£</b>	
	At 1 April 2003	245,896	
	Retained profit for the year	<u>24,594</u>	
	<b>At 31 March 2004</b>	<u>270,490</u>	
11.	<b>RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<b>2004 £</b>	<b>2003 £</b>
	Profit for the financial year	49,094	87,284
	Dividends	<u>(24,500)</u>	<u>(43,000)</u>
	Net addition to shareholders' funds	24,594	44,284
	Opening shareholders' funds	<u>245,898</u>	<u>201,614</u>
	<b>Closing shareholders' funds</b>	<u>270,492</u>	<u>245,898</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

## 12. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	46,925	99,809
Depreciation charges	25,705	27,072
Profit on disposal of tangible fixed assets	-	(995)
Decrease/(increase) in debtors	33,535	(29,191)
Decrease in creditors	(116,854)	(168,446)
<b>Net cash outflow from operating activities</b>	<b>(10,689)</b>	<b>(71,751)</b>

## 13. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2003 £	Cash flow £	At 31 March 2004 £
Cash at bank and in hand	96,218	(19,144)	77,074

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

	2004 £	2003 £
Decrease in cash in the year	(19,144)	(195,126)
Net funds at beginning of year	96,218	291,344
<b>Net funds at end of year</b>	<b>77,074</b>	<b>96,218</b>

## 15. FINANCIAL COMMITMENTS

**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).

**Operating leases**

At 31 March 2004, the company had annual commitments under non-cancellable operating leases of office equipment expiring within two to five years of £4,571 (2003: nil).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

## 16. DIRECTORS

	2004 £	2003 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	324,852	437,398
Fees and emoluments above (excluding pension contributions) include amounts paid to:	£	£
Highest paid director	243,350	240,205

The accrued pension of the highest paid director at 31 March 2004 was £19,800 (2003: £18,333).

	No.	No.
The number of directors who were members of a defined benefit pension scheme	2	2

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 Property Services Limited and their services as directors of other group companies.

## 17. EMPLOYEES

## Number of employees

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

	2004 No.	2003 No.
Administration and management	15	15
Employment costs (including directors)	£	£
Wages and salaries	761,932	727,282
Social security costs	88,848	79,840
Other pension costs	11,235	32,782
	862,015	839,904



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2004**

**18. RELATED PARTY TRANSACTIONS**

As a wholly owned subsidiary of MITIE Group PLC, MITIE Property Services Limited, has taken advantage 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 17 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.

**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.