

MITIE PROPERTY SERVICES LIMITED

Report and Financial Statements

31 March 2002



**Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP**

REPORT AND FINANCIAL STATEMENTS 2002

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
J Ridley
W Robson
I R Stewart
J A Telling

SECRETARIES

C K Ross
A F Waters (resigned 31 March 2002)

REGISTERED OFFICE

The Stable Block
Barley Wood
Wrington
Bristol
BS40 5SA

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the financial year ended 31 March 2002.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 £149,508 (2001: loss of £34,178). The directors propose the payment of a dividend of £73,000 (2001: nil). The directors recommend that the amount of £76,508 be transferred to reserves (2001: loss of £34,178 transferred from reserves).

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling
J Ridley
W Robson
J A Telling
I R Stewart (appointed 31 October 2001)

No director held a beneficial interest in the share capital of the company at the beginning or end of the financial year.

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

Messrs D M Telling, W Robson and I R Stewart 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 2002 2.5p Ordinary shares No.	At 1 April 2001 5p Ordinary shares No.
J Ridley	64,033	36,127
J A Telling	65,772	32,886

On 2 April 2001 each MITIE Group PLC 5p ordinary share was subdivided into two ordinary shares of 2.5p each.

Share Options

	At 1 April 2001	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2002
J Ridley (i)	11,148	1,296	£1.25	Sep 06	Mar 07	-	-	23,592

(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 2002 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 30 days (2001: 30 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

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

A handwritten signature in black ink, appearing to be 'C K Ross', written in a cursive style.

C K Ross
Secretary

12 August 2002

**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 2002 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the 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 2002 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

12 August 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

	Notes	2002 £	2001 £
Operating income	1	2,288,000	1,504,933
Administrative expenses		(2,106,815)	(1,574,824)
OPERATING PROFIT/(LOSS)	2	181,185	(69,891)
Interest receivable	3	36,118	24,195
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		217,303	(45,696)
Tax (charge)/credit on profit/(loss) on ordinary activities	4	(67,795)	11,518
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		149,508	(34,178)
Dividends	5	(73,000)	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	10	76,508	(34,178)

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 statement of total recognised gains and losses has been provided.

BALANCE SHEET
At 31 March 2002

	Notes	2002		2001	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		61,490		117,621
CURRENT ASSETS					
Debtors	7	550,806		125,132	
Cash at bank and in hand		291,344		209,732	
		842,150		334,864	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(702,026)		(327,379)	
NET CURRENT ASSETS			140,124		7,485
NET ASSETS			201,614		125,106
CAPITAL AND RESERVES					
Called up share capital	9		2		2
Profit and loss account	10		201,612		125,104
EQUITY SHAREHOLDERS' FUNDS	11		201,614		125,106

These financial statements were approved by the Board of Directors on 12 August 2002.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Year ended 31 March 2002

	Notes	2002		2001	
		£	£	£	£
Net cash inflow from operating activities	12		21,536		81,589
Returns on investments and servicing of finance					
Interest received			36,430		23,319
Taxation					
UK corporation tax received/(paid)			1,317		(83,835)
Capital expenditure					
Payments to acquire tangible fixed assets		(14,600)		(119,298)	
Receipts from disposal of tangible fixed assets		36,929		13,956	
Net cash inflow/(outflow) from capital expenditure			22,329		(105,342)
Equity dividend paid			-		(100,000)
Increase/(decrease) in cash in the year	14		81,612		(184,269)

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**1. ACCOUNTING POLICIES****Accounting convention**

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

Operating income

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

Deferred taxation

This is the first year of adoption of FRS 19 (Deferred Tax). FRS 19 requires full provision to be made for deferred tax, as stated below. It replaces the "partial provision" rules previously allowed under Statement of Standard Accounting Practice No. 15. This change had no material impact on the company and hence there is no restatement of the opening reserves.

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.

2. OPERATING PROFIT/(LOSS) is stated after charging/(crediting):	2002	2001
	£	£
Depreciation	45,194	41,126
Auditors' remuneration - audit services	1,750	2,750
Profit on disposal of tangible fixed assets	<u>(11,392)</u>	<u>(12,726)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

3. INTEREST RECEIVABLE	2002	2001
	£	£
Bank interest	27,471	24,195
Other interest	8,647	-
	<u>36,118</u>	<u>24,195</u>

4. TAX CHARGE/(CREDIT) ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2001: 30%). The current tax charge for the year exceeds 30% (2001: credit differs from 30%) for the reasons set out in the following reconciliation:

	2002	2001
	£	£
Profit/(loss) on ordinary activities before tax	<u>217,303</u>	<u>(45,696)</u>
	£	£
Tax charge/(credit) on loss on ordinary activities at standard rate	65,191	(13,709)
Factors affecting the charge:		
- disallowable expenses	5,045	4,230
- capital allowances for period in excess of depreciation	8,114	1,482
- profit on disposal of tangible fixed assets	(3,418)	(3,818)
UK corporation tax charge/(group relief) for the year	<u>74,932</u>	<u>(11,815)</u>
Deferred tax timing differences, origination and reversal	(4,696)	-
Adjustments in respect of prior years:		
- deferred tax	(2,441)	-
- corporation tax	-	297
Tax charge/(credit) on profit/(loss) on ordinary activities	<u>67,795</u>	<u>(11,518)</u>

The company is not aware of any factors that may materially affect the future tax charge.

5. DIVIDENDS	2002	2001
	£	£
Ordinary:		
Final proposed of £36,500 (2001: nil) per share	<u>73,000</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**6. TANGIBLE FIXED ASSETS**

Summary	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 2001	51,603	142,998	194,601
Additions	13,916	-	13,916
Transfers in	1,119	65,008	66,127
Transfers out	-	(14,166)	(14,166)
Disposals	-	(111,008)	(111,008)
At 31 March 2002	66,638	82,832	149,470
Depreciation			
At 1 April 2001	24,286	52,694	76,980
Charge for the year	14,938	30,256	45,194
Transfers in	435	65,008	65,443
Transfers out	-	(3,837)	(3,837)
Disposals	-	(95,800)	(95,800)
At 31 March 2002	39,659	48,321	87,980
Net book value			
At 31 March 2002	26,979	34,511	61,490
At 31 March 2001	27,317	90,304	117,621

7. DEBTORS

	2002 £	2001 £
Trade debtors	233,462	-
Amounts owed by group undertakings	77,027	66,531
Other debtors	232,616	45,910
Prepayments and accrued income	564	876
Group relief receivable	-	11,815
Deferred tax	7,137	-
	550,806	125,132

A deferred tax asset of £7,137 has been recognised at 31 March 2002 (2001: 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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2002	2001
	£	£
Trade creditors	115,652	80,194
Amounts owed to group undertakings	17,000	17,000
Corporation tax	74,932	-
Other taxes and social security costs	135,078	92,913
Accruals and deferred income	286,364	137,272
Proposed dividend	73,000	-
	<u>702,026</u>	<u>327,379</u>
9. CALLED UP SHARE CAPITAL	2002	2001
	£	£
Authorised		
1,000 £1 'A' ordinary shares	<u>1,000</u>	<u>1,000</u>
	£	£
Allotted and fully paid		
2 £1 'A' ordinary shares	<u>2</u>	<u>2</u>
10. PROFIT AND LOSS ACCOUNT	£	
At 1 April 2001	125,104	
Retained profit for the year	76,508	
At 31 March 2002	<u>201,612</u>	
11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2002	2001
	£	£
Profit/(loss) for the financial year	149,508	(34,178)
Dividends	(73,000)	-
Net addition/(reduction) to shareholders' funds	76,508	(34,178)
Opening shareholders' funds	125,106	159,284
Closing shareholders' funds	<u>201,614</u>	<u>125,106</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

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

	2002 £	2001 £
Operating profit/(loss)	181,185	(69,891)
Depreciation charges	45,194	41,126
Profit on disposal of tangible fixed assets	(11,392)	(12,726)
Increase in debtors	(420,166)	(15,387)
Increase in creditors	226,715	138,467
Net cash inflow from operating activities	<u>21,536</u>	<u>81,589</u>

13. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2001 £	Cash flow £	At 31 March 2002 £
Cash at bank and in hand	<u>209,732</u>	<u>81,612</u>	<u>291,344</u>

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

	2002 £	2001 £
Increase/(decrease) in cash in the year	81,612	(184,269)
Movement in net funds/(debt) in the year	81,612	(184,269)
Net funds at beginning of year	<u>209,732</u>	<u>394,001</u>
Net funds at end of year	<u>291,344</u>	<u>209,732</u>

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 2002, the overall commitment was nil (2001: nil).

Legal claims

The company and other fellow subsidiaries, from time to time, are party to legal proceedings and claims which are in the ordinary course of business.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**16. DIRECTORS**

	2002 £	2001 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>354,953</u>	<u>282,790</u>
Fees and emoluments above (excluding pension contributions) include amounts paid to:	£	£
Highest paid director	<u>183,667</u>	<u>141,508</u>

The accrued pension of the highest paid director at 31 March 2002 was £16,667 (2001: £14,250).

	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>3</u>	<u>3</u>

Messrs D M Telling and I R Stewart 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:

	2002 No.	2001 No.
Administration and management	<u>14</u>	<u>10</u>
Employment costs	£	£
Wages and salaries	474,664	486,061
Social security costs	54,374	53,734
Other pension costs	31,023	28,283
	<u>560,061</u>	<u>568,078</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

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

For the purposes of FRS 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 FRS 17, the company will account for contributions to the Scheme as if it were a defined contribution scheme. At 31 March 2002, the valuation of the Scheme for the purposes of FRS 17 showed a net pension liability as set out in note 25 to the report and accounts of MITIE Group PLC.

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.