



MITIE Property Services Limited
(formerly Simpleskill Limited)

Report and Financial Statements

Period from 16 March 1998 to 31 March 1999

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





REPORT AND FINANCIAL STATEMENTS 1999

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
W Robson
J Ridley

SECRETARIES

A F Waters
M O Thomas

REGISTERED OFFICE

The Stable Block
Barley Wood
Wrighton
Bristol
BS40 5SA

BANKERS

Midland 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 report and audited financial statements for the period from incorporation on 16 March 1998 to 31 March 1999.

On 20 April 1998 the company changed its name from Simpleskill Limited to MITIE Property Services Limited.

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. 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 was incorporated on 16 March 1998 and commenced trading on 7 April 1998 as building and maintenance contractors under the name of MITIE Property Services Limited. It also provides management and administration services to certain fellow subsidiary undertakings.

RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £58,728. The directors do not propose the payment of a dividend.

FIXED ASSETS

Details of movements in fixed assets during the period are set out in note 5 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

D M Telling	(appointed 2 April 1998)
W Robson	(appointed 10 August 1998)
J Ridley	(appointed 10 August 1998)
Instant Companies Limited	(resigned 2 April 1998)

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

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

Mr D M Telling is a director of MITIE Group PLC, the parent undertaking, and his interest in the share capital of that company is shown in the financial statements of MITIE Group PLC.

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

	31 March 1999	Date of appointment
	5p Ordinary shares	10p Ordinary shares
	No.	No.
W Robson	1,184,020	600,000
J Ridley	17,552	-

On 17 September 1998, each 10p ordinary share in MITIE Group PLC was subdivided into two ordinary shares of 5p each.

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 1999 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 76 days.

YEAR 2000

The project to cope with the year 2000 technology problem is well under way. An Executive Steering Committee chaired by a Group Managing Director has been established. Its responsibility is to ensure that all operating companies within the group have identified the systems (included embedded chips) with associated business criticality, which require change and have made appropriate plans to ensure that all changes are successfully implemented no later than October 1999.

In addition, systems which are critical to the business but are part of the supplier/customer chain and are outside the direct control of the MITIE Group are also included in the project.

Phase one of this programme has been concluded with all subsidiary companies completing a detailed assessment as to their state of readiness for year 2000. Phase two of this programme has also been completed, which confirms that all key business systems within the group are or have been made compliant well before the target deadline.

Due to the general level of uncertainty inherent with the year 2000 issue it is not possible to be 100% certain that no business interruption will occur. Costs incurred to date have been written off to the profit and loss account and the Board consider that future costs will not have a material impact on the group accounts.

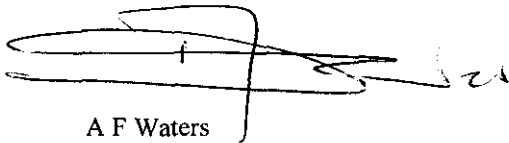


DIRECTORS' REPORT (continued)

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 F Waters
Secretary

15 NOV 1999



AUDITORS' REPORT TO THE MEMBERS OF

MITIE Property Services Limited (formerly Simpleskill Limited)

We have audited the financial statements on pages 6 to 16, which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 1999 and of its profit for the period from 16 March 1998 to 31 March 1999 then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

25 November 1999

PROFIT AND LOSS ACCOUNT

Period from 16 March 1998 to 31 March 1999

	Notes	Acquisitions 1999 £
Operating income		1,566,584
Administrative expenses		(1,391,953)
OPERATING PROFIT	2	174,631
Interest receivable	3	2,196
Interest payable	3	(84,099)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		92,728
Tax on profit on ordinary activities	4	(34,000)
RETAINED PROFIT FOR THE PERIOD	9	58,728

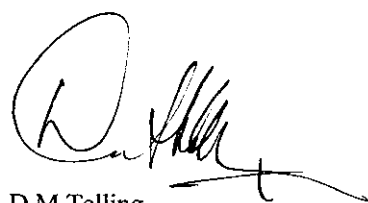
There are no recognised gains and losses for the current financial period other than as stated in the profit and loss account.

BALANCE SHEET
At 31 March 1999

	Notes	1999	
		£	£
FIXED ASSETS			
Tangible assets	5		39,164
CURRENT ASSETS			
Debtors	6	484,836	
Cash at bank and in hand		51,599	
		<u>536,435</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(516,869)	
NET CURRENT ASSETS			<u>19,566</u>
NET ASSETS			<u>58,730</u>
CAPITAL AND RESERVES			
Called up share capital	8		2
Profit and loss account	9		58,728
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>58,730</u>

These financial statements were approved by the Board of Directors on **15 NOV 1999**

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT

Period from 16 March 1998 to 31 March 1999

	Notes	£	1999 £
Net cash inflow from operating activities	11		1,398,483
Returns on investments and servicing of finance			
Interest received		1,656	
Interest paid		(84,099)	
Net cash outflow from returns on investments and servicing of finance			(82,443)
Capital expenditure			
Payments to acquire tangible fixed assets		(63,639)	
Receipts from disposal of tangible fixed assets		6,449	
Net cash outflow from capital expenditure			(57,190)
Acquisitions and disposals			
Payments to acquire assets and liabilities			(1,199,820)
Cash inflow before financing			59,030
Financing			
Issue of ordinary share capital		2	
Capital element of finance lease rental repayments		(7,433)	
Net cash outflow from financing			(7,431)
Increase in cash in the period	13		51,599

NOTES TO THE ACCOUNTS

Period from 16 March 1998 to 31 March 1999

1. ACCOUNTING POLICIES

Accounting convention

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

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	4 to 10 years
Motor vehicles	4 years

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the estimated net present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract.

Rentals paid under other leases (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

Provision is made for deferred taxation using the liability method in respect of timing differences to the extent that liabilities will crystallise in the foreseeable future.

Pension costs

Pension costs represent amounts paid to one of the group's pension schemes. Details of the defined benefit and money purchase schemes are given in the financial statements of MITIE Group PLC.



NOTES TO THE ACCOUNTS

Period from 16 March 1998 to 31 March 1999

2. OPERATING PROFIT is stated after charging/(crediting):	1999
	£
Depreciation - owned fixed assets	23,861
Depreciation - assets under finance leases and hire purchase contracts	6,181
Auditors' remuneration - audit services	750
Profit on disposal of tangible fixed assets	(2,852)
	<hr/>
3. INTEREST	1999
Interest receivable	£
Bank interest	2,196
	<hr/>
Interest payable	£
Bank interest	82,789
Interest on finance leases	1,310
	<hr/>
	84,099
	<hr/>
4. TAX ON PROFIT ON ORDINARY ACTIVITIES	1999
	£
UK current period taxation	
UK corporation tax 31%	34,000
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NOTES TO THE ACCOUNTS

Period from 16 March 1998 to 31 March 1999

5. TANGIBLE FIXED ASSETS

	Motor vehicles £	Office equipment £	Total £
Cost			
At 16 March 1998	-	-	-
Additions	12,791	6,325	19,116
Acquisitions	9,164	10,347	19,511
Disposals	(14,715)	-	(14,715)
Transfers	66,246	3,918	70,164
At 31 March 1999	73,486	20,590	94,076
Depreciation			
At 16 March 1998	-	-	-
Charge for the period	23,681	6,361	30,042
Disposals	(11,118)	-	(11,118)
Transfers	33,638	2,350	35,988
At 31 March 1999	46,201	8,711	54,912
Net book value			
Owned assets	24,302	11,879	36,181
Leased assets	2,983	-	2,983
At 31 March 1999	27,285	11,879	39,164
At 16 March 1998	-	-	-

Included within the net book value balance above are leased assets with a net book value of £2,983 (1998: nil).

6. DEBTORS

	1999 £
Amounts owed by parent undertaking and fellow subsidiary undertakings	473,324
Other debtors	10,972
Prepayments and accrued income	540
	484,836



NOTES TO THE ACCOUNTS

Period from 16 March 1998 to 31 March 1999

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1999
	£
Trade creditors	138,147
Amounts owed to parent undertaking and fellow subsidiary undertakings	17,000
Corporation tax	34,000
Other taxes and social security costs	12,681
Other creditors	278,691
Accruals and deferred income	34,619
Finance lease obligations	1,731
	<u>516,869</u>
8. CALLED UP SHARE CAPITAL	
Authorised	1999
	No. £
£1 'A' ordinary shares	<u>1,000</u> <u>1,000</u>
Allotted and fully paid	1999
	£
£1 'A' ordinary shares	<u>2</u>
9. PROFIT AND LOSS ACCOUNT	£
At 16 March 1998	-
Retained profit for the period	<u>58,728</u>
At 31 March 1999	<u>58,728</u>
10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1999
	£
Profit for the financial period	58,728
Issue of shares	2
Net addition to shareholders' funds	<u>58,730</u>
Opening shareholders' funds	-
Closing shareholders' funds	<u>58,730</u>



NOTES TO THE ACCOUNTS

Period from 16 March 1998 to 31 March 1999

**11. RECONCILIATION OF OPERATING PROFIT TO NET CASH
INFLOW FROM OPERATING ACTIVITIES**

	1999 £
Operating profit	174,631
Depreciation charges	30,042
Profit on disposal of tangible fixed assets	(2,852)
Decrease in debtors	755,160
Increase in creditors	441,502
Net cash inflow from operating activities	1,398,483

12. ANALYSIS OF CHANGES IN NET FUNDS

	At 31 March 1998 £	Cash flows £	Other non-cash changes £	At 31 March 1999 £
Cash at bank and in hand	-	51,599	-	51,599
Finance leases	-	-	(1,731)	(1,731)
	-	51,599	(1,731)	49,868

**13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET FUNDS**

	1999 £
Increase in cash for the period	51,599
Cash inflow from increase in debt and lease financing	7,433
Change in net funds resulting from cash flows	59,032
New finance leases	(9,164)
Movement in net funds in the period	49,868
Net funds at 16 March 1998	-
Net funds at 31 March 1999	49,868

NOTES TO THE ACCOUNTS

Period from 16 March 1998 to 31 March 1999

14. ACQUISITION

In April 1998 certain assets and liabilities were acquired from the receivers of HAT Property Services Limited. This was accounted for by the acquisition method of accounting.

The following table explains the adjustments made to the book value of the major category of assets and liabilities acquired to arrive at the fair values included in the consolidated financial statements at the date of acquisition.

	Book amount £	Revaluation £	Fair value to the group £
Tangible fixed assets	19,511	-	19,511
Current assets	1,459,000	445,651	1,904,651
Creditors	-	(448,711)	(448,711)
	<u>1,478,511</u>	<u>(3,060)</u>	<u>1,475,451</u>

The cash flow effects of the acquisition are as follows:

Net assets acquired	£
Tangible fixed assets	19,511
Current assets	1,459,000
Total purchase consideration	<u>1,478,511</u>
Included in creditors	<u>(278,691)</u>
Net cash effect	<u>1,199,820</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 1999, the overall commitment was 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

Period from 16 March 1998 to 31 March 1999

16. DIRECTORS

	1999
The emoluments of directors of the company were:	£
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	167,789
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	No.
The number of directors who were members of a defined benefit pension scheme	2
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Mr D M Telling is also a director of MITIE Group PLC and his emoluments and pension details are disclosed in the group accounts. It is not practicable to allocate his remuneration between his services as a director of MITIE Property Services Limited and his services as a director of other group companies.

17. EMPLOYEES

Number of employees

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

	1999
	No.
Administration and management	9
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Employment costs	£
Wages and salaries	490,241
Social security costs	38,255
Other pension costs	17,944
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	546,440
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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.



NOTES TO THE ACCOUNTS

Period from 16 March 1998 to 31 March 1999

19. PARENT UNDERTAKING

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.