

MITIE AIR CONDITIONING (NORTH) 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
G Allen
M S Allen
F E Holland
I R Stewart

SECRETARY

C K Ross

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
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 design, supply, installation and maintenance of air conditioning 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 £365,736 (2002: £149,948). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed 8p per share	6,832
Transfer to reserves	358,904
	<hr/>
	365,736
	<hr/>

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling
 C S Acheson
 G Allen
 M S Allen
 F E Holland
 I R Stewart
 C J Williams (resigned 12 June 2003)

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

The beneficial interests of the directors and their families in the share capital and loan stock of the company were as follows:

	At 31 March 2003		At 1 April 2002	
	1p 'B' Ordinary shares No.	£1 Deferred shares £	£1 'B' Ordinary shares No.	Redeemable unsecured loan stock £
G Allen	-	321	321	-
M S Allen	10,000	7,080	7,080	10,000
F E Holland	10,000	7,080	7,080	10,000

The loan stock was converted to 1p 'B' ordinary shares at a premium of 99p per share on 17 May 2002.

No other director had an interest in the share capital 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.
G Allen	365,030	615,030
C J Williams	199,912	195,152

No other director had an interest in the share capital of MITIE Group PLC.

Share Options

		At 1 April 2002	Granted during the period	Price	Exercise period		Exercised during the period	Price	At 31 March 2003
			Options		From	To	Options		
M S Allen	(i)	7,200	-	-	2005	-	-	-	7,200
	(i)	1,296	-	-	2006	-	-	-	1,296
F E Holland	(i)	7,200	-	-	2005	-	-	-	7,200
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.

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 2003 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 68 days (2002: 56 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.

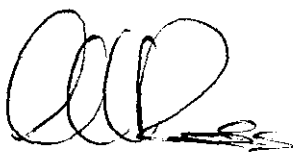
The company recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of MITIE Group PLC and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that 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

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 (NORTH) LIMITED**

We have audited the financial statements of MITIE Air Conditioning (North) 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	6,552,260	3,536,094
Cost of sales		(5,281,033)	(2,828,520)
GROSS PROFIT		1,271,227	707,574
Administrative expenses		(745,949)	(498,495)
OPERATING PROFIT	2	525,278	209,079
Interest receivable	3	9,704	10,314
Interest payable	3	-	(2,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		534,982	217,393
Tax on profit on ordinary activities	4	(169,246)	(67,445)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		365,736	149,948
Dividends	5	(6,832)	(5,232)
RETAINED PROFIT FOR THE FINANCIAL YEAR	12	358,904	144,716


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		85,290		85,920
CURRENT ASSETS					
Work in progress	7	236,854		277,753	
Debtors	8	1,427,849		278,490	
Cash at bank and in hand		425,363		258,821	
		<u>2,090,066</u>		<u>815,064</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (including convertible redeemable unsecured loan stock)	9	<u>(1,524,348)</u>		<u>(627,393)</u>	
NET CURRENT ASSETS			<u>565,718</u>		<u>187,671</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			651,008		273,591
PROVISIONS FOR LIABILITIES AND CHARGES	10		<u>(339)</u>		<u>(1,826)</u>
NET ASSETS			<u>650,669</u>		<u>271,765</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	11		66,254		65,400
Share premium account			19,800		-
Profit and loss account	12		564,615		206,365
TOTAL SHAREHOLDERS' FUNDS	13		<u>650,669</u>		<u>271,765</u>
Shareholders' funds are represented by:					
Attributable to equity shareholders			585,269		271,765
Attributable to non-equity shareholders			65,400		-
			<u>650,669</u>		<u>271,765</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		294,710		24,609
Returns on investments and servicing of finance					
Interest received		9,053		11,504	
Interest paid		(2,000)		(2,000)	
Net cash inflow from returns on investments and servicing of finance			7,053		9,504
Taxation					
UK corporation tax paid			(95,244)		(50,788)
Capital expenditure					
Payments to acquire tangible fixed assets		(43,433)		(47,339)	
Proceeds from disposal of tangible fixed assets		8,688		-	
Cash outflow from capital expenditure			(34,745)		(47,339)
Equity dividends					
Dividends paid			(5,232)		(5,232)
Increase/(decrease) in cash in the year	15		166,542		(69,246)

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 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:

Motor vehicles	4 years
Plant and office equipment	3 to 10 years

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.

2. OPERATING PROFIT is stated after charging:	2003	2002
	£	£
Depreciation on owned assets	32,984	20,666
Auditors' remuneration - audit services	2,500	2,250
Loss on disposal of tangible fixed assets	2,391	-
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**3. INTEREST**

	2003	2002
	£	£
Interest receivable		
Bank interest	9,704	10,314
	<u> </u>	<u> </u>
Interest payable	£	£
Bank interest	-	2,000
	<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%)	170,741	66,024
Adjustment in respect of prior years	(8)	(405)
	<u> </u>	<u> </u>
Total current tax (note 4(b))	170,733	65,619
Deferred taxation:		
Timing differences - origination and reversal	(1,487)	1,263
Adjustment in respect of prior years	-	563
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	<u>169,246</u>	<u>67,445</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% (2002: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	534,982	217,393
	<u> </u>	<u> </u>
	£	£
Tax at 30% thereon	160,495	65,218
Expenses not deductible for tax purposes	8,730	2,069
Capital allowances in excess of depreciation	769	(1,263)
Movement in short-term timing differences	747	(1,263)
Prior year adjustments	(8)	(405)
	<u> </u>	<u> </u>
Current tax charge for the year (note 4(a))	<u>170,733</u>	<u>65,619</u>

(c) Factors affecting future tax charges

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

5. DIVIDENDS

	2003 £	2002 £
Ordinary:		
Final proposed of 8p (2002: 8p) per share	<u>6,832</u>	<u>5,232</u>

6. TANGIBLE FIXED ASSETS

Summary

	Motor vehicles £	Plant and office equipment £	Total £
Cost			
At 1 April 2002	102,536	23,567	126,103
Additions	38,341	5,092	43,433
Disposals	(35,170)	(2,815)	(37,985)
At 31 March 2003	<u>105,707</u>	<u>25,844</u>	<u>131,551</u>
Depreciation			
At 1 April 2002	34,360	5,823	40,183
Charge for the year	27,513	5,471	32,984
Disposals	(26,104)	(802)	(26,906)
At 31 March 2003	<u>35,769</u>	<u>10,492</u>	<u>46,261</u>
Net book value			
At 31 March 2003	<u>69,938</u>	<u>15,352</u>	<u>85,290</u>
At 31 March 2002	<u>68,176</u>	<u>17,744</u>	<u>85,920</u>

Capital commitments

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

7. WORK IN PROGRESS

	2003 £	2002 £
Work in progress	536,798	893,935
Payments on account	(299,944)	(616,182)
	<u>236,854</u>	<u>277,753</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

8. DEBTORS	2003	2002
	£	£
Trade debtors	904,780	213,085
Amounts owed by group undertakings	522,073	65,060
Other debtors	996	345
	<u>1,427,849</u>	<u>278,490</u>
 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	 2003	 2002
	£	£
Convertible redeemable unsecured loan stock 2009	-	20,000
Payments on account	59,012	9,778
Trade creditors	1,081,955	496,192
Amounts owed to group undertakings	2,992	24,905
Other creditors	492	441
Corporation tax	103,334	27,845
Other taxes and social security costs	186,315	24,563
Accruals and deferred income	83,416	18,437
Proposed dividends	6,832	5,232
	<u>1,524,348</u>	<u>627,393</u>

The loan stock was converted into shares on 17 May 2002.

10. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
At 1 April 2002	1,826
Profit and loss account	(1,487)
At 31 March 2003	<u>339</u>

The amount of deferred taxation provided in the financial statements represents:

	2003	2002
	£	£
Capital allowances in excess of depreciation	<u>339</u>	<u>1,826</u>

There are no unprovided deferred taxation liabilities.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

11. CALLED UP SHARE CAPITAL	2003 £	2002 £
Authorised		
100,000 £1 Deferred shares (2002: nil)	100,000	-
Nil £1 'A' ordinary shares (2002: 1,000 shares)	-	51,000
Nil £1 'B' ordinary shares (2002: 49,000 shares)	-	49,000
51,000 1p 'A' ordinary shares (2002: nil)	510	-
49,000 1p 'B' ordinary shares (2002: nil)	490	-
	<u>101,000</u>	<u>100,000</u>
	£	£
Allotted and fully paid		
65,400 £1 Deferred shares (2002: nil)	65,400	-
Nil £1 'A' ordinary shares (2002: 43,554 shares)	-	43,554
Nil £1 'B' ordinary shares (2002: 21,846 shares)	-	21,846
43,554 1p 'A' ordinary shares (2002: nil)	436	-
41,846 1p 'B' ordinary shares (2002: nil)	418	-
	<u>66,254</u>	<u>65,400</u>

On 5 July 2002 the following transactions took place:

- the authorised share capital of MITIE Air Conditioning (North) Limited was increased by the creation of 51,000 'A' and 49,000 'B' 1p ordinary shares;
- 43,554 of the 1p 'A' ordinary shares and 21,846 of the 1p 'B' ordinary shares were issued as a bonus issue where one new 'A' or 'B' 1p ordinary share was issued for each 'A' and 'B' £1 ordinary share held;
- all of the 'A' and 'B' £1 ordinary shares were converted into deferred shares of £1 each; and
- 20,000 1p 'B' ordinary shares were issued at a premium of 99p each on the conversion of the loan stock.

The deferred shares carry no rights except on a return of capital, where after payment of all company's liabilities, the holders of the deferred shares would be entitled to the par value (together with any premium paid on subscription).

The rights attaching to the 'A' and 'B' 1p ordinary shares are as follows:

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**11. CALLED UP SHARE CAPITAL (continued)****Income**

Dividends are declared on the following basis:

- (i) the profits available for distribution should be applied first in paying to the holders of the 'A' shares and the 'B' shares a dividend that the board should decide;
- (ii) secondly in paying a cumulative dividend to the holders of the 'A' shares which comprises of one half of the profits available for distribution after the payment of the dividend in (i); and
- (iii) thirdly in paying a dividend pari passu to the holders of the 'A' and 'B' shares.

Capital

On a return of capital, the assets of the company will be distributed equally to all 1p ordinary shareholders.

Voting

Each 'A' and 'B' share will carry one vote.

**12. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
AND STATEMENT OF MOVEMENTS ON RESERVES**

	Share capital £	Share premium account £	Profit and loss account £	2003 Total £	2002 Total £
At 1 April 2002	65,400	-	206,365	271,765	127,049
Issue of ordinary shares	200	19,800	-	20,000	-
Bonus issue of shares	654	-	(654)	-	-
Profit for the financial year	-	-	365,736	365,736	149,948
Dividends	-	-	(6,832)	(6,832)	(5,232)
At 31 March 2003	66,254	19,800	564,615	650,669	271,765

NOTES TO THE ACCOUNTS
Year ended 31 March 200313. RECONCILIATION OF OPERATING PROFIT TO NET CASH
INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	525,278	209,079
Depreciation charges	32,984	20,666
Loss on disposal of tangible fixed assets	2,391	-
Decrease in work in progress	40,899	32,679
Increase in debtors	(1,148,708)	(60,088)
Increase/(decrease) in creditors	841,866	(177,727)
Net cash inflow from operating activities	294,710	24,609

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	258,821	166,542	-	425,363
Debt due within one year	(20,000)	-	20,000	-
	<u>238,821</u>	<u>166,542</u>	<u>20,000</u>	<u>425,363</u>

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

	2003 £	2002 £
Increase/(decrease) in cash in the year	166,542	(69,246)
Conversion of loan stock	20,000	-
Movement in net funds/(debt) in year	186,542	(69,246)
Net funds at beginning of year	238,821	308,067
Net funds at end of year	425,363	238,821

16. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2003 the company had no annual commitments under non-cancellable operating leases (2002: nil).

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).

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**17. DIRECTORS**

	2003 £	2002 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>146,741</u>	<u>115,503</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>1</u>	<u>1</u>

Messrs D M Telling, C S Acheson and I R Stewart are remunerated by MITIE Group PLC and Messrs C J Williams and G Allen are 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 (North) Limited and their services as directors of other group companies.

One of the directors exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the year (2002: one director).

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.

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	<u>11</u>	<u>7</u>
Employment costs (including directors)	£	£
Wages and salaries	377,494	252,097
Social security costs	42,047	27,199
Other pension costs	10,675	5,139
	<u>430,216</u>	<u>284,435</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**19. RELATED PARTY TRANSACTIONS**

MITIE Group PLC is a 51.25% shareholder of MITIE Air Conditioning (North) Limited.

MITIE Air Conditioning (North) Limited paid management charges £143,463 (2002: £134,092) to companies within MITIE Group PLC. An amount of £2,992 (2002: £24,905) is included in creditors in respect of these charges.

During the year, MITIE Air Conditioning (North) Limited provided the installation of air conditioning systems at an amount of £1,243,050 (2002: £475,009) to companies within the MITIE Group PLC on normal commercial terms. An amount of £421,715 (2002: £37,060) is included in debtors in respect of these services.

During the year, MITIE Air Conditioning (North) Limited purchased goods and services at an amount of £2,026 (2002: £8,359) from companies within the MITIE Group PLC on normal commercial terms. No amounts remained outstanding in respect of these transactions at the year end (2002: nil).

During the year the company made a loan of £72,358 (2002: £13,000) to MITIE Group PLC. Total loans of £100,358 (2002: £28,000) remained outstanding at the year end.

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.