

Company Registration Number 3944875

MITIE PFI LIMITED

Report and Financial Statements

31 March 2005



MITIE PFI LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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MITIE PFI LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C S Hale
R McGregor-Smith
R F Shaw
I R Stewart
M P Woodhead
A M Lemarie

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

MITIE PFI LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2005.

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 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, 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 a facilities management service to public and private sector outsourced projects under 'PFI' initiatives.

The directors consider that the company has performed satisfactorily and will continue to do so in the future.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £122,979 (2004: £266,007). The directors propose that this amount be transferred to reserves. The directors do not recommend the payment of a dividend (2004: £Nil).

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

C S Hale
R McGregor-Smith
R F Shaw
I R Stewart
M P Woodhead
A M Lemarie (appointed 13 June 2005)

C S Hale, 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 and other group companies are shown in the financial statements of MITIE Group PLC.

No other director had any other interests in the company or any other group company.

MITIE PFI LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

Share Options

		At 1 April 2004	Granted during the period Options	Price	Exercise period From To		Exercised during the period Options	Price	At 31 March 2005
R F Shaw	(i)	28,900	-	-	-	-	-	-	28,900
	(ii)	3,678	-	-	2004	2006	2,382	0.85	1,296
M P Woodhead	(i)	22,700	-	-	-	-	-	-	22,700
	(ii)	2,654	-	-	-	-	-	-	2,654

(i) Options under the Executive Share Option Scheme

(ii) Options under the Savings Related Options 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 2005 trade creditors, as a proportion of amounts invoiced from suppliers for the period, represented 108 days (2004: 103 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.

AUDITORS

Pursuant to Section 386 Companies Act 1985, an elective resolution was passed on 14 March 2005 dispensing with the requirement to appoint auditors annually. Therefore Deloitte & Touche LLP are deemed to continue as auditors.

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



C K Ross
Secretary

19 July 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE PFI LIMITED

We have audited the financial statements of MITIE PFI Limited for the year ended 31 March 2005 which comprise the profit and loss account, the balance sheet and related notes 1 to 19. 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 2005 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

19 July 2005

MITIE PFI LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2005

	Notes	Continuing operations	
		2005	2004
		£	£
TURNOVER	1	9,291,893	2,931,725
Cost of sales		(8,010,651)	(2,407,984)
GROSS PROFIT		1,281,242	523,741
Administrative expenses		(1,091,383)	(298,319)
OPERATING PROFIT	2	189,859	225,422
Interest payable	3	(10,791)	(1,848)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		179,068	223,574
Tax (charge)/credit on profit on ordinary activities	4	(56,089)	42,433
RETAINED PROFIT FOR THE FINANCIAL YEAR	12	122,979	266,007

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 separate statement of total recognised gains and losses has been presented.

MITIE PFI LIMITED

BALANCE SHEET
At 31 March 2005

	Notes	£	2005 £	£	2004 £
FIXED ASSETS					
Tangible assets	5		370,468		101,473
Investments	6		10,000		-
			<u>380,468</u>		<u>101,473</u>
CURRENT ASSETS					
Debtors	7	2,120,626		1,425,700	
Cash at bank and in hand		600		267,363	
		<u>2,121,226</u>		<u>1,693,063</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(2,297,416)		(1,721,895)	
NET CURRENT LIABILITIES			<u>(176,190)</u>		<u>(28,832)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			204,278		72,641
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9		(6,961)		(11,743)
PROVISION FOR LIABILITIES AND CHARGES	10		(13,440)		-
NET ASSETS			<u>183,877</u>		<u>60,898</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	11		127,000		127,000
Profit and loss account	12		56,877		(66,102)
TOTAL EQUITY SHAREHOLDERS' FUNDS	13		<u>183,877</u>		<u>60,898</u>

These financial statements were approved by the Board of Directors on 19 July 2005.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2005**

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. All turnover arises within the United Kingdom, from the company's principal activity.

Turnover from bundled contracts consists of various components which operate independently of each other and for which reliable fair values can be established. Accordingly, each component is accounted for separately as if it were an individual contractual arrangement.

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 equipment	4 years
Office equipment	3 to 5 years
Motor vehicles	4 years

Leasing commitments

Assets held under finance leases and hire purchase contracts and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the conception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Deferred Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

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 the 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.

Investments in subsidiaries

Investments in subsidiary companies are valued at cost. Provision for impairment is made where necessary.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

1. ACCOUNTING POLICIES (continued)

Cash flow statement

The company has taken the exemption from the requirement to prepare a cash flow statement, as it is included within the consolidated financial statements of MITIE Group PLC and greater than 90% of the voting rights of the company are held by MITIE Group PLC.

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/(crediting):	2005 £	2004 £
	Depreciation:		
	- owned fixed assets	75,719	32,854
	- leased fixed assets	6,375	4,700
	Auditors' remuneration - audit services	3,504	1,750
	Profit on disposal of tangible fixed assets	(620)	(108)
		<u> </u>	<u> </u>
3.	INTEREST	2005 £	2004 £
	Interest payable		
	Bank interest	9,738	972
	Hire purchase interest	1,053	876
		<u>10,791</u>	<u>1,848</u>

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

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

	2005 £	2004 £
(a) Analysis of (charge)/credit in year		
United Kingdom corporation tax charge at 30% (2004: 30%)	(39,129)	(15,430)
Adjustment in respect of prior years	(2,503)	55,447
Total current tax (note 4(b))	(41,632)	40,017
Deferred taxation:		
Timing differences:		
- origination and reversal	(17,079)	2,416
- prior years	2,622	-
Tax (charge) / credit on profit on ordinary activities	(56,089)	42,433

(b) Factors affecting tax 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% (2004: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	179,068	223,574
Tax at 30% thereon	(53,720)	(67,072)
Expenses not deductible for tax purposes	(3,043)	(872)
Capital allowances less than / (in excess of) depreciation	13,217	(556)
Other timing differences	4,482	(1,860)
Losses carried forward	-	54,930
Other	(65)	-
Adjustment in respect of prior year	(2,503)	55,447
Current tax (charge)/credit for the year (note 4(a))	(41,632)	40,017

(c) Factors affecting future tax charges

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

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

5. TANGIBLE FIXED ASSETS

	Plant and equipment £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2004	27,543	33,959	86,142	147,644
Additions	70,462	183,548	98,708	352,718
Disposals	-	-	(6,019)	(6,019)
At 31 March 2005	98,005	217,507	178,831	494,343
Depreciation				
At 1 April 2004	3,209	20,724	22,238	46,171
Charge for the year	15,777	38,610	27,707	82,094
Disposals	-	-	(4,390)	(4,390)
At 31 March 2005	18,986	59,334	45,555	123,875
Net book value				
At 31 March 2005	79,019	158,173	133,276	370,468
At 31 March 2004	24,334	13,235	63,904	101,473

Included in the net book value of motor vehicles is £9,562 (2004: £15,937) held under hire purchase contracts.

6. INVESTMENTS

During the year the company purchased 10,000 ordinary shares in Darlington Holding Limited, a management services company. This represents 8.33% of the share capital and voting rights of Darlington Holding Limited, a company incorporated in England and Wales.

7. DEBTORS

	2005 £	2004 £
Trade debtors	1,571,635	1,240,229
Amounts owed by group undertakings	37,091	22,863
Corporation tax recoverable	-	51,131
Prepayments and accrued income	511,900	110,460
Deferred taxation	-	1,017
	<u>2,120,626</u>	<u>1,425,700</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2005 £	2004 £
Bank overdraft	273,968	-
Obligations under hire purchase contracts	4,700	4,700
Trade creditors	434,562	1,148,390
Amounts owed to group undertakings	1,354,191	441,396
Corporation tax	18,031	-
Other taxes and social security	108,307	74,941
Other creditors	22,114	-
Accruals and deferred income	81,543	52,468
	<u>2,297,416</u>	<u>1,721,895</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2005 £	2004 £
Obligations under hire purchase contracts	<u>6,961</u>	<u>11,743</u>

Hire purchase contracts are repayable between one and five years and are secured by the assets to which they relate.

The following is an analysis of finance lease obligations:

Minimum lease payments payable:	£
Amounts due in less than one year	5,676
Between two and five years	8,514
	<u>14,190</u>
Less finance charges allocated to future periods	(2,529)
	<u>11,661</u>

10. PROVISION FOR LIABILITIES AND CHARGES

A deferred tax provision of £13,440 has been recognised at 31 March 2005 (2004: £1,017 asset). This liability 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 charged to the profit and loss account in the year was £14,457 (2004: credit of £2,416).

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

11. CALLED UP SHARE CAPITAL	2005 £	2004 £
Authorised		
128,000 £1 'A' ordinary shares	128,000	128,000
122,000 £1 'B' ordinary shares	122,000	122,000
	<u>250,000</u>	<u>250,000</u>
	£	£
Allotted and fully paid		
77,000 £1 'A' ordinary shares	77,000	77,000
50,000 £1 'B' ordinary shares	50,000	50,000
	<u>127,000</u>	<u>127,000</u>

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.

12. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2004	(66,102)
Retained profit for the financial year	<u>122,979</u>
At 31 March 2005	<u>56,877</u>

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2005

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2005	2004
	£	£
Profit for the financial year	122,979	266,007
Net addition to shareholders' funds	122,979	266,007
Opening shareholders' fund/(debt)	60,898	(205,109)
Closing shareholders' funds	183,877	60,898

14. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2005 the company had no annual commitments under non-cancellable operating leases (2004: £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 2005, the overall commitment was nil (2004: £nil).

15. DIRECTORS

	2005	2004
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	134,375	99,500
	No.	No.
The number of directors who were members of a defined benefit pension scheme	1	1

C S Hale, I R Stewart and R McGregor-Smith are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts.

Where the directors are remunerated by other group companies for their services to the group as a whole, it is not practicable to allocate their remuneration between their services as directors of MITIE PFI Limited and their services as directors of other group companies.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

16. EMPLOYEES

Number of employees

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

	2005 No.	2004 No.
Administration and management	8	7
Site labour	119	19
	<u>127</u>	<u>26</u>
Employment costs	£	£
Wages and salaries	2,361,141	671,936
Social security costs	178,261	63,094
Pension costs	23,097	14,080
	<u>2,562,499</u>	<u>749,110</u>

17. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined benefit 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 16 and the agreed contribution rate for the next 12 months is 10% (2004: 10%) and 7.5% (2004: 7.5%) for the group and employees respectively.

The next actuarial valuation which was due on 6 April 2005 is currently being prepared. The 2002 actuarial valuation, which was performed on 6 April 2002 by a professionally qualified actuary, showed that the actuarial value of the assets represented 87% of the benefits that had accrued to members after allowing for expected future increases in earnings.

18. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE PFI Limited, has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

19. 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.

MITIE PFI LIMITED**DETAILED PROFIT AND LOSS ACCOUNT**
Year ended 31 March 2005

	2005 £	2004 £
TURNOVER	<u>9,291,893</u>	<u>2,931,725</u>
COST OF SALES		
Wages	2,174,850	613,414
Materials	5,763,469	1,759,664
Travelling	20,540	15,919
Equipment repairs and hire purchase	51,792	18,987
	<u>(8,010,651)</u>	<u>(2,407,984)</u>
GROSS PROFIT	<u>1,281,242</u>	<u>523,741</u>
ADMINISTRATIVE EXPENSES		
Management charges payable	101,352	18,083
Salaries, including directors' salaries	520,799	172,406
Rent and rates	17,883	801
Light and heat	1,953	2,201
Insurance	70,892	5,205
Telephone	83,796	5,335
Postage, stationery and advertising	33,408	8,106
Entertaining	3,655	2,908
Repairs and renewals	13,445	2,126
Computer costs	1,013	(1,209)
Motor expenses and travel	52,242	31,893
Trade subscriptions	131	990
Education and training	2,082	2,257
Bank charges	2,164	(500)
Audit and accountancy	3,504	1,750
Legal and professional	81,066	251
Vehicle hire	20,524	1,135
Depreciation	82,094	37,554
Profit on disposal of tangible fixed assets	(620)	(108)
Sundry expenses	-	7,135
	<u>(1,091,383)</u>	<u>(298,319)</u>
OPERATING PROFIT	<u>189,859</u>	<u>225,422</u>