

MITIE SERVICES (RETAIL) LIMITED
(formerly MITIE (28) Limited)

Report and Financial Statements

**For the period from incorporation on 3 February 2003
to 3 April 2004**

Deloitte & Touche LLP
Bristol



REPORT AND FINANCIAL STATEMENTS 2004

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MITIE SERVICES (RETAIL) LIMITED
(formerly MITIE (28) Limited)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P D Faulkner
N R Goodman
R McGregor-Smith
C F Russell
I R Stewart
P W Stirland

SECRETARY

C K Ross

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

National Westminster Bank plc
32 Corn Street
Bristol
BS99 7UG

AUDITORS

Deloitte & Touche LLP
Bristol

DIRECTORS' REPORT

The directors present their report and audited financial statements for the period from incorporation on 3 February 2003 to 3 April 2004.

On 7 August 2003 the company changed its name from MITIE (28) Limited to MITIE Services (Retail) Limited.

These financial statements have been made up to 3 April 2004, being a date not more than seven days after the accounting reference date as permitted by Section 223 of the Companies Act 1985.

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, 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 commenced trading on 20 August 2003.

The company provides cleaning services to retail clients.

The first period of trading to 3 April 2004 was profitable and the directors consider that the company is in a good position to continue that development.

RESULTS AND DIVIDENDS

The profit for the financial year after taxation amounted to £111,058. The directors propose a dividend payment of £62,215 to the holders of non-equity shares.

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the financial year and subsequently were as follows:

I R Stewart	(appointed 3 February 2003)
P D Faulkner	(appointed 22 August 2003)
N R Goodman	(appointed 22 August 2003)
C F Russell	(appointed 22 August 2003)
P W Stirland	(appointed 22 August 2003)
R McGregor-Smith	(appointed 7 October 2003)

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

	At 3 April 2004 £1 'B' ordinary shares No.	At 3 February 2003 or date of appointment £1 'B' ordinary shares No.
P D Faulkner	15,000	15,000
R McGregor-Smith	10,000	10,000
C F Russell	65,000	65,000
I R Stewart	2,000	2,000
P W Stirland	5,000	5,000

No other director had a beneficial interest in the share capital of the company or any other group company during the financial year, except as disclosed below.

N R Goodman, 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.

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 3 April 2004 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 27 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

During the financial year Deloitte & Touche LLP were appointed as auditors.

A resolution for the reappointment of Deloitte & Touche LLP 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 read 'R McGregor-Smith', with a stylized, sweeping flourish at the end.

R McGregor-Smith
Director

26 November 2004

Deloitte.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE SERVICES (RETAIL) LIMITED (formerly MITIE (28) Limited)

We have audited the financial statements of MITIE Services (Retail) Limited (formerly MITIE (28) Limited) for the financial year 3 April 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 period 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 3 April 2004 and of its profit for the financial year then ended have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
Bristol

26 November 2004

MITIE SERVICES (RETAIL) LIMITED
(formerly MITIE (28) Limited)

PROFIT AND LOSS ACCOUNT

For the period from 3 February 2003 to 3 April 2004

	Notes	Continuing operations 2004 £
TURNOVER	1	4,155,007
Cost of sales		(3,592,144)
GROSS PROFIT		562,863
Administrative expenses		(404,611)
OPERATING PROFIT	2	158,252
Interest receivable	3	7,341
Interest payable	3	(5,775)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		159,818
Tax on profit on ordinary activities	4	(48,760)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		111,058
Non-equity dividend	5	(62,215)
RETAINED PROFIT FOR THE FINANCIAL YEAR	10	48,843

There are no recognised gains and losses for the current financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

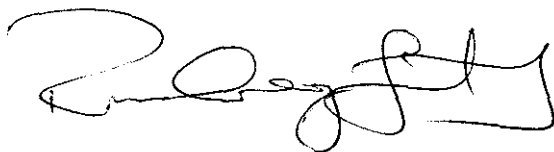
MITIE SERVICES (RETAIL) LIMITED
(formerly MITIE (28) Limited)

BALANCE SHEET
At 3 April 2004

	Notes	2004	
		£	£
FIXED ASSETS			
Tangible assets	6		115,131
CURRENT ASSETS			
Debtors	7	1,868,757	
Cash at bank and in hand		219,481	
		<hr/>	
		2,088,238	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(1,654,526)	
		<hr/>	
NET CURRENT ASSETS			433,712
			<hr/>
NET ASSETS			548,843
			<hr/>
SHARE CAPITAL AND RESERVES			
Called up share capital	9		500,000
Profit and loss account	10		48,843
			<hr/>
TOTAL SHAREHOLDERS' FUNDS	11		548,843
			<hr/>
Attributable to equity shareholders			268,933
Attributable to non-equity shareholders			279,910
			<hr/>
			548,843
			<hr/>

These financial statements were approved by the Board of Directors on 26 November 2004.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

MITIE SERVICES (RETAIL) LIMITED
(formerly MITIE (28) Limited)

CASH FLOW STATEMENT

For the period from 3 February 2003 to 3 April 2004

	Notes	2004
		£ £
Net cash outflow from operating activities	12	(130,658)
Returns on investments and servicing of finance		
Interest received		7,341
Interest paid		(5,296)
		<hr/>
Net cash inflow from returns on investments and servicing of finance		2,045
Taxation		
UK corporation tax paid		(10,370)
Capital expenditure		
Payments to acquire tangible fixed assets		(141,536)
		<hr/>
Cash outflow before financing		(280,519)
Financing		
Issue of ordinary share capital		500,000
		<hr/>
Increase in cash in the financial year	14	<u>219,481</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period from 3 February 2003 to 3 April 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.

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.

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 life, as follows:

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

Leasing commitments

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

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 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.

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:	2004
	£
Depreciation	26,405
Auditors' remuneration - audit services	2,100
Hire of plant and machinery	114,534
Hire of vehicles	1,656
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
For the period from 3 February 2003 to 3 April 2004

3. INTEREST

	2004
Interest receivable	£
Bank interest	7,341
	<u> </u>
Interest payable	£
Bank interest	(5,775)
	<u> </u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004
(a) Analysis of charge in period	£
United Kingdom corporation tax at 30% (note 4(b))	50,549
Deferred taxation:	
Timing differences - origination and reversal	(1,789)
	<u> </u>
Tax charge on profit on ordinary activities	48,760
	<u> </u>

(b) Factors affecting tax charge in period

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 30%. The differences are as follows:

	£
Profit on ordinary activities before tax	159,818
	<u> </u>
	£
Tax at 30% thereon	47,945
Expenses not deductible for tax purposes	815
Capital allowances in excess of depreciation	1,454
Other timing differences	335
	<u> </u>
Current tax credit for the period (note 4(a))	50,549
	<u> </u>

(c) Factors affecting future tax charges

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

MITIE SERVICES (RETAIL) LIMITED
(formerly MITIE (28) Limited)

NOTES TO THE FINANCIAL STATEMENTS
For the period from 3 February 2003 to 3 April 2004

5.	DIVIDENDS	2004
		£
	24.4p per share cumulative dividend on £1 'A' ordinary shares	<u>62,215</u>

6.	TANGIBLE FIXED ASSETS	Plant	Office equipment	Motor vehicles	Total
		£	£	£	£
	Cost				
	At 3 February 2003	-	-	-	-
	Additions	23,988	-	7,088	31,076
	Transfers in	-	7,565	159,949	167,514
		<hr/>	<hr/>	<hr/>	<hr/>
	At 3 April 2004	23,988	7,565	167,037	198,590
		<hr/>	<hr/>	<hr/>	<hr/>
	Depreciation				
	At 3 February 2003	-	-	-	-
	Charge for the financial year	1,476	1,206	23,723	26,405
	Transfers in	-	3,565	53,489	57,054
		<hr/>	<hr/>	<hr/>	<hr/>
	At 3 April 2004	1,476	4,771	77,212	83,459
		<hr/>	<hr/>	<hr/>	<hr/>
	Net book value				
	At 3 April 2004	<u>22,512</u>	<u>2,794</u>	<u>89,825</u>	<u>115,131</u>

Capital commitments

At 3 April 2004 the directors had authorised capital expenditure of nil.

7.	DEBTORS	2004
		£
	Trade debtors	1,865,863
	Amounts owed by group undertakings	1,105
	Deferred tax asset	1,789
		<hr/>
		<u>1,868,757</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 February 2003 to 3 April 2004

7. DEBTORS (continued)

	2004
	£
The deferred tax asset recognised in the financial statements is analysed as follows:	
Negative accelerated capital allowances	(1,454)
Short-term timing differences	(335)
	<u>(1,789)</u>

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 financial year was £1,789.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004
	£
Trade creditors	276,583
Other taxes and social security costs	527,892
Accruals and deferred income	731,641
Corporation tax	40,179
Other creditors	2,236
Amounts due to group companies	13,780
Dividend payable	62,215
	<u>1,654,526</u>

9. CALLED UP SHARE CAPITAL

	2004
	£
Authorised	
510,000 £1 'A' ordinary shares	510,000
490,000 £1 'B' ordinary shares	490,000
	<u>1,000,000</u>
	£
Allotted and fully paid	
255,000 £1 'A' ordinary shares	255,000
245,000 £1 'B' ordinary shares	245,000
	<u>500,000</u>

The 500,000 ordinary shares were issued at par during the period to provide working capital for the company.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 3 February 2003 to 3 April 2004

9. CALLED UP SHARE CAPITAL (continued)

Rights attached to shares

The rights to dividends are as follows:

- the holders of the £1 'A' ordinary shares are entitled to a fixed cumulative dividend equal to a threshold divided by the number of 'A' shares in issue per annum. The threshold is defined as 101,100 post corporation tax at the mainstream rate and index linked;
- the holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board;
- 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; and
- thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

In all other respects the shares rank pari passu.

10. STATEMENT OF MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	2004 Total £
Opening balance	-	-	-
Profit for the financial year	-	111,058	111,058
Issue of ordinary shares	500,000	-	500,000
Non-equity dividends	-	(62,215)	(62,215)
Closing balance	<u>500,000</u>	<u>48,843</u>	<u>548,843</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £
Retained profit for the financial year	48,843
Issue of ordinary shares	500,000
Closing shareholders' funds	<u>548,843</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period from 3 February 2003 to 3 April 2004

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

	2004 £
Operating profit	158,252
Depreciation charge	26,405
Increase in debtors	(1,866,968)
Increase in creditors	1,551,653
Net cash outflow from operating activities	<u>(130,658)</u>

13. ANALYSIS OF CHANGES IN NET FUNDS

	At 3 February 2003 £	Cash flow £	At 3 April 2004 £
Cash at bank and in hand	<u>-</u>	<u>219,481</u>	<u>219,481</u>

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

	2004 £
Increase in cash in the financial year	219,481
Net funds at beginning of financial year	-
Net funds at end of financial year	<u>219,481</u>

15. FINANCIAL COMMITMENTS

Operating leases

At 3 April 2004 the company had no annual commitments under non-cancellable operating leases.

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 3 April 2004, the overall commitment was nil.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 February 2003 to 3 April 2004

16. DIRECTORS

	2004
The emoluments of directors of the company were:	£
Fees and other emoluments (including benefits-in-kind)	85,476
	<u> </u>

	No.
The number of directors who were members of a defined benefit pension scheme	2
	<u> </u>

N R Goodman, 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.

17. EMPLOYEES

Number of employees

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

	2004
	No.
Operatives	606
Administration and management	3
	<u> </u>
	609
	<u> </u>

Employment costs	£
Wages and salaries	2,929,984
Social security costs	171,273
Pension costs	7,656
	<u> </u>
	3,108,913
	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 February 2003 to 3 April 2004

18. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 54.3% shareholder of the company.

	Goods and services provided to £	Goods and services provided by £	Management charges payable to £	Fixed assets transferred from £	Balance at period end £
Cole Motors Ltd	-	5,183	-	-	(1,725)
MITIE Cleaning (South East) Ltd	-	-	-	98,371	-
MITIE Cleaning (South West) Ltd	940	19,110	-	12,089	501
MITIE Cleaning (Southern) Ltd	-	1,200	-	-	-
MITIE Cleaning Ltd	-	111,525	5,000	-	-
MITIE Industrial Cleaning (North) Ltd	-	11,899	-	-	(3,290)
MITIE Olscot Ltd	-	18,259	-	-	(8,161)

All the above companies are subsidiaries of MITIE Group PLC.

During the year an existing sales contract was transferred from MITIE Cleaning South East Limited, a fellow subsidiary, to MITIE Services (Retail) Limited. The assets and future liabilities relating to this contract were transferred at net book value at that time and are included in the above table.

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.