

Company Registration Number 1597821

**Deloitte
& Touche**

MITIE PROPERTY INVESTMENTS LIMITED

Report and Financial Statements

31 March 2002

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



REPORT AND FINANCIAL STATEMENTS 2002

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
I R Stewart
Mrs R E Thornton

SECRETARIES

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

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
Bristol
BS40 5SA

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

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

DIRECTORS' REPORT

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

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 owns freehold and leasehold properties, which in general are let to members of the group.

The company's business has developed satisfactorily and the directors consider that the company is in a position to continue satisfactorily in the future.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £249,994 (2001: £114,645). The directors do not propose the payment of a dividend and recommend that £249,994 be transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling
Mrs R E Thornton
I R Stewart (appointed 31 October 2001)

No director had an interest in the share capital of the company nor in any other group company, except as disclosed below or in the accounts of individual subsidiaries.

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC, the parent undertaking, and their interests in the share capital of that company are shown in the financial statements of MITIE Group PLC.

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

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

	At 31 March 2002 2.5p Ordinary shares No.	At 1 April 2001 5p Ordinary shares No.
Mrs R E Thornton	826,940	413,470

On 2 April 2001 each MITIE Group PLC 5p ordinary share was subdivided into two ordinary shares of 2.5p 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. The company does not have any trade creditors and it would therefore be inappropriate to state the creditor's days statistics.

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

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

12 August 2002

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MITIE PROPERTY INVESTMENTS LIMITED**

We have audited the financial statements of MITIE Property Investments Limited for the year ended 31 March 2002 which comprise the profit and loss account, note of historical cost profits and losses, the balance sheet, the cash flow statement and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

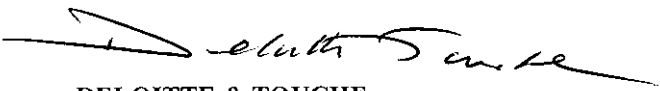
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

12 August 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

	Notes	Continuing operations	
		2002	2001
		£	£
Rents receivable	1	934,935	891,756
Administrative expenses		(230,632)	(282,906)
OPERATING PROFIT	2	<u>704,303</u>	<u>608,850</u>
Interest payable	3	(294,650)	(395,362)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>409,653</u>	<u>213,488</u>
Tax on profit on ordinary activities	4	(159,659)	(98,843)
RETAINED PROFIT FOR THE FINANCIAL YEAR	10	<u><u>249,994</u></u>	<u><u>114,645</u></u>

There were no recognised gains or 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.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 March 2002

	2002	2001
	£	£
Profit on ordinary activities before taxation	409,653	213,488
Difference between a historical cost depreciation charge on revalued assets and the actual depreciation charge for the year calculated on the revalued amount	(12,365)	(11,810)
Historical cost profit on ordinary activities before taxation	<u>397,288</u>	<u>201,678</u>
Historical cost profit for the year after taxation	<u><u>237,629</u></u>	<u><u>102,835</u></u>

BALANCE SHEET

At 31 March 2002

	Notes	£	2002 £	£	2001 £
FIXED ASSETS					
Tangible assets	5		6,848,614		7,078,452
CURRENT ASSETS					
Debtors	6	39,333		31,957	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(6,659,170)		(7,131,626)	
NET CURRENT LIABILITIES			(6,619,837)		(7,099,669)
NET ASSETS/(LIABILITIES)			<u>228,777</u>		<u>(21,217)</u>
CAPITAL AND RESERVES					
Called up share capital	8		300		300
Profit and loss account	9		767,082		529,453
Revaluation reserve	9		(538,605)		(550,970)
TOTAL EQUITY SHAREHOLDERS' FUNDS	10		<u>228,777</u>		<u>(21,217)</u>

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

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT

Year ended 31 March 2002

	Notes	2002		2001	
		£	£	£	£
Net cash inflow from operating activities	11		817,332		757,004
Returns on investments and servicing of finance					
Interest paid			(310,697)		(386,969)
Taxation					
UK corporation tax paid			(117,881)		(48,328)
Capital expenditure					
Payments to acquire tangible fixed assets		(360,646)		(1,153,827)	
Receipts from disposal of tangible fixed assets		452,026		-	
Net cash inflow/(outflow) from capital expenditure			91,380		(1,153,827)
Increase/(decrease) in cash in the year	13		480,134		(832,120)

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

1. ACCOUNTING POLICIES**Accounting convention**

The financial statements are prepared under the historical cost convention, as modified for the revaluation of freehold and leasehold properties, and are prepared in accordance with applicable accounting standards.

Rents receivable

Rents receivable represent the total, excluding sales taxes, in respect of properties rented during the year. All turnover arises within the United Kingdom.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less depreciation. Land is not depreciated. Depreciation is provided on all other 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:

Freehold properties	50 years
Leasehold properties	terms of the lease
Plant	10 years

Deferred taxation

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. OPERATING PROFIT is stated after charging:

	2002	2001
	£	£
Depreciation	118,276	121,018
Auditors' remuneration - audit services	3,100	750
Loss on disposal of tangible fixed assets	20,182	-
	<u>141,558</u>	<u>121,768</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

3. INTEREST PAYABLE	2002	2001
	£	£
Interest payable on bank borrowings repayable within five years	294,650	395,362

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2002	2001
	£	£
Profit on ordinary activities before tax	409,653	213,488
	£	£
Tax on profit on ordinary activities at standard rate	122,896	64,046
Factors affecting the charge:		
- disallowable expenses	36,763	34,264
- capital allowances for period in excess of depreciation	(9,012)	-
- profit on disposal of tangible fixed assets	-	382
UK corporation tax charge for the year	150,647	98,692
Deferred tax		
Timing differences, origination and reversal:		
- current year	9,012	-
- prior year	18,351	-
Prior years		
UK corporation tax	(18,351)	151
Tax on profit on ordinary activities	159,659	98,843

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

5. TANGIBLE FIXED ASSETS

Summary	Freehold properties £	Long leasehold properties £	Plant £	Total £
Cost or valuation				
At 1 April 2001	5,934,004	1,524,910	133,947	7,592,861
Additions at cost	35,090	325,556	-	360,646
Disposals	(269,449)	(225,160)	(30,163)	(524,772)
At 31 March 2002	5,699,645	1,625,306	103,784	7,428,735
Depreciation				
At 1 April 2001	342,595	80,799	91,015	514,409
Charge for the year	77,935	30,844	9,497	118,276
Disposals	(13,611)	(17,592)	(21,361)	(52,564)
At 31 March 2002	406,919	94,051	79,151	580,121
Net book value				
At 31 March 2002	5,292,726	1,531,255	24,633	6,848,614
At 31 March 2001	5,591,409	1,444,111	42,932	7,078,452

Comparable amounts determined according to the historical cost convention:

	£	£	£	£
Cost	6,331,597	1,603,715	103,784	8,039,096
Accumulated depreciation	500,386	110,216	79,151	689,753
Net book value				
At 31 March 2002	5,831,211	1,493,499	24,633	7,349,343
At 31 March 2001	6,159,592	1,426,814	42,932	7,629,338

The historical cost of the properties at 31 March 2002 was £7,935,312 (2001: £8,069,273). Land amounting to £2,043,141 (2001: £2,051,944) is not depreciated.

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

5. TANGIBLE FIXED ASSETS (continued)

	2002	2001
	£	£
Analysis of properties		
Land and buildings at cost or valuation are stated:		
- at open market value for existing use in 1995	3,370,000	3,370,000
- at cost	3,954,944	4,088,914
	<u>7,324,944</u>	<u>7,458,914</u>

In accordance with the transitional rules of FRS15, assets which were revalued in prior years have not been revalued during the year. The carrying value relating to the previous valuation performed as at 31 March 1995 has been carried forward in this year's accounts.

6. DEBTORS

	2002	2001
	£	£
Amounts owed by group undertakings	20,147	20,147
Prepayments and accrued income	19,186	11,810
	<u>39,333</u>	<u>31,957</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Bank overdraft	6,244,116	6,724,250
Amounts owed to group undertakings	100	59,419
Corporation tax	111,084	96,669
Other creditors	32,920	17,921
Accruals and deferred income	243,587	233,367
Deferred tax	27,363	-
	<u>6,659,170</u>	<u>7,131,626</u>

8. CALLED UP SHARE CAPITAL

	2002	2001
	£	£
Authorised		
1,000 £1 Ordinary shares	<u>1,000</u>	<u>1,000</u>
	£	£
Allotted and fully paid		
300 £1 Ordinary shares	<u>300</u>	<u>300</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

9. RESERVES

	Profit and loss account £	Revaluation reserve £
At 1 April 2001	529,453	(550,970)
Transfer of amount equivalent to depreciation on revalued assets	(12,365)	12,365
Retained profit for the year	249,994	-
At 31 March 2002	767,082	(538,605)

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEBT)

	2002 £	2001 £
Profit for the financial year	249,994	114,645
Net addition in shareholders' funds	249,994	114,645
Opening shareholders' funds	(21,217)	(135,862)
Closing shareholders' funds/(debt)	228,777	(21,217)

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

	2002 £	2001 £
Operating profit	704,303	608,850
Depreciation charges	118,276	121,018
Loss on disposal of tangible fixed assets	20,182	-
Increase in debtors	(7,376)	(711)
(Decrease)/increase in creditors	(18,053)	27,847
Net cash inflow from operating activities	817,332	757,004

12. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2001 £	Cash flow £	At 31 March 2002 £
Bank overdraft	(6,724,250)	480,134	(6,244,116)

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET DEBT**

	2002	2001
	£	£
Increase/(decrease) in cash in the year	480,134	(832,120)
Change in net debt resulting from cash flows	480,134	(832,120)
Net debt at beginning of year	(6,724,250)	(5,892,130)
Net debt at end of year	(6,244,116)	(6,724,250)

14. FINANCIAL COMMITMENTS**Commitments on behalf of group undertakings**

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts. As at 31 March 2002, the overall commitment was nil (2001: nil).

15. DIRECTORS AND EMPLOYEES

The company had no employees during the year (2001: nil). The directors received no remuneration from the company during the year (2001: nil). Messrs D M Telling and I R Stewart are directors in MITIE Group PLC and their emoluments and pension details are disclosed in those accounts. Mrs R E Thornton is paid by MITIE Group PLC. It is not practicable to allocate their remuneration between their services as directors of MITIE Property Investments Limited and their services as directors of other group companies.

16. RELATED PARTY TRANSACTIONS

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

17. PENSION ARRANGEMENTS

For the purposes of FRS 17, the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme, the MITIE Group Pension Scheme, on a consistent and reasonable basis. Therefore, following full implementation of FRS 17, the company will account for contributions to the scheme as if it were a defined contribution scheme. At 31 March 2002, the valuation of the scheme for the purposes of FRS 17 showed a net pension liability as set out in note 25 of the report and accounts of MITIE Group PLC.

18. 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.

DETAILED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

	2002	2001
	£	£
Rents receivable	934,935	891,756
	<hr/>	<hr/>
ADMINISTRATIVE EXPENSES		
Rents and rates	81,898	123,121
Maintenance and repairs	-	14,488
Audit fee	3,100	750
Legal expenses	6,771	11,415
General expenses	405	12,114
Depreciation on buildings	108,779	108,489
Depreciation on plant	9,497	12,529
Loss on disposal of tangible fixed assets	20,182	-
	<hr/>	<hr/>
	(230,632)	(282,906)
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OPERATING PROFIT	704,303	608,850
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