

MITIE PROPERTY INVESTMENTS LIMITED

Report and Financial Statements

31 March 2004

Deloitte & Touche LLP
Bristol



REPORT AND FINANCIAL STATEMENTS 2004

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R McGregor-Smith
I R Stewart

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

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2004.

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 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 £261,514 (2003: £266,377). The directors do not propose the payment of a dividend and recommend that £261,514 (2003: £266,377) be transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

I R Stewart	
Ms R McGregor-Smith	(appointed 7 October 2003)
Mrs R E Thornton	(resigned 31 March 2004)
D M Telling	(resigned 10 October 2003)

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.

Mr I R Stewart and Ms 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.

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. 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

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will 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 be 'C K Ross', with a stylized, flowing script.

C K Ross
Secretary

4 June 2004

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 2004 which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet and related notes 1 to 15. 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 2004 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

4 June 2004

MITIE PROPERTY INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2004

	Notes	Continuing operations	
		2004 £	2003 £
Rents receivable	1	1,003,764	1,055,424
Administrative expenses		(484,868)	(357,378)
OPERATING PROFIT	2	518,896	698,046
Profit on disposal of tangible fixed assets		120,083	-
Interest payable	3	(247,360)	(248,312)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		391,619	449,734
Tax on profit on ordinary activities	4	(130,105)	(178,105)
RETAINED PROFIT FOR THE FINANCIAL YEAR	11	261,514	266,377

There were no recognised gains or 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 is presented.

NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 31 March 2004

	2004 £	2003 £
Profit on ordinary activities before taxation	391,619	449,734
Realisation of property revaluation losses of previous years	(8,399)	-
Difference between a historical cost depreciation charge on revalued assets and the actual depreciation charge for the year calculated on the revalued amount	(18,477)	(18,845)
Historical cost profit on ordinary activities before taxation	364,743	430,889
Historical cost profit for the year after taxation	234,638	252,784

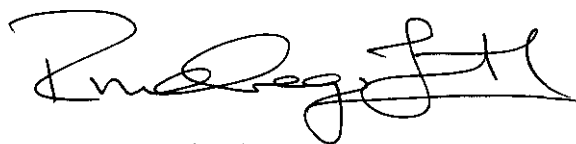
MITIE PROPERTY INVESTMENTS LIMITED

BALANCE SHEET
At 31 March 2004

	Notes	2004	2003
		£	£
FIXED ASSETS			
Tangible assets	5	7,807,884	7,671,464
CURRENT ASSETS			
Debtors: due in less than one year	6	128,019	205,340
Debtors: due in greater than one year	6	150,000	150,000
		<u>278,019</u>	<u>355,340</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	<u>(7,176,266)</u>	<u>(7,465,405)</u>
NET CURRENT LIABILITIES		<u>(6,898,247)</u>	<u>(7,110,065)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		909,637	561,399
PROVISION FOR LIABILITIES AND CHARGES	8	<u>(147,717)</u>	<u>(60,993)</u>
NET ASSETS		<u>761,920</u>	<u>500,406</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	9	300	300
Profit and loss account	10	1,254,504	1,019,866
Revaluation reserve	10	<u>(492,884)</u>	<u>(519,760)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	11	<u>761,920</u>	<u>500,406</u>

These financial statements were approved by the Board of Directors on 4 June 2004.

Signed on behalf of the Board of Directors



Ms R McGregor-Smith
Director

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

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 United Kingdom 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

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.

Cash flow statement

The company has taken the advantage of exemption under Financial Reporting Standard 1 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.

2. OPERATING PROFIT is stated after charging/(crediting):	2004 £	2003 £
Depreciation	162,693	147,712
Auditors' remuneration - audit services	<u>1,750</u>	<u>1,750</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

3.	INTEREST PAYABLE	2004 £	2003 £
	Interest payable on bank borrowings repayable within five years	<u>247,360</u>	<u>248,312</u>
4.	TAX ON PROFIT ON ORDINARY ACTIVITIES		
	(a) Analysis of charge in year	2004 £	2003 £
	United Kingdom corporation tax at 30% (2003: 30%)	70,935	148,231
	Adjustment in respect of prior years	(27,555)	(3,756)
	Total current tax (note 4(b))	<u>43,380</u>	<u>144,475</u>
	Deferred taxation:		
	Timing differences - origination and reversal	61,318	30,270
	Adjustment in respect of prior years	25,407	3,360
	Tax on profit on ordinary activities	<u>130,105</u>	<u>178,105</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% (2003: 30%). The differences are as follows:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>391,619</u>	<u>449,734</u>
	£	£
Tax at 30% thereon	117,485	134,920
Expenses not deductible for tax purposes	14,768	32,309
Capital allowances in excess of depreciation	(61,318)	(30,270)
Prior period adjust deferred tax	-	11,272
Prior period adjustments	(27,555)	(3,756)
Current tax charge for the year (note 4(a))	<u>43,380</u>	<u>144,475</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 FINANCIAL STATEMENTS
Year ended 31 March 2004

5. TANGIBLE FIXED ASSETS

Summary	Freehold properties £	Long leasehold properties £	Plant £	Total £
Cost or valuation				
At 1 April 2003	5,742,003	2,602,674	103,784	8,448,461
Additions	20,692	678,349	31,081	730,122
Disposals	(409,003)	(70,000)	-	(479,003)
At 31 March 2004	5,353,692	3,211,023	134,865	8,699,580
Depreciation				
At 1 April 2003	485,051	204,398	87,548	776,997
Charge for the year	73,235	79,561	9,897	162,693
Disposals	(40,304)	(7,690)	-	(47,994)
At 31 March 2004	517,982	276,269	97,445	891,696
Net book value				
At 31 March 2004	4,835,710	2,934,754	37,420	7,807,884
At 31 March 2003	5,256,952	2,398,276	16,236	7,671,464

Comparable amounts determined according to the historical cost convention:

	£	£	£	£
Cost	5,997,275	3,165,674	134,865	9,297,814
Accumulated depreciation	648,759	231,432	97,445	977,636
Net book value				
At 31 March 2004	5,348,516	2,934,242	37,420	8,320,178
At 31 March 2003	5,776,756	2,425,023	16,236	8,218,015

The historical cost of the properties at 31 March 2004 was £9,162,949 (2003: £8,905,873). Land amounting to £1,763,976 (2003: £2,043,141) is not depreciated. The comparative amounts as at 31 March 2003 relating to the historic cost disclosures have been adjusted to reflect additional analysis carried out by the company.

In accordance with the transitional rules of Financial Reporting Standard 15 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

6.	DEBTORS	2004	2003
		£	£
	Debtors: due in less than one year		
	Amounts owed by group undertakings	-	20,147
	Prepayments and accrued income	97,505	44,282
	Other debtors	-	140,911
	Corporation tax recoverable	30,514	-
		<u>128,019</u>	<u>205,340</u>
	Debtors: due in greater than one year	£	£
	Amounts owed by group undertakings	<u>150,000</u>	<u>150,000</u>
7.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2004	2003
		£	£
	Bank overdraft	6,863,943	7,139,220
	Amounts owed to group undertakings	30,360	100
	Corporation tax	-	66,399
	Other creditors	6,376	-
	Accruals and deferred income	275,587	259,686
		<u>7,176,266</u>	<u>7,465,405</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

8. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
At 1 April 2003	60,993
Credit to profit and loss account	86,724
At 31 March 2004	<u>147,717</u>

Deferred taxation provided in the accounts is analysed as follows:	2004 £	2003 £
Excess of capital allowances over depreciation	<u>147,717</u>	<u>60,993</u>

9. CALLED UP SHARE CAPITAL

	2004 £	2003 £
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>

10. RESERVES

	Profit and loss account £	Revaluation reserve £
At 1 April 2003	1,019,866	(519,760)
Realisation of property revaluation losses of previous years	(8,399)	8,399
Transfer of amount equivalent to depreciation on revalued assets	(18,477)	18,477
Retained profit for the year	<u>261,514</u>	
At 31 March 2004	<u>1,254,504</u>	<u>(492,884)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

11.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2004 £	2003 £
	Profit for the financial year	261,514	271,629
	Opening shareholders' funds	500,406	228,777
	Closing shareholders' funds	<u>761,920</u>	<u>500,406</u>

12. 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 2004, the overall commitment was nil (2003: nil).

13. DIRECTORS AND EMPLOYEES

The company had no employees during the year (2003: nil). The directors received no remuneration from the company during the year (2003: nil). Mrs R E Thornton was paid by MITIE Group PLC. Mr I R Stewart and Ms R McGregor-Smith are directors in MITIE Group PLC and their emoluments and pension details are disclosed in those accounts. 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.

14. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Property Investments Limited has taken advantage of the exemption within Financial Reporting Standard 8 from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

15. 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.