

MITIE PROPERTY SERVICES (LONDON) LIMITED
(formerly PMC Contract Services Limited)

Report and Financial Statements

31 March 1998

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



REPORT AND FINANCIAL STATEMENTS 1998

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
T G Cook

SECRETARIES

A F Waters
M O Thomas

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
Bristol
BS40 5SA

BANKERS

Midland 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 financial statements for the year ended 31 March 1998. The company changed its name on 20 April 1998 to MITIE Property Services (London) Limited.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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. 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 did not trade for the year ended 31 March 1998.

With effect from 7 April 1998 the company commenced to trade as building and maintenance contractors under the name of MITIE Property Services (London) Limited.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £nil (1997: £2,338). The directors propose the payment of a dividend of £2,189.

FIXED ASSETS

There were no movements in fixed assets during the year.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling
T G Cook

No director held a beneficial interest in the share capital of the company at the beginning and end of the financial year.

Mr D M Telling is a director of MITIE Group PLC, the parent undertaking, and his interest in the share capital of that company is 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:

	31 March 1998	1 April 1997
	10p Ordinary shares	10p Ordinary shares
	No.	No.
T G Cook	1,380,200	1,480,200

No other director held a beneficial interest in the share capital 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.

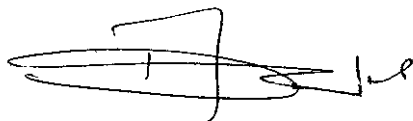
YEAR 2000

The company is in the process of preparing a detailed report including an assessment of our relationship with customers as well as suppliers. It covers all our internal systems, and looks into telephone, security and access systems. An action plan is being developed in order to ensure that our systems are year 2000 compliant. Costs in the year to 31 March 1998 were not significant and we estimate that further costs will not be material.

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



A F Waters
 Secretary

14 AUGUST 1998



Chartered Accountants

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

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International + 44 117 921 1622
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AUDITORS' REPORT TO THE MEMBERS OF

MITIE PROPERTY SERVICES (LONDON) LIMITED (formerly PMC Contract Services Limited)

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

17 August 1998

PROFIT AND LOSS ACCOUNT
Year ended 31 March 1998

	Notes	Continuing operations	
		1998	1997
		£	£
TURNOVER		-	72,230
Cost of sales		-	(55,984)
GROSS PROFIT		-	16,246
Administrative expenses		-	(21,272)
OPERATING LOSS	2	-	(5,026)
Interest receivable	3	-	2,271
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		-	(2,755)
Tax on loss on ordinary activities	4	-	417
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		-	(2,338)
Dividends	5	(2,189)	-
RETAINED LOSS FOR THE YEAR	9	(2,189)	(2,338)

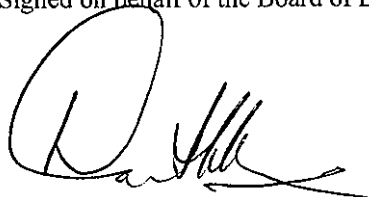
There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account.

BALANCE SHEET
At 31 March 1998

	Notes	£	1998	£	£	1997	£
CURRENT ASSETS							
Debtors	6	50,000			670		
Cash at bank and in hand		-			54,206		
		50,000			54,876		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR							
	7	-			(2,687)		
NET CURRENT ASSETS			50,000			52,189	
NET ASSETS			50,000			52,189	
CAPITAL AND RESERVES							
Called up share capital	8	50,000			50,000		
Profit and loss account	9	-			2,189		
TOTAL EQUITY SHAREHOLDERS' FUNDS			50,000			52,189	

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



D M Telling
 Director

14 AUGUST 1998

CASH FLOW STATEMENT
Year ended 31 March 1998

	Notes	1998 £	1997 £
Net cash (outflow)/inflow from operating activities	11	(52,017)	16,164
Returns on investments and servicing of finance			
Interest received		-	2,041
Taxation			
UK corporation tax paid		-	(1,273)
Capital expenditure			
Receipts from disposal of tangible fixed assets		-	23,000
Equity dividends paid		(2,189)	-
(Decrease)/increase in cash in the year	12	<u>(54,206)</u>	<u>39,932</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable 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.

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 office equipment	4 to 10 years
Motor vehicles	4 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

Provision is made for deferred taxation using the liability method in respect of timing differences to the extent that liabilities will crystallise in the foreseeable future.

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 LOSS is stated after charging/(crediting):	1998	1997
	£	£
Depreciation	-	1,668
Auditors' remuneration: audit services	-	1,175
Profit on disposal of tangible fixed assets	-	(3,524)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

3. INTEREST RECEIVABLE	1998	1997
	£	£
Bank interest receivable	-	2,271
	<u>-</u>	<u>2,271</u>
4. TAX ON LOSS ON ORDINARY ACTIVITIES	1998	1997
	£	£
UK current year taxation		
UK corporation tax (1997: 25%) (group relief)	-	(390)
Over provision in prior year	-	(27)
	<u>-</u>	<u>(417)</u>
5. DIVIDENDS	1998	1997
	£	£
Ordinary:		
Final dividend paid of 4.38p (1997: nil) per share	2,189	-
	<u>2,189</u>	<u>-</u>
6. DEBTORS	1998	1997
	£	£
Amounts owed by parent undertaking and fellow subsidiary undertakings	50,000	-
Prepayments and accrued income	-	280
Other debtors	-	390
	<u>50,000</u>	<u>670</u>
7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1998	1997
	£	£
Trade creditors	-	2,664
Other taxes and social security costs	-	23
	<u>-</u>	<u>2,687</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

8. CALLED UP SHARE CAPITAL

Authorised	1998	
	No.	£
£1 'A' ordinary shares	37,500	37,500
£1 'B' ordinary shares	12,500	12,500
	<u>50,000</u>	<u>50,000</u>
Allotted and fully paid	1998	1997
	£	£
£1 'A' ordinary shares	37,500	37,500
£1 'B' ordinary shares	12,500	12,500
	<u>50,000</u>	<u>50,000</u>

9. PROFIT AND LOSS ACCOUNT

	£
At 1 April 1997	2,189
Retained loss for the year	<u>(2,189)</u>
At 31 March 1998	<u>-</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
	£	£
Loss for the financial year	(2,189)	(2,338)
Opening shareholders' funds	<u>52,189</u>	<u>54,527</u>
Closing shareholders' funds	<u>50,000</u>	<u>52,189</u>

NOTES TO THE ACCOUNTS
 Year ended 31 March 1998

**11. RECONCILIATION OF OPERATING LOSS TO NET CASH
 (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	1998 £	1997 £
Operating loss	-	(5,026)
Depreciation charges	-	1,668
Profit on disposal of tangible fixed assets	-	(3,524)
Decrease in work in progress	-	46,980
(Increase)/decrease in debtors	(49,330)	19,382
Decrease in creditors	(2,687)	(43,316)
Net cash (outflow)/inflow from operating activities	(52,017)	16,164

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

	1998 £	1997 £
(Decrease)/increase in cash for the year	(54,206)	39,932
Net funds at 1 April	54,206	14,274
Net funds at 31 March	-	54,206

13. 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 1998, the overall commitment was nil.

14. DIRECTORS

	1998 £	1997 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	-	259
Compensation for loss of office	-	10,000
	No.	No.
The number of directors who were members of a defined benefit pension scheme	-	1

Mr D M Telling is also a director of MITIE Group PLC and his pension details are disclosed in the group accounts.

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

15. EMPLOYEES

Number of employees

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

	1998 No.	1997 No.
Site labour	-	-
Administration and management	-	1
	<hr/>	<hr/>
	-	1
	<hr/>	<hr/>
Employment costs	£	£
Wages and salaries	-	11,755
Social security costs	-	161
Other pension costs	-	225
	<hr/>	<hr/>
	-	12,141
	<hr/>	<hr/>

16. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Property Services (London) 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. PARENT UNDERTAKING

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.