

Company Number 686377

**Deloitte
& Touche**

MITIE CLEANING (NORTH) LIMITED

Report and Financial Statements

10 March 2001

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



REPORT AND FINANCIAL STATEMENTS 2001

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
M J Crompton
P M Doherty
E J Manning
M McCarthy
I R Stewart

SECRETARIES

A F Waters
M O Thomas (resigned 4 May 2000)
C K Ross (appointed 4 May 2000)

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 financial year ended 10 March 2001.

The financial statements have been made up to 10 March 2001, being a date not more than seven days before the accounting reference date as permitted by Section 223 of the Companies Act 1985.

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 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 principal activity of the company during the year remained the provision of cleaning services to industrial and commercial clients.

The company's business has developed satisfactorily 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 £1,431,004 (2000: £1,220,253). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed £24,080 per share	2,408,000
Transfer from reserves	(976,996)
	<hr/> 1,431,004 <hr/>

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

The directors during the year were as follows:

D M Telling
M J Crompton
P M Doherty
E J Manning
M McCarthy
I R Stewart

No director had a beneficial interest in the share capital of the company during the financial year.

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.

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

	At 10 March 2001 5p Ordinary shares No.	At 12 March 2000 5p Ordinary shares No.
P M Doherty	8,625	-
M McCarthy	2,585,970	3,085,970

No other director had an interest in the share capital of MITIE Group PLC.

Share Options

	At 12 March 2000	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 10 March 2001
M J Crompton (i)	3,929	-	-	-	-	-	-	3,929
(ii)	20,000	-	-	-	-	-	-	20,000
P M Doherty (i)	9,816	1,485	£3.00	2005	2006	8,625	£0.40	2,676
(ii)	23,500	-	-	-	-	-	-	23,500
E J Manning (i)	-	3,600	£3.00	2005	2006	-	-	3,600
(ii)	15,000	-	-	-	-	-	-	15,000

- (i) Options under the Savings Related Option Scheme
(ii) Options under the Executive Share Option Scheme

Further details of the MITIE Group PLC Share Schemes are given in the accounts of that company.

DIRECTORS' REPORT

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 10 March 2001 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 45 (2000: 39) 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

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

20 August 2001

**AUDITORS' REPORT TO THE MEMBERS OF
MITIE CLEANING (NORTH) LIMITED**

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 10 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

20 August 2001

PROFIT AND LOSS ACCOUNT
Year ended 10 March 2001

	Notes	Continuing operations 2001 £	2000 £
TURNOVER	1	31,551,108	29,904,191
Cost of sales		(23,244,287)	(22,504,433)
GROSS PROFIT		8,306,821	7,399,758
Administrative expenses		(6,220,070)	(5,556,678)
OPERATING PROFIT	2	2,086,751	1,843,080
Interest receivable	3	15,047	-
Interest payable	3	(930)	(59,569)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,100,868	1,783,511
Tax on profit on ordinary activities	4	(669,864)	(563,258)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,431,004	1,220,253
Transfer from/(to) reserves	11	976,996	(610,253)
DIVIDENDS	5	2,408,000	610,000

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 10 March 2001

	Notes	2001	2000
		£	£
FIXED ASSETS			
Tangible assets	6	2,332,430	2,318,255
CURRENT ASSETS			
Debtors	7	5,162,976	4,664,596
Cash at bank and in hand		996,321	2,950
		6,159,297	4,667,546
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(6,661,293)	(4,177,491)
NET CURRENT (LIABILITIES)/ASSETS		(501,996)	490,055
TOTAL ASSETS LESS CURRENT LIABILITIES		1,830,434	2,808,310
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	-	(880)
NET ASSETS		1,830,434	2,807,430
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Profit and loss account	11	1,830,334	2,807,330
TOTAL EQUITY SHAREHOLDERS' FUNDS	12	1,830,434	2,807,430

These financial statements were approved by the Board of Directors on 20 August 2001.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Year ended 10 March 2001

	Notes	2001	2000
		£	£
Net cash inflow from operating activities	13	3,154,270	2,945,408
Returns on investments and servicing of finance			
Interest paid		(16,342)	(61,375)
Interest received		6,434	-
Interest element of finance lease rental payments		(930)	(1,859)
Net cash outflow from returns on investments and servicing of finance		(10,838)	(63,234)
Taxation			
UK corporation tax paid		(618,473)	(621,988)
Capital expenditure			
Payments to acquire tangible fixed assets		(1,002,238)	(1,058,600)
Receipts from disposal of tangible fixed assets		99,182	86,573
Net cash outflow from capital expenditure		(903,056)	(972,027)
Equity dividends paid		(610,000)	(505,000)
Cash inflow before financing		1,011,903	783,159
Financing			
Capital element of finance lease rental payments		(4,021)	(10,731)
Increase in cash in the year	15	1,007,882	772,428

NOTES TO THE ACCOUNTS
Year ended 10 March 2001**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. 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 useful life, as follows:

Plant and office equipment	3 to 5 years
Motor vehicles	4 years

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the estimated net present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract.

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

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.

NOTES TO THE ACCOUNTS
Year ended 10 March 2001

2. OPERATING PROFIT is stated after charging/(crediting):	2001	2000
	£	£
Depreciation - owned fixed assets	874,879	793,670
Depreciation - assets under finance leases and hire purchase contracts	21,517	63,401
Operating lease rentals:		
- land and buildings	132,081	122,100
- plant and equipment	30,664	47,509
Auditors' remuneration - audit services	4,000	4,000
Profit on disposal of tangible fixed assets	(7,515)	(11,245)
	<u> </u>	<u> </u>
 3. INTEREST	 2001	 2000
Interest receivable	£	£
On bank balances	15,047	-
	<u> </u>	<u> </u>
 Interest payable	 £	 £
On bank overdraft repayable within five years	-	57,710
On finance leases and hire purchase contracts terminating within five years	930	1,859
	<u> </u>	<u> </u>
	930	59,569
	<u> </u>	<u> </u>
 4. TAX ON PROFIT ON ORDINARY ACTIVITIES	 2001	 2000
	£	£
UK current year taxation		
UK corporation tax at 30% (2000: 30%)	669,177	563,300
 Prior years		
UK corporation tax	687	(42)
	<u> </u>	<u> </u>
	669,864	563,258
	<u> </u>	<u> </u>
 5. DIVIDENDS	 2001	 2000
	£	£
Ordinary:		
Final proposed of £24,080 (2000: £6,100) per share	2,408,000	610,000
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 10 March 2001

6. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 12 March 2000	560,189	2,902,279	1,553,306	5,015,774
Additions	99,027	531,475	371,736	1,002,238
Transfers out	-	-	(62,285)	(62,285)
Disposals	-	(361,480)	(266,645)	(628,125)
At 10 March 2001	659,216	3,072,274	1,596,112	5,327,602
Depreciation				
At 12 March 2000	362,070	1,640,112	695,337	2,697,519
Charge for the year	113,043	444,696	338,657	896,396
Transfers out	-	-	(25,828)	(25,828)
Disposals	-	(361,480)	(211,435)	(572,915)
At 10 March 2001	475,113	1,723,328	796,731	2,995,172
Net book value				
Owned assets	184,103	1,332,769	799,381	2,316,253
Leased assets	-	16,177	-	16,177
At 10 March 2001	184,103	1,348,946	799,381	2,332,430
Owned assets	198,119	1,224,474	857,969	2,280,562
Leased assets	-	37,693	-	37,693
At 11 March 2000	198,119	1,262,167	857,969	2,318,255

Capital commitments

At 10 March 2001 the directors had authorised capital expenditure of nil (2000: nil).

7. DEBTORS

	2001 £	2000 £
Trade debtors	3,953,124	3,799,481
Amounts owed by group undertakings	1,145,567	826,595
Other debtors	14,735	16,577
Prepayments and accrued income	49,550	21,943
	<u>5,162,976</u>	<u>4,664,596</u>

NOTES TO THE ACCOUNTS

Year ended 10 March 2001

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2001 £	2000 £
Bank overdraft	-	14,511
Obligations under finance leases and hire purchase contracts	879	4,020
Trade creditors	1,656,578	1,363,352
Amounts owed to group undertakings	865,769	761,566
Corporation tax	455,661	404,270
Other taxes and social security costs	785,704	600,028
Other creditors	27,992	37,963
Accruals and deferred income	460,710	381,781
Proposed dividend	2,408,000	610,000
	<u>6,661,293</u>	<u>4,177,491</u>

Obligations under finance lease and hire purchase contracts are secured by the related assets.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2001 £	2000 £
Obligations under finance lease and hire purchase contracts due between one and two years	-	880

10. CALLED UP SHARE CAPITAL	2001 and 2000	
	No.	£
Authorised £1 Ordinary shares	100	100
	No.	£
Allotted and fully paid £1 Ordinary shares	100	100

11. PROFIT AND LOSS ACCOUNT	£
At 12 March 2000	2,807,330
Transfer from reserves	(976,996)
At 10 March 2001	<u>1,830,334</u>

NOTES TO THE ACCOUNTS

Year ended 10 March 2001

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
	2001 £	2000 £
Profit for the financial year	1,431,004	1,220,253
Proposed dividends	(2,408,000)	(610,000)
Net (reduction)/addition to shareholders' funds	(976,996)	610,253
Opening shareholders' funds	2,807,430	2,197,177
Closing shareholders' funds	1,830,434	2,807,430

13. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
	2001 £	2000 £
Operating profit	2,086,751	1,843,080
Depreciation charge	896,396	857,071
Profit on disposal of tangible fixed assets	(7,515)	(11,245)
(Increase)/decrease in debtors	(491,025)	398,668
Increase/(decrease) in creditors	669,663	(142,166)
Net cash inflow from operating activities	3,154,270	2,945,408

14. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)	At 12 March 2000 £	Cash flows £	At 10 March 2001 £
Cash at bank and in hand	2,950	993,371	996,321
Bank overdraft	(14,511)	14,511	-
Finance leases	(11,561)	1,007,882	996,321
	(4,900)	4,021	(879)
	(16,461)	1,011,903	995,442

NOTES TO THE ACCOUNTS

Year ended 10 March 2001

**15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET FUNDS/(DEBT)**

	2001 £	2000 £
Increase in cash in the year	1,007,882	772,428
Cash inflow from decrease in debt and lease financing	4,021	10,731
	<hr/>	<hr/>
Movement in net funds/(debts) in the year	1,011,903	783,159
Net debt at beginning of year	(16,461)	(799,620)
	<hr/>	<hr/>
Net funds/(debt) at end of year	995,442	(16,461)
	<hr/>	<hr/>

16. FINANCIAL COMMITMENTS**Operating leases**

At 10 March 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date - within one year	6,000	4,788	-	19,395
- between two and five years	9,981	2,550	6,000	6,209
- in over five years	136,100	-	116,100	-
	<hr/>	<hr/>	<hr/>	<hr/>
	152,081	7,338	122,100	25,604
	<hr/>	<hr/>	<hr/>	<hr/>

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 10 March 2001, the overall commitment was nil (2000: nil).

NOTES TO THE ACCOUNTS
Year ended 10 March 2001**17. DIRECTORS**

	2001	2000
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	<u>323,152</u>	<u>289,679</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest-paid director	<u>179,379</u>	<u>147,361</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>3</u>	<u>3</u>

The accrued pension of the highest paid director at 31 March 2001 was £17,417 (2000: £15,000).

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts. Miss E J Manning is paid for her services by MITIE Cleaning Limited. It is not practicable to allocate their remuneration between their services as directors of MITIE Cleaning (North) Limited and their services as directors of other group companies.

18. EMPLOYEES**Number of employees**

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

	2001	2000
	No.	No.
Site labour	4,364	4,252
Administration and management	<u>137</u>	<u>150</u>
	<u>4,501</u>	<u>4,402</u>
Employment costs	£	£
Wages and salaries	21,208,741	20,506,803
Social security costs	1,013,079	916,385
Other pension costs	124,063	103,947
	<u>22,345,883</u>	<u>21,527,135</u>

NOTES TO THE ACCOUNTS

Year ended 10 March 2001

19. RELATED PARTY TRANSACTIONS

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

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. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.