



**MITIE CLEANING (NORTH) LIMITED**

**Report and Financial Statements**

**15 March 1997**

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





**REPORT AND FINANCIAL STATEMENTS 1997**

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**REPORT AND FINANCIAL STATEMENTS 1997**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D M Telling  
I R Stewart  
M McCarthy

**SECRETARIES**

A F Waters  
M O Thomas

**REGISTERED OFFICE**

The Stable Block  
Barley Wood  
Wroughton  
Bristol  
BS18 7SA

**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 report and financial statements for the year ended 15 March 1997.

The financial statements have been made up to 15 March 1997, 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**

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. 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.

## **RESULTS AND DIVIDENDS**

The profit for the year after taxation amounted to £1,044,268 (1996: £933,302). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends	
- Final proposed £5,220 per share	522,000
Transfer to reserves	522,268
	<hr/>
	1,044,268

## **FIXED ASSETS**

Details of movements in fixed assets during the year are set out in Note 6 to the financial statements.

**DIRECTORS' REPORT (continued)**

**DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

D M Telling  
 I R Stewart  
 M McCarthy  
 D J Robertson (resigned 11 July 1997)

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

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC, the company's 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:

	15 March 1997		16 March 1996	
	10p Ordinary shares Number	6% Convertible redeemable unsecured loan stock £	25p Ordinary shares Number	6% Convertible redeemable unsecured loan stock £
M McCarthy	2,052,485	-	808,632	70,000
D J Robertson	-	-	5,700	-

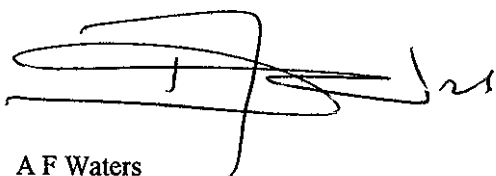
**PAYMENT POLICY**

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 15 March 1997 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 60 days.

**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

14/8/97



## Chartered Accountants

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

Telephone: National 0117 921 1622  
International + 44 117 921 1622  
Fax (Gp. 3): 0117 929 2801

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

We have audited the financial statements on pages 5 to 15 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 15 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

*18/8/97*

**DELOITTE & TOUCHE**  
Chartered Accountants and  
Registered Auditors

**PROFIT AND LOSS ACCOUNT**  
**Year ended 15 March 1997**

	Notes	Continuing operations	
		1997	1996
		£	£
<b>TURNOVER</b>		17,361,571	15,168,421
Cost of sales		(13,001,377)	(11,198,131)
<b>GROSS PROFIT</b>		4,360,194	3,970,290
Administrative expenses		(2,802,182)	(2,583,727)
<b>OPERATING PROFIT</b>	2	1,558,012	1,386,563
Interest receivable	3	45	8,978
Interest payable	3	(37,099)	(11,781)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,520,958	1,383,760
Tax on profit on ordinary activities	4	(476,690)	(450,458)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,044,268	933,302
Dividends	5	(522,000)	(466,000)
<b>RETAINED PROFIT FOR THE YEAR</b>	11	522,268	467,302

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**  
**15 March 1997**

	Notes	£	1997	£	1996	£
<b>FIXED ASSETS</b>						
Tangible assets	6		1,520,519		1,091,059	
<b>CURRENT ASSETS</b>						
Debtors	7	3,933,455		2,953,159		
Cash at bank and in hand		358,258		313,880		
		<u>4,291,713</u>		<u>3,267,039</u>		
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	<u>(4,074,466)</u>		<u>(3,147,232)</u>		
<b>NET CURRENT ASSETS</b>			<u>217,247</u>		<u>119,807</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,737,766</u>		<u>1,210,866</u>	
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	9		<u>(71,752)</u>		<u>(67,120)</u>	
<b>NET ASSETS</b>			<u>1,666,014</u>		<u>1,143,746</u>	
<b>CAPITAL AND RESERVES</b>						
Called up share capital	10		100		100	
Profit and loss account	11		<u>1,665,914</u>		<u>1,143,646</u>	
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			<u>1,666,014</u>		<u>1,143,746</u>	

These financial statements were approved by the Board of Directors on 14 August 1997

Signed on behalf of the Board of Directors



D M Telling  
Director



**CASH FLOW STATEMENT**  
**Year ended 15 March 1997**

	Notes	1997		1996	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	13		1,525,477		1,451,283
<b>Returns on investments and servicing of finance</b>					
Interest paid		(16,438)		(1,841)	
Interest received		45		8,978	
Interest elements of finance lease rental payments		(132)		(8,940)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(16,525)		(1,803)
<b>Taxation</b>					
UK corporation tax paid			(451,190)		(306,657)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(544,049)		(526,189)	
Receipts from disposal of tangible fixed assets		71,787		30,540	
<b>Net cash outflow from capital expenditure</b>			(472,262)		(495,649)
<b>Equity dividends paid</b>			(466,000)		(457,603)
<b>Cash inflow before financing</b>			119,500		189,571
<b>Financing</b>					
Capital element of finance lease rental payments		(75,122)		(79,614)	
<b>Net cash outflow from financing</b>			(75,122)		(79,614)
<b>Increase in cash in the year</b>	15		44,378		109,957

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

**1. ACCOUNTING POLICIES**

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Turnover**

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied.

**Acquisitions and goodwill**

On the acquisition of a business fair values are attributed to the company's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is written off directly to reserves in the year of acquisition.

**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 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.

**Compliance with accounting standards**

The financial statements have been prepared in accordance with applicable accounting standards.

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

<b>2. OPERATING PROFIT</b> is stated after charging/(crediting):	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Depreciation: owned fixed assets	337,773	242,797
Depreciation: assets under finance leases and hire purchase contracts	49,153	64,546
Operating lease rentals		
- land and buildings	92,137	74,364
- plant and equipment	139,786	140,263
Auditors' remuneration: audit services	3,000	3,000
Profit on disposal of fixed assets	(12,699)	(10,941)
	<hr/>	<hr/>
<b>3. INTEREST</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
<b>(1) Interest receivable</b>		
On bank deposits	45	8,978
	<hr/>	<hr/>
<b>(2) Interest payable</b>		
On bank overdraft repayable within five years	36,346	2,841
On finance leases and hire purchase contracts terminating within five years	732	8,940
Other	21	-
	<hr/>	<hr/>
	37,099	11,781
	<hr/>	<hr/>
<b>4. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
<b>UK current year taxation</b>		
UK corporation tax at 33% (1996: 33%)	476,000	450,500
<b>Prior years</b>		
UK corporation tax	690	(42)
	<hr/>	<hr/>
	476,690	450,458
	<hr/>	<hr/>
<b>5. DIVIDENDS</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Ordinary:		
Final proposed of £5,220 (1996: £4,660) per share	522,000	466,000
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

**6. TANGIBLE FIXED ASSETS**

<b>(1) Summary</b>	<b>Office equipment £</b>	<b>Plant and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>				
16 March 1996	130,200	1,622,601	462,723	2,215,524
Additions	46,306	354,482	152,909	553,697
Transfers in	64,910	253,937	65,720	384,567
Transfers out	(5,455)	(100,882)	(10,106)	(116,443)
Disposals	-	(35,576)	(54,352)	(89,928)
<b>15 March 1997</b>	<b>235,961</b>	<b>2,094,562</b>	<b>616,894</b>	<b>2,947,417</b>
<b>Depreciation</b>				
16 March 1996	39,262	891,106	194,097	1,124,465
Charge for the year	27,536	249,128	110,262	386,926
Transfers in	11,928	33,782	17,080	62,790
Transfers out	(2,221)	(60,903)	(2,332)	(65,456)
Disposals	-	(35,576)	(46,251)	(81,827)
<b>15 March 1997</b>	<b>76,505</b>	<b>1,077,537</b>	<b>272,856</b>	<b>1,426,898</b>
<b>Net book value</b>				
Owned assets	159,456	657,731	344,038	1,161,225
Leased assets	-	359,294	-	359,294
<b>15 March 1997</b>	<b>159,456</b>	<b>1,017,025</b>	<b>344,038</b>	<b>1,520,519</b>
Owned assets	90,938	558,187	268,626	917,751
Leased assets	-	173,308	-	173,308
<b>16 March 1996</b>	<b>90,938</b>	<b>731,495</b>	<b>268,626</b>	<b>1,091,059</b>

**(2) Capital commitments**

At 15 March 1997 the directors had authorised capital expenditure of £473,000 (1996: £474,000).

**7. DEBTORS**

	<b>1997 £</b>	<b>1996 £</b>
Trade debtors	3,400,102	2,755,764
Amounts owed by parent undertaking and fellow subsidiary undertakings	482,355	179,730
Other debtors	31,502	15,294
Prepayments and accrued income	19,496	2,371
	<b>3,933,455</b>	<b>2,953,159</b>

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

<b>8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Trade creditors	1,091,292	801,162
Obligations under finance leases and hire purchase contracts	186,376	85,425
Amounts owed to parent undertaking and subsidiary undertakings	230,216	243,506
Corporation tax	476,000	450,500
Other taxes and social security costs	1,440,672	1,057,821
Other creditors	12,264	9,595
Accruals and deferred income	115,646	33,223
Proposed dividend	522,000	466,000
	<u>4,074,466</u>	<u>3,147,232</u>

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

<b>9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Obligations under finance lease and hire purchase contracts due:		
- between one and two years	56,131	52,544
- between two and five years	15,621	14,576
	<u>71,752</u>	<u>67,120</u>

<b>10. CALLED UP SHARE CAPITAL</b>	<b>1997</b>	
	<b>Number</b>	<b>£</b>
<b>(1) Authorised</b>		
£1 Ordinary shares	<u>100</u>	<u>100</u>
<b>(2) Allotted and fully paid</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
£1 Ordinary shares	<u>100</u>	<u>100</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

**11. PROFIT AND LOSS ACCOUNT**

	£
16 March 1996	1,143,646
Retained profit for the year	522,268
	<hr/>
15 March 1997	1,665,914
	<hr/>

**12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1997 £	1996 £
Profit for the financial year	1,044,268	933,302
Proposed dividend	(522,000)	(466,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	522,268	467,302
Opening shareholders' funds	1,143,746	676,444
	<hr/>	<hr/>
Closing shareholders' funds	1,666,014	1,143,746
	<hr/>	<hr/>

**13. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1997 £	1996 £
Operating profit	1,558,012	1,386,564
Depreciation charges	386,926	307,343
Profit on disposal of tangible fixed assets	(12,699)	(10,941)
Increase in debtors	(345,792)	(931,560)
(Decrease)/increase in creditors	(60,970)	699,877
	<hr/>	<hr/>
Net cash inflow from operating activities	1,525,477	1,451,283
	<hr/>	<hr/>

**14. ANALYSIS OF CHANGES IN NET DEBT**

	At 16 March 1996 £	Cash flows £	Acquisition of business £	Other changes £	At 15 March 1997 £
Cash at bank and in hand	313,880	44,378	-	-	358,258
Finance leases	(152,545)	75,122	(160,603)	(20,102)	(258,128)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	161,335	119,500	(160,603)	(20,102)	100,130
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

**15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT  
IN NET DEBT**

	1997 £	1996 £
Increase in cash in the year	44,378	109,957
Cash outflow from increase in debt and lease financing	75,122	79,614
Change in net debt resulting from cash flows	119,500	189,571
New finance leases	(20,102)	(131,092)
Finance lease obligations transferred with business acquired	(160,603)	-
Movement in net debt in the year	(61,205)	58,479
Net debt at 16 March	161,335	102,856
<b>Net debt at 15 March</b>	<u>100,130</u>	<u>161,335</u>

**16. ACQUISITION OF BUSINESS**

<b>Net assets acquired</b>	<b>£</b>
Fixed assets	311,324
Debtors	442,369
Creditors	(362,348)
Obligations under finance leases and hire purchase contracts	(160,603)
	<u>230,742</u>
<b>Satisfied by</b>	
Cash	<u>230,742</u>

The business was acquired from MITIE Hygiene Services Limited, for the book value of assets, on 14 March 1997. In the opinion of the directors, the book values represent fair values and on that basis, no goodwill arises.

There were no cash flows relating from the transaction during the year.

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

**17. FINANCIAL COMMITMENTS**

**(1) Operating leases**

At 15 March 1997 the company had annual commitments under non-cancellable operating leases as follows:

	<b>1997</b>		<b>1996</b>	
	<b>Land and buildings £</b>	<b>Other £</b>	<b>Land and buildings £</b>	<b>Other £</b>
Expiry date - within one year	12,000	39,213	-	50,305
- between two and five years	12,160	89,242	11,100	100,136
- in over five years	71,100	-	58,500	-
	<u>95,260</u>	<u>128,455</u>	<u>69,600</u>	<u>150,441</u>

**(2) Commitments on behalf of group undertakings**

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts.

**18. DIRECTORS**

**(1) Emoluments**

	<b>1997 £</b>	<b>1996 £</b>
The emoluments of the directors of the company were:		
Fees and other emoluments (including pension contributions and benefits in kind)	<u>124,665</u>	<u>116,269</u>

**(2) Bandings**

Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:	<b>1997 £</b>	<b>1996 £</b>
The chairman	-	-
The highest paid director	<u>119,952</u>	<u>112,282</u>
Other directors' emoluments (excluding pension contributions) were in the following ranges:	<b>Number</b>	<b>Number</b>
£0 - £5,000	<u>2</u>	<u>2</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

**19. EMPLOYEES**

**(1) Number of employees**

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

	<b>1997 Number</b>	<b>1996 Number</b>
Site labour	3,723	3,341
Administration and management	82	71
	<u>3,805</u>	<u>3,412</u>

**(2) Employment costs**

	<b>£</b>	<b>£</b>
Wages and salaries	12,730,904	11,037,476
Social security costs	466,577	416,737
Other pension costs	52,469	35,230
	<u>13,249,950</u>	<u>11,489,443</u>

**20. 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.

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.