

Company Number 1000450

**Deloitte
& Touche**

MITIE CLEANING (SOUTH WEST) 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
I R Stewart
L P Genge
N R Goodman
C Russell
E J Manning

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.

On 12 March 2000 business located in Wales was transferred to MITIE Cleaning (South Wales) Limited.

RESULTS AND DIVIDENDS

The profit for the financial year after taxation amounted to £341,269 (2000: £497,942). The directors recommend that this be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed £526.64 per share	526,635
Transfer from reserves	(185,366)
	<hr/>
	341,269
	<hr/>

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

The directors during the year were as follows:

D M Telling
I R Stewart
L P Genge
N R Goodman
C Russell
E J Manning

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.
L P Genge	21,888	30,158
N R Goodman	872,550	876,550
C F Russell	-	250

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
E J Manning (i)	-	3,600	£3.00	2005	2006	-	-	3,600
(ii)	15,000	-	-	-	-	-	-	15,000
C F Russell (ii)	20,000	1,900	£3.48	2003	2010	-	-	21,900

- (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.

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 50 (2000: 46) days.

DIRECTORS' REPORT (continued)

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

A handwritten signature in black ink, appearing to be 'C K Ross', written over a horizontal line.

C K Ross
Secretary

20 August 2001

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

We have audited the financial statements on pages 6 to 15 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
Chartered Accountants and
Registered Auditors

20 August 2001

PROFIT AND LOSS ACCOUNT
Year ended 10 March 2001

	Notes	Continuing operations 2001 £	2000 £
TURNOVER	1	11,454,707	13,054,519
Cost of sales		(8,963,273)	(9,946,896)
GROSS PROFIT		2,491,434	3,107,623
Administrative expenses		(1,916,127)	(2,315,618)
OPERATING PROFIT	2	575,307	792,005
Interest payable	3	(76,787)	(75,543)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		498,520	716,462
Tax on profit on ordinary activities	4	(157,251)	(218,520)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		341,269	497,942
Transfer from/(to) reserves	10	185,366	(248,942)
DIVIDENDS	5	526,635	249,000

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		698,232		812,949
CURRENT ASSETS					
Debtors	7	3,289,537		2,745,164	
Cash at bank and in hand		325		750	
		<u>3,289,862</u>		<u>2,745,914</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(3,388,342)</u>		<u>(2,773,745)</u>	
NET CURRENT LIABILITIES			<u>(98,480)</u>		<u>(27,831)</u>
NET ASSETS			<u>599,752</u>		<u>785,118</u>
CAPITAL AND RESERVES					
Called up share capital	9		1,000		1,000
Share premium			3,375		3,375
Profit and loss account	10		<u>595,377</u>		<u>780,743</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	11		<u>599,752</u>		<u>785,118</u>

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	12		305,443		859,566
Returns on investments and servicing of finance					
Interest paid			(74,618)		(68,877)
Taxation					
UK corporation tax paid			(226,805)		(221,140)
Capital expenditure					
Payments to acquire tangible fixed assets		(332,328)		(480,685)	
Receipts from disposal of tangible fixed assets		190,156		15,725	
Net cash outflow from capital expenditure			(142,172)		(464,960)
Equity dividends paid			(249,000)		(175,000)
Decrease in cash in the year	14		(387,152)		(70,411)

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 life, as follows:

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

Leasing commitments

Rentals paid under 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	262,518	272,847
Operating lease rentals:		
- land and buildings	55,100	69,806
- plant and equipment	11,895	65,009
Auditors' remuneration - audit services	4,000	4,000
(Profit)/loss on disposal of tangible fixed assets	(5,629)	112
	<u> </u>	<u> </u>
3. INTEREST PAYABLE	2001	2000
	£	£
Bank overdraft (and other borrowings) due within five years	76,787	75,543
	<u> </u>	<u> </u>
4. TAX ON PROFIT ON ORDINARY ACTIVITIES	2001	2000
	£	£
UK current year taxation		
UK corporation tax at 30% (2000: 30%)	157,795	219,000
Prior years		
UK corporation tax	(544)	(480)
	<u> </u>	<u> </u>
	157,251	218,520
	<u> </u>	<u> </u>
5. DIVIDENDS	2001	2000
	£	£
Ordinary:		
Final proposed of £526.64 (2000: £249) per share	526,635	249,000
	<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	109,194	470,602	904,691	1,484,487
Additions	20,484	129,733	175,773	325,990
Group transfers in	-	-	31,438	31,438
Group transfers out	(11,106)	(172,524)	(169,549)	(353,179)
Disposals	-	-	(60,141)	(60,141)
At 10 March 2001	118,572	427,811	882,212	1,428,595
Depreciation				
At 12 March 2000	49,039	183,105	439,394	671,538
Charge for the year	24,327	68,490	169,701	262,518
Group transfers in	-	-	25,100	25,100
Group transfers out	(7,132)	(78,165)	(92,676)	(177,973)
Disposals	-	-	(50,820)	(50,820)
At 10 March 2001	66,234	173,430	490,699	730,363
Net book value				
At 10 March 2001	52,338	254,381	391,513	698,232
At 11 March 2000	60,155	287,497	465,297	812,949

Capital commitments

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

7. DEBTORS

	2001 £	2000 £
Trade debtors	2,102,813	1,868,853
Amounts owed by group undertakings	1,177,420	871,946
Other debtors	648	6
Prepayments and accrued income	8,656	4,359
	<u>3,289,537</u>	<u>2,745,164</u>

NOTES TO THE ACCOUNTS
Year ended 10 March 2001

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2001	2000
	£	£
Bank overdraft	960,918	574,191
Trade creditors	677,794	715,144
Amounts owed to group undertakings	146,150	5,817
Corporation tax	93,826	163,380
Other taxes and social security costs	768,272	834,375
Other creditors	11,165	12,705
Accruals and deferred income	203,582	219,133
Proposed dividend	526,635	249,000
	<u>3,388,342</u>	<u>2,773,745</u>

9. CALLED UP SHARE CAPITAL

	2001 and 2000	
	No.	£
Authorised		
£1 Ordinary shares	<u>1,000</u>	<u>1,000</u>
	No.	£
Allotted and fully paid		
£1 Ordinary shares	<u>1,000</u>	<u>1,000</u>

10. PROFIT AND LOSS ACCOUNT

	£
At 12 March 2000	780,743
Transfer from reserves	(185,366)
At 10 March 2001	<u>595,377</u>

NOTES TO THE ACCOUNTS

Year ended 10 March 2001

11.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2001 £	2000 £
	Profit for the financial year	341,269	497,942
	Dividends	(526,635)	(249,000)
	Net (reduction)/addition to shareholders' funds	(185,366)	248,942
	Opening shareholders' funds	785,118	536,176
	Closing shareholders' funds	599,752	785,118

12.	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2001 £	2000 £
	Operating profit	575,307	792,005
	Depreciation charge	262,518	272,847
	(Profit)/loss on disposal of tangible fixed assets	(5,629)	112
	Increase in debtors	(544,373)	(272,245)
	Increase in creditors	17,620	66,847
	Net cash inflow from operating activities	305,443	859,566

13.	ANALYSIS OF CHANGES IN NET DEBT	At 11 March 2000 £	Cash flows £	At 10 March 2001 £
	Cash at bank and in hand	750	(425)	325
	Overdrafts	(574,191)	(386,727)	(960,918)
		(573,441)	(387,152)	(960,593)

14.	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	2001 £	2000 £
	Decrease in cash in the year	(387,152)	(70,411)
	Net debt at beginning of year	(573,441)	(503,030)
	Net debt at end of year	(960,593)	(573,441)

NOTES TO THE ACCOUNTS
Year ended 10 March 2001**15. 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	2,850	-	-	16,027
- between two and five years	-	-	2,600	-
- in over five years	52,500	-	72,150	-
	<u>55,350</u>	<u>-</u>	<u>74,750</u>	<u>16,027</u>

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).

16. DIRECTORS

	2001 £	2000 £
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	<u>131,227</u>	<u>138,865</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>2</u>	<u>2</u>

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC and emoluments and their pension details are disclosed in the group accounts. Miss E J Manning is paid for her services by MITIE Cleaning Limited.

Mr N R Goodman is also a director of MITIE Cleaning (South East) Limited and his emoluments and pension details are disclosed in the accounts of that company.

Where the directors are remunerated by other group companies for their services to the group as a whole, it is not practicable to allocate their remuneration between their services as directors of MITIE Cleaning (South West) Limited and their services as directors of other group companies.

NOTES TO THE ACCOUNTS
Year ended 10 March 2001

17. EMPLOYEES

Number of employees

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

	2001 No.	2000 No.
Site labour	1,566	1,745
Administration and management	60	70
	<u>1,626</u>	<u>1,815</u>
Employment costs	£	£
Wages and salaries	8,029,434	9,100,388
Social security costs	393,590	409,351
Other pension costs	42,897	50,514
	<u>8,465,921</u>	<u>9,560,253</u>

18. RELATED PARTY TRANSACTIONS

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

19. PARENT UNDERTAKING AND CONTROLLING PARTY

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