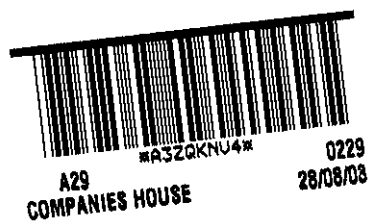


**MITIE CLEANING LIMITED**

**Report and Financial Statements**

**56 week period ended 5 April 2003**



**REPORT AND FINANCIAL STATEMENTS 2003**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D M Telling  
I R Stewart  
N R Goodman  
E J Manning

**SECRETARY**

C K Ross

**REGISTERED OFFICE**

The Stable Block  
Barley Wood  
Wrighton  
Bristol  
BS40 5SA

**BANKERS**

HSBC Bank plc  
49 Corn Street  
Bristol  
BS99 7PP

**AUDITORS**

Deloitte & Touche  
Bristol

**DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the financial period ended 5 April 2003.

These financial statements have been made up to 5 April 2003, being a date not more than seven days after the accounting reference date of 31 March as permitted by Section 223 of the Companies Act 1985.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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 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 is the provision of administrative and operational services to other group undertakings.

**RESULTS AND DIVIDENDS**

The loss for the period after taxation amounted to £3,000 (9 March 2002: £751). The directors do not recommend the payment of a dividend (9 March 2002: nil) and propose that £3,000 (9 March 2002: £751) is transferred from reserves.

**DIRECTOR AND THEIR INTERESTS**

The directors during the period were as follows:

D M Telling	
I R Stewart	
N R Goodman	(appointed 6 August 2002)
E J Manning	(appointed 6 August 2002)
L Shearman	(appointed 11 May 2002, resigned 8 October 2002)

No director had a beneficial interest in the share capital of the company or any other group company during the financial period, except as disclosed below.

Messrs D M Telling, I R Stewart and N R Goodman 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.

**DIRECTOR'S REPORT (continued)****DIRECTOR AND THEIR INTERESTS (continued)**

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

	At 5 April 2003 2.5p Ordinary shares No.	At 9 March 2002 or date of appointment 2.5p Ordinary shares No.
E J Manning	13,405	3,200

**Share Options**

	At 10 March 2002 or date of appointment	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 5 April 2003
E J Manning (i)	8,496	2,389	£1.10	2007	2008	-	-	10,885
(ii)	30,000	-	-	-	-	-	-	30,000

- (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.

**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 5 April 2003 trade creditors, as a proportion of amounts invoiced from suppliers for the period, represented 26 days (9 March 2002: 40 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.

**DIRECTOR'S REPORT (continued)**

**AUDITORS**

Deloitte & Touche has informed the directors that they are intending to transfer their business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

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', with a stylized flourish at the end.

**C K Ross**  
Secretary

2 July 2003

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF****MITIE CLEANING LIMITED**

We have audited the financial statements of MITIE Cleaning Limited for the period ended 5 April 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 19. 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 period and consider the implications for our report if we become aware of any apparent misstatements.

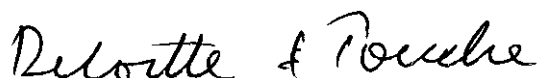
**Basis of audit opinion**

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 5 April 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**DELOITTE & TOUCHE**

Chartered Accountants and Registered Auditors  
Bristol

4 July 2003

**PROFIT AND LOSS ACCOUNT**  
**56 week period ended 5 April 2003**

		<b>Continuing operations</b>	
		<b>56 week</b>	<b>52 week</b>
		<b>period ended</b>	<b>period ended</b>
		<b>5 April</b>	<b>9 March</b>
	<b>Notes</b>	<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
Administrative expenses		(27,362)	(5,073)
<b>OPERATING LOSS</b>	<b>2</b>	<b>(27,362)</b>	<b>(5,073)</b>
Interest receivable	<b>3</b>	<u>27,362</u>	<u>5,073</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>-</b>	<b>-</b>
Tax on loss on ordinary activities	<b>4</b>	<u>(3,000)</u>	<u>(751)</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE FINANCIAL PERIOD</b>	<b>9</b>	<u><b>(3,000)</b></u>	<u><b>(751)</b></u>

There are no recognised gains and losses for the current financial period and preceding financial period other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.



**BALANCE SHEET**

At 5 April 2003

	Notes	At 5 April 2003 £	At 9 March 2002 £
<b>FIXED ASSETS</b>			
Tangible assets	5	201,860	177,448
<b>CURRENT ASSETS</b>			
Debtors	6	1,156,771	1,219,450
Cash at bank and in hand		240,297	65,239
		<u>1,397,068</u>	<u>1,284,689</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	7	<u>(1,328,652)</u>	<u>(1,188,861)</u>
<b>NET CURRENT ASSETS</b>		<u>68,416</u>	<u>95,828</u>
<b>NET ASSETS</b>		<u>270,276</u>	<u>273,276</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	8	262,500	262,500
Share premium account		40,500	40,500
Profit and loss account	9	<u>(32,724)</u>	<u>(29,724)</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	10	<u>270,276</u>	<u>273,276</u>

These financial statements were approved by the Board of Directors on 2 July 2003.

Signed on behalf of the Board of Directors



**N R Goodman**  
Director

**CASH FLOW STATEMENT**  
**56 week period ended 5 April 2003**

	Notes	56 week period ended 5 April 2003 £	52 week period ended 9 March 2002 £
<b>Net cash inflow from operating activities</b>	11	250,963	84,224
<b>Returns on investments and servicing of finance</b>			
Interest received		31,175	3,881
<b>Taxation</b>			
UK corporation tax paid		(4,400)	-
<b>Investing activities</b>			
Net cash acquired on transfer of activities		-	114,730
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(210,702)	(177,875)
Proceeds from disposal of tangible fixed assets		108,022	40,279
<b>Net cash outflow from capital expenditure</b>		(102,680)	(137,596)
<b>Increase in cash in the period</b>	13	175,058	65,239

**NOTES TO THE ACCOUNTS**  
**56 week period ended 5 April 2003****1. ACCOUNTING POLICIES****Accounting convention**

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

**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:

Computers	3 to 5 years
Fixtures and fittings	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**

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.

**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)**

	<b>56 week period ended 5 April 2003 £</b>	<b>52 week period ended 9 March 2002 £</b>
Depreciation	81,651	68,158
Auditors' remuneration - audit services	3,000	3,000
Operating lease rentals - land and buildings	37,605	18,802
Profit on disposal of tangible fixed assets	<u>(3,383)</u>	<u>(11,471)</u>

NOTES TO THE ACCOUNTS  
56 week period ended 5 April 2003

## 3. INTEREST RECEIVABLE

	56 week period ended 5 April 2003 £	52 week period ended 9 March 2002 £
Interest receivable on bank deposit	27,362	5,073

## 4. TAX ON LOSS ON ORDINARY ACTIVITIES

	56 week period ended 5 April 2003 £	52 week period ended 9 March 2002 £
<b>(a) Analysis of charge in period</b>		
United Kingdom corporation tax at 30% (2002: 30%)	7,116	2,897
Adjustment in respect of prior periods	1,504	-
<b>Total current tax (note 4(b))</b>	8,620	2,897
Deferred taxation:		
Timing differences - origination and reversal	(4,116)	(2,146)
Adjustment in respect of prior periods	(1,504)	-
<b>Tax on loss on ordinary activities</b>	3,000	751

**(b) Factors affecting tax charge in period**

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are as follows:

	£	£
Loss on ordinary activities before tax	-	-
	£	£
Tax at 30% thereon	-	-
Expenses not deductible for tax purposes	3,000	751
Capital allowances in excess of depreciation	5,131	5,588
Profit on disposal of tangible fixed assets	(1,015)	(3,441)
Adjustment in respect of prior period	1,504	-
<b>Current tax charge for the period (note 4(a))</b>	8,620	2,897

**(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 ACCOUNTS  
56 week period ended 5 April 2003

## 5. TANGIBLE FIXED ASSETS

	Computers £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>				
At 10 March 2002	523,264	74,497	232,836	830,597
Additions	37,616	8,487	102,320	148,423
Transfers in	5,236	-	125,930	131,166
Transfers out	(26,267)	-	(110,684)	(136,951)
Disposals	(2,170)	-	(129,726)	(131,896)
At 5 April 2003	537,679	82,984	220,676	841,339
<b>Depreciation</b>				
At 10 March 2002	484,920	66,956	101,273	653,149
Charge for period	26,043	2,959	52,649	81,651
Transfers in	2,388	-	66,499	68,887
Transfers out	(10,169)	-	(52,209)	(62,378)
Disposals	(2,170)	-	(99,660)	(101,830)
At 5 April 2003	501,012	69,915	68,552	639,479
<b>Net book value</b>				
At 5 April 2003	36,667	13,069	152,124	201,860
At 9 March 2002	38,344	7,541	131,563	177,448

## Capital commitments

At 5 April 2003 the directors had authorised capital expenditure of nil (9 March 2002: nil).

## 6. DEBTORS

	5 April 2003 £	9 March 2002 £
Amounts owed by group undertakings	1,112,740	1,119,030
Other debtors	23,838	97,972
Prepayments and accrued income	12,427	302
Deferred tax asset	7,766	2,146
	<u>1,156,771</u>	<u>1,219,450</u>

A deferred tax asset of £7,766 has been recognised at 5 April 2003 (9 March 2002: £2,146). This asset relates to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited to the profit and loss account in the period was £5,620 (9 March 2002: £2,146).

NOTES TO THE ACCOUNTS  
56 week period ended 5 April 2003

<b>7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>5 April 2003 £</b>	<b>9 March 2002 £</b>
Trade creditors	165,836	266,846
Amounts owed to group undertakings	722,245	771,815
Corporation tax	7,117	2,897
Other taxes and social security costs	61,812	49,461
Accruals and deferred income	371,642	97,842
	<u>1,328,652</u>	<u>1,188,861</u>
<b>8. CALLED UP SHARE CAPITAL</b>	<b>5 April 2003 £</b>	<b>9 March 2002 £</b>
<b>Authorised</b>		
2,000,000 25p Ordinary shares	<u>500,000</u>	<u>500,000</u>
	£	£
<b>Allotted and fully paid</b>		
1,050,000 25p Ordinary shares	<u>262,500</u>	<u>262,500</u>
<b>9. PROFIT AND LOSS ACCOUNT</b>	<b>£</b>	
At 10 March 2002	(29,724)	
Retained loss for the financial period	<u>(3,000)</u>	
<b>At 5 April 2003</b>	<u>(32,724)</u>	
<b>10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<b>56 week period ended 5 April 2003 £</b>	<b>52 week period ended 9 March 2002 £</b>
Opening shareholders' funds	273,276	274,027
Loss for the financial period	<u>(3,000)</u>	<u>(751)</u>
<b>Closing shareholders' funds</b>	<u>270,276</u>	<u>273,276</u>

**NOTES TO THE ACCOUNTS**  
**56 week period ended 5 April 2003****11. RECONCILIATION OF OPERATING LOSS TO NET CASH  
INFLOW FROM OPERATING ACTIVITIES**

	<b>56 week period ended 5 April 2003 £</b>	<b>52 week period ended 9 March 2002 £</b>
Operating loss	(27,362)	(5,073)
Depreciation charge	81,651	68,158
Profit on disposal of tangible fixed assets	(3,383)	(11,471)
Decrease/(increase) in debtors	64,486	(1,153,354)
Increase in creditors	135,571	1,185,964
<b>Net cash inflow from operating activities</b>	<b>250,963</b>	<b>84,224</b>

**12. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At 10 March 2002 £</b>	<b>Cash flow £</b>	<b>At 5 April 2003 £</b>
Cash at bank and in hand	65,239	175,058	240,297

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

	<b>5 April 2003 £</b>	<b>9 March 2002 £</b>
Increase in cash in the period	175,058	65,239
Net funds at beginning of period	65,239	-
<b>Net funds at end of period</b>	<b>240,297</b>	<b>65,239</b>

NOTES TO THE ACCOUNTS  
56 week period ended 5 April 2003

## 14. FINANCIAL COMMITMENTS

## Operating leases

At 5 April 2003 the company had annual commitments under non-cancellable operating leases as follows:

Land and buildings	56 week period ended 5 April 2003 £	52 week period ended 9 March 2002 £
Expiry date:		
- between two and five years	4,000	-
- after five years	37,605	37,605
	<u>41,605</u>	<u>37,605</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 5 April 2003 the overall commitment was nil (9 March 2002: nil).

## 15. DIRECTORS

	56 week period ended 5 April 2003 £	Year ended 9 March 2002 £
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	<u>77,718</u>	<u>-</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>1</u>	<u>-</u>

Messrs D M Telling, I R Stewart and N R Goodman are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts.



**DETAILED PROFIT AND LOSS ACCOUNT****56 week period ended 5 April 2003****16. EMPLOYEES****Number of employees**

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

	<b>56 week period ended 5 April 2003 No.</b>	<b>52 week period ended 9 March 2002 No.</b>
Administration and management	29	21
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	887,789	730,566
Social security costs	103,780	83,524
Other pension costs	53,268	48,360
	<u>1,044,837</u>	<u>862,450</u>

**17. RELATED PARTY TRANSACTIONS**

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

**18. PENSION ARRANGEMENTS**

For the purposes of Financial Reporting Standard 17, the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme, the MITIE Group Pension Scheme, on a consistent and reasonable basis. Therefore, following full implementation of FRS17, the company will account for contributions to the scheme as if it were a defined contribution scheme. At 5 April 2003, the valuation of the scheme for the purposes of FRS17 showed a net pension liability as set out in the report and accounts of MITIE Group PLC.

**19. 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.