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REGISTRAR

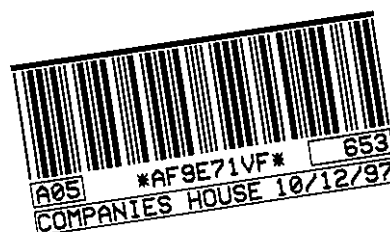
Company Number 2891712

MITIE CLEANING (MIDLANDS) 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
J F Saunders

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

These 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 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 provides cleaning and support service consultancy to industrial and commercial clients.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £74,270 (1996: loss of £8,315). The directors do not propose the payment of a dividend and recommend that £74,270 be transferred to reserves.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 5 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling	
I R Stewart	
J F Saunders	
D J Robertson	(resigned 11 July 1997)
D J L Evans	(resigned 7 October 1996)

None of the directors had a beneficial interest in the share capital of the company during the year.

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

The following directors had a beneficial interest in the loan stock of the company which is due to be redeemed at par in 2004:

	15 March 1997 Number	16 March 1996 Number
D J Robertson	10,000	10,000
J F Saunders	40,000	30,000

Messrs I R Stewart and D M Telling 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:

	15 March 1997 10p Ordinary shares Number	16 March 1996 25p Ordinary shares Number
D J Robertson	-	5,700

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

PAYMENT POLICY

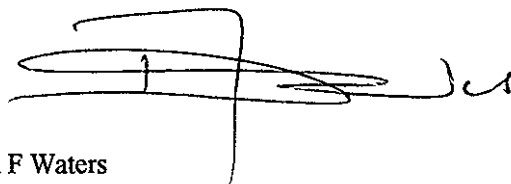
The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 15 March 1997 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 54 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
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Bristol BS1 4JP

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AUDITORS' REPORT TO THE MEMBERS OF

MITIE CLEANING (MIDLANDS) 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 £
TURNOVER		3,893,484	1,124,704
Cost of sales		(3,204,465)	(943,532)
GROSS PROFIT		689,019	181,172
Administrative expenses		(566,104)	(195,404)
OPERATING PROFIT/(LOSS)	2	122,915	(14,232)
Interest payable	3	(10,720)	(4,047)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		112,195	(18,279)
Tax (charge)/credit on profit/(loss) on ordinary activities	4	(37,925)	9,964
RETAINED PROFIT/(LOSS) FOR THE YEAR	10	74,270	(8,315)

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	
		£	£	£	£
FIXED ASSETS					
Tangible assets	5		188,899		91,169
CURRENT ASSETS					
Debtors	6	731,383		354,626	
Cash at bank and in hand		90,327		300	
		821,710		354,926	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(822,001)		(330,242)	
NET CURRENT (LIABILITIES)/ASSETS			(291)		24,684
TOTAL ASSETS LESS CURRENT LIABILITIES			188,608		115,853
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8		(60,000)		(61,515)
NET ASSETS			128,608		54,338
CAPITAL AND RESERVES					
Called up share capital	9		115,000		115,000
Profit and loss account	10		13,608		(60,662)
TOTAL EQUITY SHAREHOLDERS' FUNDS			128,608		54,338

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	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	12		315,747		(82,135)
Returns on investments and servicing of finance					
Interest paid		(7,519)		(3,430)	
Interest elements of finance lease rental payments		(617)		(617)	
Net cash outflow from returns on investments and servicing of finance			(8,136)		(4,047)
Taxation					
Group relief received			9,975		23,564
Capital expenditure					
Payments to acquire tangible fixed assets		(151,014)		(77,594)	
Receipts from disposal of tangible fixed assets		765		-	
Net cash outflow from capital expenditure			(150,249)		(77,594)
Cash inflow/(outflow) before management of liquid resources and financing			167,337		(140,212)
Financing					
Issue of unsecured loan stock		-		30,000	
Capital element of finance lease rental payments		(3,670)		(3,675)	
Net cash (outflow)/inflow from financing			(3,670)		26,325
Increase/(decrease) in cash in the year	14		163,667		(113,887)



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.

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	4 to 5 years
Office equipment	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

2. OPERATING PROFIT/(LOSS) is stated after charging:	1997	1996
	£	£
Depreciation: owned fixed assets	50,941	9,938
Depreciation: assets under finance leases and hire purchase contracts	1,187	2,205
Operating lease rentals		
- land and buildings	14,095	7,095
- plant and equipment	58,641	32,190
Auditors' remuneration: audit services	1,500	1,500
Loss on disposal of tangible fixed assets	391	-
	<hr/>	<hr/>
3. INTEREST PAYABLE	1997	1996
	£	£
On bank overdraft	10,103	3,430
On finance leases and hire purchase contracts terminating within five years	617	617
	<hr/>	<hr/>
	10,720	4,047
	<hr/>	<hr/>
4. TAX CHARGE/(CREDIT) ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	1997	1996
	£	£
UK current year taxation		
UK corporation tax at 33%/(group relief)	38,000	(9,900)
Over provision in previous year	(75)	(64)
	<hr/>	<hr/>
	37,925	(9,964)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 15 March 1997

5. TANGIBLE FIXED ASSETS

(1) Summary	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost				
16 March 1996	4,461	85,426	17,926	107,813
Additions	11,830	68,400	5,850	86,080
Group transfers in	5,455	100,882	27,796	134,133
Disposals	(1,342)	-	-	(1,342)
15 March 1997	20,404	254,708	51,572	326,684
Depreciation				
16 March 1996	1,309	12,975	2,360	16,644
Charge for the year	3,213	37,945	10,970	52,128
Group transfers in	2,221	60,904	6,074	69,199
Disposals	(186)	-	-	(186)
15 March 1997	6,557	111,824	19,404	137,785
Net book value				
Owned assets	13,847	136,099	32,168	182,114
Leased assets	-	6,785	-	6,785
15 March 1997	13,847	142,884	32,168	188,899
Owned assets	3,152	64,479	15,566	83,197
Leased assets	-	7,972	-	7,972
16 March 1996	3,152	72,451	15,566	91,169

(2) Capital commitments

At 15 March 1997 the directors had authorised capital expenditure of £232,000 (1996: £127,000).

6. DEBTORS	1997 £	1996 £
Trade debtors	660,009	295,191
Corporation tax	-	9,900
Amounts owed by parent undertaking and fellow subsidiary undertakings	70,742	49,335
Other debtors	632	200
	731,383	354,626

NOTES TO THE ACCOUNTS
Year ended 15 March 1997

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1997	1996
	£	£
Bank overdraft	-	73,640
Trade creditors	199,247	126,716
Other creditors	5,449	1,233
Amounts owed to parent undertaking and fellow subsidiary undertakings	278,960	20,569
Obligations under finance leases and hire purchase contracts	1,520	3,675
Other taxes and social security costs	266,632	87,620
Accruals and deferred income	32,193	16,789
Corporation tax	38,000	-
	<u>822,001</u>	<u>330,242</u>

Obligations under finance leases and hire purchase contracts are secured by related leased assets.

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1997	1996
	£	£
Obligations under finance lease and hire purchase contracts due between one to two years	-	1,515
Redeemable unsecured loan stock 2004	60,000	60,000
	<u>60,000</u>	<u>61,515</u>

The redeemable unsecured loan stock 2004 bears no interest and is redeemable at par.

9. CALLED UP SHARE CAPITAL	1997	
	Number	£
(1) Authorised		
£1 'A' ordinary shares	90,000	90,000
£1 'B' ordinary shares	60,000	60,000
	<u>150,000</u>	<u>150,000</u>
(2) Allotted and fully paid	1997	1996
	£	£
£1 'A' ordinary shares	90,000	90,000
£1 'B' ordinary shares	25,000	25,000
	<u>115,000</u>	<u>115,000</u>

NOTES TO THE ACCOUNTS
Year ended 15 March 1997

9. CALLED UP SHARE CAPITAL (continued)

(3) Rights attached to shares

The holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board. Thereafter, MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid, together with any arrears of such cumulative dividends unpaid from any previous financial year.

Thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

Both classes of shareholder have equal voting rights.

10. PROFIT AND LOSS ACCOUNT

	£
16 March 1996	(60,662)
Retained profit for the year	74,270
	<hr/>
15 March 1997	13,608
	<hr/>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit/(loss) for the financial year	74,270	(8,315)
Opening shareholders' funds	54,338	62,653
	<hr/>	<hr/>
Closing shareholders' funds	128,608	54,338
	<hr/>	<hr/>

12. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1997 £	1996 £
Operating profit/(loss)	122,915	(14,232)
Depreciation charges	52,128	12,143
Increase in debtors	(386,657)	(277,788)
Increase in creditors	526,970	197,742
Loss on disposal of tangible fixed assets	391	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	315,747	(82,135)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 15 March 1997

13. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 16 March 1996 £	Cash flows £	At 15 March 1997 £
Cash at bank and in hand	300	90,027	90,327
Overdrafts	(73,640)	73,640	-
	(73,340)	163,667	90,327
Debt due after one year	(60,000)	-	(60,000)
Finance leases	(5,190)	3,670	(1,520)
	(138,530)	167,337	28,807

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

	1997 £	1996 £
Increase/(decrease) in cash for the year	163,667	(113,887)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	3,670	(26,325)
Change in net funds/(debt) resulting from cash flows	167,337	(140,212)
Net funds/(debt) at 16 March	(138,530)	1,682
Net funds/(debt) at 15 March	28,807	(138,530)

15. FINANCIAL COMMITMENTS

(1) Operating leases

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

	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date - within one year	7,000	36,351	-	13,854
- between two and five years	-	37,662	-	11,012
- in over five years	7,095	-	7,095	-
	14,095	74,013	7,095	24,866

(2) Commitments on behalf of group undertakings

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

NOTES TO THE ACCOUNTS
Year ended 15 March 1997

16. DIRECTORS

(1) Emoluments

	1997	1996
	£	£
The emoluments of the directors of the company were:		
Fees and other emoluments (including pension contributions and benefits in kind)	49,816	30,484

(2) Bandings

Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:

Chairman	-	-
Higher paid director	46,216	30,000
Other directors emoluments (excluding pension contributions) were in the following ranges:		
	No.	No.
£0 - £5,000	2	3

Mr D J L Evans is also a director of MITIE Cleaning (South West) Limited and received emoluments of £53,331 (1996: £70,098) during the year from that company. It is not practicable to allocate this between his services as a director of each company.

17. EMPLOYEES

(1) Number of employees

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

	1997	1996
	Number	Number
Operatives	1,040	356
Administration and management	19	10
	1,059	366

(2) Employment costs

	£	£
Wages and salaries	3,085,790	922,645
Social security costs	89,994	24,356
Pension costs	11,120	4,635
	3,186,904	951,636

NOTES TO THE ACCOUNTS
Year ended 15 March 1997

18. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 78% shareholder of MITIE Cleaning (Midlands) Limited and is the holder of the 'A' ordinary shares.

During the year the company paid management charges of £27,352, £9,901 and £2,685 to MITIE Group PLC, MITIE Cleaning (South West) Limited and MITIE Engineering (Midlands) Limited. An amount of £2,600 is included in creditors in respect of the charges from MITIE Cleaning (South West) Limited.

Included in creditors are amounts of £97,981 and £127,393 due to MITIE Group PLC and MITIE Cleaning (South West) Limited respectively in respect of normal trading transactions. MITIE Cleaning (Midlands) Limited received management charges of £65,182 from MITIE Secure Services Limited. These companies are all within the MITIE Group.

During the year, MITIE Cleaning (Midlands) Limited purchased fixed assets of £50,986 from MITIE Cleaning (North) Limited, a company in the MITIE group, at net book value. An amount of £50,986 is included in creditors in respect of these purchases. A further £13,948 fixed assets were purchased from MITIE Group PLC at net book value.

Included in debtors is an amount of £70,742 due from MITIE Group PLC in respect of normal trading transactions.

19. 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.