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Company Number 2891712

MITIE CLEANING (MIDLANDS) LIMITED

Report and Financial Statements

13 March 1999

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



REPORT AND FINANCIAL STATEMENTS 1999

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MITIE CLEANING (MIDLANDS) LIMITED

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
BS40 5SA

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 audited financial statements for the financial year ended 13 March 1999.

These financial statements have been made up to 13 March 1999, 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 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.

The company's business 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 year after taxation amounted to £301,422 (1998: £127,129). The directors propose payment of a dividend of £21,000 and that the balance of £280,422 be transferred to reserves.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 6 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

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

The following director had a beneficial interest in the share capital of the company during the year:

	13 March 1999 £1 'B' ordinary shares No.	14 March 1998 £1 'B' ordinary shares No.
J F Saunders	40,000	-

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

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

	13 March 1999 Loan stock £	14 March 1998 Loan stock £
J F Saunders	-	40,000

The loan stock was redeemed in the 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:

	13 March 1999 5p Ordinary shares No.	14 March 1998 10p Ordinary shares No.
J F Saunders	8,600	4,300

On 17 September 1998, each 10p ordinary share in MITIE Group PLC was subdivided into two ordinary shares of 5p each.

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 13 March 1999 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 85 (1998: 79) days.

**DIRECTORS' REPORT (continued)****YEAR 2000**

The project to cope with the year 2000 technology problem is well under way. An Executive Steering Committee chaired by a Group Managing Director has been established. Its responsibility is to ensure that all operating companies within the group have identified the systems (included embedded chips) with associated business criticality, which require change and have made appropriate plans to ensure that all changes are successfully implemented no later than October 1999.

In addition, systems which are critical to the business but are part of the supplier/customer chain and are outside the direct control of the MITIE Group are also included in the project.

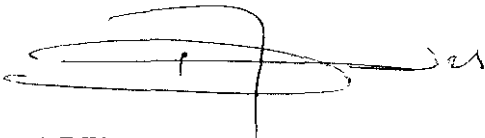
Phase one of this programme has been concluded with all subsidiary companies completing a detailed assessment as to their state of readiness for year 2000. Phase two of this programme has also been completed, which confirms that all key business systems within the group are or have been made compliant well before the target deadline.

Due to the general level of uncertainty inherent with the year 2000 issue it is not possible to be 100% certain that no business interruption will occur. Costs incurred to date have been written off to the profit and loss account and the Board consider that future costs will not have a material impact on the group accounts.

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

12 August 1999



AUDITORS' REPORT TO THE MEMBERS OF

MITIE CLEANING (MIDLANDS) 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. 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 13 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

16 August 1999


MITIE CLEANING (MIDLANDS) LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 13 March 1999

	Notes	Continuing operations 1999 £	1998 £
TURNOVER		7,583,572	5,905,787
Cost of sales		(5,767,215)	(4,586,120)
GROSS PROFIT		1,816,357	1,319,667
Administrative expenses		(1,369,080)	(1,102,623)
OPERATING PROFIT	2	447,277	217,044
Interest receivable	3	5,425	-
Interest payable	3	(424)	(22,654)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		452,278	194,390
Tax on profit on ordinary activities	4	(150,856)	(67,261)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		301,422	127,129
Dividends	5	(21,000)	(13,800)
RETAINED PROFIT FOR THE YEAR	11	280,422	113,329

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 13 March 1999

	Notes	1999		1998	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		354,856		211,748
CURRENT ASSETS					
Debtors	7	1,269,291		895,987	
Cash at bank and in hand		465,426		106,619	
		1,734,717		1,002,606	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(1,507,214)		(912,417)	
NET CURRENT ASSETS			227,503		90,189
TOTAL ASSETS LESS CURRENT LIABILITIES			582,359		301,937
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Convertible loan stock	9		-		(60,000)
NET ASSETS			582,359		241,937
CAPITAL AND RESERVES					
Called up share capital	10		175,000		115,000
Profit and loss account	11		407,359		126,937
TOTAL EQUITY SHAREHOLDERS' FUNDS	12		582,359		241,937

These financial statements were approved by the Board of Directors on 12 August 1999.

Signed on behalf of the Board of Directors

D M Telling
Director


CASH FLOW STATEMENT
Year ended 13 March 1999

	Notes	1999		1998	
		£	£	£	£
Net cash inflow from operating activities	13		735,051		173,341
Returns on investments and servicing of finance					
Interest paid		(8,830)		(13,795)	
Interest elements of finance lease rental payments		-		(37)	
Interest received		2,333		-	
Net cash outflow from returns on investments and servicing of finance			(6,497)		(13,832)
Taxation					
Tax paid			(68,706)		(37,161)
Capital expenditure					
Payments to acquire tangible fixed assets		(306,740)		(120,122)	
Receipts from disposal of tangible fixed assets		19,499		15,586	
Net cash outflow from capital expenditure			(287,241)		(104,536)
Equity dividends paid			(13,800)		-
Cash inflow before management of liquid resources and financing			358,807		17,812
Financing					
Capital element of finance lease rental payments			-		(1,520)
Increase in cash in the year	15		358,807		16,292

**NOTES TO THE ACCOUNTS**
Year ended 13 March 1999**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.

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:

Office equipment	5 years
Plant	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 defined benefit and money purchase schemes are given in the financial statements of MITIE Group PLC.


NOTES TO THE ACCOUNTS
Year ended 13 March 1999

2. OPERATING PROFIT is stated after charging/(crediting):	1999	1998
	£	£
Depreciation - owned fixed assets	148,019	79,666
Depreciation - assets under finance leases and hire purchase contracts	-	2,205
Operating lease rentals:		
- land and buildings	28,818	27,964
- plant and equipment	72,501	79,510
Auditors' remuneration - audit services	2,500	2,500
Profit on disposal of tangible fixed assets	(3,886)	(184)
	<u>148,019</u>	<u>189,365</u>
3. INTEREST	1999	1998
Interest receivable	£	£
On bank deposit	5,425	-
	<u>5,425</u>	<u>-</u>
Interest payable	£	£
On bank overdraft	424	13,617
On finance leases and hire purchase contracts terminating within five years	-	37
On loan stock	-	9,000
	<u>424</u>	<u>22,654</u>
4. TAX ON PROFIT ON ORDINARY ACTIVITIES	1999	1998
	£	£
UK current year taxation		
UK corporation tax at 31% (1998: 31%)	151,000	68,100
Over provision in previous year	(144)	(839)
	<u>150,856</u>	<u>67,261</u>
5. DIVIDENDS	1999	1998
	£	£
Ordinary:		
Final proposed of £0.12 (1998: £0.12) per share	21,000	13,800
	<u>21,000</u>	<u>13,800</u>


NOTES TO THE ACCOUNTS
Year ended 13 March 1999
6. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 15 March 1998	42,781	338,720	88,598	470,099
Additions	13,055	100,581	193,104	306,740
Group transfers out	(1,732)	-	-	(1,732)
Disposals	-	-	(46,290)	(46,290)
At 13 March 1999	54,104	439,301	235,412	728,817
Depreciation				
At 15 March 1998	19,009	198,861	40,481	258,351
Charge for the year	9,238	83,000	55,781	148,019
Group transfers out	(693)	-	-	(693)
Disposals	-	-	(31,716)	(31,716)
At 13 March 1999	27,554	281,861	64,546	373,961
Net book value				
Owned assets	26,550	157,440	170,866	354,856
Leased assets	-	-	-	-
At 13 March 1999	26,550	157,440	170,866	354,856
Owned assets	23,772	139,859	48,117	211,748
Leased assets	-	-	-	-
At 14 March 1998	23,772	139,859	48,117	211,748

Capital commitments

At 13 March 1999 the directors had authorised capital expenditure of nil (1998: nil).

7. DEBTORS

	1999 £	1998 £
Trade debtors	1,096,459	783,146
Amounts owed by parent undertaking and fellow subsidiary undertakings	133,186	80,685
Other debtors	209	-
Prepayments	39,437	31,406
Advance corporation tax recoverable	-	750
	1,269,291	895,987


NOTES TO THE ACCOUNTS
Year ended 13 March 1999

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1999	1998
	£	£
Trade creditors	526,819	367,917
Amounts owed to parent undertaking and fellow subsidiary undertakings	231,733	231,262
Corporation tax	150,250	68,100
Advance corporation tax	-	750
Other taxes and social security costs	490,172	160,142
Other creditors	575	238
Accruals and deferred income	86,665	70,208
Proposed dividend	21,000	13,800
	<u>1,507,214</u>	<u>912,417</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1999	1998
	£	£
Convertible redeemable unsecured loan stock 2004	<u>-</u>	<u>60,000</u>

The unsecured loan stock was redeemed on 25 August 1998.

10. CALLED UP SHARE CAPITAL

Authorised	1999	
	No.	£
£1 'A' ordinary shares	90,000	90,000
£1 'B' ordinary shares	85,000	85,000
	<u>175,000</u>	<u>175,000</u>
Allotted and fully paid	1999	1998
	£	£
£1 'A' ordinary shares	90,000	90,000
£1 'B' ordinary shares	85,000	25,000
	<u>175,000</u>	<u>115,000</u>

During the year the company increased the authorised share capital by 25,000 £1 'B' ordinary shares from 60,000 shares to 85,000 shares, in order to convert the redeemable loan stock into 60,000 £1 'B' ordinary shares.



NOTES TO THE ACCOUNTS
Year ended 13 March 1999

10. CALLED UP SHARE CAPITAL (continued)

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.

11. PROFIT AND LOSS ACCOUNT

	£
At 15 March 1998	126,937
Retained profit for the year	280,422
	<hr/>
At 13 March 1999	407,359
	<hr/> <hr/>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year	301,422	127,129
Dividends	(21,000)	(13,800)
	<hr/>	<hr/>
Net addition to shareholders' funds	280,422	113,329
Opening shareholders' funds	241,937	128,608
Issue of share capital	60,000	-
	<hr/>	<hr/>
Closing shareholders' funds	582,359	241,937
	<hr/> <hr/>	<hr/> <hr/>

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

	1999 £	1998 £
Operating profit	447,277	217,044
Depreciation charges	148,019	81,871
Increase in debtors	(370,962)	(163,854)
Increase in creditors	514,603	38,464
Profit on disposal of tangible fixed assets	(3,886)	(184)
	<hr/>	<hr/>
Net cash inflow from operating activities	735,051	173,341
	<hr/> <hr/>	<hr/> <hr/>


NOTES TO THE ACCOUNTS
Year ended 13 March 1999
14. ANALYSIS OF CHANGES IN NET FUNDS

	At 16 March 1998 £	Cash flows £	Other non cash changes £	At 13 March 1999 £
Cash at bank and in hand	106,619	358,807	-	465,426
Debt due after one year	(60,000)	-	60,000	-
	<u>46,619</u>	<u>358,807</u>	<u>60,000</u>	<u>465,426</u>

15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1999 £	1998 £
Increase in cash in the year	358,807	16,292
Cash outflow from increase in debt and lease financing	-	1,520
Change in net funds resulting from cash flows	<u>358,807</u>	<u>17,812</u>
Redemption of loan stock	60,000	-
Movement in net funds in the year	<u>418,807</u>	<u>17,812</u>
Net funds at 15 March	46,619	28,807
Net funds at 13 March	<u>465,426</u>	<u>46,619</u>

16. FINANCIAL COMMITMENTS
Operating leases

At 13 March 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date - within one year	-	26,929	-	12,130
- between two and five years	9,178	24,780	9,178	41,787
- in over five years	19,640	1,572	19,640	-
	<u>28,818</u>	<u>53,281</u>	<u>28,818</u>	<u>53,917</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 13 March 1999, the overall commitment was nil.

NOTES TO THE ACCOUNTS
Year ended 13 March 1999

17. DIRECTORS

	1999	1998
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	73,815	62,220
	<u> </u>	<u> </u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	1	1
	<u> </u>	<u> </u>

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 (Midlands) Limited and their services as directors of other group companies.

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.

18. EMPLOYEES

Number of employees

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

	1999	1998
	No.	No.
Operatives	1,726	1,472
Administration and management	41	31
	<u>1,767</u>	<u>1,503</u>
	<u> </u>	<u> </u>
Employment costs	£	£
Wages and salaries	5,296,767	4,484,186
Social security costs	225,331	139,553
Pension costs	31,022	22,371
	<u>5,553,120</u>	<u>4,646,110</u>
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 13 March 1999

19. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 63% shareholder of MITIE Cleaning (Midlands) Limited.

During the year management charges of £117,455 and £3,976 were paid to MITIE Group PLC and MITIE Engineering (Midlands) Limited respectively, both of which are group companies. Included in creditors at the year end was £2,715 in respect of the amount due to MITIE Engineering Services (Midlands) Limited.

Rent and rates of £13,943 was paid to MITIE Property Services Limited, a wholly owned subsidiary of MITIE Group PLC, during the year.

Goods and services purchased from fellow subsidiary companies during the year totalled £10,772. Included in creditors at the year end is £585 in respect of these purchases.

Goods and services provided to fellow subsidiary companies during the year totalled £10,259. Included in debtors at the year end is £716 in respect of these services.

20. PARENT UNDERTAKING

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.