

Company Number 2891712

**Deloitte
& Touche**

MITIE CLEANING (MIDLANDS) 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
J F Saunders
E J Manning
M J Totten

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
Wrington
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.

These 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 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 company provides cleaning and support service consultancy 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.

RESULTS AND DIVIDENDS

The profit for the financial year after taxation amounted to £623,724 (2000: £505,309). The directors propose payment of a dividend of £21,000 (2000: £21,000) and recommend that the balance of £602,724 (2000: £484,309) be transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling
I R Stewart
J F Saunders
E J Manning
M J Totten

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

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

	At 10 March 2001 £1 'B' ordinary shares No.	At 12 March 2000 £1 'B' ordinary shares No.
J F Saunders	40,000	40,000
M J Totten	10,000	10,000

No other 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.
J F Saunders	1,350	4,350
M J Totten	50	50

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
J F Saunders (i)	10,952	-	-	-	-	-	-	10,952
M J Totten (i)	5,476	-	-	-	-	-	-	5,476

- (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 71 (2000: 28) 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



C K Ross
Secretary

20 August 2001

**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, 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.

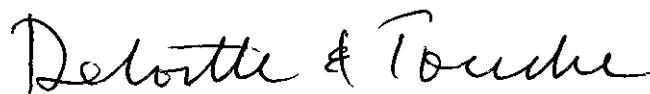
Basis of opinion

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	10,676,484	9,065,180
Cost of sales		(7,811,256)	(6,708,299)
GROSS PROFIT		2,865,228	2,356,881
Administrative expenses		(1,967,378)	(1,639,589)
OPERATING PROFIT	2	897,850	717,292
Interest receivable	3	3,452	10,036
Interest payable	3	-	(1,961)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		901,302	725,367
Tax on profit on ordinary activities	4	(277,578)	(220,058)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		623,724	505,309
Dividends	5	(21,000)	(21,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	10	602,724	484,309

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	678,619	494,837
CURRENT ASSETS			
Debtors	7	2,778,370	1,629,769
Cash at bank and in hand		194,701	444,327
		<u>2,973,071</u>	<u>2,074,096</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(1,982,298)</u>	<u>(1,502,265)</u>
NET CURRENT ASSETS		<u>990,773</u>	<u>571,831</u>
NET ASSETS		<u>1,669,392</u>	<u>1,066,668</u>
CAPITAL AND RESERVES			
Called up share capital	9	175,000	175,000
Profit and loss account	10	1,494,392	891,668
TOTAL EQUITY SHAREHOLDERS' FUNDS	11	<u>1,669,392</u>	<u>1,066,668</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	452,036	472,364
Returns on investments and servicing of finance			
Interest paid		-	(4,961)
Interest received		4,701	11,360
Net cash inflow from returns on investments and servicing of finance		4,701	6,399
Taxation			
UK corporation tax paid		(265,953)	(191,488)
Capital expenditure			
Payments to acquire tangible fixed assets		(426,310)	(292,483)
Receipts from disposal of tangible fixed assets		6,900	5,109
Net cash outflow from capital expenditure		(419,410)	(287,374)
Equity dividends paid		(21,000)	(21,000)
Decrease in cash in the year	14	(249,626)	(21,099)

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:

Office equipment	3 to 5 years
Plant and 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	236,651	149,608
Operating lease rentals:		
- land and buildings	40,874	47,330
- plant and equipment	54,650	39,886
Auditors' remuneration - audit services	4,000	2,500
Profit on disposal of tangible fixed assets	(1,023)	(2,215)
	<u>277,578</u>	<u>220,058</u>
 3. INTEREST	 2001	 2000
	£	£
Interest receivable		
On bank deposit	3,452	10,036
	<u>3,452</u>	<u>10,036</u>
 Interest payable	 £	 £
On bank overdraft	-	1,961
	<u>-</u>	<u>1,961</u>
 4. TAX ON PROFIT ON ORDINARY ACTIVITIES	 2001	 2000
	£	£
UK current year taxation		
UK corporation tax at 30% (2000: 30%)	277,578	220,400
Over provision in previous year	-	(342)
	<u>277,578</u>	<u>220,058</u>
 5. DIVIDENDS	 2001	 2000
	£	£
Ordinary:		
Final proposed of £0.12 (2000: £0.12) per share	21,000	21,000
	<u>21,000</u>	<u>21,000</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	71,545	507,720	423,063	1,002,328
Additions	11,777	302,212	112,321	426,310
Disposals	(1,650)	-	(21,160)	(22,810)
At 10 March 2001	81,672	809,932	514,224	1,405,828
Depreciation				
At 12 March 2000	45,590	338,170	123,731	507,491
Charge for the year	12,818	109,110	114,723	236,651
Disposals	(804)	-	(16,129)	(16,933)
At 10 March 2001	57,604	447,280	222,325	727,209
Net book value				
At 10 March 2001	24,068	362,652	291,899	678,619
At 11 March 2000	25,955	169,550	299,332	494,837

Capital commitments

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

7. DEBTORS

	2001 £	2000 £
Trade debtors	1,766,786	1,412,165
Amounts owed by group undertakings	1,004,287	208,650
Other debtors	519	1,768
Prepayments and accrued income	6,778	7,186
	<u>2,778,370</u>	<u>1,629,769</u>

NOTES TO THE ACCOUNTS

Year ended 10 March 2001

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2001 £	2000 £
Trade creditors	767,579	453,558
Amounts owed to group undertakings	158,239	162,840
Corporation tax	190,445	178,820
Other taxes and social security costs	687,115	573,983
Other creditors	7,624	7,214
Accruals and deferred income	150,296	104,850
Proposed dividend	21,000	21,000
	<u>1,982,298</u>	<u>1,502,265</u>

9. CALLED UP SHARE CAPITAL

	2001 and 2000	
	No.	£
Authorised		
£1 'A' ordinary shares	90,000	90,000
£1 'B' ordinary shares	85,000	85,000
	<u>175,000</u>	<u>175,000</u>
	No.	£
Allotted and fully paid		
£1 'A' ordinary shares	90,000	90,000
£1 'B' ordinary shares	85,000	85,000
	<u>175,000</u>	<u>175,000</u>

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.

NOTES TO THE ACCOUNTS
Year ended 10 March 2001**10. PROFIT AND LOSS ACCOUNT**

	£
At 12 March 2000	891,668
Retained profit for the financial year	602,724
	<hr/>
At 10 March 2001	1,494,392
	<hr/>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	623,724	505,309
Dividends	(21,000)	(21,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	602,724	484,309
Opening shareholders' funds	1,066,668	582,359
	<hr/>	<hr/>
Closing shareholders' funds	1,669,392	1,066,668
	<hr/>	<hr/>

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

	2001 £	2000 £
Operating profit	897,850	717,292
Depreciation charge	236,651	149,608
Increase in debtors	(1,149,850)	(361,802)
Increase/(decrease) in creditors	468,408	(30,519)
Profit on disposal of tangible fixed assets	(1,023)	(2,215)
	<hr/>	<hr/>
Net cash inflow from operating activities	452,036	472,364
	<hr/>	<hr/>

13. ANALYSIS OF CHANGES IN NET FUNDS

	At 12 March 2000 £	Cash flows £	At 10 March 2001 £
Cash at bank and in hand	444,327	(249,626)	194,701
	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

Year ended 10 March 2001

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

	2001 £	2000 £
Decrease in cash in the year	(249,626)	(21,099)
Change in net funds resulting from cash flows	(249,626)	(21,099)
Net funds at beginning of year	444,327	465,426
Net funds at end of year	194,701	444,327

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	9,750	-	6,124	1,716
- between two and five years	9,650	56,737	-	60,071
- in over five years	25,000	-	34,750	-
	<u>44,400</u>	<u>56,737</u>	<u>40,874</u>	<u>61,787</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).

NOTES TO THE ACCOUNTS

Year ended 10 March 2001

16. DIRECTORS

	2001	2000
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	<u>150,348</u>	<u>114,934</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 their emoluments and pension details are disclosed in the group accounts. Miss E J Manning is paid for her services by MITIE Cleaning Limited.

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.

17. EMPLOYEES**Number of employees**

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

	2001	2000
	No.	No.
Operatives	1,694	1,604
Administration and management	48	45
	<u>1,742</u>	<u>1,649</u>
Employment costs	£	£
Wages and salaries	7,629,499	6,255,483
Social security costs	340,443	272,110
Pension costs	43,227	40,331
	<u>8,013,169</u>	<u>6,567,924</u>

NOTES TO THE ACCOUNTS

Year ended 10 March 2001

18. RELATED PARTY TRANSACTIONS

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

	Goods and services provided by £	Goods and services provided to £	Management charges to £	Management charges from £	Balance at year end £
MITIE Group PLC	-	2,832	-	-	432,623
Cole Motors Ltd	12,467	526	-	-	(1,008)
MITIE Catering Ltd	-	40,494	-	-	12,078
MITIE Cleaning (North) Ltd	-	261,180	-	-	35,014
MITIE Cleaning (Southern) Ltd	-	40,554	-	-	32,970
MITIE Cleaning (South East) Ltd	935	349,017	-	-	181,284
MITIE Cleaning (South West) Ltd	1,000	267,448	-	-	(123,459)
MITIE Cleaning Ltd	-	6,942	180,310	6,305	(25,032)
MITIE Engineering (Midlands) Ltd	-	2,584	-	-	-
MITIE Engineering Maintenance Ltd	-	24,339	-	-	-
MITIE Envirocare Ltd	286	-	-	-	-
MITIE Generation Ltd	458	5,213	-	-	1,567
MITIE Maintenance (Midlands) Ltd	-	5,349	-	-	-
MITIE Maintenance Ltd	1,709	-	-	-	28,598
MITIE Managed Services Ltd	-	128,624	-	-	-
MITIE Olscot Ltd	-	406,775	17,933	-	269,377
MITIE Powered Access Ltd	1,383	365	-	-	-
MITIE Property Services (Midlands) Ltd	459	17,796	-	-	2,036

All the above companies are subsidiaries 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. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.