

**MITIE CLEANING (MIDLANDS) LIMITED**

**Report and Financial Statements**

**52 week period ended 3 April 2004**

Deloitte & Touche LLP  
Bristol



REPORT AND FINANCIAL STATEMENTS 2004

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

M Carss  
M A Freeman  
N R Goodman  
R McGregor-Smith  
E J Manning  
I R Stewart  
M J Totten

**SECRETARY**

C K Ross

**REGISTERED OFFICE**

8 Monarch Court  
The Brooms  
Emersons Green  
Bristol  
BS16 7FH

**BANKERS**

HSBC Bank plc  
49 Corn Street  
Bristol  
BS99 7PP

**AUDITORS**

Deloitte & Touche LLP  
Bristol

**DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the 52 week period ended 3 April 2004.

These financial statements have been made up to 3 April 2004, 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 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 the system of internal control, 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 financial 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

**RESULTS AND DIVIDENDS**

The profit for the financial year after taxation amounted to £493,150 (5 April 2003: £828,192). The directors recommend that this amount be dealt with as follows:

	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
Ordinary dividends:		
- Final proposed £5.86 (5 April 2003: £6.45) per share	1,026,000	1,128,000
Transfer from reserves	(532,850)	(299,808)
	<u>493,150</u>	<u>828,192</u>

## DIRECTORS' REPORT (continued)

## DIRECTORS AND THEIR INTERESTS

The directors during the financial year were as follows:

I R Stewart	
M Carss	
M A Freeman	
N R Goodman	
E J Manning	
M J Totten	
R McGregor-Smith	(appointed 7 October 2003)
D M Telling	(resigned 10 October 2003)
J F Saunders	(resigned 29 August 2003)

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

Messrs N R Goodman and I R Stewart and Ms R McGregor-Smith 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 3 April 2004 2.5p Ordinary shares No.	At 5 April 2003 2.5p Ordinary shares No.
M Carss	164,180	164,180
M A Freeman	124,894	132,594
E J Manning	13,405	13,405
M J Totten	61,614	191,614

## Share Options

		At 6 April 2003	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 3 April 2004
M A Freeman	(i)	11,705	1,061	£1.20	2008	2009	-	-	12,766
	(ii)	104,000	100,000	£1.32	2007	2014	-	-	204,000
E J Manning	(i)	10,885	-	-	-	-	-	-	10,885
	(ii)	30,000	-	-	-	-	-	-	30,000
M J Totten	(i)	3,685	-	-	-	-	-	-	3,685

- (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.

**DIRECTORS' REPORT (continued)**

**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 3 April 2004 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 40 days (5 April 2003: 65 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.

**AUDITORS**

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will 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

4 June 2004

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE CLEANING (MIDLANDS) LIMITED

We have audited the financial statements of MITIE Cleaning (Midlands) Limited for the 52 week period ended 3 April 2004 which comprise the profit and loss account, the balance sheet and related notes 1 to 18. 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 3 April 2004 and of its profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

DELOITTE & TOUCHE LLP  
Chartered Accountants and Registered Auditors  
Bristol

4 June 2004

MITIE CLEANING (MIDLANDS) LIMITED

**PROFIT AND LOSS ACCOUNT**  
52 week period ended 3 April 2004

		Continuing operations	
		52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
	Notes		
<b>TURNOVER</b>	1	15,953,729	16,051,374
Cost of sales		(12,657,697)	(11,900,371)
<b>GROSS PROFIT</b>		3,296,032	4,151,003
Administrative expenses		(2,587,693)	(2,948,455)
<b>OPERATING PROFIT</b>	2	708,339	1,202,548
Interest receivable	3	7,305	1,004
Interest payable	3	(3,023)	(8,240)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		712,621	1,195,312
Tax on profit on ordinary activities	4	(219,471)	(367,120)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		493,150	828,192
Transfer from reserves	11	532,850	299,808
Dividends	5	(1,026,000)	(1,128,000)
		-	-

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



## MITIE CLEANING (MIDLANDS) LIMITED

BALANCE SHEET  
At 3 April 2004

	Notes	At 3 April 2004		At 5 April 2003	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	6		631,148		715,497
<b>CURRENT ASSETS</b>					
Debtors	7	3,502,082		3,446,335	
Cash at bank and in hand		316,473		797,780	
		<u>3,818,555</u>		<u>4,244,115</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	8	<u>(3,259,164)</u>		<u>(3,237,398)</u>	
<b>NET CURRENT ASSETS</b>			559,391		1,006,717
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
	9		(1,175)		-
<b>NET ASSETS</b>			<u>1,189,364</u>		<u>1,722,214</u>
<b>SHARE CAPITAL AND RESERVES</b>					
Called up share capital	10		175,000		175,000
Profit and loss account	11		1,014,364		1,547,214
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	12		<u>1,189,364</u>		<u>1,722,214</u>

These financial statements were approved by the Board of Directors on 4 June 2004.

Signed on behalf of the Board of Directors



N R Goodman  
Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**52 week period ended 3 April 2004**

**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.

**Cash flow statement**

The company has taken the exemption from the requirement to prepare a cash flow statement, as it is included within the consolidated financial statements of MITIE Group PLC and greater than 90% of the voting rights of the company are held by MITIE Group PLC.

**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**

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS  
52 week period ended 3 April 2004

2. OPERATING PROFIT is stated after charging/(crediting):	52 week	56 week
	period ended 3 April 2004 £	period ended 5 April 2003 £
Depreciation	306,205	340,680
Operating lease rentals:		
- land and buildings	58,650	63,162
- plant and equipment	47,377	43,870
Auditors' remuneration - audit services	4,810	4,000
Profit on disposal of tangible fixed assets	(17,591)	(2,254)
	<u>          </u>	<u>          </u>
3. INTEREST	52 week	56 week
	period ended 3 April 2004 £	period ended 5 April 2003 £
Interest receivable		
Bank interest	7,305	939
Other interest	-	65
	<u>7,305</u>	<u>1,004</u>
Interest payable	£	£
Bank interest	<u>3,023</u>	<u>8,240</u>

## NOTES TO THE FINANCIAL STATEMENTS

52 week period ended 3 April 2004

## 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
(a) Analysis of charge in period		
United Kingdom corporation tax at 30% (2003: 30%)	215,689	360,561
Adjustment in respect of prior periods	(1,422)	(4,909)
<b>Total current tax (note 4(b))</b>	<b>214,267</b>	<b>355,652</b>
Deferred taxation:		
Timing differences - origination and reversal	3,261	6,558
Adjustment in respect of prior periods	1,943	4,910
<b>Tax on profit on ordinary activities</b>	<b>219,471</b>	<b>367,120</b>

## (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% (2003: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	712,621	1,195,312
	£	£
Tax at 30% thereon	213,786	358,593
Expenses not deductible for tax purposes	5,164	8,133
Capital allowances in excess of depreciation	2,017	(6,877)
Profit on disposal of tangible fixed assets	(5,278)	(676)
Capital assets expensed	-	1,388
Adjustment in respect of prior periods	(1,422)	(4,909)
<b>Current tax charge for the period (note 4(a))</b>	<b>214,267</b>	<b>355,652</b>

## (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 FINANCIAL STATEMENTS  
52 week period ended 3 April 2004

5. DIVIDENDS

	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
Ordinary:		
Final proposed of £5.86 (5 April 2003: £6.45) per share	1,026,000	1,128,000

6. TANGIBLE FIXED ASSETS

	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 6 April 2003	142,645	1,070,547	646,072	1,859,264
Additions	2,677	92,170	152,167	247,014
Transfers out	-	-	(11,662)	(11,662)
Disposals	(41,883)	(13,055)	(140,422)	(195,360)
At 3 April 2004	103,439	1,149,662	646,155	1,899,256
<b>Depreciation</b>				
At 6 April 2003	96,464	738,309	308,994	1,143,767
Charge for the financial year	23,907	120,755	161,543	306,205
Transfers out	-	-	(7,177)	(7,177)
Disposals	(41,883)	(1,004)	(131,800)	(174,687)
At 3 April 2004	78,488	858,060	331,560	1,268,108
<b>Net book value</b>				
At 3 April 2004	24,951	291,602	314,595	631,148
At 5 April 2003	46,181	332,238	337,078	715,497

Capital commitments

At 3 April 2004 the directors had authorised capital expenditure of nil (5 April 2003: nil).

## NOTES TO THE FINANCIAL STATEMENTS

52 week period ended 3 April 2004

7. DEBTORS	3 April 2004 £	5 April 2003 £
Trade debtors	2,351,318	2,175,359
Amounts owed by group undertakings	906,655	1,244,425
Other debtors	-	1,835
Prepayments and accrued income	244,109	20,687
Deferred tax asset (see note 9)	-	4,029
	<u>3,502,082</u>	<u>3,446,335</u>

Following a review of balance sheet classifications, individual balances have been reclassified. As a result, deferred income of £281,166 has been reclassified out of trade debtors into accruals and deferred income in the prior financial year to provide consistent comparatives.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	3 April 2004 £	5 April 2003 £
Trade creditors	366,649	520,375
Amounts owed to group undertakings	230,886	255,296
Corporation tax	44,001	99,152
Other taxes and social security costs	626,130	439,151
Accruals and deferred income	963,105	795,424
Proposed dividend	1,026,000	1,128,000
Other creditors	2,393	-
	<u>3,259,164</u>	<u>3,237,398</u>

Following a review of balance sheet classifications, individual balances have been reclassified. As a result, the net wage accrual of £322,224 has been reclassified out of trade creditors into accruals and deferred income in the prior financial year to provide consistent comparatives. Accruals and deferred income has also been affected by the reclassification described in note 7.

9. PROVISIONS FOR LIABILITIES AND CHARGES	3 April 2004 £	5 April 2003 £
Deferred tax	<u>1,175</u>	<u>-</u>

A deferred tax liability of £1,175 has been recognised at 3 April 2004 (5 April 2003: asset of £4,029). This liability relates to accelerated capital allowances (5 April 2003: asset related to negative accelerated capital allowances). The amount charged to the profit and loss account during the period was £5,204 (5 April 2003: £11,468).

NOTES TO THE FINANCIAL STATEMENTS  
52 week period ended 3 April 2004

10. CALLED UP SHARE CAPITAL	3 April 2004 £	5 April 2003 £
<b>Authorised</b>		
90,000 £1 'A' ordinary shares	90,000	90,000
85,000 £1 'B' ordinary shares	85,000	85,000
	<u>175,000</u>	<u>175,000</u>
	£	£
<b>Allotted and fully paid</b>		
90,000 £1 'A' ordinary shares	90,000	90,000
85,000 £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.

11. PROFIT AND LOSS ACCOUNT

	£
At 6 April 2003	1,547,214
Transfer from reserves	(532,850)
	<u>1,014,364</u>
At 3 April 2004	

## NOTES TO THE FINANCIAL STATEMENTS

52 week period ended 3 April 2004

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
Profit for the financial year	493,150	828,192
Dividends	(1,026,000)	(1,128,000)
Net reduction to shareholders' funds	(532,850)	(299,808)
Opening shareholders' funds	1,722,214	2,022,022
Closing shareholders' funds	<u>1,189,364</u>	<u>1,722,214</u>

## 13. FINANCIAL COMMITMENTS

## Operating leases

At 3 April 2004 the company had annual commitments under non-cancellable operating leases as follows:

	At 3 April 2004		At 5 April 2003	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	10,500	6,024	9,650	135
- between two and five years	23,150	32,684	24,000	45,402
- after five years	25,000	-	25,000	5,352
	<u>58,650</u>	<u>38,708</u>	<u>58,650</u>	<u>50,889</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 3 April 2004, the overall commitment was nil (5 April 2003: nil).



## NOTES TO THE FINANCIAL STATEMENTS

52 week period ended 3 April 2004

## 14. DIRECTORS

	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	<u>184,597</u>	<u>293,339</u>

In the financial year ended 5 April 2003, the highest paid director's fees and emoluments (excluding pension contributions) were £137,876. Disclosure of the highest paid director's fee and emoluments is not required in respect of the current financial year as total directors' emoluments are below the disclosure de minimus.

	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>2</u>	<u>3</u>

Messrs N R Goodman and I R Stewart and Ms R McGregor-Smith 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. Mr M A Freeman is paid for his services by MITIE Cleaning (Southern) 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.

## 15. EMPLOYEES

## Number of employees

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

	52 week period ended 3 April 2004 No.	56 week period ended 5 April 2003 No.
Operatives	2,003	2,078
Administration and management	54	48
	<u>2,057</u>	<u>2,126</u>

## NOTES TO THE FINANCIAL STATEMENTS

52 week period ended 3 April 2004

15. EMPLOYEES (continued)	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
Employment costs		
Wages and salaries	10,189,525	11,303,663
Social security costs	501,126	513,594
Pension costs	45,422	53,763
	<u>10,736,073</u>	<u>11,871,020</u>

## 16. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme for the period are shown in note 15 and the agreed contribution rate for the next 12 months is 10% (2003:10%) and 7.5% (2003: 7.5%) for the group and employees respectively.

An updated FRS17 valuation of the scheme as at 31 March 2004 indicated that the scheme was 85% funded.

## 17. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Cleaning (Midlands) 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. 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.