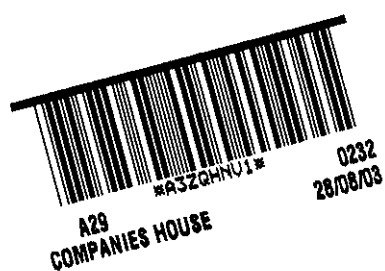


MITIE CLEANING (MIDLANDS) LIMITED

Report and Financial Statements

56 week period ended 5 April 2003



REPORT AND FINANCIAL STATEMENTS 2003

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the accounts	9

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
I R Stewart
M Carss
M A Freeman
N R Goodman
E J Manning
J F Saunders
M J Totten

SECRETARY

C K Ross

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
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 during the period 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 period after taxation amounted to £828,192 (9 March 2002: £705,630). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed £6.45 per share	1,128,000
Transfer from reserves	(299,808)
	<hr/>
	828,192
	<hr/>

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

The directors during the financial period were as follows:

D M Telling
I R Stewart
N R Goodman
E J Manning
J F Saunders
M J Totten
M Carss (appointed 9 May 2002)
M A Freeman (appointed 25 February 2003)

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.

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.
M Carss	164,180	29,000
M Freeman	132,594	131,844
E J Manning	13,405	3,200
J F Saunders	729,721	676,985
M J Totten	191,614	181,409

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
M Carss	(i)	29,624	-	-	-	-	29,624	£0.375	-
M A Freeman	(i)	11,705	-	-	-	-	-	-	11,705
	(ii)	104,000	-	-	-	-	-	-	104,000
E J Manning	(i)	8,496	2,389	£1.10	2007	2008	-	-	10,885
	(ii)	30,000	-	-	-	-	-	-	30,000
J F Saunders	(i)	21,904	-	-	-	-	21,904	£0.315	-
M J Totten	(i)	1,296	2,389	£1.10	2007	2008	-	-	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 5 April 2003 trade creditors, as a proportion of amounts invoiced from suppliers for the period, represented 65 days (9 March 2002: 75 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

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



C K Ross
Secretary

2 July 2003

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

We have audited the financial statements of MITIE Cleaning (Midlands) 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 20. 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.

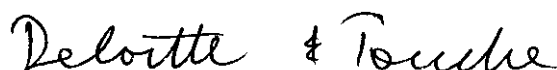
Basis of audit opinion

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 profit 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

		Continuing operations	
		56 week period ended 5 April 2003 £	Year ended 9 March 2002 £
	Notes		
TURNOVER	1	16,051,374	12,781,802
Cost of sales		(11,900,371)	(9,389,521)
GROSS PROFIT		4,151,003	3,392,281
Administrative expenses		(2,948,455)	(2,369,181)
OPERATING PROFIT	2	1,202,548	1,023,100
Interest receivable	3	1,004	-
Interest payable	3	(8,240)	(14,258)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,195,312	1,008,842
Tax on profit on ordinary activities	4	(367,120)	(303,212)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		828,192	705,630
Transfer (to)/from reserves	10	299,808	(352,630)
Dividends	5	(1,128,000)	(353,000)
		-	-

There are no recognised gains and losses for the current financial period 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.

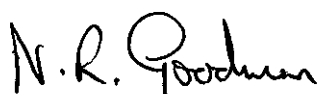
BALANCE SHEET

At 5 April 2003

	Notes	At 5 April 2003 £	At 9 March 2002 £
FIXED ASSETS			
Tangible assets	6	715,497	703,997
CURRENT ASSETS			
Debtors	7	3,165,169	2,900,839
Cash at bank and in hand		797,780	655,868
		<u>3,962,949</u>	<u>3,556,707</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(2,956,232)</u>	<u>(2,238,682)</u>
NET CURRENT ASSETS		<u>1,006,717</u>	<u>1,318,025</u>
NET ASSETS		<u>1,722,214</u>	<u>2,022,022</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	9	175,000	175,000
Profit and loss account	10	1,547,214	1,847,022
TOTAL EQUITY SHAREHOLDERS' FUNDS	11	<u>1,722,214</u>	<u>2,022,022</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 £	Year ended 9 March 2002 £
Net cash inflow from operating activities	12	1,315,804	1,100,715
Returns on investments and servicing of finance			
Interest paid		(11,396)	(11,102)
Interest received		358	519
Net cash outflow from returns on investments and servicing of finance		(11,038)	(10,583)
Taxation			
UK corporation tax paid		(459,928)	(305,726)
Capital expenditure			
Payments to acquire tangible fixed assets		(407,842)	(337,136)
Receipts from disposal of tangible fixed assets		57,916	34,897
Net cash outflow from capital expenditure		(349,926)	(302,239)
Equity dividends paid		(353,000)	(21,000)
Increase in cash in the period	14	141,912	461,167

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.

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 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 ACCOUNTS
56 week period ended 5 April 2003**2. OPERATING PROFIT is stated after charging/(crediting):**

	56 week period ended 5 April 2003 £	Year ended 9 March 2002 £
Depreciation	340,680	288,595
Operating lease rentals:		
- land and buildings	63,162	45,150
- plant and equipment	43,870	48,958
Auditors' remuneration - audit services	4,000	4,000
Profit on disposal of tangible fixed assets	(2,254)	(11,734)
	<u> </u>	<u> </u>

3. INTEREST

	56 week period ended 5 April 2003 £	Year ended 9 March 2002 £
Interest receivable		
Bank interest	939	-
Other interest	65	-
	<u>1,004</u>	<u>-</u>
 Interest payable	 £	 £
Other interest	-	445
Bank interest	8,240	13,813
	<u>8,240</u>	<u>14,258</u>

NOTES TO THE ACCOUNTS
56 week period ended 5 April 2003

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	56 week period ended 5 April 2003 £	Year ended 9 March 2002 £
(a) Analysis of charge in period		
United Kingdom corporation tax at 30% (2002: 30%)	360,561	318,685
Adjustment in respect of prior periods	(4,909)	24
Total current tax (note 4(b))	355,652	318,709
Deferred taxation:		
Timing differences - origination and reversal	6,558	(15,497)
Adjustment in respect of prior periods	4,910	-
Tax on profit on ordinary activities	367,120	303,212

(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:

	£	£
Profit on ordinary activities before tax	1,195,311	1,008,842
	£	£
Tax at 30% thereon	358,593	302,653
Expenses not deductible for tax purposes	8,133	5,905
Capital allowances in excess of depreciation	(6,877)	13,647
Profit on disposal of tangible fixed assets	(676)	(3,520)
Capital assets expensed	1,388	-
Prior period adjustments	(4,909)	24
Current tax charge for the period (note 4(a))	355,652	318,709

(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. DIVIDENDS**

	56 week period ended 5 April 2003 £	Year ended 9 March 2002 £
Ordinary:		
Final proposed of £6.45 (9 March 2002: £2.01) per share	<u>1,128,000</u>	<u>353,000</u>

6. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 10 March 2002	97,509	969,230	551,167	1,617,906
Additions	44,090	135,516	213,367	392,973
Transfers in	1,046	-	30,843	31,889
Transfers out	-	(34,199)	(17,403)	(51,602)
Disposals	-	-	(131,902)	(131,902)
At 5 April 2003	<u>142,645</u>	<u>1,070,547</u>	<u>646,072</u>	<u>1,859,264</u>
Depreciation				
At 10 March 2002	71,978	597,771	244,160	913,909
Charge for the period	24,298	158,735	157,647	340,680
Transfers in	188	-	16,832	17,020
Transfers out	-	(18,197)	(10,440)	(28,637)
Disposals	-	-	(99,205)	(99,205)
At 5 April 2003	<u>96,464</u>	<u>738,309</u>	<u>308,994</u>	<u>1,143,767</u>
Net book value				
At 5 April 2003	<u>46,181</u>	<u>332,238</u>	<u>337,078</u>	<u>715,497</u>
At 9 March 2002	<u>25,531</u>	<u>371,459</u>	<u>307,007</u>	<u>703,997</u>

Capital commitments

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

NOTES TO THE ACCOUNTS
56 week period ended 5 April 2003

7. DEBTORS	5 April 2003 £	9 March 2002 £
Trade debtors	1,894,193	1,396,024
Amounts owed by group undertakings	1,244,425	1,486,181
Other debtors	1,835	-
Prepayments and accrued income	20,687	3,137
Deferred tax asset	4,029	15,497
	<u>3,165,169</u>	<u>2,900,839</u>

A deferred tax asset of £4,029 has been recognised at 5 April 2003 (9 March 2002: £15,497). 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 charged to the profit and loss account during the period was £11,468 (9 March 2002: credit of £15,497).

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	5 April 2003 £	9 March 2002 £
Trade creditors	842,599	615,287
Amounts owed to group undertakings	255,296	168,866
Corporation tax	99,152	203,428
Other taxes and social security costs	439,151	745,332
Accruals and deferred income	192,034	152,769
Proposed dividend	1,128,000	353,000
	<u>2,956,232</u>	<u>2,238,682</u>

9. CALLED UP SHARE CAPITAL	5 April 2003 £	9 March 2002 £
Authorised		
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>
	£	£
Allotted and fully paid		
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>

NOTES TO THE ACCOUNTS
56 week period ended 5 April 2003**9. 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.

10. PROFIT AND LOSS ACCOUNT

	£
At 10 March 2002	1,847,022
Transfer from reserves	(299,808)
	<hr/>
At 5 April 2003	1,547,214
	<hr/>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	56 week period ended 5 April 2003 £	Year ended 9 March 2002 £
Profit for the financial period	828,192	705,630
Dividends	(1,128,000)	(353,000)
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(299,808)	352,630
Opening shareholders' funds	2,022,022	1,669,392
	<hr/>	<hr/>
Closing shareholders' funds	1,722,214	2,022,022
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
56 week period ended 5 April 2003**12. RECONCILIATION OF OPERATING PROFIT TO NET CASH
INFLOW FROM OPERATING ACTIVITIES**

	56 week period ended 5 April 2003 £	Year ended 9 March 2002 £
Operating profit	1,202,548	1,023,100
Depreciation charge	340,680	288,595
Increase in debtors	(275,152)	(107,491)
Increase/(decrease) in creditors	49,982	(91,755)
Profit on disposal of tangible fixed assets	(2,254)	(11,734)
Net cash inflow from operating activities	<u>1,315,804</u>	<u>1,100,715</u>

13. ANALYSIS OF CHANGES IN NET FUNDS

	At 10 March 2002 £	Cash flow £	At 5 April 2003 £
Cash at bank and in hand	<u>655,868</u>	<u>141,912</u>	<u>797,780</u>

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

	5 April 2003 £	9 March 2002 £
Net funds at beginning of period	655,868	194,701
Increase in cash in the period	<u>141,912</u>	<u>461,167</u>
Net funds at end of period	<u>797,780</u>	<u>655,868</u>

NOTES TO THE ACCOUNTS
56 week period ended 5 April 2003**15. FINANCIAL COMMITMENTS****Operating leases**

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

	At 5 April 2003		At 9 March 2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	9,650	135	-	692
- between two and five years	24,000	45,402	20,150	44,340
- in over five years	25,000	5,352	25,000	5,352
	<u>58,650</u>	<u>50,889</u>	<u>45,150</u>	<u>50,384</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).

16. 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>293,339</u>	<u>164,953</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest paid director	<u>137,876</u>	<u>105,030</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>3</u>	<u>2</u>

The accrued pension of the highest paid director at 5 April 2003 was £8,162 (9 March 2002: £6,168).

NOTES TO THE ACCOUNTS
56 week period ended 5 April 2003

16. DIRECTORS (continued)

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. Miss E J Manning is paid for her services by MITIE Cleaning Limited. Mr M 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.

17. EMPLOYEES

Number of employees

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

	56 week period ended 5 April 2003 No.	Year ended 9 March 2002 No.
Operatives	2,078	1,887
Administration and management	48	45
	<u>2,126</u>	<u>1,932</u>
Employment costs	£	£
Wages and salaries	11,303,663	8,875,386
Social security costs	513,594	397,685
Pension costs	53,763	44,076
	<u>11,871,020</u>	<u>9,317,147</u>

18. 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.

NOTES TO THE ACCOUNTS
56 week period ended 5 April 2003

19. 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.

20. 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.