



MITIE CLEANING (MIDLANDS) LIMITED

Report and Financial Statements

16 March 1996

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





REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I R Stewart
D M Telling
D J Robertson
D J L Evans
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 report and financial statements for the year ended 16 March 1996.

These financial statements have been made up to 16 March 1996, 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 loss for the year after taxation amounted to £8,315 (1995: £52,347). The directors do not propose the payment of a dividend and recommend that £8,315 be transferred from reserves.

FIXED ASSETS

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

DIRECTORS

The directors during the year were as follows:

I R Stewart
D M Telling
D J Robertson
D J L Evans
J F Saunders (appointed 7 November 1995)

DIRECTORS' REPORT (continued)

DIRECTORS (continued)

None of the directors 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:

	16 March 1996 Number	19 March 1995 or date of appointment if later Number
D J Robertson	10,000	10,000
D J L Evans	20,000	20,000
J F Saunders	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:

	16 March 1996 25p Ordinary shares Number	19 March 1995 25p Ordinary shares Number
D J L Evans	52,626	52,626
D J Robertson	5,700	-

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

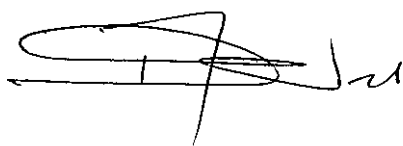
PAYMENT POLICY

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.

AUDITORS

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. 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 August 1996



Chartered Accountants

Deloitte & Touche
Queen Anne House
69-71 Queen Square
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 16 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 16 March 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

19 August 1996

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

PROFIT AND LOSS ACCOUNT
Year ended 16 March 1996

		Continuing operations	
		26 January 1994	
		to 18 March	
	Notes	1996	1995
		£	£
TURNOVER		1,124,704	376,138
Cost of sales		(943,532)	(312,804)
GROSS PROFIT		181,172	63,334
Administrative expenses		(195,404)	(140,655)
OPERATING LOSS	2	(14,232)	(77,321)
Interest payable	3	(4,047)	(913)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(18,279)	(78,234)
Tax credit on loss on ordinary activities	4	9,964	25,887
RETAINED LOSS FOR THE YEAR	10	(8,315)	(52,347)

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
16 March 1996

	Notes	£	1996 £	£	1995 £
FIXED ASSETS					
Tangible assets	5		91,169		25,718
CURRENT ASSETS					
Debtors	6	354,626		90,438	
Cash at bank and in hand		300		40,547	
		<u>354,926</u>		<u>130,985</u>	
CREDITORS: amounts falling due within one year	7	<u>(330,242)</u>		<u>(58,844)</u>	
Net current assets			<u>24,684</u>		<u>72,141</u>
Total assets less current liabilities			<u>115,853</u>		<u>97,859</u>
CREDITORS: amounts falling due after more than one year	8		<u>(61,515)</u>		<u>(35,206)</u>
NET ASSETS			<u>54,338</u>		<u>62,653</u>
CAPITAL AND RESERVES					
Called up share capital	9				
Equity shares		115,000		90,000	
Non-equity shares		<u>-</u>		<u>25,000</u>	
			<u>115,000</u>		<u>115,000</u>
Profit and loss account					
Equity		(60,662)		(40,967)	
Non-equity		<u>-</u>		<u>(11,380)</u>	
			<u>(60,662)</u>		<u>(52,347)</u>
TOTAL SHAREHOLDERS' FUNDS			<u>54,338</u>		<u>62,653</u>

These financial statements were approved by the Board of Directors on 14 August 1996

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Year ended 16 March 1996

	Notes	1996 £	26 January 1994 to 18 March 1995 £
Net cash outflow from operating activities	11	(82,135)	(85,256)
Returns on investment and servicing of finance			
Interest paid		<u>(4,047)</u>	<u>(913)</u>
Net cash outflow from returns on investment and servicing of finance		(4,047)	(913)
Taxation			
Group relief received		23,564	2,387
Investing activities			
Purchase of tangible fixed assets		<u>(77,594)</u>	<u>(18,527)</u>
Net cash outflow from investing activities		<u>(77,594)</u>	<u>(18,527)</u>
Net cash outflow before financing		(140,212)	(102,309)
Financing			
Issue of share capital		-	115,000
Issue of loan stock		30,000	30,000
Capital element of finance lease and hire purchase rental payments	12	<u>(3,675)</u>	<u>(2,144)</u>
Net cash inflow from financing		<u>26,325</u>	<u>142,856</u>
(Decrease)/increase in cash and cash equivalents	13	<u>(113,887)</u>	<u>40,547</u>

NOTES TO THE ACCOUNTS
Year ended 16 March 1996

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

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.

NOTES TO THE ACCOUNTS
Year ended 16 March 1996

2. OPERATING LOSS is stated after charging:

	26 January 1994 to 18 March	
	1996	1995
	£	£
Depreciation: owned fixed assets	9,938	2,888
Depreciation: assets under finance leases and hire purchase contracts	2,205	755
Operating lease rentals		
- land and buildings	7,095	6,285
- plant and equipment	32,190	975
Auditors' remuneration: audit services	1,500	1,500
	<u> </u>	<u> </u>

3. INTEREST PAYABLE

	26 January 1994 to 18 March	
	1996	1995
	£	£
On bank overdraft	3,430	723
On finance leases and hire purchase contracts terminating within five years	617	190
	<u> </u>	<u> </u>
	<u>4,047</u>	<u>913</u>

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	26 January 1994 to 18 March	
	1996	1995
	£	£
UK current year taxation		
Group relief	(9,900)	(25,887)
Over provision in previous year	(64)	-
	<u> </u>	<u> </u>
	<u>(9,964)</u>	<u>(25,887)</u>

NOTES TO THE ACCOUNTS
Year ended 16 March 1996

5. TANGIBLE FIXED ASSETS

(1) Summary	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost				
19 March 1995	2,544	27,675	-	30,219
Additions	1,917	57,751	17,926	77,594
16 March 1996	4,461	85,426	17,926	107,813
Depreciation				
19 March 1995	715	3,786	-	4,501
Charge for the year	594	9,189	2,360	12,143
16 March 1996	1,309	12,975	2,360	16,644
Net book value				
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
 Owned assets	 1,829	 13,712	 -	 15,541
Leased assets	-	10,177	-	10,177
18 March 1995	1,829	23,889	-	25,718

(2) Capital commitments

At 16 March 1996 the directors had authorised capital expenditure of £127,000 (1995: Nil).

6. DEBTORS	1996 £	1995 £
Trade debtors	295,191	54,791
Corporation tax	9,900	23,500
Amounts owed by parent and fellow subsidiary undertakings	49,335	12,147
Other debtors	200	-
	354,626	90,438

NOTES TO THE ACCOUNTS

Year ended 16 March 1996

7. CREDITORS: amounts falling due within one year	1996	1995
	£	£
Bank overdraft	73,640	-
Trade creditors	126,716	4,376
Obligations under finance leases and hire purchase contracts	3,675	3,484
Amounts owed to parent undertaking and fellow subsidiary undertakings	20,569	2,599
Other taxes and social security costs	87,620	24,330
Other creditors	1,233	17,398
Accruals and deferred income	16,789	6,657
	<u>330,242</u>	<u>58,844</u>

8. CREDITORS: amounts falling due after more than one year	1996	1995
	£	£
Obligations under finance lease and hire purchase contracts due between two and five years	1,515	5,206
Redeemable unsecured loan stock 2004	60,000	30,000
	<u>61,515</u>	<u>35,206</u>

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

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

9. CALLED UP SHARE CAPITAL

	1996	
(1) Authorised	Number	£
£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	 1996	 1995
	£	£
£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 16 March 1996

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.

As noted to be the intention in the 1995 statutory accounts, the Articles of Association have been amended during the year such that both classes of share are now defined as equity shares.

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	26 January 1994 to 18 March	
	1996	1995
	£	£
Loss for the financial year	(8,315)	(52,347)
Issue of shares	-	115,000
Net (reduction)/addition to shareholders' funds	(8,315)	62,653
Opening shareholders' funds	62,653	-
Closing shareholders' funds	54,338	62,653

11. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	26 January 1994 to 18 March	
	1996	1995
	£	£
Operating loss	(14,232)	(77,321)
Depreciation charges	12,143	3,643
Increase in debtors	(277,788)	(66,938)
Increase in creditors	197,742	55,360
Net cash outflow from operating activities	(82,135)	(85,256)

NOTES TO THE ACCOUNTS

Year ended 16 March 1996

12. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	26 January 1994 to 18 March	
	1996	1995
	£	£
Finance leases and hire purchase contracts		
19 March	8,865	-
Inception of finance leases and hire purchase contracts	-	10,834
Capital element of finance leases and hire purchase rental payments	(3,675)	(2,144)
16 March	<u>5,190</u>	<u>8,690</u>

13. CASH AND CASH EQUIVALENTS

	1996	1995
	£	£
Balance in cash and cash equivalents		
Cash at bank and in hand	300	40,547
Bank overdraft	(73,640)	-
	<u>(73,340)</u>	<u>40,547</u>
Changes in the balance of cash and cash equivalents		
19 March	40,547	-
Net cash (outflow)/inflow for the year	(113,887)	40,547
16 March	<u>(73,340)</u>	<u>40,547</u>

14. FINANCIAL COMMITMENTS

(1) Operating leases

At 16 March 1996 the company had annual commitments under non-cancellable operating leases as follows:

	1996		1995	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	-	13,854	-	-
- between two and five years	-	11,012	-	-
- in over five years	7,095	-	-	-
	<u>7,095</u>	<u>24,866</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 16 March 1996

14. FINANCIAL COMMITMENTS (continued)

(2) Commitments on behalf of group undertakings

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

15. DIRECTORS

(1) Emoluments

The emoluments of the directors of the company were:

Fees and other emoluments (including pension contributions
 and benefits in kind)

	26 January 1994 to 18 March	
	1996	1995
	£	£
	<u>30,484</u>	<u>-</u>

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

(2) Bandings

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

The chairman

The highest-paid director

	<u>-</u>	<u>-</u>
	<u>30,000</u>	<u>-</u>

Other directors' emoluments (excluding pension contributions)
 were in the following ranges:

£0 - £5,000

	Number	Number
	<u>3</u>	<u>2</u>