

MITIE PROPERTY SERVICES (MIDLANDS) LIMITED

Report and Financial Statements

31 March 2000

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



REPORT AND FINANCIAL STATEMENTS 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
R Butler
W Robson
C J Summers

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 report and audited financial statements for the year ended 31 March 2000.

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 principal activities of the company during the year were painting and building maintenance contracting. In order to strengthen the company it is proposed that Prestige Painting Contractors Limited will be incorporated into MITIE Property Services (Midlands) Limited during the forthcoming year.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £153,731 (1999: £88,672). The directors propose the payment of a dividend of £14,680 (1999: £14,680).

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
R Butler
W Robson
C J Summers

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

The beneficial interest of the directors and their families in the share capital of the company at the beginning and end of the financial year were as follows:

	At 31 March 2000 £1 'B' Ordinary shares No.	At 1 April 1999 £1 'B' Ordinary shares No.
R Butler	26,000	26,000
C J Summers	25,000	25,000

Mr D M Telling is a director of MITIE Group PLC, the parent undertaking, and his interest in the share capital of that company is shown in the financial statements of MITIE Group PLC.

Other directors' interests in the share capital of MITIE Group PLC were as follows:

	At 31 March 2000 5p Ordinary shares No.	At 1 April 1999 5p Ordinary shares No.
W Robson	1,100,020	1,184,020

No other director had 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. As at 31 March 2000 trade creditors as a proportion of amounts invoiced from suppliers for the year, represented 70 (1999: 52) days.

YEAR 2000

The year 2000 project completed all critical milestones well within the project timescale and all the primary business systems have completed both the millennium rollover and leap year rollover without any issues. Although these critical dates have been successfully passed, the Executive Steering Committee is not being complacent in considering the possible impact from latent problems outside the control of MITIE.

We have made considerable effort in determining the compliance of critical players in our suppliers/customer chain and are confident of continued trouble free operation.

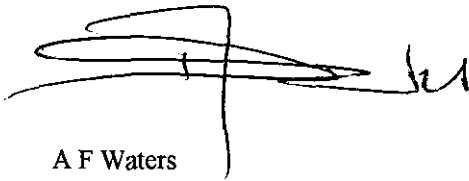
The year 2000 project team will remain operational, with suitable contingency plans, until it is considered that sufficient time has passed for all possible external issues to be identified and resolved.

DIRECTORS' REPORT (continued)

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 handwritten signature in black ink, appearing to be 'A F Waters', written over a horizontal line.

A F Waters
Secretary

11 August 2000

AUDITORS' REPORT TO THE MEMBERS OF

MITIE PROPERTY SERVICES (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 31 March 2000 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

14 August 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2000

	Notes	Continuing operations Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
TURNOVER	1	6,017,014	3,828,620
Cost of sales		(5,015,943)	(3,105,660)
GROSS PROFIT		1,001,071	722,960
Administrative expenses		(787,537)	(604,532)
OPERATING PROFIT	2	213,534	118,428
Interest receivable	3	11,146	14,729
Interest payable	3	(849)	(1,596)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		223,831	131,561
Tax on profit on ordinary activities	4	(70,100)	(42,889)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		153,731	88,672
Dividends	5	(14,680)	(14,680)
RETAINED PROFIT FOR THE YEAR	12	139,051	73,992

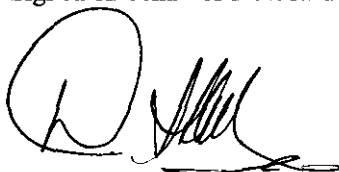
There are no recognised gains and losses for the current financial year or preceding financial period other than as stated in the profit and loss account.

BALANCE SHEET
At 31 March 2000

	Notes	2000		1999	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		100,904		83,348
CURRENT ASSETS					
Work in progress	7	448,571		318,897	
Debtors	8	1,164,537		249,133	
Cash at bank and in hand		304,651		542,446	
		1,917,759		1,110,476	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(1,622,120)		(934,623)	
NET CURRENT ASSETS			295,639		175,853
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10		-		(1,709)
NET ASSETS			396,543		257,492
CAPITAL AND RESERVES					
Called up share capital	11		183,500		183,500
Profit and loss account	12		213,043		73,992
TOTAL EQUITY SHAREHOLDERS' FUNDS	13		396,543		257,492

These financial statements were approved by the Board of Directors on 11 August 2000.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Year ended 31 March 2000

	Notes	Year ended 31 March 2000 £ £	19 March 1998 to 31 March 1999 £ £
Net cash (outflow)/inflow from operating activities	14	(105,671)	452,948
Returns on investments and servicing of finance			
Interest received		11,253	13,921
Interest element on finance lease rentals		(849)	(1,596)
Net cash inflow from returns on investments and servicing of finance		10,404	12,325
Taxation			
UK corporation tax paid		(67,265)	-
Capital expenditure			
Payments to acquire tangible fixed assets		(58,970)	(87,660)
Receipts from disposal of tangible fixed assets		3,517	1,850
Net cash outflow from capital expenditure		(55,453)	(85,810)
Cash (outflow)/inflow before financing		(221,406)	379,463
Financing			
Issue of ordinary share capital		-	183,500
Capital element of finance lease rental repayments		(5,130)	(20,517)
Net cash (outflow)/inflow from financing		(5,130)	162,983
Equity dividends paid		(14,680)	-
(Decrease)/increase in cash in the year	16	(237,795)	542,446

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**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 and contract work completed in the period. 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 useful life, as follows:

Property	5 years
Office equipment	3 to 10 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.

Work in progress

Work in progress is stated at the lower of cost (including appropriate overheads) and net realisable value. Provision is made for foreseeable losses.

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 31 March 2000

2.	OPERATING PROFIT is stated after charging/(crediting):	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
	Depreciation - owned fixed assets	36,731	15,086
	Depreciation - assets held under finance leases	4,683	16,582
	Auditors' remuneration - audit services	2,500	2,500
	Profit on disposal of tangible fixed assets	(3,517)	(1,850)
		<u> </u>	<u> </u>
3.	INTEREST	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
	Interest receivable		
	Bank interest	11,146	14,729
		<u> </u>	<u> </u>
	Interest payable		
	Leasing interest	849	1,596
		<u> </u>	<u> </u>
4.	TAX ON PROFIT ON ORDINARY ACTIVITIES	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
	UK current year taxation		
	UK corporation tax 30% (1999: 31%)	70,100	42,889
		<u> </u>	<u> </u>
5.	DIVIDENDS	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
	Ordinary:		
	Final dividend paid 8p (1999: 8p) per share	14,680	14,680
		<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

6. TANGIBLE FIXED ASSETS

	Property £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 April 1999	13,266	4,413	97,337	115,016
Additions	-	1,232	49,453	50,685
Transfers	-	1,639	11,604	13,243
At 31 March 2000	13,266	7,284	158,394	178,944
Depreciation				
At 1 April 1999	3,631	787	27,250	31,668
Charge for the year	3,631	2,039	35,744	41,414
Transfers	-	606	4,352	4,958
At 31 March 2000	7,262	3,432	67,346	78,040
Net book value				
Owned assets	6,004	3,852	89,134	98,990
Leased assets	-	-	1,914	1,914
At 31 March 2000	6,004	3,852	91,048	100,904
Owned assets	9,635	3,626	59,313	72,574
Leased assets	-	-	10,774	10,774
At 31 March 1999	9,635	3,626	70,087	83,348

7. WORK IN PROGRESS

	2000 £	1999 £
Work in progress	874,451	659,527
Cash received on account	(425,880)	(340,630)
	448,571	318,897

8. DEBTORS

	2000 £	1999 £
Trade debtors	1,069,816	244,325
Amounts owed to parent and fellow subsidiary undertakings	45,384	-
Other debtors	40,865	808
Prepayments and accrued income	8,472	4,000
	1,164,537	249,133

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2000	1999
	£	£
Obligations under finance leases	1,709	5,130
Trade creditors	1,296,066	653,503
Amounts owed to parent undertaking and fellow subsidiary undertakings	46,824	50,792
Corporation tax	45,724	42,889
Other taxes and social security costs	149,703	142,301
Other creditors	283	294
Accruals and deferred income	7,380	7,497
Payments on account	59,751	17,537
Proposed dividends	14,680	14,680
	<u>1,622,120</u>	<u>934,623</u>

Obligations under finance leases are secured by the related leased assets.

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2000	1999
	£	£
Obligations under finance leases	-	1,709
	<u>-</u>	<u>1,709</u>

11. CALLED UP SHARE CAPITAL

	1999 and 2000	
	No.	£
Authorised		
£1 'A' ordinary shares	200,000	200,000
£1 'B' ordinary shares	196,000	196,000
	<u>396,000</u>	<u>396,000</u>
	2000	1999
	£	£
Allotted and fully paid		
£1 'A' ordinary shares	102,000	102,000
£1 'B' ordinary shares	81,500	81,500
	<u>183,500</u>	<u>183,500</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

11. 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.

12. PROFIT AND LOSS ACCOUNT

	£
At 1 April 1999	73,992
Retained profit for the year	139,051
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At 31 March 2000	213,043
	<hr/>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	139,051	73,992
Capital injection	-	183,500
	<hr/>	<hr/>
Net addition to shareholders' funds	139,051	257,492
Opening shareholders' funds	257,492	-
	<hr/>	<hr/>
Closing shareholders' funds	396,543	257,492
	<hr/>	<hr/>

14. RECONCILIATION OF OPERATING PROFIT TO NET CASH
(OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
Operating profit	213,534	118,428
Depreciation charges	41,414	31,668
Profit on disposal of tangible fixed assets	(3,517)	(1,850)
Increase in work in progress	(129,674)	(318,897)
Increase in debtors	(915,511)	(248,325)
Increase in creditors	688,083	871,924
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(105,671)	452,948
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**15. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 April 1999 £	Cash flow £	At 31 March 2000 £
Cash at bank and in hand	542,446	(237,795)	304,651
Finance leases	(6,839)	5,130	(1,709)
	<u>535,607</u>	<u>(232,665)</u>	<u>302,942</u>

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

	Year ended 31 March 2000 £	19 March 1998 to 31 March 1999 £
(Decrease)/increase in cash for the year	(237,795)	542,446
Cash inflow from increase in debt and lease financing	5,130	20,517
Change in net debt resulting from cash flows	(232,665)	562,963
New finance leases	-	(27,356)
Movement in net funds in the year	(232,665)	535,607
Net funds at 1 April	535,607	-
Net funds at 31 March	<u>302,942</u>	<u>535,607</u>

17. FINANCIAL COMMITMENTS**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 31 March 2000, the overall commitment was nil.

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

18. DIRECTORS

Year ended 31 March 2000	19 March 1998 to 31 March 1999
£	£

The emoluments of directors of the company were:

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

102,361	85,555
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No.	No.
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The number of directors who were members of a defined benefit pension scheme

2	2
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Mr D M Telling is also a director of MITIE Group PLC and his emoluments and pension details are disclosed in the group accounts. Mr W Robson is paid for his services by MITIE Property Services Limited. It is not practicable to allocate remuneration between their services as directors of MITIE Property Services (Midlands) Limited and their services as directors of other group companies.

19. EMPLOYEES**Number of employees**

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

Year ended 31 March 2000	19 March 1998 to 31 March 1999
No.	No.

Site labour

86	62
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Administration and management

17	13
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103	75
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Employment costs

£	£
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Wages and salaries

1,657,006	1,049,859
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Social security costs

156,713	87,139
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Other pension costs

12,419	9,856
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1,826,138	1,146,854
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NOTES TO THE ACCOUNTS

Year ended 31 March 2000

20. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 56% shareholder of MITIE Property Services (Midlands) Limited. Management charges of £90,000 were paid to MITIE Property Services Limited.

Trading transactions totalling £92,806 with other group companies were conducted on an arm's length basis.

21. 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.