

MITIE CLEANING (SOUTH WALES) LIMITED

Report and Financial Statements

9 March 2002



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

REPORT AND FINANCIAL STATEMENTS 2002

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
N R Goodman
E J Manning
C F Russell

SECRETARIES

C K Ross
A F Waters (resigned 31 March 2002)

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
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 9 March 2002.

The financial statements have been made up to 9 March 2002, 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

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 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 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 £165,194 (2001: £114,626). The directors recommend that this be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed £82 per share	82,000
Transfer to reserves	83,194
	<hr/>
	165,194
	<hr/>

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

The directors during the financial year were as follows:

D M Telling
I R Stewart
N R Goodman
E J Manning
C F Russell

No director had a beneficial interest in the share capital of the company during the financial year.

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 9 March 2002 2.5p Ordinary shares No.	At 10 March 2001 5p Ordinary shares No.
E J Manning	3,200	-

On 2 April 2001 each MITIE Group PLC 5p ordinary share was subdivided into two ordinary shares of 2.5p each.

Share Options

		At 11 March 2001	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 9 March 2002
E J Manning	(i)	3,600	1,296	£1.25	2006	2007	-	-	8,496
	(ii)	15,000	-	-	2002	2009	-	-	30,000
C F Russell	(i)	3,373	-	-	-	-	-	-	6,746
	(ii)	21,900	-	-	2001	2010	-	-	43,800

- (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 9 March 2002 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 72 days (2001: 44 days).

DIRECTORS' REPORT (continued)

EMPLOYEES

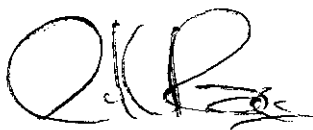
The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their attitudes and abilities in common with all employees, providing the disability 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

12 August 2002

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

We have audited the financial statements of MITIE Cleaning (South Wales) Limited for the year ended 9 March 2002 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the 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 year and consider the implications for our report if we become aware of any apparent misstatements.

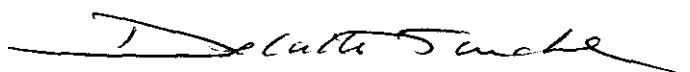
Basis of audit opinion

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 9 March 2002 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

12 August 2002

PROFIT AND LOSS ACCOUNT
Year ended 9 March 2002

	Notes	Continuing operations	
		2002	2001
		£	£
TURNOVER	1	3,068,681	3,131,357
Cost of sales		(2,213,985)	(2,353,055)
GROSS PROFIT		854,696	778,302
Administrative expenses		(615,656)	(598,601)
OPERATING PROFIT	2	239,040	179,701
Interest receivable	3	1,386	-
Interest payable	3	(2,054)	(17,953)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		238,372	161,748
Tax on profit on ordinary activities	4	(73,178)	(47,122)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		165,194	114,626
Dividends	5	(82,000)	(57,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	10	83,194	57,626

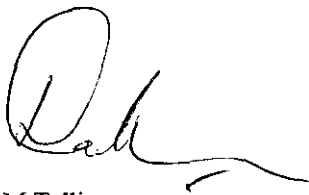
There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.

BALANCE SHEET
At 9 March 2002

	Notes	2002		2001	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		130,431		199,924
CURRENT ASSETS					
Debtors	7	434,951		541,914	
Cash at bank and in hand		242,385		300	
		677,336		542,214	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(665,947)		(683,512)	
NET CURRENT ASSETS/(LIABILITIES)			11,389		(141,298)
NET ASSETS			141,820		58,626
CAPITAL AND RESERVES					
Called up share capital	9		1,000		1,000
Profit and loss account	10		140,820		57,626
TOTAL EQUITY SHAREHOLDERS' FUNDS	11		141,820		58,626

These financial statements were approved by the Board of Directors on 12 August 2002.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Year ended 9 March 2002

	Notes	2002		2001	
		£	£	£	£
Net cash inflow from operating activities	12		412,384		238,038
Returns on investments and servicing of finance					
Interest received		162		-	
Interest paid		(2,286)		(17,721)	
Net cash outflow from returns on investments and servicing of finance			(2,124)		(17,721)
Taxation					
UK corporation tax paid			(64,465)		(15,120)
Capital expenditure					
Payments to acquire tangible fixed assets		(34,172)		(267,185)	
Receipts from disposal of tangible fixed assets		38,912		9,838	
Net cash inflow/(outflow) from capital expenditure			4,740		(257,347)
Equity dividends paid			(57,000)		-
Cash inflow/(outflow) before financing			293,535		(52,150)
Financing					
Share capital received			1,000		-
Increase/(decrease) in cash in the year	14		294,535		(52,150)

NOTES TO THE ACCOUNTS
Year ended 9 March 2002**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:

Plant and office 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

This is the first year of adoption of FRS 19 (Deferred Tax). FRS 19 requires full provision to be made for deferred tax, as stated below. It replaces the "partial provision" rules previously allowed under Statement of Standard Accounting Practice No. 15. This change had no material impact on the company and hence there is no restatement of the opening reserves.

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
Year ended 9 March 2002

2. OPERATING PROFIT is stated after charging/(crediting):	2002	2001
	£	£
Depreciation	67,256	60,923
Operating lease rentals:		
- land and buildings	16,150	19,650
- plant and equipment	13,028	21,506
Auditors' remuneration - audit services	3,000	2,500
Profit on disposal of tangible fixed assets	(2,503)	(3,500)
	<u> </u>	<u> </u>
 3. INTEREST	 2002	 2001
	£	£
Interest receivable		
Interest received	1,386	-
	<u> </u>	<u> </u>
 Interest payable	 £	 £
Bank overdraft (and other borrowings) due within five years	2,054	17,953
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 9 March 2002

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2001: 30%). The current tax credit for the year exceeds 30% (2001: is less than 30%) for the reasons set out in the following reconciliation:

	2002 £	2001 £
Profit on ordinary activities before tax	238,372	161,748
	£	£
Tax on profit on ordinary activities at standard rate	71,512	48,524
Factors affecting the charge:		
- disallowable expenses	(44)	308
- capital allowances for period in excess of depreciation	6,054	(660)
- profit on disposal of tangible fixed assets	(751)	(1,050)
UK corporation tax charge for the year	76,771	47,122
Deferred tax		
Timing differences, origination and reversal	(3,593)	-
Tax on profit on ordinary activities	73,178	47,122

The company is not aware of any factors that may materially affect the future tax charge.

5. DIVIDENDS

	2002 £	2001 £
Ordinary:		
Final proposed of £82 (2001: £57) per share	82,000	57,000

NOTES TO THE ACCOUNTS
Year ended 9 March 2002

6. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 11 March 2001	24,916	194,987	188,284	408,187
Additions	3,627	1,614	21,902	27,143
Group transfers in	-	-	26,570	26,570
Group transfers out	-	-	(26,617)	(26,617)
Disposals	(4,955)	(41,122)	(53,126)	(99,203)
At 9 March 2002	23,588	155,479	157,013	336,080
Depreciation				
At 11 March 2001	10,474	106,806	90,983	208,263
Charge for the year	4,775	31,998	30,483	67,256
Group transfers in	-	-	19,541	19,541
Group transfers out	-	-	(5,467)	(5,467)
Disposals	(4,955)	(39,326)	(39,663)	(83,944)
At 9 March 2002	10,294	99,478	95,877	205,649
Net book value				
At 9 March 2002	13,294	56,001	61,136	130,431
At 10 March 2001	14,442	88,181	97,301	199,924

Capital commitments

At 9 March 2002 the directors had authorised capital expenditure of nil (2001: nil).

7. DEBTORS

	2002 £	2001 £
Trade debtors	414,801	310,505
Amounts owed by group undertakings	9,871	229,662
Other debtors	1,224	112
Called up share capital not paid	-	1,000
Prepayments and accrued income	5,462	635
Deferred tax asset	3,593	-
	<u>434,951</u>	<u>541,914</u>

A deferred tax asset of £3,593 was recognised at 9 March 2002 (2001: nil). 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.

NOTES TO THE ACCOUNTS
Year ended 9 March 2002

8.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2002	2001
		£	£
	Bank overdraft	-	52,450
	Trade creditors	254,302	235,369
	Amounts owed to group undertakings	72,392	86,905
	Corporation tax	44,308	32,002
	Other taxes and social security costs	173,840	179,025
	Other creditors	502	827
	Accruals and deferred income	38,603	39,934
	Proposed dividend	82,000	57,000
		<u>665,947</u>	<u>683,512</u>
9.	CALLED UP SHARE CAPITAL	2002	2001
		£	£
	Authorised		
	250,000 £1 Ordinary shares	<u>250,000</u>	<u>250,000</u>
		£	£
	Allotted and paid		
	1,000 £1 Ordinary shares	<u>1,000</u>	<u>1,000</u>
10.	PROFIT AND LOSS ACCOUNT	£	
	At 11 March 2001	57,626	
	Retained profit for the financial year	83,194	
		<u>140,820</u>	
11.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2002	2001
		£	£
	Profit for the financial year	165,194	114,626
	Dividends	(82,000)	(57,000)
	Issue of ordinary shares	-	998
		<u>83,194</u>	<u>58,624</u>
	Net addition to shareholders' funds	83,194	58,624
	Opening shareholders' funds	58,626	2
		<u>141,820</u>	<u>58,626</u>
	Closing shareholders' funds		

NOTES TO THE ACCOUNTS
Year ended 9 March 200212. RECONCILIATION OF OPERATING PROFIT TO NET CASH
INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	239,040	179,701
Depreciation charge	67,256	60,923
Profit on disposal of tangible fixed assets	(2,503)	(3,500)
Decrease/(increase) in debtors	110,780	(540,914)
(Decrease)/increase in creditors	(2,189)	541,828
Net cash inflow from operating activities	412,384	238,038

13. ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS

	At 11 March 2001 £	Cash flow £	At 9 March 2002 £
Cash at bank and in hand	300	-	300
Overdrafts	(52,450)	294,535	242,085
	(52,150)	294,535	242,385

14. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET FUNDS/(DEBT)

	2002 £	2001 £
Net debt at beginning of year	(52,150)	-
Increase/(decrease) in cash in the year	294,535	(52,150)
Net funds/(debt) at end of year	242,385	(52,150)

NOTES TO THE ACCOUNTS
Year ended 9 March 2002**15. FINANCIAL COMMITMENTS****Operating leases**

At 9 March 2002 the company had annual commitments under non-cancellable operating leases as follows:

Land and buildings	2002	2001
	£	£
Expiry date - between two and five years	3,150	3,150
- in over five years	13,000	13,000
	<u>16,150</u>	<u>16,150</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 9 March 2002, the overall commitment was nil (2001: nil).

16. DIRECTORS

The directors received no remuneration in the current or preceding financial year in respect of their services to this company.

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 remunerated by MITIE Cleaning Limited and Mr C F Russell is remunerated by MITIE Cleaning (South West) Limited. It is not practicable to allocate their remuneration between their services as directors of MITIE Cleaning (South Wales) Limited and their services as directors of other group companies.

NOTES TO THE ACCOUNTS
Year ended 9 March 2002**17. EMPLOYEES****Number of employees**

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

	2002	2001
	No.	No.
Site labour	465	511
Administration and management	10	10
	<u>475</u>	<u>521</u>
Employment costs	£	£
Wages and salaries	1,930,344	1,994,767
Social security costs	82,469	86,664
Other pension costs	831	3,363
	<u>2,013,644</u>	<u>2,084,794</u>

18. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Cleaning (South Wales) Limited, has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

19. PENSION ARRANGEMENTS

For the purposes of FRS 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 FRS 17, the company will account for contributions to the scheme as if it were a defined contribution scheme. At 9 March 2002, the valuation of the scheme for the purposes of FRS 17 showed a net pension liability as set out in note 25 of 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.

DETAILED PROFIT AND LOSS ACCOUNT
Year ended 9 March 2002

	2002 £	2001 £
TURNOVER	3,068,681	3,131,357
COST OF SALES		
Labour	1,914,023	1,937,749
Materials	264,132	375,197
Travelling	27,238	26,897
Plant repairs	8,592	13,212
	(2,213,985)	(2,353,055)
GROSS PROFIT	854,696	778,302
ADMINISTRATIVE EXPENSES		
Management charges payable	246,150	221,321
Salaries, including directors' salaries	199,129	185,449
Rents and rates	23,031	28,626
Light and heat	1,330	1,464
Insurance	17,447	24,564
Telephone	9,422	9,045
Postage, stationery and advertising	8,955	14,642
Entertaining	902	729
Repairs and renewals	1,819	2,492
Motor expenses	15,555	14,710
Computer services	6,292	3,485
Trade subscriptions	2,055	325
Education and training	330	545
Bank charges	-	1,035
Audit fee	3,000	2,500
Legal and professional	2,363	771
Sundry expenses	1	175
Hire of vehicles	94	7,794
Hire of plant and equipment	13,028	21,506
Depreciation	67,256	60,923
Profit on disposal of tangible fixed assets	(2,503)	(3,500)
	(615,656)	(598,601)
OPERATING PROFIT	239,040	179,701