

MITIE CLEANING (NORTH) 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

P M Doherty
N R Goodman
M McCarthy
R McGregor-Smith
E J Manning
I R Stewart

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 report and audited financial statements for the 52 week period ended 3 April 2004.

The 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 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. On 7 February 2004 contracts based in the Northern regions transferred into the company from Executive Group Limited, a fellow subsidiary company.

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 £1,333,658 (5 April 2003: £1,770,962). 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 £24,400 (5 April 2003: £8,850) per share	2,440,000	885,000
Transfer (from)/to reserves	(1,106,342)	885,962
	<u>1,333,658</u>	<u>1,770,962</u>

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

The directors during the financial year were as follows:

P M Doherty	
N R Goodman	
M McCarthy	
E J Manning	
I R Stewart	
R McGregor-Smith	(appointed 7 October 2003)
L G Bainbridge	(resigned 19 November 2003)
D M Telling	(resigned 10 October 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.
P M Doherty	74,323	17,250
M McCarthy	5,345,553	5,360,553
E J Manning	13,405	13,405

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

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
P M Doherty	(i)	9,037	2,654	£1.20	2008	2009	-	-	11,691
	(ii)	47,000	-	-	-	-	40,000	£0.5775	-
	(ii)	-	-	-	-	-	7,000	£0.95	-
E J Manning	(i)	10,885	-	-	-	-	-	-	10,885
	(ii)	30,000	-	-	-	-	-	-	30,000

(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

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 33 days (5 April 2003: 37 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 (NORTH) LIMITED

We have audited the financial statements of MITIE Cleaning (North) 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 19. 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 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 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 (NORTH) LIMITED

PROFIT AND LOSS ACCOUNT
52 week period ended 3 April 2004

		Continuing operations	
		52 week	56 week
		period ended	period ended
		3 April	5 April
		2004	2003
	Notes	£	£
TURNOVER	1	44,638,472	44,569,253
Cost of sales		(35,159,723)	(34,212,665)
GROSS PROFIT		9,478,749	10,356,588
Administrative expenses		(7,527,754)	(7,682,726)
OPERATING PROFIT	2	1,950,995	2,673,862
Interest receivable	3	4,085	4,422
Interest payable	3	(14,348)	(97,770)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,940,732	2,580,514
Tax on profit on ordinary activities	4	(607,074)	(809,552)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,333,658	1,770,962
Transfer from/(to) reserves	12	1,106,342	(885,962)
Dividends	5	(2,440,000)	(885,000)
		-	-

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 (NORTH) LIMITED

BALANCE SHEET
At 3 April 2004

	Notes	At 3 April 2004		At 5 April 2003	
		£	£	£	£
FIXED ASSETS					
Intangible assets	6		513,490		-
Tangible assets	7		2,506,034		2,588,741
			<u>3,019,524</u>		<u>2,588,741</u>
CURRENT ASSETS					
Debtors	8	7,837,180		8,065,864	
Cash at bank and in hand		2,449,166		729,854	
		<u>10,286,346</u>		<u>8,795,718</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(10,920,336)		(7,898,636)	
NET CURRENT (LIABILITIES)/ASSETS			<u>(633,990)</u>		<u>897,082</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,385,534		3,485,823
PROVISIONS FOR LIABILITIES AND CHARGES	10		(6,053)		-
NET ASSETS			<u>2,379,481</u>		<u>3,485,823</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	11		100		100
Profit and loss account	12		2,379,381		3,485,723
TOTAL EQUITY SHAREHOLDERS' FUNDS	13		<u>2,379,481</u>		<u>3,485,823</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.

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.

Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses (representing the excess of the fair value of the consideration given over the fair value of separable net assets acquired) is capitalised and amortised over a period of 20 years and provision is made for any impairment.

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:

Plant, equipment 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

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.

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.

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 - owned fixed assets	1,108,875	1,180,364
Amortisation	5,981	-
Operating lease rentals:		
- land and buildings	321,614	335,288
- plant and equipment	10,040	4,348
Auditors' remuneration - audit services	4,797	4,800
Profit on disposal of tangible fixed assets	(52,376)	(27,093)
	<u> </u>	<u> </u>
3. INTEREST	52 week	56 week
	period ended 3 April 2004 £	period ended 5 April 2003 £
Interest receivable		
On bank balances	4,085	-
Other	-	4,422
	<u>4,085</u>	<u>4,422</u>
Interest payable	£	£
On bank overdraft repayable within five years	<u>14,348</u>	<u>97,770</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% (2002: 30%)	573,262	822,592
Adjustment in respect of prior periods	(50,281)	19,949
Total current tax (note 4(b))	522,981	842,541
Deferred taxation:		
Timing differences - origination and reversal	37,551	(41,974)
Adjustment in respect of prior periods	46,542	8,985
Tax on profit on ordinary activities	607,074	809,552

(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	1,940,732	2,580,514
	£	£
Tax at 30% thereon	582,220	774,154
Expenses not deductible for tax purposes	28,593	6,464
Capital allowances in excess of depreciation	(21,612)	50,102
Profit on disposal of fixed assets	(15,713)	(8,128)
Adjustment in respect of prior periods	(50,281)	19,949
Timing differences	(226)	-
Current tax charge for the period (note 4(a))	522,981	842,541

(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 £24,400 (5 April 2003: £8,850) per share	<u>2,440,000</u>	<u>885,000</u>
6.	INTANGIBLE FIXED ASSETS	Goodwill £	
	Cost		
	At 6 April 2003	-	
	Transfers in	<u>779,355</u>	
	At 3 April 2004	<u>779,355</u>	
	Amortisation		
	At 6 April 2003	-	
	Transfers in	<u>259,884</u>	
	Amortised in financial year	<u>5,981</u>	
	At 3 April 2004	<u>265,865</u>	
	Net book value		
	At 3 April 2004	<u>513,490</u>	
	At 5 April 2003	<u>-</u>	

During the financial year, purchased goodwill was transferred from Executive Group Limited, a fellow subsidiary, as part of the transfer of some of the trade and assets of that company.

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

7. TANGIBLE FIXED ASSETS

	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 6 April 2003	1,008,215	4,243,554	1,784,939	7,036,708
Additions	51,982	309,541	672,016	1,033,539
Transfers in	7,920	221,013	5,230	234,163
Transfers out	-	-	(70,541)	(70,541)
Disposals	(201,499)	(48,836)	(539,262)	(789,597)
At 3 April 2004	866,618	4,725,272	1,852,382	7,444,272
Depreciation				
At 6 April 2003	742,819	2,719,807	985,341	4,447,967
Charge for the financial year	108,231	581,847	418,797	1,108,875
Transfers in	4,562	121,904	4,249	130,715
Transfers out	-	-	(41,022)	(41,022)
Disposals	(197,872)	(48,836)	(461,589)	(708,297)
At 3 April 2004	657,740	3,374,722	905,776	4,938,238
Net book value				
At 3 April 2004	208,878	1,350,550	946,606	2,506,034
At 5 April 2003	265,396	1,523,747	799,598	2,588,741

Capital commitments

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

8. DEBTORS

	3 April 2004 £	5 April 2003 £
Trade debtors	6,466,161	7,046,436
Amounts owed by group undertakings	1,122,291	862,380
Other debtors	-	8,805
Prepayments and accrued income	248,728	70,203
Deferred tax asset (see note 10)	-	78,040
	<u>7,837,180</u>	<u>8,065,864</u>

Following a review of balance sheet classifications, individual balances have been reclassified. As a result, deferred income of £1,507,824 has been reclassified out of trade debtors into accruals and deferred income in the prior financial year to provide consistent comparatives.

NOTES TO THE FINANCIAL STATEMENTS

52 week period ended 3 April 2004

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	3 April 2004 £	5 April 2003 £
Trade creditors	1,014,728	1,102,748
Amounts owed to group undertakings	1,258,141	955,038
Corporation tax	221,020	309,606
Other taxes and social security costs	2,509,476	1,733,226
Other creditors	28,599	6,911
Accruals and deferred income	3,448,372	2,906,107
Proposed dividend	2,440,000	885,000
	<u>10,920,336</u>	<u>7,898,636</u>

Following a review of balance sheet classifications, individual balances have been reclassified. As a result, the net wage accrual of £831,699 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 8.

10. PROVISIONS FOR LIABILITIES AND CHARGES	3 April 2004 £	5 April 2003 £
Deferred tax	<u>6,053</u>	<u>-</u>

Deferred tax provided (5 April 2003: deferred tax asset recognised) in the financial statements is analysed as follows:

	£	£
Accelerated/(negative accelerated) capital allowances	7,270	(78,040)
Short term timing differences	<u>(1,217)</u>	<u>-</u>
	<u>6,053</u>	<u>(78,040)</u>

The amount charged to the profit and loss account in the financial year was £84,093 (5 April 2003: credited £32,989).

11. CALLED UP SHARE CAPITAL	3 April 2004 £	5 April 2003 £
Authorised		
100 £1 Ordinary shares	<u>100</u>	<u>100</u>
	£	£
Allotted and fully paid		
100 £1 Ordinary shares	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS

52 week period ended 3 April 2004

12. PROFIT AND LOSS ACCOUNT

	£
At 6 April 2003	3,485,723
Transfer from reserves	(1,106,342)
	<hr/>
At 3 April 2004	<u>2,379,381</u>

13. 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	1,333,658	1,770,962
Proposed dividends	(2,440,000)	(885,000)
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(1,106,342)	885,962
Opening shareholders' funds	3,485,823	2,599,861
	<hr/>	<hr/>
Closing shareholders' funds	<u>2,379,481</u>	<u>3,485,823</u>

14. FINANCIAL COMMITMENTS

Operating leases

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

Land and buildings	3 April 2004 £	5 April 2003 £
Expiry date:		
- within one year	18,371	13,326
- between two and five years	271,243	8,645
- after five years	32,000	216,368
	<hr/>	<hr/>
	<u>321,614</u>	<u>238,339</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

15. 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>267,883</u>	<u>395,613</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest-paid director	<u>154,637</u>	<u>172,577</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>2</u>	<u>4</u>

The accrued pension of the highest paid director at 3 April 2004 was £23,100 (5 April 2003: £21,063).

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. It is not practicable to allocate their remuneration between their services as directors of MITIE Cleaning (North) Limited and their services as directors of other group companies.

16. 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.
Site labour	4,775	5,084
Administration and management	<u>171</u>	<u>160</u>
	<u>4,946</u>	<u>5,244</u>

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

16. EMPLOYEES (continued)	52 week period ended 3 April 2004 £	56 week period ended 5 April 2003 £
Employment costs		
Wages and salaries	30,885,120	30,483,639
Social security costs	1,843,060	1,532,035
Other pension costs	123,793	139,965
	<u>32,851,973</u>	<u>32,155,639</u>

17. 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 16 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.

18. RELATED PARTY TRANSACTIONS

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