

Company Registration Number 3600065

MITIE CLEANING (SOUTH WALES) LIMITED

Report and Financial Statements

2 April 2005



MITIE CLEANING (SOUTH WALES) LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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MITIE CLEANING (SOUTH WALES) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M A Freeman
R McGregor-Smith
E J Manning
I R Stewart
P W Stirland

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

MITIE CLEANING (SOUTH WALES) LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the financial year ended 2 April 2005.

The financial statements have been made up to 2 April 2005, 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 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 £204,718 (2004: £166,993). The directors recommend that this be dealt with as follows:

	2005 £	2004 £
Ordinary dividends:		
- Final proposed £192.48 (2004: £143) per share	192,479	143,000
Transfer to reserves	12,239	23,993
	<hr/>	<hr/>
	204,718	166,993
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MITIE CLEANING (SOUTH WALES) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the financial year and subsequently were as follows:

M A Freeman	
R McGregor-Smith	
E J Manning	
I R Stewart	
P W Stirland	(appointed 16 August 2004)
N R Goodman	(resigned 16 August 2004)

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.

I R Stewart and R McGregor-Smith are directors of MITIE Group PLC, the parent undertaking, and their interests in the share capital of that company and other group companies 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 2 April 2005 2.5p Ordinary shares No.	At 3 April 2004 2.5p Ordinary shares No.
M A Freeman	109,414	124,894
E J Manning	13,405	13,405
P W Stirland	42,382	40,000

M A Freeman, E J Manning and P W Stirland have their interests in the share capital of other group companies disclosed within the financial statements of MITIE Cleaning Limited.

Share Options

		At 4 April 2004	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 2 April 2005
M A Freeman	(i)	12,766	-	-	-	-	1,270	£0.85	11,496
	(ii)	204,000	-	-	-	-	-	-	204,000
E J Manning	(i)	10,885	-	-	-	-	-	-	10,885
	(ii)	30,000	-	-	-	-	-	-	30,000
P W Stirland	(i)	7,232	-	-	-	-	2,382	£0.85	4,850
	(ii)	203,800	-	-	-	-	-	-	203,800

(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 financial statements 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 2 April 2005 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 27 days (2004: 16 days).

MITIE CLEANING (SOUTH WALES) LIMITED

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

Pursuant to Section 386 Companies Act 1985, an elective resolution was passed on 14 March 2005 dispensing with the requirement to appoint auditors annually. Therefore Deloitte & Touche LLP are deemed to continue as auditors.

Approved by the Board of Directors
and signed on behalf of the Board



C K Ross
Secretary

19 July 2005

**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 financial year ended 2 April 2005 which comprise the profit and loss account, the balance sheet and related notes 1 to 18. 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 2 April 2005 and of its profit for the financial year 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

19 July 2005

MITIE CLEANING (SOUTH WALES) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 2 April 2005

	Notes	Continuing operations 2005 £	2004 £
TURNOVER	1	3,791,478	2,984,009
Cost of sales		(2,904,708)	(2,177,897)
GROSS PROFIT		886,770	806,112
Administrative expenses		(602,046)	(569,830)
OPERATING PROFIT	2	284,724	236,282
Interest receivable	3	6,189	2,562
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		290,913	238,844
Tax on profit on ordinary activities	4	(86,195)	(71,851)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		204,718	166,993
Dividends	5	(192,479)	(143,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	11	12,239	23,993

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

MITIE CLEANING (SOUTH WALES) LIMITED

BALANCE SHEET

At 2 April 2005

	Notes	2005		2004	
		£	£	£	£
FIXED ASSETS					
Intangible assets	6		35,031		37,908
Tangible assets	7		99,924		92,111
			<u>134,955</u>		<u>130,019</u>
CURRENT ASSETS					
Debtors	8	792,115		486,667	
Cash at bank and in hand		232,035		301,787	
		<u>1,024,150</u>		<u>788,454</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(887,499)		(659,106)	
NET CURRENT ASSETS			<u>136,651</u>		<u>129,348</u>
NET ASSETS			<u>271,606</u>		<u>259,367</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	10		1,000		1,000
Profit and loss account	11		270,606		258,367
TOTAL EQUITY SHAREHOLDERS' FUNDS	12		<u>271,606</u>		<u>259,367</u>

These financial statements were approved by the Board of Directors on 19 July 2005.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

MITIE CLEANING (SOUTH WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 2 April 2005

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.

Turnover from bundled contracts consists of various components which operate independently of each other and for which reliable fair values can be established. Accordingly, each component is accounted for separately as if it were an individual contractual arrangement.

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 life, as follows:

Office equipment	3 to 5 years
Plant and equipment	3 to 5 years
Motor vehicles	4 years

Leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

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.

MITIE CLEANING (SOUTH WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 2 April 2005

1. ACCOUNTING POLICIES (continued)

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.

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.

2. OPERATING PROFIT

	2005 £	2004 £
Operating profit is stated after charging/(crediting):		
Amortisation	2,877	442
Depreciation	42,330	42,636
Operating lease rentals:		
- other	16,600	16,600
- plant and machinery	2,386	7,887
Auditors' remuneration - audit services	2,700	2,500
Profit on disposal of tangible fixed assets	(3,100)	(3,358)

3. INTEREST RECEIVABLE

	2005 £	2004 £
Bank interest	6,189	2,562

MITIE CLEANING (SOUTH WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 2 April 2005

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £	2004 £
(a) Analysis of charge		
United Kingdom corporation tax at 30% (2004: 30%)	86,047	70,747
Adjustment in respect of prior periods	483	(1,108)
Total current tax (note 4(b))	86,530	69,639
Deferred taxation:		
Timing differences - origination and reversal	178	1,069
Adjustment in respect of prior periods	(513)	1,143
Tax on profit on ordinary activities	86,195	71,851

(b) Factors affecting tax charge

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	290,913	238,844
Tax at 30% thereon	87,274	71,653
Expenses not deductible for tax purposes	(1,049)	163
Capital allowances in excess of/(less than) depreciation	968	(1,323)
Profit on disposal of tangible fixed assets	(930)	-
Other timing differences	(216)	254
Adjustment in respect of prior periods	483	(1,108)
Current tax charge for the year (note 4(a))	86,530	69,639

(c) Factors affecting future tax charges

The company is not aware of any matters that will materially affect the future tax charge.

5. DIVIDENDS

	2005 £	2004 £
Ordinary:		
Final proposed of £192.48 (2004: £143) per share	192,479	143,000

MITIE CLEANING (SOUTH WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 2 April 2005

6. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 4 April 2004 and 2 April 2005	57,535
Amortisation	
At 4 April 2004	19,627
Charge in the financial year	2,877
At 2 April 2005	22,504
Net book value	
At 2 April 2005	35,031
At 3 April 2004	37,908

7. TANGIBLE FIXED ASSETS

	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 4 April 2004	19,441	99,299	114,323	233,063
Additions	-	20,078	36,921	56,999
Disposals	(1,700)	(14,810)	(10,381)	(26,891)
Transfers in	-	-	6,267	6,267
Transfers out	-	-	(25,907)	(25,907)
At 2 April 2005	17,741	104,567	121,223	243,531
Depreciation				
At 4 April 2004	13,601	53,351	74,000	140,952
Charge for the financial year	3,843	19,649	18,838	42,330
Disposals	(1,700)	(14,810)	(10,381)	(26,891)
Transfers in	-	-	3,977	3,977
Transfers out	-	-	(16,761)	(16,761)
At 2 April 2005	15,744	58,190	69,673	143,607
Net book value				
At 2 April 2005	1,997	46,377	51,550	99,924
At 3 April 2004	5,840	45,948	40,323	92,111

Capital commitments

At 2 April 2005 the directors had authorised capital expenditure of nil (2004: nil).

MITIE CLEANING (SOUTH WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 2 April 2005

8. DEBTORS	2005	2004
	£	£
Trade debtors	759,109	462,600
Amounts owed by group undertakings	22,819	7,313
Other debtors	-	6,042
Deferred tax asset	5,253	4,918
Prepayments and accrued income	4,934	5,794
	<u>792,115</u>	<u>486,667</u>

The deferred tax asset recognised in the financial statements is analysed as follows:

	£	£
Negative accelerated capital allowances	5,215	4,664
Short-term timing differences	38	254
	<u>5,253</u>	<u>4,918</u>

The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited to the profit and loss account in the financial year was £335 (2004: charge of £2,212).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2005	2004
	£	£
Trade creditors	127,162	78,530
Amounts owed to group undertakings	1,346	38,878
Corporation tax	41,386	32,811
Other taxation and social security	203,897	70,289
Other creditors	45	2,526
Accruals and deferred income	321,184	293,072
Proposed dividend	192,479	143,000
	<u>887,499</u>	<u>659,106</u>

10. CALLED UP SHARE CAPITAL	2005	2004
	£	£
Authorised		
250,000 £1 Ordinary shares	<u>250,000</u>	<u>250,000</u>
	£	£
Allotted and fully paid		
1,000 £1 Ordinary shares	<u>1,000</u>	<u>1,000</u>

MITIE CLEANING (SOUTH WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 2 April 2005

11. PROFIT AND LOSS ACCOUNT

	£
At 4 April 2004	258,367
Retained profit for the financial year	12,239
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At 2 April 2005	270,606
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12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit for the financial year	204,718	166,993
Dividends	(192,479)	(143,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	12,239	23,993
Opening shareholders' funds	259,367	235,374
	<hr/>	<hr/>
Closing shareholders' funds	271,606	259,367
	<hr/>	<hr/>

13. FINANCIAL COMMITMENTS

Operating leases

At 2 April 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005 £	2004 £
Land and buildings		
Expiry date:		
- between two and five years	3,600	3,600
- after five years	13,000	13,000
	<hr/>	<hr/>
	16,600	16,600
	<hr/>	<hr/>
Other	£	£
Expiry date - between two and five years	2,386	-
	<hr/>	<hr/>

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 2 April 2005, the overall commitment was nil (2004: nil).

MITIE CLEANING (SOUTH WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 2 April 2005

14. DIRECTORS

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

I R Stewart and R McGregor-Smith are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts. M A Freeman, E J Manning and P W Stirland are remunerated by MITIE Cleaning 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.

15. EMPLOYEES

Number of employees

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

	2005 No.	2004 No.
Site labour	411	397
Administration and management	11	9
	<u>422</u>	<u>406</u>
Employment costs	£	£
Wages and salaries	2,297,220	1,886,656
Social security costs	120,784	87,842
Other pension costs	3,596	5,750
	<u>2,421,600</u>	<u>1,980,248</u>

16. RELATED PARTY TRANSACTIONS

MITIE Group PLC controls 95.8% of the voting rights of MITIE Cleaning (South Wales) Limited. As such, MITIE Cleaning (South Wales) Limited has taken advantage of the exemption from the requirement under Financial Reporting Standard 8 to disclose related party transactions with MITIE Group PLC and other companies within the group.

MITIE CLEANING (SOUTH WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 2 April 2005

17. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined benefit 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 15 and the agreed contribution rate for the next 12 months is 10% (2004: 10%) and 7.5% (2004: 7.5%) for the group and employees respectively.

The next actuarial valuation which was due on 6 April 2005 is currently being prepared. The 2002 actuarial valuation, which was performed on 6 April 2002 by a professionally qualified actuary, showed that the actuarial value of the assets represented 87% of the benefits that had accrued to members after allowing for expected future increases in earnings.

18. PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company of MITIE Cleaning (South Wales) Limited is MITIE Cleaning Services Limited. However, 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.