

Company Registration Number 3600065

**MITIE CLEANING (SOUTH WALES) LIMITED**

**Report and Financial Statements**

**1 April 2006**



**MITIE CLEANING (SOUTH WALES) LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2006**

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# **MITIE CLEANING (SOUTH WALES) LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

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

### **SECRETARY**

MITIE Company Secretarial Services Limited (appointed 30 June 2006)  
C K Ross (resigned 30 June 2006)

### **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 1 April 2006.

The financial statements have been made up to 1 April 2006, 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 is a majority owned subsidiary of MITIE Group PLC (the "Group"). During the year, the company provided cleaning services to industrial and commercial clients. On 31 March 2006 the company's trade, assets and liabilities were transferred into MITIE Cleaning & Support Services Limited.

As shown in the company's profit and loss account on page 7, the company's sales have increased by 41% over the prior year whereas profit after tax has fallen.

The Group manages its operations on a divisional basis. For this reason, the company's directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the Group's Annual Report which does not form part of this report.

### **DIVIDENDS**

*A final dividend of £192.48 (2005: £143.00) per ordinary share was paid during the year.*

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Prior to the transfer of trade, the loss of key customers was a key risk to the business. The company managed this risk by developing and maintaining strong relationships with customers.

Group risks are discussed in the Group's Annual Report which does not form part of this Report.

# **MITIE CLEANING (SOUTH WALES) LIMITED**

## **DIRECTORS' REPORT (continued)**

### **FINANCIAL RISK MANAGEMENT**

The directors have reviewed the financial risk management objectives and policies of the company. The directors do not believe there to be significant risks in this area. The company does not enter into any hedging instruments, as there are not believed to be any material exposures. It does not enter into any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall MITIE Group PLC financing arrangements.

### **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. Immediately prior to the trade, asset and liabilities into MITIE Cleaning & Support Services Limited trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 47 days (2005 year end: 27 days).

### **ENVIRONMENT**

MITIE Group PLC and its subsidiaries endeavour to identify, monitor and manage the impact of their activities on the environment and are fully committed to environmental accountability and protection. The company operates in accordance with Group policies, which are described in Group's Annual Report which does not form part of this Report.

### **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.

### **DIRECTORS AND THEIR INTERESTS**

The directors during the year and subsequently were as follows:

M A Freeman  
R McGregor-Smith  
E J Manning  
I R Stewart  
P W Stirland  
S C Baxter (appointed 8 May 2006)

# MITIE CLEANING (SOUTH WALES) LIMITED

## DIRECTORS' REPORT (continued)

### DIRECTORS AND THEIR INTERESTS (continued)

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 1 April 2006 2.5p Ordinary shares No.	At 2 April 2005 2.5p Ordinary shares No.
M A Freeman	137,642	109,414
E J Manning	36,405	13,405
P W Stirland	66,988	42,382

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 3 April 2005	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 1 April 2006
M A Freeman	(i)	11,496	6,418	£1.38	2006	2011	6,750	£1.50	11,164
	(ii)	204,000	-	-	2006	2013	4,000	£1.45	100,000
		-	-	-	-	-	100,000	£0.99	-
E J Manning	(i)	10,885	-	-	2006	2008	7,200	£1.50	3,685
	(ii)	30,000	-	-	-	-	30,000	£0.95	-
P W Stirland	(i)	4,850	8,717	£1.38	2006	2011	3,554	£1.50	10,013
	(ii)	203,800	-	-	2003	2013	100,000	£0.99	103,800

(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.

# MITIE CLEANING (SOUTH WALES) LIMITED

## DIRECTORS' REPORT (continued)

### AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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



**R McGregor-Smith**  
Director

14 August 2006

## **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 1 April 2006 which comprise the profit and loss account, the balance sheet and the 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**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 1 April 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the directors' report is consistent with the financial statements.

*Deloitte & Touche LLP*

### **DELOITTE & TOUCHE LLP**

Chartered Accountants and Registered Auditors  
Bristol, United Kingdom

15 August 2006



# MITIE CLEANING (SOUTH WALES) LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 1 April 2006 and 2 April 2005

	Notes	Discontinued operations	
		2006	2005
		£	£
<b>TURNOVER</b>	1	5,349,928	3,791,478
Cost of sales		(4,547,691)	(3,085,793)
<b>GROSS PROFIT</b>		802,237	705,685
Administrative expenses		(544,656)	(420,961)
<b>OPERATING PROFIT</b>	2	257,581	284,724
Interest receivable	3	2,385	6,189
Interest payable	3	(2,230)	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		257,736	290,913
Tax on profit on ordinary activities	4	(78,758)	(86,195)
<b>PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR</b>	11	178,978	204,718

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 1 April 2006 and 2 April 2005**

	Notes	2006		2005 (restated)	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	6		-		35,031
Tangible assets	7		-		99,924
					<hr/>
			-		134,955
<b>CURRENT ASSETS</b>					
Debtors	8	450,584		792,115	
Cash at bank and in hand		-		232,035	
		<hr/>		<hr/>	
		450,584		1,024,150	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	-		(695,020)	
		<hr/>		<hr/>	
<b>NET CURRENT ASSETS</b>			450,584		329,130
			<hr/>		<hr/>
<b>NET ASSETS</b>			450,584		464,085
			<hr/>		<hr/>
<b>SHARE CAPITAL AND RESERVES</b>					
Called up share capital	10		1,000		1,000
Profit and loss account	11		449,584		463,085
			<hr/>		<hr/>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	12		450,584		464,085
			<hr/>		<hr/>

These financial statements were approved by the Board of Directors on 14 August 2006.

Signed on behalf of the Board of Directors



**R McGregor-Smith**  
Director

# MITIE CLEANING (SOUTH WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 April 2006

### 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 substantively 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. 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 1 April 2006

### 1. ACCOUNTING POLICIES (continued)

#### Cash flow statement

The company has taken the exemption under Financial Reporting Standard 1 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.

#### Change in accounting policy

The financial statements for the year ended 1 April 2006 have been drawn up using the same accounting policies as for the year ended 2 April 2005 subject to the adoption of FRS 21 'Events after the balance sheet date', FRS 17 'Retirement Benefits', and FRS 25 'Financial Instruments'.

The adoption of FRS 17 and FRS 25 has had no impact on the financial statements of this company.

#### *Adoption of FRS 21 - Events after the balance sheet date*

The effect of adopting FRS 21, and therefore recognising dividends in the period during which they were approved, has decreased the retained profit for the year ended 1 April 2006 by £192,479 and increased the retained profit for the year ended 2 April 2005 by £50,521. The net assets at 1 April 2006 and 2 April 2005 have increased by nil and £192,479 respectively.

This change in policy has not impacted recognised gains or losses and no statement of total recognised gains and losses has been presented.

### 2. OPERATING PROFIT

	2006	2005
	£	£
Operating profit is stated after charging/(crediting):		
Amortisation	2,877	2,877
Depreciation	55,790	42,330
Operating lease rentals:		
- other	13,000	16,600
- plant and machinery	1,628	2,386
Auditors' remuneration - audit services	3,600	2,700
Profit on disposal of tangible fixed assets	(1,583)	(3,100)

Following a review of profit and loss account classifications, several balances have been reclassified from administrative expenses into cost of sales. To ensure consistency, comparatives have been amended such that cost of sales are higher by £181,085 and administrative expenses lower by £181,085 from those numbers previously reported.

There has been no overall impact on the profit and loss account as a result of this reclassification.

# MITIE CLEANING (SOUTH WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 April 2006

### 3. INTEREST

	2006 £	2005 £
Interest receivable		
Bank interest	2,385	6,189
	<u>2,385</u>	<u>6,189</u>
Interest payable	£	£
Bank interest	2,230	-
	<u>2,230</u>	<u>-</u>

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
(a) Analysis of charge		
United Kingdom corporation tax at 30% (2005: 30%)	77,096	86,047
Adjustment in respect of prior periods	(64)	483
	<u>77,032</u>	<u>86,530</u>
Total current tax (note 4(b))	77,032	86,530
Deferred taxation:		
Timing differences - origination and reversal	1,392	178
Adjustment in respect of prior periods	334	(513)
	<u>1,726</u>	<u>(335)</u>
Tax on profit on ordinary activities	<u>78,758</u>	<u>86,195</u>

#### (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% (2005: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	257,736	290,913
	<u>257,736</u>	<u>290,913</u>
Tax at 30% (2005: 30%) thereon	77,321	87,274
Expenses not deductible for tax purposes	1,167	-
Capital allowances in excess of/(less than) depreciation	(985)	968
Profit on disposal of tangible fixed assets	(475)	(930)
Other timing differences	68	(216)
Adjustment in respect of prior periods	(64)	566
	<u>77,032</u>	<u>86,530</u>
Current tax charge for the year (note 4(a))	<u>77,032</u>	<u>86,530</u>

# MITIE CLEANING (SOUTH WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 1 April 2006

### 5. DIVIDENDS

The dividends approved and paid in the year are as follows:

	2006	2005 (restated)
	£	£
£192.48 (2005: £143.00) per share on £1 ordinary shares	192,479	143,000

### 6. INTANGIBLE FIXED ASSETS

	Goodwill £
<b>Cost</b>	
At 3 April 2005	57,535
Transfers out	(57,535)
At 1 April 2006	-
<b>Amortisation</b>	
At 3 April 2005	22,504
Charge in the financial year	2,877
Transfers out	(25,381)
At 1 April 2006	-
<b>Net book value</b>	
At 1 April 2006	-
At 2 April 2005	35,031

# MITIE CLEANING (SOUTH WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 April 2006

### 7. TANGIBLE FIXED ASSETS

	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 3 April 2005	17,741	104,567	121,223	243,531
Additions	1,904	37,526	33,213	72,643
Transfers in	-	110,872	15,075	125,947
Disposals	-	(40,679)	(38,721)	(79,400)
Transfers out	(19,645)	(212,286)	(130,790)	(362,721)
At 1 April 2006	-	-	-	-
<b>Depreciation</b>				
At 3 April 2005	15,744	58,190	69,673	143,607
Charge for the financial year	1,867	27,328	26,595	55,790
Transfers in	-	80,446	10,726	91,172
Disposals	-	(37,697)	(38,721)	(76,418)
Transfers out	(17,611)	(128,267)	(68,273)	(214,151)
At 1 April 2006	-	-	-	-
<b>Net book value</b>				
At 1 April 2006	-	-	-	-
At 2 April 2005	1,997	46,377	51,550	99,924

#### Capital commitments

At 1 April 2006 the directors had authorised capital expenditure of nil (2005: nil).

### 8. DEBTORS

	2006 £	2005 £
Trade debtors	-	759,109
Amounts owed by group undertakings	450,584	22,819
Deferred tax asset	-	5,253
Prepayments and accrued income	-	4,934
	<u>450,584</u>	<u>792,115</u>

# MITIE CLEANING (SOUTH WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 April 2006

### 8. DEBTORS (continued)

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

	2006 £	2005 £
Negative accelerated capital allowances	-	5,215
Short-term timing differences	-	38
	<u>-</u>	<u>5,253</u>

The amount charged to the profit and loss account in the financial year was £1,726 (2005: credit of £335).

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 (restated) £
Trade creditors	-	127,162
Amounts owed to group undertakings	-	1,346
Corporation tax	-	41,386
Other taxation and social security	-	203,897
Other creditors	-	45
Accruals and deferred income	-	321,184
	<u>-</u>	<u>695,020</u>

### 10. CALLED UP SHARE CAPITAL

	2006 £	2005 £
<b>Authorised</b>		
250,000 £1 Ordinary shares	<u>250,000</u>	<u>250,000</u>
	£	£
<b>Allotted and fully paid</b>		
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 1 April 2006

### 11. PROFIT AND LOSS ACCOUNT

	£
At 3 April 2005 (as previously stated)	270,606
Prior year adjustment (note 1)	192,479
	<hr/>
At 3 April 2005 (restated)	463,085
Profit for the financial year	178,978
Dividends	(192,479)
	<hr/>
At 1 April 2006	449,584
	<hr/>

### 12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	178,978	204,718
Dividends	(192,479)	(143,000)
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(13,501)	61,718
	<hr/>	<hr/>
Opening shareholders' funds (as previously stated)	271,606	259,367
Prior year adjustment (note 1)	192,479	143,000
	<hr/>	<hr/>
Opening shareholders' funds (restated)	464,085	402,367
	<hr/>	<hr/>
Closing shareholders' funds	450,584	464,085
	<hr/>	<hr/>

### 13. FINANCIAL COMMITMENTS

#### Operating leases

At 1 April 2006 the company had annual commitments under non-cancellable operating leases as follows:

	2006 £	2005 £
<b>Land and buildings</b>		
Expiry date:		
- between two and five years	-	3,600
- after five years	-	13,000
	<hr/>	<hr/>
	-	16,600
	<hr/>	<hr/>
<b>Other</b>	£	£
Expiry date:		
- between two and five years	-	2,386
	<hr/>	<hr/>

## MITIE CLEANING (SOUTH WALES) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 April 2006

#### 14. DIRECTORS

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:

	2006 No.	2005 No.
Site labour	588	411
Administration and management	13	11
	<u>601</u>	<u>422</u>
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	3,476,882	2,297,220
Social security costs	183,651	120,784
Other pension costs	5,549	3,596
	<u>3,666,082</u>	<u>2,421,600</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 not 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 1 April 2006**

#### **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. For the purposes of Financial Reporting Standard 17 ("Retirement Benefits"), the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 29 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £1.8 million (2005: deficit of £7.6 million).

Contributions to the scheme for the period are shown in note 15 and the agreed contribution rate for the next 12 months is 10% (2005: 10%) and 7.5% (2005: 7.5%) for the group and employees respectively.

#### **18. ULTIMATE 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.