

Company Registration Number 5078003

MITIE CLEANING SERVICES LIMITED

Report and Financial Statements

1 April 2006



MITIE CLEANING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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MITIE CLEANING SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
M A Freeman
C S Hale
R McGregor-Smith
N E Kay
D A Noel
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 SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 1 April 2006.

These 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 and 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"). The company is a holding company and does not actively trade. There have not been any significant changes in the company's principal activities in the year under review and the directors are not aware of any likely major changes.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end is, in both net asset and cash terms, consistent with the prior year after allowing for the prior year adjustments in respect of dividends. The prior year adjustments in respect of dividends are described in note 1 of these financial statements.

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 dividend of 2.9p (2005: 48.1p) per 'A' ordinary share and nil (2005: nil) per 'B' ordinary share was approved and paid during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Loss of key customers by subsidiary companies is a key risk to the business. The company's subsidiaries manage this risk by developing and maintaining strong relationships with these customers.

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

MITIE CLEANING SERVICES 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 does not actively trade and hence has no suppliers.

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.

DIRECTORS AND THEIR INTERESTS

The directors during the year and subsequently were as follows:

M A Freeman	
C S Hale	
R McGregor-Smith	
I R Stewart	
P W Stirland	
D Noel	(appointed 13 June 2005)
N E Kay	(appointed 18 July 2005)
S C Baxter	(appointed 8 May 2006)

The beneficial interests of the directors and their families in the share capital of the company were as follows:

	At 1 April 2006 £1 'B' ordinary shares No.	At 2 April 2005* £1 'B' ordinary shares No.
M A Freeman	62,500	62,500
P W Stirland	62,500	62,500
D A Noel	50,000	50,000

* or date of appointment

No other 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.

R McGregor-Smith, C S Hale and I R Stewart 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.

M A Freeman and P W Stirland are directors of MITIE Cleaning Limited and their interests in the share capital of other group companies are shown in the financial statements of MITIE Cleaning Limited.

MITIE CLEANING SERVICES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

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	-
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 accounts of that company.

AUDITORS

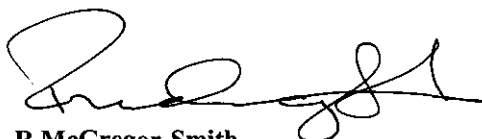
Each of the persons who is a director at the date of approval of this report confirms that:

- (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.

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



R McGregor-Smith
Director

14 August 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE CLEANING SERVICES LIMITED

We have audited the financial statements of MITIE Cleaning Services Limited for the year ended 1 April 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. 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 information given in 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 SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 1 April 2006 and 2 April 2005

		Year ended	Continuing operations
		1 April	Period from
	Notes	2006	18 March 2004
			to 2 April
			2005
			(restated)
		£	£
OPERATING LOSS		-	-
Interest receivable and similar income	2	74,443	35,370
Interest payable and similar charges	2	-	(7,114)
		<u>74,443</u>	<u>28,256</u>
Income from shares in group undertakings		<u>6,302,872</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES			
BEFORE TAXATION		<u>6,377,315</u>	<u>28,256</u>
Tax on profit on ordinary activities	3	<u>(22,333)</u>	<u>(8,477)</u>
PROFIT ON ORDINARY ACTIVITIES			
FOR THE FINANCIAL YEAR	9	<u><u>6,354,982</u></u>	<u><u>19,779</u></u>

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

MITIE CLEANING SERVICES LIMITED

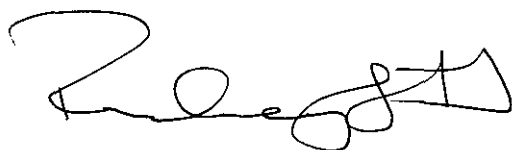
BALANCE SHEET

At 1 April 2006 and 2 April 2005

	Notes	2006		2005 (restated)	
		£	£	£	£
FIXED ASSETS					
Investments	5		12,344,771		12,344,771
CURRENT ASSETS					
Debtors	6	6,966		5,834	
Cash at bank and in hand		2,075,706		2,022,422	
		2,082,672		2,028,256	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(10,783)		(5,947,748)	
NET CURRENT ASSETS/(LIABILITIES)			2,071,889		(3,919,492)
NET ASSETS			14,416,660		8,425,279
SHARE CAPITAL AND RESERVES					
Called up share capital	8		14,344,771		14,344,771
Profit and loss account	9		71,889		(5,919,492)
TOTAL SHAREHOLDERS' FUNDS	10		14,416,660		8,425,279
Shareholders' funds are represented by:					
Attributable to equity shareholders			14,416,660		1,174,682
Attributable to non-equity shareholders			-		7,250,597
			14,416,660		8,425,278

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

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.

Group accounts

Consolidated group accounts are not prepared as the group has taken advantage of the exemption from this requirement, conferred by Financial Reporting Standard 2, on the grounds that its accounts are consolidated in the larger group of MITIE Group PLC. Accordingly, the financial statements present information about the company as an individual and not as a group.

Investments in subsidiaries

Investments are carried at cost less any provision for impairment.

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.

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.

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. The company has taken the exemption given in FRS 25 not to restate comparatives, as such the presentation of the non-equity shares held in the prior year has not been amended.

MITIE CLEANING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 1 April 2006

1. ACCOUNTING POLICIES (continued)

Change in accounting policy (continued)

Adoption of FRS 21 - Events after the balance sheet date

As at 31 March 2005 the company had distributable reserves of £6,322,651 when the 2005 dividend of £5,939,271 was approved. The effect of adopting FRS 21, and therefore recognising dividends in the period during which they were approved, has increased the retained profit for the year ended 1 April 2006 by £5,939,271 and decreased the retained profit for the period ended 2 April 2005 by £5,939,271. The net assets at 1 April 2006 and 2 April 2005 have increased by nil and £5,939,271 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. INTEREST

	Year ended 1 April 2006 £	Period from 18 March 2004 to 2 April 2005 £
Interest receivable and similar income	£	£
Bank interest	74,443	35,370
Interest payable and similar charges	£	£
Bank interest and charges	-	7,114

MITIE CLEANING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 April 2006

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 1 April 2006 £	Period from 18 March 2004 to 2 April 2005 £
(a) Analysis of charge in period		
United Kingdom corporation tax at 30% (2005: 30%) (note 3(b))	22,333	8,477
Deferred taxation:		
Timing differences - origination and reversal	-	-
Tax charge on profit on ordinary activities	22,333	8,477

(b) Factors affecting tax charge in period

The tax assessed for the period does not differ from that resulting from applying the standard rate of corporation tax in the UK of 30% (2005: 30%).

	£	£
Profit on ordinary activities before tax	6,377,315	28,256
	£	£
Tax at 30% (2005: 30%) thereon	1,913,195	8,477
Non-taxable income	(1,890,862)	-
Current tax charge for the period (note 3(a))	22,333	8,477

(c) Factors affecting future tax charges

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

4. DIVIDENDS

	Year ended 1 April 2006 £	Period from 18 March 2004 to 2 April 2005 (restated) £
The dividends approved and paid in the year are as follows:		
2.9p (2005: 48.1p) per share on £1 'A' ordinary shares	363,601	5,939,271

MITIE CLEANING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 April 2006

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
At 3 April 2005 and 1 April 2006	<u>12,344,771</u>

The company has an interest at the year end of more than 20% in the following:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage share held
MITIE Cleaning Limited	England and Wales	Cleaning services	100%
MITIE Cleaning (Midlands) Limited	England and Wales	Cleaning services	100%
MITIE Cleaning & Support Services Limited	England and Wales	Cleaning services	100%
MITIE Cleaning (South East) Limited	England and Wales	Cleaning services	100%
MITIE Cleaning (Southern) Limited	England and Wales	Cleaning services	100%
MITIE Cleaning (South Wales) Limited	England and Wales	Cleaning services	100%
MITIE Cleaning (South West) Limited	England and Wales	Cleaning services	100%
MITIE Nuclear Services Limited	England and Wales	Dormant	100%
MITIE Olscot Limited	Scotland	Cleaning services	100%

6. DEBTORS	2006 £	2005 £
Prepayments and accrued income	<u>6,966</u>	<u>5,834</u>
7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2006 £	2005 (restated) £
Corporation tax	10,783	8,477
Dividends	-	5,939,271
	<u>10,783</u>	<u>5,947,748</u>

MITIE CLEANING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 April 2006

8. CALLED UP SHARE CAPITAL	2006 £	2005 £
Authorised		
19,500,000 £1 'A' ordinary shares	19,500,000	19,500,000
6,500,000 £1 'B' ordinary shares	6,500,000	6,500,000
	<u>26,000,000</u>	<u>26,000,000</u>
	£	£
Allotted and fully paid		
12,344,771 £1 'A' ordinary shares	12,344,771	12,344,771
2,000,000 £1 'B' ordinary shares	2,000,000	2,000,000
	<u>14,344,771</u>	<u>14,344,771</u>

On 30 March 2006 the rights attached to the shares were amended by Special Resolution and are as follows:

Subject to the approval of the board, the profits of the company available for distribution in respect of any financial year shall be applied:

- the holders of the £1 'A' ordinary shares are entitled to a fixed cumulative dividend equal to a threshold divided by the number of 'A' shares in issue together with any arrears of such cumulative dividend unpaid from any previous financial year insofar as there is sufficient distributable revenues. The threshold is defined as £8,362,000 post corporation tax at the mainstream rate and is index linked;
- the holders of the £1 'B' ordinary shares are entitled to a dividend as decided by the Board;
- MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid; insofar as there is sufficient profit remaining; and
- thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

MITIE CLEANING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 April 2006

8. CALLED UP SHARE CAPITAL (continued)

On a return of assets of liquidation or capital reduction or otherwise, the assets of the company available for distribution amongst its shareholders after payment of its liabilities shall be applied in the following manner in the following order of priority:

- first, in paying to the holders of the 'A' shares as a class a sum equal to the consolidated net asset value of the company at the close of business on 19 September 2004 Index Linked (as defined in Article 6.1) together with a sum equal to all unpaid arrears and accruals of dividends on the 'A' shares calculated down to the date of the return of capital;
- second, in paying to the holders of the 'B' shares the subscription price per share together with a sum equal to the unpaid arrears and accruals of dividends thereon calculated down to the date of the return of capital; and
- third, in paying the balance therefore to the holders of the 'A' shares provided that the holders of the 'B' shares shall have no entitlement to any distribution of capital whatsoever at any time after the date being 14 days after the annual general meeting of MITIE (as defined in Article 6.1) in 2014.

In all other respects the 'A' shares and the 'B' shares shall rank pari passu.

9. PROFIT AND LOSS ACCOUNT

	£
At 3 April 2005 (as previously stated)	19,779
Prior year adjustment - dividend payable (note 1)	363,601
Prior year adjustment - dividend receivable (note 1)	(6,302,872)
	<hr/>
At 3 April 2005 (restated)	(5,919,492)
Profit for the financial year	6,354,982
Dividends	(363,601)
	<hr/>
At 1 April 2006	71,889

MITIE CLEANING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 April 2006

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2006 £	2005 £
Profit for the financial year	6,354,982	19,779
Dividends (note 4)	(363,601)	(5,939,271)
Net addition/(reduction) to shareholders' funds	5,991,381	(5,919,492)
Opening shareholders' funds (as previously stated)	14,364,550	-
Issue of ordinary shares	-	14,344,771
Prior year adjustment to dividends payable (note 1)	363,601	-
Prior year adjustment to dividends receivable (note 1)	(6,302,872)	-
Opening shareholders' funds (restated)	8,425,279	14,344,771
Closing shareholders' funds	14,416,660	8,425,279

11. DIRECTORS AND EMPLOYEES

R McGregor-Smith, C S Hale and I R Stewart are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts. M A Freeman and P W Stirland are directors of MITIE Cleaning Limited and their emoluments and pension details are disclosed in the accounts of that company. N E Kay and D A Noel are paid for their services by MITIE Cleaning Limited, although they are not directors of that company. It is not practicable to allocate their remuneration between their services as directors of MITIE Cleaning Services Limited and their services as directors of other group companies.

The company has no other employees.

12. RELATED PARTY TRANSACTIONS

MITIE Group PLC control 95.8% of the voting rights of MITIE Cleaning Services Limited and 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.

13. ULTIMATE 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.