

**Company Registration Number 686377**

**MITIE CLEANING & SUPPORT SERVICES LIMITED**

**Report and Financial Statements**

**31 March 2007**

WEDNESDAY



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# **MITIE CLEANING & SUPPORT SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2007**

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## **MITIE CLEANING & SUPPORT SERVICES LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

S C Baxter  
M A Freeman  
D J Johnson  
N E Kay  
R McGregor-Smith  
E J Manning  
D A Noel  
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 & SUPPORT SERVICES LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and audited financial statements for the financial year ended 31 March 2007

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 United Kingdom 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company is a majority owned subsidiary of MITIE Group PLC (the 'Group'). The company provides cleaning services to industrial and commercial clients. On 31 March 2006 the company acquired the trade and assets of MITIE Cleaning Limited, MITIE Cleaning (Midlands) Limited, MITIE Olscot Limited, MITIE Cleaning (Southern) Limited, MITIE Cleaning (South East) Limited, MITIE Cleaning (South Wales) Limited and MITIE Cleaning (South West) Limited.

As shown in the company's profit and loss account on page 8, the company's sales now include the trade of the acquired businesses. Turnover and profit after tax have increased significantly as a result.

The balance sheet on page 9 of the financial statements shows that the company's financial position at the year end has, in net assets increased significantly compared to prior year.

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.

## **MITIE CLEANING & SUPPORT SERVICES LIMITED**

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

#### **DIVIDENDS**

A dividend of £65,830 (2006 £15,996) per ordinary share was approved and paid during the year

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Loss of key customers is a key risk to the business. The company manages 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.

#### **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. As at 31 March 2007 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 60 days (2006 39 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 the 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 aptitudes 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.

## MITIE CLEANING & SUPPORT SERVICES LIMITED

### DIRECTORS' REPORT (continued)

#### DIRECTORS AND THEIR INTERESTS

The directors during the year and subsequently were as follows

M A Freeman  
D J Johnson  
N E Kay  
R McGregor-Smith  
E J Manning  
D A Noel  
P W Stirland  
S C Baxter (appointed 8 May 2006)  
I R Stewart (resigned 30 March 2007)

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

S C Baxter, R McGregor-Smith and I R Stewart are directors of MITIE Group PLC, the parent undertaking, and their interests in and options of 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 31 March 2007 2.5p Ordinary shares No.	At 1 April 2006 2.5p Ordinary shares No.
M A Freeman	152,939	137,642
N E Kay	-	500
E J Manning	44,901	36,405
P W Stirland	83,593	66,988

Other directors' interests in the share capital of MITIE Catering Services (London) Limited are as follows

	At 31 March 2007 £1 Ordinary 'B' shares No.	At 1 April 2006 £1 Ordinary 'B' shares No.
M A Freeman	1,000	1,000

Other directors' interests in the share capital of MITIE Catering Services Limited are as follows

	At 31 March 2007 £1 Ordinary 'B' shares No.	At 1 April 2006 £1 Ordinary 'B' shares No.
M A Freeman	3,750	3,750
E J Manning	1,000	1,000

## MITIE CLEANING & SUPPORT SERVICES LIMITED

### DIRECTORS' REPORT (continued)

#### DIRECTORS AND THEIR INTERESTS (continued)

Other directors' interests in the share capital of MITIE Cleaning Services Limited are as follows

	At 31 March 2007 £1 Ordinary 'B' shares No.	At 1 April 2006 £1 Ordinary 'B' shares No.
M A Freeman	62,500	62,500
E J Manning	15,000	15,000
D A Noel	50,000	50,000
P W Sturland	62,500	62,500

Other directors' interests in the share capital of MITIE Landscape (Northern) Limited are as follows

	At 31 March 2007 £1 Ordinary 'B' shares No.	At 1 April 2006 £1 Ordinary 'B' shares No.
M A Freeman	-	1,000
P W Sturland	-	1,000

Other directors' interests in the share capital of MITIE Landscape (Southern) Limited are as follows

	At 31 March 2007 £1 Ordinary 'B' shares No.	At 1 April 2006 £1 Ordinary 'B' shares No.
M A Freeman	-	5,000
E J Manning	-	1,000

Other directors' interests in the share capital of MITIE Services (Retail) Limited are as follows

	At 31 March 2007 £1 Ordinary 'B' shares No.	At 1 April 2006 £1 Ordinary 'B' shares No.
M A Freeman	10,000	10,000
E J Manning	5,000	5,000
P W Sturland	5,000	5,000

Other directors' interests in the share capital of MITIE Transport Services Limited are as follows

	At 31 March 2007 £1 Ordinary 'B' shares No.	At 1 April 2006 £1 Ordinary 'B' shares No.
M A Freeman	17,500	17,500
P W Sturland	17,500	17,500

## MITIE CLEANING & SUPPORT SERVICES LIMITED

### DIRECTORS' REPORT (continued)

### DIRECTORS AND THEIR INTERESTS (continued)

#### Share Options

		At 2 April 2006	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2007
M A Freeman	(i)	11,164	1,951	1 65	2007	2012	1,296	1 25	11,819
	(ii)	100,000	-	-	-	-	100,000	1 32	-
E J Manning	(i)	3,685	3,903	1 65	2007	2012	1,296	1 25	6,292
P W Stirland	(i)	10,013	-	-	2010	2011	1,296	1 25	8,717
	(ii)	103,800	-	-	-	-	3,800	1 74	-
							100,000	1 32	

(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

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



**S C Baxter**  
Director

18 July 2007



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

We have audited the financial statements of MITIE Cleaning & Support Services Limited for the year ended 31 March 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the 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**

The directors' responsibilities for preparing 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we 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 consider the implications for our report if we become aware of any apparent misstatements within it.

**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 judgments 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 31 March 2007 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.

*Debitte & Touche LLP*

**DELOITTE & TOUCHE LLP**  
Chartered Accountants and Registered Auditors  
Bristol, United Kingdom

20 July 2007

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 March 2007 and 1 April 2006

	Note	Continuing operations 2007 £	2006 £
<b>TURNOVER</b>	1	182,684,042	41,441,180
Cost of sales		(150,139,004)	(34,911,013)
<b>GROSS PROFIT</b>		32,545,038	6,530,167
Administrative expenses		(21,236,795)	(4,883,361)
<b>OPERATING PROFIT</b>	2	11,308,243	1,646,806
Interest received and similar income	3	178,691	-
Interest paid and similar charges	3	(8,272)	(59,741)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		11,478,662	1,587,065
Tax on profit on ordinary activities	4	(3,499,464)	(501,825)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	12	7,979,198	1,085,240

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2007 and 1 April 2006

	2007 £	2006 £
Profit for the financial year	7,979,198	1,085,240
Actuarial gain relating to pension scheme	182,000	-
UK deferred tax attributable to actuarial gain	(54,600)	-
First time recognition of TUPE defined benefit pension scheme	28,800	-
<b>Total recognised gains relating to the year</b>	8,135,398	1,085,240

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## BALANCE SHEET

At 31 March 2007 and 1 April 2006

	Note	2007		2006	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	6		2,230,444		2,450,714
Tangible assets	7		5,690,401		5,312,019
			<u>7,920,845</u>		<u>7,762,733</u>
<b>CURRENT ASSETS</b>					
Debtors	8	33,101,858		35,577,355	
Cash at bank and in hand		<u>7,675,537</u>		<u>8,022,559</u>	
		40,777,395		43,599,914	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	<u>(43,176,487)</u>		<u>(47,783,657)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(2,399,092)</u>		<u>(4,183,743)</u>
<b>NET ASSETS EXCLUDING PENSION ASSET</b>			5,521,753		3,578,990
<b>PENSION ASSET</b>	17		<u>130,200</u>		<u>-</u>
<b>NET ASSETS</b>			<u>5,651,953</u>		<u>3,578,990</u>
<b>SHARE CAPITAL AND RESERVES</b>					
Called up share capital	10		100		100
Profit and loss account	11		5,131,288		3,578,890
Capital contribution reserve	11		<u>520,565</u>		<u>-</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	12		<u>5,651,953</u>		<u>3,578,990</u>

These financial statements were approved by the Board of Directors on 18 July 2007

Signed on behalf of the Board of Directors



**S C Baxter**  
Director

## **MITIE CLEANING & SUPPORT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2007**

#### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year with the exception of FRS 20 'Share-Based Payments', are described below.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention.

##### **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 useful life, as follows:

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

##### **Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

##### **Leases**

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

## **MITIE CLEANING & SUPPORT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2007**

#### **1. ACCOUNTING POLICIES (continued)**

##### **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 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**

The company participates in the MITIE Group PLC Pension Schemes. One 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.

For defined contributions schemes the amount charged to the profit and loss account is the contributions payable in the year.

Where the company can separately identify its share of the underlying assets and liabilities of any defined benefit schemes to which it contributes, the company accounts for these schemes as required by FRS 17 with the cost of providing benefits determined using the Projected Unit Credit Method, based on actuarial valuations carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit and loss account and presented in the statement of total recognised gains and losses. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Where the scheme is fully funded no asset or liability is recognised in the balance sheet.

This treatment was not followed in the prior year since the balance was then considered to be immaterial by the directors.

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

### 1. ACCOUNTING POLICIES (continued)

#### Share-based payments

The company participates in a number of MITIE Group PLC executive and employee share option schemes. For all grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the company's estimate of shares that will actually vest.

On 1 April 2006, the company applied the requirement of FRS 20 'Share-Based Payment'. In accordance with the transitional provision, FRS 20 has been applied to all grants after 7 November 2002 that had not vested before 1 April 2005.

#### Change in accounting policy

The financial statements for the year ended 31 March 2007 have been drawn up using the same accounting policies as for the year ended 31 March 2006 subject to the adoption of FRS 20 'Share-Based Payment' this year. The effect of adopting FRS 20 has decreased the retained profit at 31 March 2007 by £387,288, increased deferred tax assets by £133,277 and given rise to a capital contribution of £520,565. The impact on prior year is not material, therefore a prior year adjustment has not been made.

### 2. OPERATING PROFIT

	2007 £	2006 £
Operating profit is stated after charging/(crediting)		
Depreciation - owned fixed assets	2,598,864	865,899
Amortisation	220,270	38,968
Operating lease rentals		
- other	627,843	233,675
- plant and equipment	52,258	55,922
Auditors' remuneration - audit services	58,725	5,500
Profit on disposal of tangible fixed assets	(104,547)	(64,740)

### 3. INTEREST

	2007 £	2006 £
<b>Interest received and similar income</b>		
Bank interest	131,691	-
Net return on pension schemes (note 17)	47,000	-
	<u>178,691</u>	<u>59,741</u>
<b>Interest paid and similar charges</b>		
Bank interest	<u>8,272</u>	<u>59,741</u>

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
<b>(a) Analysis of charge</b>		
United Kingdom corporation tax at 30% (2006 30%)	3,564,874	553,856
Adjustment in respect of prior periods	70,624	(88,365)
<b>Total current tax (note 4(b))</b>	<b>3,635,498</b>	<b>465,491</b>
Deferred taxation		
Timing differences - origination and reversal	(124,192)	(47,962)
Adjustment in respect of prior periods	(4,042)	84,296
Adjustment in respect of defined benefit asset	(7,800)	-
<b>Tax on profit on ordinary activities</b>	<b>3,499,464</b>	<b>501,825</b>

### (b) Factors affecting tax charge

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are as follows

	£	£
Profit on ordinary activities before tax	11,478,662	1,587,065
<b>Tax at 30% (2006 30%) thereon</b>	<b>3,443,599</b>	<b>476,120</b>
Expenses not deductible for tax purposes	(10,714)	29,774
Depreciation in excess of capital allowances	10,234	49,468
Adjustment in respect of prior periods	70,624	(88,365)
Other timing differences	121,755	(1,506)
<b>Current tax charge for the year (note 4(a))</b>	<b>3,635,498</b>	<b>465,491</b>

### (c) Factors affecting future tax charges

The expected reduction in the corporation tax rate to 28% is not anticipated to materially affect the future tax charge

### 5. DIVIDENDS

The dividends approved and paid in the year are as follows

	2007 £	2006 £
£65,830 (2006 £15,996) per share on £1 ordinary shares	6,583,000	1,599,583

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

### 6. INTANGIBLE FIXED ASSETS

	<b>Goodwill £</b>
<b>Cost</b>	
At 2 April 2006 and 31 March 2007	4,399,373
<b>Amortisation</b>	
At 2 April 2006	1,948,659
Charge for the financial year	220,270
At 31 March 2007	2,168,929
<b>Net book value</b>	
At 31 March 2007	2,230,444
At 1 April 2006	2,450,714

### 7. TANGIBLE FIXED ASSETS

	<b>Office equipment £</b>	<b>Plant and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>				
At 2 April 2006	1,928,808	11,236,533	5,710,036	18,875,377
Additions	274,270	1,923,948	862,102	3,060,320
Transfers in	8,465	20,181	167,027	195,673
Disposals	(1,904)	(21,164)	(1,081,468)	(1,104,536)
Transfers out	-	(6,890)	(66,329)	(73,219)
At 31 March 2007	2,209,639	13,152,608	5,591,368	20,953,615
<b>Depreciation</b>				
At 2 April 2006	1,395,896	8,557,807	3,609,655	13,563,358
Charge for the financial year	246,962	1,271,639	1,080,263	2,598,864
Transfers in	6,348	5,046	97,230	108,624
Disposals	(394)	(13,057)	(966,814)	(980,265)
Transfers out	-	(1,118)	(26,249)	(27,367)
At 31 March 2007	1,648,812	9,820,317	3,794,085	15,263,214
<b>Net book value</b>				
At 31 March 2007	560,827	3,332,291	1,797,283	5,690,401
At 31 March 2006	532,912	2,678,726	2,100,381	5,312,019

#### Capital commitments

At 31 March 2007 the directors had authorised capital expenditure of £110,990 (2006 nil)



# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

8. DEBTORS	2007 £	2006 £
Trade debtors	21,706,242	29,007,445
Amounts owed by group undertakings	6,067,770	5,182,264
Other debtors	524,560	524,972
Prepayments and accrued income	4,310,137	529,889
Deferred tax asset	493,149	332,785
	<u>33,101,858</u>	<u>35,577,355</u>

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

	£	£
Negative accelerated capital allowances	314,715	321,426
Short-term timing differences	25,036	11,359
Share-based payment	133,277	-
Other	12,321	-
Defined benefit pension scheme movements	7,800	-
	<u>493,149</u>	<u>332,785</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 £136,034 (2006 £36,334). The residual difference of £24,330 is because of the deferred tax asset within Industrial Cleaning (North) Limited, which was transferred with the transfer of trade.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2007 £	2006 £
Bank overdraft	1,283,722	1,860,759
Trade creditors	7,969,126	6,230,129
Amounts owed to group undertakings	15,996,302	15,031,181
Corporation tax	1,749,880	1,459,299
Other taxation and social security	7,252,384	7,891,198
Other creditors	407,844	212,919
Accruals and deferred income	8,517,229	15,098,172
	<u>43,176,487</u>	<u>47,783,657</u>

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

<b>10. CALLED UP SHARE CAPITAL</b>				<b>2007</b>	<b>2006</b>
				<b>£</b>	<b>£</b>
<b>Authorised</b>					
100 £1 Ordinary shares				100	100
				<u>          </u>	<u>          </u>
				<b>£</b>	<b>£</b>
<b>Allotted and fully paid</b>					
100 £1 Ordinary shares				100	100
				<u>          </u>	<u>          </u>
<b>11. RESERVES</b>					
	<b>Share capital</b>	<b>Capital contribution reserve</b>	<b>Profit and loss account</b>	<b>2007 Total</b>	<b>2006 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2006	100	-	3,578,890	3,578,990	4,093,333
Profit for the financial year	-	-	7,979,198	7,979,198	1,085,240
Dividends	-	-	(6,583,000)	(6,583,000)	(1,599,583)
Actuarial gain net of deferred tax	-	-	127,400	127,400	-
Increase for the financial year	-	520,565	-	520,565	-
First time recognition of TUPE defined benefit pension scheme	-	-	28,800	28,800	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 March 2006</b>	<b>100</b>	<b>520,565</b>	<b>5,131,288</b>	<b>5,651,953</b>	<b>3,578,990</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>				<b>2007</b>	<b>2006</b>
				<b>£</b>	<b>£</b>
Profit for the financial year				7,979,198	1,085,240
Capital contribution reserve				520,565	-
Dividends (note 5)				(6,583,000)	(1,599,583)
Actuarial gain on pension scheme (note 17)				182,000	-
Movement on deferred tax relating to pension scheme				(54,600)	-
First time recognition of TUPE defined benefit pension scheme				28,800	-
				<u>          </u>	<u>          </u>
Net addition/(reduction) to shareholders' funds				2,072,963	(514,343)
Opening shareholders' funds				3,578,990	4,093,333
				<u>          </u>	<u>          </u>
<b>Closing shareholders' funds</b>				<b>5,651,953</b>	<b>3,578,990</b>
				<u>          </u>	<u>          </u>

## MITIE CLEANING & SUPPORT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

#### 13. FINANCIAL COMMITMENTS

##### Operating leases

At 31 March 2007 the company had annual commitments under non-cancellable operating leases as follows

	2007 £	2006 £
<b>Land and buildings</b>		
Expiry date		
- within one year	26,550	110,125
- between two and five years	359,051	266,900
- after five years	293,272	337,872
	<u>678,873</u>	<u>714,897</u>
<b>Other</b>	<b>£</b>	<b>£</b>
Expiry date between two and five years	<u>55,966</u>	<u>212,524</u>

##### Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts and loans. As at 31 March 2007, the overall commitment was £20 million (2006 £33 million)

##### Performance bonds

The company had outstanding performance bonds as follows

	£	£
Performance bonds	<u>445,100</u>	<u>489,541</u>

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

### 14. DIRECTORS

	2007 £	2006 £
The emoluments of directors of the company were		
Fees and other emoluments (including benefits-in-kind)	1,207,878	179,775

Fees and emoluments disclosed above (excluding pension contributions) includes amounts paid to

	2007 £	2006 £
The highest paid director	258,198	-

	No.	No.
The number of directors who were members of a defined benefit pension scheme	4	-

The accrued pension of the highest paid director at 31 March 2007 was £16,438 (2006 £nil)

S C Baxter, 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. It is not practicable to allocate their remuneration between their services as directors of MITIE Cleaning & Support Services Limited and their services as directors of other group companies.

Four directors exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the period (2006 Three directors)

### 15. EMPLOYEES

#### Number of employees

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

	2007 No.	2006 No.
Site labour	15,442	3,796
Administration and management	627	132
	16,069	3,928

#### Employment costs

	£	£
Wages and salaries	137,519,401	28,457,800
Social security costs	7,686,611	1,709,638
Pension costs	532,629	91,738
Share-based payments (see note 16)	520,565	-
	146,259,206	30,259,176

## MITIE CLEANING & SUPPORT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

#### 16. SHARE-BASED PAYMENTS

The company participates in the following MITIE Group PLC share option schemes

##### The MITIE Group PLC 2001 Executive share option scheme

The Executive share option scheme is open to all employees. The exercise price is equal to the market value of the shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group. Before options can be exercised, the performance condition that must be satisfied is that the percentage growth in the earnings per share over a three year period must be equal or greater than 10.0% per annum compound.

##### The MITIE Group PLC 2001 Savings Related share option scheme

The Savings Related share option scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares on the day preceding the date on which invitations to participate in the Scheme are issued. The vesting period is five years. If the options remain unexercised after a period of five years and nine months from the date of grant, the options expire. Options may be forfeited if the employee leaves the Group.

Details of the share options outstanding during the year are as follows

	2007		2006	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of period <sup>(1)</sup>	2,477,456	127	2,800,641	120
Granted during the period	524,114	178	527,980	151
Forfeited during the period	(242,015)	129	(340,499)	130
Transferred to/from Group subsidiaries during the period	(10,184)	127	-	-
Exercised during the period	(526,639)	124	(510,666)	112
<b>Outstanding at the end of the period</b>	<b>2,222,732</b>	<b>140</b>	<b>2,477,456</b>	<b>127</b>
<b>Exercisable at the end of the period</b>	<b>617,300</b>	<b>119</b>	<b>737,524</b>	<b>116</b>

<sup>(1)</sup> Included within this balance are 651,384 (2006: 991,304) options that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20. Their exercise prices range from 57p to 174p (2006: 57p to 174p).

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

### 16. SHARE-BASED PAYMENTS (continued)

The company recognised the following expenses related to share-based payments

	2007 £
2001 Executive share options	359,688
2001 Saving Related share options	160,877
	<u>520,565</u>

The weighted average share price at the date of exercise for share options exercised during the period was 211p (2006 179p)

The options outstanding at 31 March 2007 had a weighted average exercise price of 140p (2006 127p) and a weighted average remaining contractual life of 5.24 years (2006 5.50 years)

In the year ended 31 March 2007, options were granted on 22 June 2006 and 24 July 2006 in respect of the Executive and Savings Related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £199,824.

In the year ended 31 March 2006, options were granted on 23 June 2005 and 20 July 2005 in respect of the Executive and Savings Related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £178,016.

The fair value of options is measured by use of the Black-Scholes models. The inputs into the Black-Scholes model are as follows:

	2007	2006
Share price (p)	130 to 193	98 to 161
Exercise price (p)	120 to 191	99 to 162
Expected volatility (%)	28 to 30	28 to 30
Expected life (years)	4 to 6	5 to 6
Risk-free rate (%)	4.17 to 5.12	4.17 to 5.12
Expected dividends (%)	1.43 to 2.29	1.43 to 2.12

Expected volatility was based on historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

## MITIE CLEANING & SUPPORT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

#### 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 30 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £0.5 million (2006: £1.8 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% (2006: 10%) and 7.5% (2006: 7.5%) for the group and employees respectively.

#### Other defined benefit schemes

In addition the company makes contributions under Admitted Body status to our customers' defined benefit schemes in respect of certain TUPE employees. These valuations are updated by the actuaries, the related current service cost, and past service cost were measured using the projected unit credit method.

For the Admitted Body Schemes which are all part of the Local Government Pension Scheme, the company will only participate for a finite period up to the end of the contracts. The company is required to pay regular contributions as decided by the relevant Scheme Actuary and detailed in the schemes' Schedule of Contributions.

	2007 %	2006 %
Key assumptions used for FRS 17 valuation		
Discount rate	5.30	5.30
Expected return on scheme assets		
Equity instruments	8.00	8.00
Debt instruments	7.50	7.50
Property	5.00	5.00
Other assets	5.25	5.25
Expected rate of salary increases	4.75 - 3.75	4.75 - 3.75
Future pension increases	3.20	3.20

The overall expected return on assets is calculated as the weighted average of the expected return of each asset class. The expected return on equities is the sum of dividend growth and capital growth net of investment expenses. The return on gilts and bonds is the current market yield on long-term bonds. Expected return on property has been set equal to that expected on equities less a margin. The expected return on other assets is the rate earned by the scheme on cash.

Amounts recognised in administrative expenses in respect of these defined benefit schemes are as follows:

	2007 £'000
Current service cost	(255)

## MITIE CLEANING & SUPPORT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

#### 17. PENSION ARRANGEMENTS (continued)

Amounts recognised in interest in respect of these defined benefit schemes are as follows

	<b>2007</b>
	<b>£'000</b>
Interest cost	(149)
Expected return on scheme assets	196
	<u>47</u>

Amounts recognised in the statement of total recognised gains and losses are as follows

	<b>£'000</b>
Actual return on scheme assets	35
Experience adjustments arising on plan liabilities	147
	<u>182</u>

The cumulative amount of actuarial gain recognised since 1 April 2006 in the statement of recognised gains and losses is £182,000

The amounts included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes are as follows

	<b>£'000</b>
Fair value of scheme assets	3,621
Present value of defined benefit obligations	(3,435)
	<u>186</u>
Surplus in the scheme	186
Related deferred tax liability	(56)
	<u>130</u>
<b>Net pension asset</b>	



# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

### 17. PENSION ARRANGEMENTS (continued)

Movements in the present value of defined benefit obligations were as follows **2007**  
**£'000**

At 1 April 2006	-
Service cost	255
Settlement gain	-
Interest cost	146
Contributions from scheme members	(165)
Actuarial gains and losses	(147)
Benefits paid	111
Contract transfers	3,235
<b>At 31 March 2007</b>	<b>3,435</b>

Movements in the fair value of the scheme assets were as follows **£'000**

At 1 April 2006	-
Expected return on scheme assets	196
Actuarial gains and losses	35
Contributions from the sponsoring companies	182
Contributions from scheme members	61
Benefits paid	(114)
Contract transfers	3,261
<b>At 31 March 2007</b>	<b>3,621</b>

The analysis of the scheme assets at the balance sheet date was as follows **£'000**

Equity instruments	2,673
Debt instruments	405
Property	211
Other assets	332
<b>At 31 March 2007</b>	<b>3,621</b>

## **MITIE CLEANING & SUPPORT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2007**

#### **18 RELATED PARTY TRANSACTIONS**

MITIE Group PLC control greater than 90% of the voting rights of MITIE Cleaning & Support Services Limited. As such, MITIE Cleaning & Support Services 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.

#### **19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent company of MITIE Cleaning & Support Services 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.