

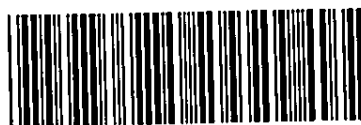
Company Registration Number 686377

**MITIE CLEANING & ENVIRONMENTAL
SERVICES LIMITED**
(formerly MITIE Cleaning & Support
Services Limited)

Report and Financial Statements

31 March 2009

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MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

REPORT AND FINANCIAL STATEMENTS 2009

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MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
M A Freeman
N R Goodman
D J Johnson
R McGregor-Smith
E J Manning
D A Noel
P W Stirland
MITIE Administration 1 (appointed 27 April 2009)
MITIE Administration 2 (appointed 27 April 2009)

SECRETARY

MITIE Company Secretarial Services Limited

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte LLP
Bristol

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

DIRECTORS' REPORT

The directors present their report and audited financial statements for the financial year ended 31 March 2009.

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 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.

As shown in the company's profit and loss account on page 6, the company's sales have decreased by 3% over the prior year. Profit after tax has increased by 10%.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end has, in net assets terms, improved upon the 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.

On 1 April 2009 the company changed its name from MITIE Cleaning & Support Services Limited to MITIE Cleaning & Environmental Services Limited.

DIVIDENDS

A dividend of £68,956 (2008: £68,824) per ordinary share was approved and paid during the year.

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

DIRECTORS' REPORT (continued)

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 2009 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 42 days (2008: 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 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.

GOING CONCERN

The company was profitable in the year, and the directors have considered at a detailed level the forecast profit and associated cash flows over the next 12 months. The directors have also considered the facilities available to the entity and believe that the company can continue to operate within the facilities available for the period of the cash flow forecast.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors have adopted the going concern basis in preparing the annual report and accounts.

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

DIRECTORS' REPORT (continued)

DIRECTORS

The directors during the year and subsequently were as follows:

S C Baxter
M A Freeman
N R Goodman
D J Johnson
N E Kay (resigned 29 January 2009)
R McGregor-Smith
E J Manning
D A Noel
P W Stirland
MITIE Administration 1 (appointed 27 April 2009)
MITIE Administration 2 (appointed 27 April 2009)

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.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP.

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 LLP are deemed to continue as auditors.

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



S C Baxter
Director

9 July 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED **(formerly MITIE Cleaning & Support Services Limited)**

We have audited the financial statements of MITIE Cleaning & Environmental Services Limited (formerly MITIE Cleaning & Support Services Limited) for the year ended 31 March 2009 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 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 31 March 2009 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 LLP

DELOITTE LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom

10 July 2009

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2009

	Note	Continuing operations	
		2009	2008
		£'000	£'000
TURNOVER	1	199,071	204,909
Cost of sales		(163,103)	(169,884)
GROSS PROFIT		35,968	35,025
Administrative expenses		(22,842)	(22,935)
OPERATING PROFIT	2	13,126	12,090
Interest received and similar income	3	131	184
Interest paid and similar charges	3	(3)	(5)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		13,254	12,269
Tax on profit on ordinary activities	4	(3,829)	(3,670)
PROFIT FOR THE FINANCIAL YEAR	12	9,425	8,599

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2009

	Note	2009	2008
		£'000	£'000
Profit for the financial year	12	9,425	8,599
Actuarial loss relating to pension scheme	17	(109)	(192)
UK deferred tax attributable to actuarial gain		31	58
Total recognised gains and losses relating to the year		9,347	8,465

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

BALANCE SHEET
At 31 March 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Intangible assets	6	1,791	2,010
Tangible assets	7	6,408	5,927
		<u>8,199</u>	<u>7,937</u>
CURRENT ASSETS			
Debtors	8	36,434	37,278
Cash at bank and in hand		12,120	5,484
		<u>48,554</u>	<u>42,762</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(46,747)	(43,359)
NET CURRENT ASSETS/(LIABILITIES)		<u>1,807</u>	<u>(597)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		10,006	7,340
PENSION LIABILITY	17	(31)	(2)
NET ASSETS		<u>9,975</u>	<u>7,338</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	9,975	7,338
SHAREHOLDERS' FUNDS	12	<u>9,975</u>	<u>7,338</u>

These financial statements were approved by the Board of Directors on

9 July

2009.

Signed on behalf of the Board of Directors



S C Baxter
Director

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

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 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 & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

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 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.

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

1. ACCOUNTING POLICIES (continued)

Going concern

The financial statements have been prepared under the going concern basis as discussed on page 4.

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.

2. OPERATING PROFIT

	2009	2008
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Depreciation - owned fixed assets	2,512	2,339
Amortisation	219	220
Operating lease rentals:		
- other	525	573
- plant and equipment	39	18
Auditors' remuneration - audit services	45	64
Loss/(profit) on disposal of tangible fixed assets	182	(365)
	<u> </u>	<u> </u>

3. INTEREST

	2009	2008
	£'000	£'000
Interest received and similar income		
Bank interest	66	119
Net return on pension schemes (note 17)	65	65
	<u>131</u>	<u>184</u>
 Interest paid and similar charges	 £	 £
Bank interest	<u>3</u>	<u>5</u>

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009	2008
	£'000	£'000
(a) Analysis of charge		
United Kingdom corporation tax at 28% (2008: 30%)	3,906	3,609
Adjustment in respect of prior periods	(99)	(36)
Total current tax (note 4(b))	3,807	3,573
Deferred taxation:		
Timing differences - origination and reversal	(90)	29
Adjustment in respect of prior periods	112	40
Decrease in tax rate	-	28
Tax on profit on ordinary activities	3,829	3,670

(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 28% (2008: 30%). The differences are as follows:

	£'000	£'000
Profit on ordinary activities before tax	13,254	12,269
Tax at 28% thereon (2008: 30%)	3,711	3,681
Tax relief on share options	27	(162)
Expenses not deductible for tax purposes	94	112
Depreciation less than capital allowances	88	(39)
Other timing differences	(14)	23
Adjustment in respect of prior periods	(99)	(36)
Utilisation of tax losses	-	(6)
Current tax charge for the year (note 4(a))	3,807	3,573

5. DIVIDENDS

	2009	2008
	£'000	£'000
The dividends approved and paid in the year are as follows:		
£68,956 (2008: £68,824) per share on £1 ordinary shares	6,896	6,882

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

6. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 April 2008 and 31 March 2009	4,399
Amortisation	
At 1 April 2008	2,389
Charge for the financial year	219
At 31 March 2009	2,608
Net book value	
At 31 March 2009	1,791
At 31 March 2008	2,010

7. TANGIBLE FIXED ASSETS

	Office equipment £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 2008	2,378	12,010	4,932	19,320
Additions	934	1,121	1,168	3,223
Transfers in	1	-	-	1
Disposals	(358)	(5,276)	(1,780)	(7,414)
Transfers out	(1)	-	(7)	(8)
At 31 March 2009	2,954	7,855	4,313	15,122
Depreciation				
At 1 April 2008	1,795	8,900	2,698	13,393
Charge for the financial year	409	1,183	920	2,512
Disposals	(348)	(5,229)	(1,612)	(7,189)
Transfers out	(1)	-	(1)	(2)
At 31 March 2009	1,855	4,584	2,005	8,714
Net book value				
At 31 March 2009	1,099	3,001	2,308	6,408
At 31 March 2008	583	3,110	2,234	5,927

Capital commitments

At 31 March 2009 the directors had authorised capital expenditure of £102,755 (2008: nil).

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

8. DEBTORS	2009	2008
	£'000	£'000
Trade debtors	27,912	28,331
Amounts owed by group undertakings	5,450	3,777
Other debtors	1,223	841
Prepayments and accrued income	1,475	3,933
Deferred tax asset	374	396
	<u>36,434</u>	<u>37,278</u>

A net deferred tax asset of £373,946 has been recognised at 31 March 2009 (2008: £395,819). This asset relates to negative accelerated capital allowances, timing differences relating to share-based payments and other short-term timing differences. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount charged to the profit and loss account in the year was £21,873 (2008: £97,329).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2009	2008
	£'000	£'000
Bank overdraft	996	721
Trade creditors	10,359	8,128
Amounts owed to group undertakings	16,367	13,756
Corporation tax	1,856	1,597
Other taxation and social security	5,845	8,141
Other creditors	1,280	1,108
Accruals and deferred income	10,044	9,908
	<u>46,747</u>	<u>43,359</u>

10. CALLED UP SHARE CAPITAL	2009	2008
	£	£
Authorised		
100 £1 Ordinary shares	<u>100</u>	<u>100</u>
	£	£
Allotted and fully paid		
100 £1 Ordinary shares	<u>100</u>	<u>100</u>

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

11. RESERVES

	2009	2008
	£'000	£'000
Profit and loss account		
At 1 April	7,338	5,652
Profit for the financial year	9,425	8,599
Dividends	(6,896)	(6,882)
Capital contribution for the financial year	186	103
Actuarial loss net of deferred tax	(78)	(134)
At 31 March	9,975	7,338

In the prior year the capital contribution from MITIE Group PLC was presented in a separate reserve; in the current year it is presented as part of the profit and loss account reserve.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009	2008
	£'000	£'000
Profit for the financial year	9,425	8,599
Capital contribution	186	103
Dividends (note 5)	(6,896)	(6,882)
Actuarial gain on pension scheme (note 17)	(109)	(192)
Movement on deferred tax relating to pension scheme	31	58
Net addition to shareholders' funds	2,637	1,686
Opening shareholders' funds	7,338	5,652
Closing shareholders' funds	9,975	7,338

13. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2009 the company had annual commitments under non-cancellable operating leases as follows:

	2009	2008
	£'000	£'000
Land and buildings		
Expiry date:		
- within one year	638	548
- between two and five years	1,234	1,548
- after five years	9	195
	1,881	2,291

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

13. FINANCIAL COMMITMENTS (continued)

	2009 £'000	2008 £'000
Other		
Expiry date between two and five years	-	18

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 2009, the overall commitment was £10 million (2008: £50 million).

Performance bonds

The company had outstanding performance bonds as follows:	£'000	£'000
Performance bonds	92	79

14. DIRECTORS

The emoluments of directors of the company were:	2009 £'000	2008 £'000
Fees and other emoluments (including benefits-in-kind)	1,072	1,214
Fees and emoluments disclosed above (excluding pension contributions) includes amounts paid to:	£'000	£'000
The highest paid director	360	278
	No.	No.
The number of directors who were members of a defined benefit pension scheme	5	5

The accrued pension of the highest paid director at 31 March 2009 was £20,769 (2008: £18,305).

S C Baxter, N R Goodman and R McGregor-Smith are directors of MITIE Group PLC and P W Stirland is a director of MITIE Facilities Services Limited. All disclosures relating to their emoluments, pension details and share options are disclosed in the MITIE Group PLC and MITIE Facilities Services Limited accounts respectively. It is not practicable to allocate their remuneration between their services as directors of MITIE Cleaning & Environmental Services Limited (formerly MITIE Cleaning & Support Services Limited) and their services as directors of other group companies.

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

15. EMPLOYEES

Number of employees

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

	2009 No.	2008 No.
Site labour	14,075	15,789
Administration and management	758	734
	<u>14,833</u>	<u>16,523</u>
Employment costs	£'000	£'000
Wages and salaries	126,154	136,796
Social security costs	8,105	8,578
Pension costs	278	841
Share-based payments (see note 16)	186	103
	<u>134,723</u>	<u>146,318</u>

16. SHARE-BASED PAYMENTS

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

The MITIE Group PLC Long Term Incentive Plan (LTIP)

The LTIP was introduced in 2007. The awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management. Where offered as options the exercise price is nil. The vesting period is three years. If the awards remain unexercised after a period of four years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the Group. Before the awards can be exercised, a performance condition must be satisfied; the number of awards that vest is determined by a sliding scale above the Retail Price Index per annum compound growth in earnings per share over a three-year period.

The MITIE Group PLC 1991 Executive share option scheme

The Executive share option scheme exercise price is equal to the market value of the shares over the five day period immediately preceding 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. No options have been granted under this scheme since August 2001.

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
(formerly MITIE Cleaning & Support Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

16. SHARE-BASED PAYMENTS (continued)

The MITIE Group PLC 2001 Executive share option scheme

The Executive share option scheme exercise price is equal to the market value of the shares over the five day period immediately preceding 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 in respect of awards prior to July 2007 and 4.0% above the Retail Price per annum thereafter.

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. For options granted prior to September 2008, the vesting period is five years. For options granted in September 2008 and thereafter, the vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, 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:

	2009		2008	
	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 ⁽¹⁾	1,961,687	166	2,222,732	140
Granted during the period	571,524	196	450,873	231
Forfeited during the period	(231,160)	146	(297,050)	142
Transferred to Group subsidiaries during the period	(53,262)	142	(43,631)	146
Exercised during the period	(154,580)	139	(371,237)	107
Outstanding at the end of the period	2,094,209	179	1,961,687	166
Exercisable at the end of the period	562,399	140	531,069	131

⁽¹⁾ Included within this balance are 195,600 (2008: 300,069) 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 95p to 174p (2008: 57p to 174p).

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16. SHARE-BASED PAYMENTS (continued)

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

	2009	2008
	£'000	£'000
Long Term Incentive Plan (LTIP)	14	6
2001 Executive share options	81	85
2001 Saving related share options	91	13
	<u>186</u>	<u>103</u>

The weighted average share price at the date of exercise for share options exercised during the period was 209p (2008: 259p).

The options outstanding at 31 March 2009 had a weighted average exercise price of 179p (2008: 166p) and a weighted average remaining contractual life of 5.11 years (2008: 5.30 years).

In the year ended 31 March 2009, options were granted in June, July and September 2008 in respect of the Executive, Savings related share option and LTIP schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £191,656.

In the year ended 31 March 2008, options were granted in July and August 2007 in respect of the Executive, Savings related share option and LTIP schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £191,429.

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

	2009	2008
Share price (p)	133 to 230	133 to 230
Exercise price (p)	0 to 254	120 to 254
Expected volatility (%)	27 to 30	27 to 30
Expected life (years)	3 to 6	4 to 5
Risk-free rate (%)	4.17 to 5.25	4.17 to 5.25
Expected dividends (%)	1.43 to 3.15	1.43 to 2.29

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.

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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 34 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' pension surplus of £3.0 million (2008: £9.9 million).

Total employer and employee contributions to the scheme for the period are shown in note 15 and the agreed contribution rate for the next 12 months is 17.5% (2008: 17.5%).

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.

	2009	2008
	%	%
Key assumptions used for FRS 17 valuation:		
Discount rate	6.60	6.30
Expected return on scheme assets:		
Equity instruments	8.00	8.00
Debt instruments	5.00	5.00
Property	7.50	7.50
Other assets	3.50	5.25
Expected rate of salary increases	3.50	3.80
Future pension increases	3.00	3.30
Inflation	3.00	3.30

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.

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17. PENSION ARRANGEMENTS (continued)

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

	2009	2008
	£'000	£'000
Current service cost	<u>(172)</u>	<u>(229)</u>

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

	£'000	£'000
Interest cost	(204)	(203)
Expected return on scheme assets	<u>269</u>	<u>268</u>
	<u>65</u>	<u>65</u>

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

	£'000	£'000
Actual return less expected return on scheme assets	987	(1,302)
Experience adjustments arising on plan liabilities	(1,822)	1,920
Contract adjustment	<u>726</u>	<u>(810)</u>
	<u>(109)</u>	<u>(192)</u>

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:

	£'000	£'000
Fair value of scheme assets	4,227	2,795
Present value of defined benefit obligations	<u>(4,187)</u>	<u>(1,987)</u>
Surplus in the scheme	40	808
Contract adjustment	(82)	(810)
Related deferred tax liability	<u>11</u>	<u>-</u>
Net pension liability	<u>(31)</u>	<u>(2)</u>

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17. PENSION ARRANGEMENTS (continued)

Movements in the present value of defined benefit obligations were as follows:	2009	2008
	£'000	£'000
At 1 April	1,987	3,435
Service cost	172	229
Interest cost	204	203
Contributions from scheme members	62	62
Actuarial gains and losses	1,822	(1,920)
Benefits paid	(116)	(22)
Contract transfers	56	-
At 31 March	4,187	1,987

Movements in the fair value of the scheme assets were as follows:	£'000	£'000
At 1 April	2,795	3,621
Expected return on scheme assets	269	268
Actuarial gains and losses	987	(1,302)
Contributions from the sponsoring companies	173	168
Contributions from scheme members	62	62
Benefits paid	(116)	(22)
Contract transfers	57	-
At 31 March	4,227	2,795

The analysis of the scheme assets at the balance sheet date was as follows:	£'000	£'000
Equity instruments	2,630	2,059
Debt instruments	429	316
Property	206	162
Other assets	962	258
At 31 March	4,227	2,795

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18. RELATED PARTY TRANSACTIONS

MITIE Group PLC control greater than 90% of the voting rights of MITIE Cleaning & Environmental Services Limited (formerly MITIE Cleaning & Support Services Limited). As such, MITIE Cleaning & Environmental 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 directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. The immediate controlling party is MITIE Facilities Services Limited. MITIE Facilities Services Limited is the smallest group and MITIE Group PLC the largest group for which group accounts are prepared. Copies of these financial statements can be obtained from the company secretary at the registered office.