

Company Registration Number 686377

**MITIE CLEANING & SUPPORT SERVICES LIMITED**

**Report and Financial Statements**

**31 March 2008**

FRIDAY



\*A598A1PW\*

A09

25/07/2008

28

COMPANIES HOUSE

# **MITIE CLEANING & SUPPORT SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

### **CONTENTS**

	<b>Page</b>
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	5
Profit and loss account	6
Statement of total recognised gains and losses	6
Balance sheet	7
Notes to the financial statements	8

# **MITIE CLEANING & SUPPORT SERVICES LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

S C Baxter  
M A Freeman  
N R Goodman  
D J Johnson  
N E Kay  
R McGregor-Smith  
E J Manning  
D A Noel  
P W Sturland

### **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 & 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 2008

### **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. 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 6, the company's sales have increased by 12% over the prior year. Profit after tax has increased by 8%.

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.

### **DIVIDENDS**

A dividend of £68,824 (2007: £65,830) per ordinary share was approved and paid during the year.

## **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 2008 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 27 days (2007: 60 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**

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  
R McGregor-Smith  
E J Manning  
D A Noel  
P W Stirland

#### **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

17 July 2008

## **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 2008 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 2008 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

17 July 2008

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 2008

	Note	Continuing operations	
		2008	2007
		£	£
<b>TURNOVER</b>	1	204,908,822	182,684,042
Cost of sales		(169,883,661)	(150,139,004)
<b>GROSS PROFIT</b>		35,025,161	32,545,038
Administrative expenses		(22,935,318)	(21,236,795)
<b>OPERATING PROFIT</b>	2	12,089,843	11,308,243
Interest received and similar income	3	184,380	178,691
Interest paid and similar charges	3	(4,683)	(8,272)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		12,269,540	11,478,662
Tax on profit on ordinary activities	4	(3,670,216)	(3,499,464)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	12	8,599,324	7,979,198

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 March 2008

	2008	2007
	£	£
Profit for the financial year	8,599,324	7,979,198
Actuarial (loss)/gain relating to pension scheme (note 17)	(192,103)	182,000
UK deferred tax attributable to actuarial gain	57,631	(54,600)
First time recognition of TUPE defined benefit pension scheme	-	28,800
<b>Total recognised gains and losses relating to the year</b>	<b>8,464,852</b>	<b>8,135,398</b>



# MITIE CLEANING & SUPPORT SERVICES LIMITED

## BALANCE SHEET At 31 March 2008

	Note	£	2008 £	£	2007 £
<b>FIXED ASSETS</b>					
Intangible assets	6		2,010,474		2,230,444
Tangible assets	7		5,926,595		5,690,401
			<u>7,937,069</u>		<u>7,920,845</u>
<b>CURRENT ASSETS</b>					
Debtors	8	37,277,811		33,101,858	
Cash at bank and in hand		5,483,781		7,675,537	
			<u>42,761,592</u>	<u>40,777,395</u>	
<b>CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	(43,359,431)		(43,176,487)	
<b>NET CURRENT LIABILITIES</b>			<u>(597,839)</u>		<u>(2,399,092)</u>
<b>NET ASSETS EXCLUDING PENSION (LIABILITY)/ASSET</b>			7,339,230		5,521,753
<b>PENSION (LIABILITY)/ASSET</b>	17		(1,600)		130,200
<b>NET ASSETS</b>			<u>7,337,630</u>		<u>5,651,953</u>
<b>SHARE CAPITAL AND RESERVES</b>					
Called up share capital	10		100		100
Capital contribution reserve	11		623,779		520,565
Profit and loss account	11		6,713,751		5,131,288
<b>SHAREHOLDERS' FUNDS</b>	12		<u>7,337,630</u>		<u>5,651,953</u>

These financial statements were approved by the Board of Directors on 17 July 2008

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 2008**

#### **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 & SUPPORT SERVICES LIMITED**

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

**Year ended 31 March 2008**

#### **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 & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 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.

### 2. OPERATING PROFIT

	2008 £	2007 £
Operating profit is stated after charging/(crediting)		
Depreciation - owned fixed assets	2,338,985	2,598,864
Amortisation	219,970	220,270
Operating lease rentals		
- other	573,440	627,843
- plant and equipment	18,171	52,258
Auditors' remuneration - audit services	63,508	58,725
Profit on disposal of tangible fixed assets	(365,482)	(104,547)

### 3. INTEREST

	2008 £	2007 £
Interest received and similar income		
Bank interest	119,380	131,691
Net return on pension schemes (note 17)	65,000	47,000
	<u>184,380</u>	<u>178,691</u>
Interest paid and similar charges	£	£
Bank interest	<u>4,683</u>	<u>8,272</u>

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
<b>(a) Analysis of charge</b>		
United Kingdom corporation tax at 30% (2007 30%)	3,608,506	3,564,874
Adjustment in respect of prior periods	(35,619)	70,624
<b>Total current tax (note 4(b))</b>	<b>3,572,887</b>	<b>3,635,498</b>
Deferred taxation		
Timing differences - origination and reversal	29,280	(124,192)
Adjustment in respect of prior periods	39,776	(4,042)
Adjustment in respect of defined benefit asset	-	(7,800)
Decrease in tax rate	28,273	-
<b>Tax on profit on ordinary activities</b>	<b>3,670,216</b>	<b>3,499,464</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% (2007 30%). The differences are as follows

	£	£
Profit on ordinary activities before tax	12,269,540	11,478,662
	£	£
Tax at 30% thereon	3,680,862	3,443,599
Tax relief on share options	(161,780)	-
Expenses not deductible for tax purposes	111,806	(10,714)
Depreciation (less than)/in excess of capital allowances	(38,976)	10,234
Other timing differences	22,858	121,755
Adjustment in respect of prior periods	(35,619)	70,624
Utilisation of tax losses	(6,264)	-
<b>Current tax charge for the year (note 4(a))</b>	<b>3,572,887</b>	<b>3,635,498</b>

### (c) Factors affecting future tax charges

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

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

### 5 DIVIDENDS

The dividends approved and paid in the year are as follows

	2008 £	2007 £
£68,824 (2007 £65,830) per share on £1 ordinary shares	<u>6,882,389</u>	<u>6,583,000</u>

### 6. INTANGIBLE FIXED ASSETS

	Goodwill £
<b>Cost</b>	
At 1 April 2007 and 31 March 2008	<u>4,399,373</u>
<b>Amortisation</b>	
At 1 April 2007	2,168,929
Charge for the financial year	<u>219,970</u>
At 31 March 2008	<u>2,388,899</u>
<b>Net book value</b>	
At 31 March 2008	<u>2,010,474</u>
At 31 March 2007	<u>2,230,444</u>

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

### 7. TANGIBLE FIXED ASSETS

	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 April 2007	2,209,639	13,152,608	5,591,368	20,953,615
Additions	319,101	1,130,239	1,464,064	2,913,404
Transfers in	-	-	3,638	3,638
Disposals	(150,334)	(2,272,658)	(2,089,561)	(4,512,553)
Transfers out	-	-	(38,049)	(38,049)
At 31 March 2008	2,378,406	12,010,189	4,931,460	19,320,055
<b>Depreciation</b>				
At 1 April 2007	1,648,812	9,820,317	3,794,085	15,263,214
Charge for the financial year	291,515	1,183,957	863,513	2,338,985
Disposals	(145,747)	(2,103,221)	(1,941,526)	(4,190,494)
Transfers out	-	-	(18,245)	(18,245)
At 31 March 2008	1,794,580	8,901,053	2,697,827	13,393,460
<b>Net book value</b>				
At 31 March 2008	583,826	3,109,136	2,233,633	5,926,595
At 31 March 2007	560,827	3,332,291	1,797,283	5,690,401

### Capital commitments

At 31 March 2008 the directors had authorised capital expenditure of nil (2007 £110,990)

### 8. DEBTORS

	2008 £	2007 £
Trade debtors	28,330,592	21,706,242
Amounts owed by group undertakings	3,776,703	6,067,770
Other debtors	841,878	524,560
Prepayments and accrued income	3,932,819	4,310,137
Deferred tax asset	395,819	493,149
	<u>37,277,811</u>	<u>33,101,858</u>

A net deferred tax asset of £395,819 has been recognised at 31 March 2008 (2007 £493,149). 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 £97,329 (2007 credit of £136,034).

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2008 £	2007 £
Bank overdraft	720,570	1,283,722
Trade creditors	8,127,536	7,969,126
Amounts owed to group undertakings	13,757,093	15,996,302
Corporation tax	1,596,877	1,749,880
Other taxation and social security	8,141,801	7,252,384
Other creditors	1,108,052	407,844
Accruals and deferred income	9,907,502	8,517,229
	<u>43,359,431</u>	<u>43,176,487</u>

10. CALLED UP SHARE CAPITAL	2008 £	2007 £
<b>Authorised</b>		
100 £1 Ordinary shares	<u>100</u>	<u>100</u>
	£	£
<b>Allotted and fully paid</b>		
100 £1 Ordinary shares	<u>100</u>	<u>100</u>

11. RESERVES	Share capital £	Capital contribution reserve £	Profit and loss account £	2008 Total £	2007 Total £
At 1 April	100	520,565	5,131,288	5,651,953	3,578,990
Profit for the financial year	-	-	8,599,324	8,599,324	7,979,198
Dividends	-	-	(6,882,389)	(6,882,389)	(6,583,000)
Actuarial gain net of deferred tax	-	-	(134,472)	(134,472)	127,400
Increase for the financial year	-	103,214	-	103,214	520,565
First time recognition of TUPE defined benefit pension scheme	-	-	-	-	28,800
<b>At 31 March</b>	<u>100</u>	<u>623,779</u>	<u>6,713,751</u>	<u>7,337,630</u>	<u>5,651,953</u>



# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2008 £	2007 £
Profit for the financial year	8,599,324	7,979,198
Capital contribution reserve	103,214	520,565
Dividends (note 5)	(6,882,389)	(6,583,000)
Actuarial gain on pension scheme (note 17)	(192,103)	182,000
Movement on deferred tax relating to pension scheme	57,631	(54,600)
First time recognition of TUPE defined benefit pension scheme	-	28,800
Net addition to shareholders' funds	1,685,677	2,072,963
Opening shareholders' funds	5,651,953	3,578,990
Closing shareholders' funds	7,337,630	5,651,953

## 13. FINANCIAL COMMITMENTS

### Operating leases

At 31 March 2008 the company had annual commitments under non-cancellable operating leases as follows

	2008 £	2007 £
<b>Land and buildings</b>		
Expiry date		
- within one year	548,172	26,550
- between two and five years	1,547,946	359,051
- after five years	194,600	293,272
	2,290,718	678,873
<b>Other</b>	£	£
Expiry date between two and five years	18,171	55,966

### 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 2008, the overall commitment was £50 million (2007 £20 million)

### Performance bonds

The company had outstanding performance bonds as follows

	£	£
Performance bonds	79,500	445,100

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

### 14. DIRECTORS

	2008 £	2007 £
The emoluments of directors of the company were		
Fees and other emoluments (including benefits-in-kind)	<u>1,213,678</u>	<u>1,207,878</u>
Fees and emoluments disclosed above (excluding pension contributions) includes amounts paid to	£	£
The highest paid director	<u>277,516</u>	<u>258,198</u>
	No	No.
The number of directors who were members of a defined benefit pension scheme	<u>5</u>	<u>4</u>

The accrued pension of the highest paid director at 31 March 2008 was £18,305 (2007 £16,438)

S C Baxter and R McGregor-Smith are directors of MITIE Group PLC. All disclosures relating to their emoluments, pension details and share options 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.

### 15. EMPLOYEES

#### Number of employees

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

	2008 No	2007 No.
Site labour	15,789	15,442
Administration and management	734	627
	<u>16,523</u>	<u>16,069</u>
Employment costs	£	£
Wages and salaries	136,796,007	124,876,068
Social security costs	8,577,578	7,686,611
Pension costs	841,195	532,629
Share-based payments (see note 16)	103,214	520,565
	<u>146,317,994</u>	<u>133,615,873</u>

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

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

**Year ended 31 March 2008**

#### **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 in respect of awards prior to 26 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. 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.

##### **The MITIE Group PLC Long Term Incentive Plan (LTIP)**

The LTIP was introduced in July 2007 following shareholder approval at the AGM. 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 of between 5.0% and 14% above the Retail price Index per annum compound growth in earnings per share over a three-year period.

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

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

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

	2008		2007	
	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>	2,222,732	140	2,477,456	127
Granted during the period	450,873	231	524,114	178
Forfeited during the period	(297,050)	142	(242,015)	129
Transferred to Group subsidiaries during the period	(43,631)	146	(10,184)	127
Exercised during the period	(371,237)	107	(526,639)	124
<b>Outstanding at the end of the period</b>	<b>1,961,687</b>	<b>166</b>	<b>2,222,732</b>	<b>140</b>
<b>Exercisable at the end of the period</b>	<b>531,069</b>	<b>131</b>	<b>617,300</b>	<b>119</b>

<sup>(1)</sup> Included within this balance are 300,069 (2007 651,384) 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 (2007 57p to 174p).

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

	2008 £	2007 £
2001 Executive share options	84,656	359,688
2001 Savings related share options	12,846	160,877
Long Term Incentive Plan (LTIP)	5,712	-
	<b>103,214</b>	<b>520,565</b>

The weighted average share price at the date of exercise for share options exercised during the period was 259p (2007 211p)

The options outstanding at 31 March 2008 had a weighted average exercise price of 166p (2007 140p) and a weighted average remaining contractual life of 5.30 years (2007 5.24 years)

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.

## MITIE CLEANING & SUPPORT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

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

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.

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

	2008	2007
Share price (p)	133 to 230	130 to 193
Exercise price (p)	120 to 254	120 to 191
Expected volatility (%)	27 to 30	28 to 30
Expected life (years)	4 to 5	4 to 6
Risk-free rate (%)	4.17 to 5.25	4.17 to 5.12
Expected dividends (%)	1.43 to 2.29	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.

#### 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' pension surplus of £9.9 million (2007: £0.5 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% (2007: 10%) and 7.5% (2007: 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.

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 17. PENSION ARRANGEMENTS (continued)

	2008	2007
	%	%
Key assumptions used for FRS 17 valuation		
Discount rate	6.30	5.30
Expected return on scheme assets		
Equity instruments	8.00	8.00
Debt instruments	5.00	5.00
Property	7.50	7.50
Other assets	5.25	5.25
Expected rate of salary increases	3.80	3.75
Future pension increases	3.30	3.00

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

	£'000	£'000
Current service cost	(229)	(255)

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

	£'000	£'000
Interest cost	(203)	(149)
Expected return on scheme assets	268	196
	<u>65</u>	<u>47</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	(1,302)	35
Experience adjustments arising on plan liabilities	1,920	147
Contract adjustment	(810)	-
	<u>(192)</u>	<u>182</u>

# MITIE CLEANING & SUPPORT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 17. PENSION ARRANGEMENTS (continued)

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

	2008 £'000	2007 £'000
Fair value of scheme assets	2,795	3,621
Present value of defined benefit obligations	(1,987)	(3,435)
Surplus in the scheme	808	186
Contract adjustment	(810)	-
Related deferred tax liability	-	(56)
<b>Net pension (liability)/asset</b>	<b>(2)</b>	<b>130</b>

Movements in the present value of defined benefit obligations were as follows

	£'000	£'000
At 1 April 2007	3,435	-
Service cost	229	255
Interest cost	203	149
Contributions from scheme members	62	61
Actuarial gains and losses	(1,920)	(147)
Benefits paid	(22)	(114)
Contract transfers	-	3,231
<b>At 31 March 2008</b>	<b>1,987</b>	<b>3,435</b>

Movements in the fair value of the scheme assets were as follows

	£'000	£'000
At 1 April 2007	3,621	-
Expected return on scheme assets	268	196
Actuarial gains and losses	(1,302)	35
Contributions from the sponsoring companies	168	182
Contributions from scheme members	62	61
Benefits paid	(22)	(114)
Contract transfers	-	3,261
<b>At 31 March 2008</b>	<b>2,795</b>	<b>3,621</b>

## MITIE CLEANING & SUPPORT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

#### 17 PENSION ARRANGEMENTS (continued)

The analysis of the scheme assets at the balance sheet date was as follows	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Equity instruments	2,059	2,673
Debt instruments	316	405
Property	162	211
Other assets	258	332
<b>At 31 March 2008</b>	<b>2,795</b>	<b>3,621</b>

#### 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.