

Company Registration Number 686377

MITIE CLEANING AND
ENVIRONMENTAL SERVICES LIMITED

Report and Financial Statements

Year ended 31 March 2011

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MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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MITIE CLEANING AND ENVIRONMENTAL 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
MITIE Administration 2

SECRETARY

MITIE Company Secretarial Services Limited

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank Plc
62 George White Street
Cabot Circus
Bristol
BS1 3BA

AUDITOR

Deloitte LLP
Bristol

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 ACTIVITIES AND REVIEW OF THE BUSINESS

The company provides cleaning services to industrial and commercial clients.

As shown in the company's profit and loss account on page 10, the company's sales have increased by 20.9% over the prior year. Profit after tax has increased by 22.2%. The balance sheet on page 11 of the financial statements shows that the company's financial position at the year-end has, in net asset 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

Dividends were declared as follows:

Ordinary shares: £93,920 per share (2010: £83,463)

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.

DIRECTORS' REPORT CONTINUED

FINANCIAL RISK MANAGEMENT

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

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

GOING CONCERN

The company was profitable in the year. The directors have considered the forecasts and budgeted profit and associated cash flows for the coming five years. The directors have considered the facilities available to the entity and believe that they can operate within the facilities available for the period of the cash flow forecast. Accordingly, the directors consider it appropriate to adopt the going concern basis in the preparation of the company's financial statements.

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 2011, trade creditors as a proportion of amounts invoiced from suppliers for the financial year represented 45 days (2010: 37 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 recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of MITIE Group PLC and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

DIRECTORS' 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
R McGregor-Smith
E J Manning
D A Noel
P W Stirland
MITIE Administration 1
MITIE Administration 2

AUDITOR

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

So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

Approved by the Board and signed on its behalf by

S C Baxter
Director



11 July 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

We have audited the financial statements of MITIE Cleaning and Environmental Services Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 23. The financial reporting framework that has been applied is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year ended then,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Nigel Thomas
Nigel Thomas (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

11 July 2011

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 March 2011

	Note	2011 £'000	2010 £'000
TURNOVER	1	265,450	219,630
Cost of sales		(222,647)	(183,401)
GROSS PROFIT		<u>42,803</u>	<u>36,229</u>
Administration expense		(23,878)	(20,883)
OPERATING PROFIT	2	<u>18,925</u>	<u>15,346</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>18,925</u>	<u>15,346</u>
Interest receivable and similar income	3	190	118
Interest payable and similar charges	3	(40)	(1)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>19,075</u>	<u>15,463</u>
Tax charge on profit on ordinary activities	5	(5,554)	(4,400)
PROFIT FOR THE FINANCIAL YEAR	14	<u>13,521</u>	<u>11,063</u>

The results for the period are wholly attributable to the continuing operations of the company

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED
BALANCE SHEET
As at 31 March 2011

		2011		2010	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	6		1,347		1,569
Tangible assets	7		<u>6,609</u>		<u>6,587</u>
			7,956		8,156
CURRENT ASSETS					
Stocks	8	799		178	
Debtors					
- due within one year	9	50,415		39,300	
- due after one year	9	756		1,204	
Cash at bank and in hand		<u>19,429</u>		<u>20,842</u>	
		71,399		61,524	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(62,447)</u>		<u>(56,807)</u>	
NET CURRENT ASSETS			<u>8,952</u>		<u>4,717</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			16,908		12,873
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11		<u>(21)</u>		<u>-</u>
NET ASSETS EXCLUDING PENSION LIABILITY			16,887		12,873
Pension liability			(2)		(52)
NET ASSETS			<u>16,885</u>		<u>12,821</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	13		-		-
Profit and loss account	14		16,885		12,821
SHAREHOLDERS' FUNDS	15		<u>16,885</u>		<u>12,821</u>

The financial statements of MITIE Cleaning and Environmental Services Limited, company registered number 686377, were approved by the board and authorised for issue on 11 July 2011

S C Baxter
Director



MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2011

	2011	2010
	£'000	£'000
Profit for the financial year	13,521	11,063
Actuarial losses on defined benefit pension schemes	(404)	(65)
Deferred tax attributable to actuarial loss	112	18
Total recognised gains relating to the period	13,229	11,016

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

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 accounts are prepared under the historical cost convention.

Going concern

Details regarding the directors' consideration of going concern are given in the going concern section of the directors' report.

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. Revenue is recognised as services are delivered.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. 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:

Leasehold improvements 1 to 2 years

Plant and office equipment 3 to 5 years

Motor vehicles 4 years

Operating leases

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

Finance leases

Assets held under hire purchase arrangements, which confer rights and obligations similar to those attached to current assets, are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and useful lives. The capital elements of future hire purchase obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to provide a constant rate of charge on the balance of capital repayments outstanding.

Stocks

Stocks and work in progress are valued at the lower of cost or net realisable value.

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

ACCOUNTING POLICIES CONTINUED

Taxation

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, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. 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.

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 contribution schemes the amount charged to the profit and loss account is the contribution 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.

Share-based payment

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.

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.

Operating income

Operating income represents management charges receivable from other group companies.

Operating income from the supply of management services represents the value of services provided to the extent that there is a right to consideration and is recorded at the value of the consideration due.

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

2 OPERATING PROFIT

	2011 £'000	2010 £'000
Operating profit is stated after charging/(crediting)		
Loss/(profit) on disposal of fixed assets	26	(45)
Depreciation of tangible fixed assets		
owned	2,474	2,388
held under finance	78	-
Amortisation of goodwill	222	222
Operating lease rentals		
plant and machinery	76	-
other	770	782
Fees payable to the company's auditor for the audit of the company's annual accounts	42	57

The company has taken the exemption available to it not to disclose separately information about fees for non-audit services provided to the company as this information is available in the consolidated financial statements of MITIE Group PLC

3 INTEREST

	2011 £'000	2010 £'000
Interest receivable and similar income		
Bank interest	72	107
Net pension scheme interest income	118	11
	<u>190</u>	<u>118</u>
Interest payable and similar charges		
Bank interest	38	1
Finance leases	2	-
	<u>40</u>	<u>1</u>

4 DIVIDENDS

The dividends approved and paid in the year are as follows

	2011 £'000	2010 £'000
Ordinary shares	<u>9,392</u>	<u>8,346</u>

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £'000	2010 £'000
(a) Analysis of charge in the year		
United Kingdom corporation tax at 28% (2010 28%)	5,521	4,370
Adjustment in respect of prior years	(98)	(20)
Total current tax (note 5(b))	<u>5,423</u>	<u>4,350</u>
Deferred taxation		
Timing differences - origination and reversal	40	(46)
Adjustment in respect of prior years	91	96
Tax on profit on ordinary activities	<u>5,554</u>	<u>4,400</u>

(b) Factors affecting tax charge in the year

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are as follows

	£'000	£'000
Profit on ordinary activities before tax	<u>19,075</u>	<u>15,463</u>
	£'000	£'000
Tax at 28% (2010 28%) thereon	5,341	4,330
Expenses not deductible for tax	77	92
Differences between capital allowances and depreciation	194	(7)
Relief in respect of employee share	(24)	(37)
Other timing differences	(67)	(8)
Adjustments to tax charge in respect of prior periods	(98)	(20)
Current tax charge for the year (Note 5 (a))	<u>5,423</u>	<u>4,350</u>

The forthcoming changes in the corporation tax rate from 28% to 23% in future years will not materially affect the future tax charge

The deferred tax balance comprises the following

	£'000	£'000
Depreciation in excess of capital allowances	239	112
Share-based payment timing difference	74	112
Other timing differences	22	113
	<u>335</u>	<u>337</u>
	£'000	£'000
Amount charged to the profit and loss account in the year in relation to deferred tax (£133,000 relates to the deferred tax on the pension liability disclosed in note 21)	<u>131</u>	<u>50</u>

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

6 INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 April 2010	4,399
At 31 March 2011	<u>4,399</u>
Amortisation	
At 1 April 2010	2,830
Charge for the year	222
At 31 March 2011	<u>3,052</u>
Net book value	
At 31 March 2011	<u>1,347</u>
At 31 March 2010	<u>1,569</u>

7 TANGIBLE FIXED ASSETS

	Leasehold imp'ments £'000	Plant and office equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 April 2010	-	11,787	4,760	16,547
Additions	27	1,683	1,058	2,768
Disposals	-	(48)	(430)	(478)
Transfers in from group companies	-	217	73	290
Transfers out to group companies	-	(172)	(203)	(375)
At 31 March 2011	<u>27</u>	<u>13,467</u>	<u>5,258</u>	<u>18,752</u>
Depreciation				
At 1 April 2010	-	7,702	2,258	9,960
Charge for the year	1	1,638	913	2,552
Disposals	-	(30)	(333)	(363)
Transfers in from group companies	-	71	12	83
Transfers out to group companies	-	(37)	(52)	(89)
At 31 March 2011	<u>1</u>	<u>9,344</u>	<u>2,798</u>	<u>12,143</u>
Net book value				
At 31 March 2011	<u>26</u>	<u>4,123</u>	<u>2,460</u>	<u>6,609</u>
At 31 March 2010	<u>-</u>	<u>4,085</u>	<u>2,502</u>	<u>6,587</u>
Leased assets included above				
Net book value				
At 31 March 2011	<u>-</u>	<u>8</u>	<u>184</u>	<u>192</u>
At 31 March 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

8 STOCKS

	2011	2010
	£'000	£'000
Finished goods	799	178
	<u>799</u>	<u>178</u>

9 DEBTORS

	2011	2010
	£'000	£'000
Amounts falling due within one year		
Trade debtors	30,102	26,822
Amounts owed by Group undertakings	9,885	4,742
Other debtors	4,521	3,704
Prepayments and accrued income	5,572	3,695
Deferred tax asset	335	337
	<u>50,415</u>	<u>39,300</u>

	£'000	£'000
Amounts falling due after more than one year		
Amounts owed by Group undertakings	756	1,204
	<u>756</u>	<u>1,204</u>

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£'000	£'000
Bank loans and overdrafts	10,360	17,072
Obligations under finance leases and hire purchase contracts	1	-
Trade creditors	11,924	5,161
Amounts owed to Group undertakings	17,213	18,273
Corporation tax	2,717	2,265
Other taxation and social security	9,051	6,520
Other creditors	304	579
Accruals and deferred income	10,877	6,937
	<u>62,447</u>	<u>56,807</u>

11 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011	2010
	£'000	£'000
Obligations under finance leases	21	-
	<u>21</u>	<u>-</u>

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

12 FINANCE LEASES AND LOANS

	2011 £'000	2010 £'000
Amounts payable under finance leases		
- within one year	2	-
- within two to five years	21	-
Less finance charges allocated to future periods	(1)	-
	<u>22</u>	<u>-</u>

All obligations under finance leases are secured against the assets to which they relate

13 CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called up and fully paid share capital		
100 £1 Ordinary shares	-	-
	<u>-</u>	<u>-</u>

14 RESERVES

	Profit and loss account £'000
At 1 April 2010	12,821
Profit for the year	13,521
Dividends	(9,392)
Net actuarial loss on pension scheme	(292)
Capital contribution relating to share-based payments	227
At 31 March 2011	<u>16,885</u>

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
Profit for the financial year	13,521	11,063
Dividends paid on equity shares	(9,392)	(8,346)
Net actuarial loss on pension scheme	(292)	(58)
Capital contribution relating to share-based payments	227	187
Net addition to shareholders' funds	<u>4,064</u>	<u>2,846</u>
Opening shareholders' funds	12,821	9,975
Closing shareholders' funds	<u>16,885</u>	<u>12,821</u>

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

16 FINANCIAL COMMITMENTS

The company has annual lease commitments under non-cancellable operating leases as detailed below

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- in less than one year	41	147	188	-
- between two and five years	117	262	493	-
- after five years	363	-	101	-
	<u>521</u>	<u>409</u>	<u>782</u>	<u>-</u>

Capital commitments

	2011 £'000	2010 £'000
Capital commitments are as follows		
Contracted but not provided for		
- capital expenditure	-	239
	<u>-</u>	<u>239</u>

Performance bonds

	2011 £'000	2010 £'000
The company has outstanding performance bonds as follows		
Performance bonds	48	28
	<u>48</u>	<u>28</u>

Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each others' bank overdrafts and loans

	2011 £'000	2010 £'000
Overall commitment	<u>195,300</u>	<u>109,000</u>

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

17 DIRECTORS

	2011 £'000	2010 £'000
The emoluments of the directors of the company were		
- Aggregate emoluments	433	988
	<u>433</u>	<u>988</u>
	£'000	£'000
Highest paid director		
- Aggregate emoluments	264	302
	<u>264</u>	<u>302</u>
	No	No
The number of directors who were members of a defined benefit pension scheme	1	5
	No	No
The number of directors who exercised share options in the year	-	-
The highest paid director did not exercise share options in the year		

The following directors are also directors of another group company. They are remunerated by the company shown. It is not practicable to allocate their remuneration between their services as directors of this company and as directors of other group companies.

Director	Remunerated by
S C Baxter	MITIE Group PLC
M A Freeman	MITIE Facilities Services Ltd
N R Goodman	MITIE Group PLC
R McGregor-Smith	MITIE Group PLC
D A Noel	MITIE Facilities Services Ltd
P W Stirland	MITIE Facilities Services Ltd

18 EMPLOYEES

Average employee numbers

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

	2011 No	2010 No
Operations	21,805	14,766
Administration	776	604
	<u>22,581</u>	<u>15,370</u>
Employment costs	£'000	£'000
Wages and salaries	169,735	136,239
Social security costs	10,044	8,917
Other pension costs	1,156	1,199
Share-based payments	227	187
	<u>181,162</u>	<u>146,542</u>

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

19 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 exercise price is equal to the average 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 Index 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.

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 14.0% above the Retail Price Index per annum compound growth in earnings per share over a three-year period.

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

	2011		2010	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of the year	2,017,028	185	2,094,209	179
Granted during the year	668,405	177	438,441	186
Forfeited during the year	(214,408)	194	(167,387)	200
Transferred (to)/from Group subsidiaries during the year	(2,568)	208	(15,561)	184
Exercised during the year	(171,061)	153	(332,674)	142
Outstanding at end of the year	2,297,396	184	2,017,028	185
Exercisable at end of year	609,912	184	482,227	151

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

SHARE-BASED PAYMENTS CONTINUED

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

	2011	2010
	£'000	£'000
2001 Executive share options	114	93
2001 Savings Related share options	73	62
Long-term incentive plan scheme (LTIP)	38	32
	<u>225</u>	<u>187</u>

	2011	2010
The weighted average share price at the date of exercise for share options exercised during the year was (p)	203	237
The options outstanding at the year-end had a weighted average price of (p)	184	185
The options outstanding at the year-end had a weighted average remaining contractual life of (years)	<u>5</u>	<u>5</u>

The company granted options in the period as detailed below

Share scheme	Fair value £'000
Long-term incentive plan scheme	105
2001 Savings Related share options	71
2001 Executive share options	<u>89</u>

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

	2011	2010
Share price (p)	191 to 230	133 to 230
Exercise price (p)	0 to 254	0 to 254
Expected volatility (%)	28 to 36	27 to 36
Expected life (years)	3 to 6	3 to 6
Risk-free rate (%)	1.49 to 5.25	2.42 to 5.25
Expected dividends (%)	2.22 to 3.93	1.43 to 3.3

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 AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

20 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 35 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £3 million (2010 deficit of £6.8 million).

Employer contributions to the scheme for the period are shown in note 18. The agreed contribution rate for employee and employer contributions for the next 12 months is 17.5% (2010 17.5%).

21 PENSION LIABILITY

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 and past service costs were measured using the projected unit credit method.

For 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 Scheme's Schedule of Contributions.

The contributions made by the employer over the financial period were £0 (2010 £0).

Key assumptions used for FRS 17 valuation	2011 %	2010 %
Discount rate	5.6	5.6
Expected return on scheme assets		
- Equity instruments	8.0	8.0
- Debt instruments	5.0	5.0
- Property	7.5	7.5
- Other assets	1.5	4.5
Expected rate of salary increases	4.0	4.0
Future pension increases	2.8	3.5
Inflation	3.5	3.5

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.

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

PENSION LIABILITY CONTINUED

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

	2011	2010
	£'000	£'000
Current and past service cost *	215	(132)
* past service credit of £382,000 (2010 £nil)		

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

	£'000	£'000
Interest cost	(279)	(266)
Expected return on scheme assets	397	277
	<u>118</u>	<u>11</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	(1,313)	1,255
Actuarial gains/(losses)	909	(1,241)
	<u>(404)</u>	<u>14</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	4,529	5,752
Present value of defined benefit obligations	<u>(4,034)</u>	<u>(5,660)</u>
Deficit in the scheme	495	92
Contract adjustment	<u>(497)</u>	<u>(162)</u>
Deficit in the scheme after contract adjustment	(2)	(70)
Related deferred tax asset	-	18
Net pension liability	<u>(2)</u>	<u>(52)</u>

Analysis of scheme assets

	£'000	£'000
Equity instruments	3,325	4,069
Debt instruments	701	906
Property	160	212
Other assets	<u>343</u>	<u>565</u>
At 31 March 2011	<u>4,529</u>	<u>5,752</u>

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

PENSION LIABILITY CONTINUED

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

	£'000	£'000
At 1 April 2010	5,660	4,187
Service costs	(214)	132
Interest costs	279	266
Contributions from scheme members	48	56
Actuarial (gains) / losses	(1,168)	1,263
Benefits paid	(172)	(119)
Contract transfers	(400)	(125)
At 31 March 2011	4,033	5,660

Movements in the fair value of scheme assets were as follows

	£'000	£'000
At 1 April 2010	5,752	4,227
Expected return on scheme assets	397	277
Actuarial (losses)/gains	(1,313)	1,255
Contributions from scheme members	48	160
Contributions from sponsoring companies	140	56
Benefits paid	(172)	(119)
Contract transfers	(323)	(104)
At 31 March 2011	4,529	5,752

The history of experience adjustments is as follows

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of scheme assets	4,529	5,752	4,227	2,795	3,621
Present value of defined benefit obligations	(4,034)	(5,660)	(4,187)	(1,987)	(3,435)
Surplus in scheme	495	92	40	808	186

	2011	2010	2009	2008	2007
Experience adjustments on scheme	1,039	128	676	(785)	(74)
Percentage of scheme liabilities	26%	2%	16%	-25%	-2%
Experience adjustments on scheme	(1,313)	1,255	144	(459)	61
Percentage of scheme assets	-29%	22%	3%	-13%	1%

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

22 RELATED PARTY TRANSACTIONS

TRS = Trading related sales

TRP = Trade related purchases

ICB = Inter-company Balance

DICB = Dormant inter-company balance

Related party	Nature of transaction	Transaction amount		Year end balance	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
Environmental Property Services Ltd	TRS	1	-	-	-
MITIE Asset Management Ltd	TRS	573	-	-	-
MITIE Aviation Security Ltd	ICB	-	-	1	1
MITIE Business Services Ltd	TRS	1,521	1,654	107	162
MITIE Catering Services Ltd	TRS	345	190	47	40
MITIE Client Services Ltd	TRS	176	7	39	2
MITIE Document Solutions Ltd	TRS	6	8	1	-
MITIE Energy Ltd	TRS	1	-	1	1
MITIE Engineering Ltd	TRS	-	-	1	-
MITIE Engineering Projects Ltd	TRS	-	23	-	43
MITIE Engineering Services (Bristol) Ltd	TRS	-	11	1	-
MITIE Engineering Services (Cardiff) Ltd	TRS	-	152	-	24
MITIE Engineering Services (Edinburgh) Ltd	TRS	-	32	-	15
MITIE Engineering Services (Midlands) Ltd	TRS	-	1	-	-
MITIE Engineering Services (London) Ltd	TRS	-	-	2	-
MITIE Engineering Services (South East) Ltd	TRS	-	32	7	-
MITIE Engineering Services (Wales) Ltd	TRS	-	-	10	-
MITIE Engineering Services (Retail) Ltd	TRS	10	-	-	-
MITIE Engineering Services Ltd	TRS	305	192	16	92
MITIE Facilities Management - Ireland	TRS	162	-	130	-
MITIE Facilities Services Ltd	TRS	4,347	563	1,126	216
MITIE Group plc	TRS	366	1,364	60	216
MITIE Infrastructure Ltd	TRS	-	16	1	-
MITIE Interiors Ltd	TRS	4	24	-	9
MITIE Landscapes Ltd	TRS	798	987	1,302	106
MITIE Lighting Ltd	TRS	-	-	1	-
MITIE Managed Services (South West & Wales)	TRS	-	217	4	31
MITIE Managed Services (Southern) Ltd	TRS	89	424	195	8
MITIE Managed Services Ltd	TRS	2,632	2,496	576	413
MITIE McCartney Fire Protection Ltd	TRS	8	10	-	-
MITIE Olscot Ltd	DICB	-	-	45	-
MITIE Payroll Services Ltd	TRS	8	302	-	-
MITIE Pest Control (London) Ltd	TRS	-	29	-	22
MITIE Pest Control Ltd	TRS	476	424	38	38
MITIE PFI Ltd	TRS	1,342	1,620	178	193
MITIE Property Investments Ltd	TRS	87	4	19	-
MITIE Property Management Ltd	TRS	-	-	15	-
MITIE Property Services (Southern) Ltd	TRS	1	-	-	-
MITIE Property Services (UK) Ltd	TRS	2	75	-	4
MITIE Property Services Ltd	TRS	77	-	-	-
MITIE Resources Ltd	TRS	5	1,030	-	-
MITIE Security (London) Ltd	TRS	74	10	4	1
MITIE Security (South West) Ltd	TRS	2	-	-	-
MITIE Security Ltd	TRS	4,950	3,089	538	732
MITIE Services (Retail) Ltd	TRS	7,276	5,400	1,038	563
MITIE Technical Facilities Management Ltd	TRS	31,697	23,211	5,073	2,083
MITIE Tilley Roofing Ltd	TRS	-	1	-	-
MITIE Transport Services Ltd	TRS	2,095	2,076	63	1
Service Management International Ltd	TRS	106	-	2	-
MITIE Business Services Ltd	TRP	(2,749)	(1,355)	(199)	(239)

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

RELATED PARTY TRANSACTIONS CONTINUED

Related party	Nature of Transaction	Transaction amount		Year end balance	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
MITIE Catering Services Ltd	TRP	(2,572)	(978)	(120)	(84)
MITIE Client Services Ltd	TRP	(30)	(6)	(3)	(3)
MITIE Document Solutions Ltd	TRP	(58)	(8)	(2)	(2)
MITIE Pest Control (London) Ltd	TRP	(130)	(14)	(34)	(14)
MITIE Cleaning (Midlands) Ltd	DICB	-	-	(2,094)	(2,094)
MITIE Cleaning (Southern) Ltd	DICB	-	-	(3,582)	(3,582)
MITIE Cleaning (South East) Ltd	DICB	-	-	(3,596)	(3,596)
MITIE Cleaning (South West) Ltd	DICB	-	-	(1,421)	(1,310)
MITIE Cleaning (South Wales) Ltd	DICB	-	-	(450)	(450)
MITIE Industrial Cleaning (North) Ltd	DICB	-	-	(123)	-
Cole Motors Ltd	TRP	(206)	(21)	(1)	(6)
MITIE Energy Ltd	TRP	-	(19)	-	-
MITIE Engineering Services (Edinburgh) Ltd	TRP	-	(2)	-	-
Envrocare Waste Services Ltd	DICB	-	-	(70)	(69)
MITIE Security Systems Ltd	TRP	-	-	(2)	-
MITIE Facilities Services Ltd	TRP	(6,688)	(71)	(262)	(7)
MITIE Engineering Services (Liverpool) Ltd	TRP	-	-	(1)	-
MITIE Landscapes Ltd	TRP	(6,572)	(2,073)	(558)	(941)
MITIE Cleaning Ltd	DICB	-	-	(672)	(672)
MITIE Managed Services Ltd	TRP	(11)	(1)	(1)	(2)
MITIE Managed Services (Southern) Ltd	TRS	1	-	-	-
MITIE Olscot Ltd	DICB	-	-	(2,756)	(2,756)
MITIE Property Services (Eastern) Ltd	TRP	(16)	-	-	-
MITIE Property Services (UK) Ltd	TRP	(23)	-	(32)	(170)
MITIE Property Services (NW) Ltd	TRP	(82)	-	-	-
MITIE Property Services (Southern) Ltd	TRP	(74)	-	-	-
MITIE Pest Control Ltd	TRP	(1,118)	-	(171)	-
MITIE PFI Ltd	TRP	(1)	(3)	(1)	(1)
MITIE Security (London) Ltd	TRP	(473)	(43)	-	-
MITIE Security Systems Ltd	TRP	(10)	-	-	-
MITIE Security (South West) Ltd	TRP	(813)	-	-	-
MITIE Security Ltd	TRP	(8,207)	(3,820)	(206)	(1,752)
MITIE Services (Retail) Ltd	TRP	(250)	(285)	(161)	(147)
MITIE Technical Facilities Management Ltd	TRP	(1,097)	(2)	(196)	(3)
MITIE Tilley Roofing Ltd	TRP	(17)	-	-	-
MITIE Transport Services Ltd	TRP	(10)	(3)	(499)	(6)
Service Management International Ltd	TRP	(293)	-	-	-
MITIE Managed Services (Southern) Ltd	TRP	-	(1)	-	(1)
MITIE Managed Services Ltd	TRP	-	-	-	(1)
Cole Motors Ltd	TRS	-	38	-	-
MITIE Engineering Maintenance (Caledonia) Ltd	TRP	-	(4)	-	-
MITIE Engineering Maintenance (North & Scotland) Ltd	TRP	-	(5)	-	-
MITIE Engineering Maintenance Ltd	TRS	-	6,563	-	3,813
MITIE Engineering Maintenance Ltd	TRP	-	(580)	-	(285)
MITIE Managed Services (North & Scotland) Ltd	TRS	-	67	-	12
MITIE Pest Control Ltd	TRS	-	424	-	38
MITIE Pest Control Ltd	TRP	-	(315)	-	(82)

MITIE CLEANING AND ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

MITIE Cleaning Services Limited is the immediate controlling party and the directors regard MITIE Group PLC, a company registered in Scotland, as the ultimate parent company and controlling party

MITIE Group PLC is the largest and smallest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.