

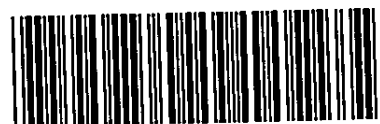
Company Registration Number 00686377

**MITIE CLEANING & ENVIRONMENTAL
SERVICES LIMITED**

Report and Financial Statements

Year ended 31 March 2013

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MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2013

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MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M A Freeman
D J Johnson
E J Manning
S C Baxter
R McGregor-Smith

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
London

MITIE CLEANING & 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 commercial and industrial clients.

On 31st March 2013, the assets and liabilities of MITIE Services (Retail) Ltd were transferred to the company at book value. As shown in the profit and loss account on page 8 the company's turnover has increased by 1.8% over the prior year. Profit after tax decreased by 14.1%. The balance sheet on page 10 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

Dividends for each share class were declared as follows:

Ordinary shares: £69,520 per share (2012: £106,870)

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 forecast and budgeted profit and associated cash flows for the foreseeable future, being the period not less than 12 months from the date of signing of these financial statements. 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 2013, trade creditors as a proportion of amounts invoiced from suppliers for the financial year represented 59 days (2012: 86 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

The directors during the year and subsequently were as follows:

M A Freeman
D J Johnson
E J Manning
S C Baxter (Appointed 03 July 2012)
R McGregor-Smith (Appointed 03 July 2012)

DIRECTORS' REPORT (continued)

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 has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting

Approved by the Board and signed on its behalf by



M A Freeman
Director

27/06/13

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

We have audited the financial statements of MITIE Cleaning & Environmental Services Limited for the year ended 31 March 2013 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation 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 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 2013 and of its profit for the year then ended,
- 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.

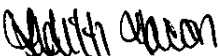
Opinion on other matters prescribed by the Companies Act 2006

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.



Judith Tacon (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

27 June 2013

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 March 2013

	Note	2013 £'000	2012 £'000
TURNOVER		290,733	285,573
Cost of sales		<u>(248,986)</u>	<u>(242,080)</u>
GROSS PROFIT		41,747	43,493
Administration expense		<u>(26,817)</u>	<u>(25,212)</u>
OPERATING PROFIT	2	14,930	18,281
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		14,930	18,281
Interest receivable and similar income	3	<u>496</u>	<u>277</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,426	18,558
Tax charge on profit on ordinary activities	5	(3,616)	(4,804)
PROFIT FOR THE FINANCIAL YEAR	15	<u>11,810</u>	<u>13,754</u>

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

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Profit for the financial year		11,810	13,754
Actuanal (losses)/gains on defined benefit pension schemes	22	(1)	33
Deferred tax attributable to actuanal gains/(losses)		<u>-</u>	<u>(9)</u>
Total recognised gains and losses relating to the period		<u>11,809</u>	<u>13,778</u>

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED
BALANCE SHEET
As at 31 March 2013

		2013		2012	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Goodwill	6		1,109		1,339
Intangible assets	7		548		223
Tangible assets	8		<u>8,157</u>		<u>7,287</u>
			9,814		8,849
CURRENT ASSETS					
Stocks	9	941		743	
Debtors					
- due within one year	10	58,301		59,595	
- due after one year	10	-		285	
Cash at bank and in hand		<u>28,214</u>		<u>5,467</u>	
		87,456		66,090	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(69,690)</u>		<u>(54,767)</u>	
NET CURRENT ASSETS			<u>17,766</u>		<u>11,323</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			27,580		20,172
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12		(2,467)		(18)
Pension liability	22		(4)		(2)
NET ASSETS			<u>25,109</u>		<u>20,152</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	14		-		-
Profit and loss account	15		25,109		20,152
SHAREHOLDERS' FUNDS	16		<u>25,109</u>		<u>20,152</u>

The financial statements of MITIE Cleaning & Environmental Services Limited, company registered number 00686377, were approved by the board and authorised for issue. They were signed on behalf of the board by



M A Freeman
Director
27/06/13

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

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.

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.

Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. This period is 3 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.

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

ACCOUNTING POLICY DISCLOSURE (continued)

Stock

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

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 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.

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.

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.

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

2. OPERATING PROFIT

	2013 £'000	2012 £'000
Operating Profit is stated after charging/(crediting)		
Loss on disposal of fixed assets	53	41
Depreciation of tangible fixed assets		
owned	2,528	2,601
held under finance leases and hire purchase contracts	50	36
Amortisation of intangibles	74	-
Amortisation of goodwill	230	222
Operating lease rentals		
other	1,655	754
Fees payable to the company's auditor for the audit of the company's annual accounts	58	54

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

	2013 £'000	2012 £'000
Interest receivable and similar income		
Bank interest	469	175
Net pension scheme interest income	-	102
Other	27	-
	<u>496</u>	<u>277</u>

4 DIVIDENDS

The dividends approved and paid in the year are as follows

	2013 £'000	2012 £'000
Ordinary shares	6,952	10,687
	<u>6,952</u>	<u>10,687</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
(a) Analysis of charge in the year		
United Kingdom corporation tax 24% (2012 26%)	4,003	5,067
Adjustment in respect of prior years	(143)	(221)
Total current tax (Note 5(b))	<u>3,860</u>	<u>4,846</u>
Deferred taxation		
Timing differences - origination and reversal	(233)	(354)
Effect of changes in tax rate	16	-
Adjustment in respect of prior years	(27)	312
Tax on profit on ordinary activities	<u>3,616</u>	<u>4,804</u>

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

TAX DISCLOSURE (continued)

(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 24% (2012 26%) The differences are as follows

	£'000	£'000
Profit on ordinary activities before tax	15,426	18,558
	£'000	£'000
Tax at 24% (2012 26%) thereon	3,702	4,825
Expenses not deductible for tax purposes	50	73
Differences between capital allowances and depreciation	338	215
Utilisation of tax losses	-	-
Relief in respect of employee share options	(111)	(100)
Other timing differences	24	54
Adjustments to tax charge in respect of prior periods	(143)	(221)
Current tax charge for the year (Note 5(a))	3,860	4,846

The UK Government announced a reduction in the UK corporation tax rate from 24% to 23% from 1 April 2013, which was substantively enacted on 3 July 2012 The reduction in the balance sheet carrying value of deferred tax assets and liabilities to reflect the rate of tax at which those assets are expected to reverse has not had a material impact on the current year tax charge The UK Government has indicated that it intends to enact further reductions in the main tax rate of 3% down to 20% by 1 April 2015 Future rate reductions would further reduce the UK deferred tax assets and liabilities recognised but the actual impact will be dependent on the deferred tax position at the time

The deferred tax balance comprises the following	£'000	£'000
Depreciation in excess of capital allowances	262	149
Share-based payment timing difference	85	188
Other timing differences	30	31
	377	368
	£'000	£'000

Amount credited to the profit and loss account in the year in relation to deferred tax

(260)	(42)
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£240 (2012 £9,000) of the deferred tax credited to the profit and loss account relates to the deferred tax on the pension liability disclosed in note 22

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

6 GOODWILL

	£'000
Cost	
At 1 April 2012	4,613
At 31 March 2013	<u>4,613</u>
Amortisation	
At 1 April 2012	3,274
Charge for the year	230
At 31 March 2013	<u>3,504</u>
Net book value	
At 31 March 2013	<u>1,109</u>
At 31 March 2012	<u>1,339</u>

7. INTANGIBLE FIXED ASSETS

	Development expenditure £'000
Cost	
At 1 April 2012	223
Additions	399
At 31 March 2013	<u>622</u>
Amortisation	
At 1 April 2012	-
Charge for the year	74
At 31 March 2013	<u>74</u>
Net book value	
At 31 March 2013	<u>548</u>
At 31 March 2012	<u>223</u>

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

8. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Plant and office equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 April 2012	27	15,384	5,734	21,145
Additions	-	1,284	1,034	2,318
Disposals	-	(1,030)	(4,529)	(5,559)
Transfers in from group companies	-	11,071	391	11,462
Transfers out to group companies	-	(174)	(97)	(271)
At 31 March 2013	27	26,535	2,533	29,095
Depreciation				
At 1 April 2012	27	10,988	2,843	13,858
Charge for the year	-	1,630	948	2,578
Disposals	-	(905)	(2,020)	(2,925)
Transfers in from group companies	-	7,301	245	7,546
Transfers out to group companies	-	(54)	(65)	(119)
At 31 March 2013	27	18,960	1,951	20,938
Net book value				
At 31 March 2013	-	7,575	582	8,157
At 31 March 2012	-	4,396	2,891	7,287
Leased assets included above				
Net book value				
At 31 March 2013	-	1,229	43	1,272
At 31 March 2012	-	11	112	123

9 STOCKS

	2013 £'000	2012 £'000
Finished goods	941	743
	941	743

10 DEBTORS

	2013 £'000	2012 £'000
Amounts falling due within one year		
Trade debtors	26,545	32,695
Amounts owed by Group undertakings	15,617	12,086
Deferred tax asset	377	368
Other debtors	1,645	4,874
Prepayments and accrued income	14,117	9,572
	58,301	59,595
Amounts falling due after more than one year		
Amounts owed by Group undertakings	-	285
	-	285

MITIE Cleaning and Environmental Services Ltd entered into a debt factoring arrangement with Lloyds Banking Group during the year under non-recourse terms. Charges for this service are incurred at 1.7% of gross invoice value. As at 31 March 2013, the total debtors outstanding under this arrangement totalled £7.8m.

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

11 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Obligations under finance leases and hire purchase contracts	869	-
Trade creditors	12,706	13,717
Amounts owed to Group undertakings	18,884	16,318
Corporation tax	1,539	2,088
Other taxation and social security	13,771	9,749
Other creditors	372	348
Accruals and deferred income	21,549	12,547
	<u>69,690</u>	<u>54,767</u>

12 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	1,948	-
Obligations under finance leases	<u>519</u>	<u>18</u>
	<u>2,467</u>	<u>18</u>

13 FINANCE LEASES

	2013 £'000	2012 £'000
Amounts payable under finance leases		
- within one year	884	6
- within two to five years	530	12
Less finance charges allocated to future periods	<u>(26)</u>	<u>-</u>
	<u>1,388</u>	<u>18</u>

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

14 CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted, called up and fully paid share capital		
100 £1 Ordinary shares	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

15 RESERVES

	Profit and loss account £'000
At 1 April 2012	20,152
Profit for the financial year	11,810
Dividends	(6,952)
Net actuarial loss on pension scheme	(1)
Capital contribution relating to share-based payments	<u>100</u>
At 31 March 2013	<u>25,109</u>

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
Profit for the financial year	11,810	13,754
Dividends paid on equity shares	(6,952)	(10,687)
Net actuarial (loss)/gain on pension scheme	(1)	24
Capital contribution relating to share-based payments	100	176
Net addition to shareholders' funds	4,957	3,267
Opening shareholders' funds	20,152	16,885
Closing shareholders' funds	25,109	20,152

17 FINANCIAL COMMITMENTS

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

	2013		2012	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- in less than one year	45	84	52	7
- between two and five years	291	1,303	249	458
- after five years	319	-	202	-
	655	1,387	503	465

Capital commitments

The company had the following capital commitments which were contracted at the year end but not provided for

	2013 £'000	2012 £'000
- capital expenditure	200	-
- other	-	-
	200	-

Performance bonds

The company has outstanding performance bonds as follows

	2013 £'000	2012 £'000
Performance bonds	29	115

Commitments on behalf of group undertakings

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

	2013 £'000	2012 £'000
Overall commitment	290,200	157,300

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

18 DIRECTORS

	2013 £'000	2012 £'000
The emoluments of the directors of the company were		
- Aggregate emoluments	446	465
- Aggregate value of contributions paid to a money purchase pension scheme	-	-
	<u>446</u>	<u>465</u>

	2013 No	2012 No
The number of directors who		
were members of a defined benefit pension scheme	1	1
were members of a defined contribution pension scheme	-	-
exercised share options in the year	<u>1</u>	<u>1</u>

	2013 £'000	2012 £'000
Highest paid director		
- Aggregate emoluments	303	286
- Aggregate value of contributions paid to a money purchase pension scheme	-	-
	<u>303</u>	<u>286</u>

The highest paid director did exercise share options in the year

The following directors are also directors or employees 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 or employees of other group companies.

Director	Remunerated by
M A Freeman	MITIE Facilities Services Ltd
S C Baxter	MITIE Group PLC
R McGregor-Smith	MITIE Group PLC

19 EMPLOYEES

Average employee numbers

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

	2013 No.	2012 No
Operations	19,956	23,710
Administration	694	767
	<u>20,650</u>	<u>24,477</u>

	£'000	£'000
Employment cost		
Wages and salaries	180,098	179,819
Social security costs	9,416	9,617
Other pension costs	1,192	1,155
Share-based payments	100	176
	<u>190,806</u>	<u>190,767</u>

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

20 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, a performance condition must be satisfied, the performance condition is linked to the percentage growth in earnings per share over a three-year period.

The MITIE Group PLC 2001 Savings Related share option scheme

The SAYE 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 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 based on growth in earnings per share over a three-year period.

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

	2013		2012	
	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	1,970,372	182	2,297,396	184
Granted during the year	527,908	170	305,531	138
Forfeited during the year	(317,778)	169	(140,801)	151
Transferred (to)/from Group subsidiaries during the year	(2,604)	255	60,666	210
Exercised during the year	(514,571)	194	(552,420)	179
Outstanding at end of the year	1,663,327	177	1,970,372	181
Exercisable at end of year	368,422	146	589,197	201

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

SHARE BASED PAYMENTS (continued)

The company recognised the following expense/(credit) related to share-based payments.

	2013 £'000	2012 £'000
2001 Executive share options	(11)	116
2001 Savings Related share options	55	68
Long-term incentive plan scheme (LTIP)	56	(8)
	<u>100</u>	<u>176</u>

	2013	2012
The weighted average share price at the date of exercise for share options exercised during the year was (p)	281	249
The options outstanding at the year-end had a weighted average price of (p)	172	182
The options outstanding at the year-end had a weighted average remaining contractual life of (years)	<u>4</u>	<u>5</u>

The company granted options in the period as detailed below

Share scheme	Fair value £'000
Executive share option scheme	71
Savings related share options	92
Long-term incentive plan	286

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

	2013	2012
Share price (p)	198 to 274	191 to 243
Exercise price (p)	0 to 254	0 to 254
Expected volatility (%)	32 to 35	28 to 36
Expected life (years)	3 to 5	3 to 6
Risk-free rate (%)	0.55 to 2.42	1.48 to 5.25
Expected dividends (%)	3.30 to 4.1	2.22 to 4.10

21 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 £29.7 million (2012 deficit of £17.2 million).

Employer contributions to the scheme for the period are shown in note 19. The agreed contribution rate for employee and employer contributions for the next 12 months is 18.5% (2012 18.5%).

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

22 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 actuanes, 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 (2012 £0)

Key assumptions used for FRS 17 valuation	2013 %	2012 %
Discount rate	4.5	4.9
Expected return on scheme assets		
- Equity instruments	7.0	7.5
- Debt instruments	4.0	4.5
- Property	6.5	7.0
- Other assets	2.5	1.0
- Alternative assets	7.0	7.5
Expected rate of salary increases	3.9	3.2
Future pension increases	3.4	3.2
Inflation (RPI)	3.4	3.2
Inflation (CPI)	2.4	2.2

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:

	2013 £'000	2012 £'000
Current service cost	(2)	(148)
Past service credit	-	-
	<u>(2)</u>	<u>(148)</u>

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

	£'000	£'000
Interest cost	(2)	(227)
Expected return on scheme assets	<u>2</u>	<u>329</u>
	<u>-</u>	<u>102</u>

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

PENSION LIABILITY (continued)

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

	£'000	£'000
Actual return less expected return on scheme assets	2	(239)
Actuanal (losses)/gains	(3)	272
	<u>(1)</u>	<u>33</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	35	4,535
Present value of defined benefit obligations	(39)	(4,369)
(Deficit)/Surplus in the scheme	(4)	166
Contract adjustment	-	(169)
Deficit in the scheme after contract adjustment	(4)	(3)
Related deferred tax asset	-	1
Net pension liability	(4)	(2)

Analysis of scheme assets

	£'000	£'000
Equity instruments	24	3,342
Debt instruments	5	847
Property	3	174
Other assets	3	172
At 31 March 2013	35	4,535

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

	£'000	£'000
At 1 April 2012	4,369	4,034
Service costs	2	148
Interest costs	2	227
Contributions from scheme members	-	45
Actuanal gains	3	56
Benefits paid	(6)	(141)
Contract transfers	(4,331)	-
At 31 March 2013	39	4,369

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

	£'000	£'000
At 1 April 2011	4,535	4,529
Expected return on scheme assets	2	329
Actuanal gains	2	(239)
Contributions from scheme members	-	45
Contributions from sponsoring companies	2	12
Benefits paid	(6)	(141)
Contract transfers	(4,500)	-
At 31 March 2012	35	4,535

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

PENSION LIABILITY (continued)

The history of experience adjustments is as follows

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Fair value of scheme assets	35	4,535	4,529	5,752	4,227
Present value of defined benefit	(39)	(4,369)	(4,034)	(5,660)	(4,187)
Surplus/(Deficit) in scheme	(4)	166	495	92	40
	2013	2012	2011	2010	2009
Experience adjustments on scheme liabilities (£'000)	-	(26)	1,039	128	676
Percentage of scheme liabilities	0%	-1%	26%	2%	16%
Experience adjustments on scheme assets (£'000)	2	(239)	(1,313)	1,255	144
Percentage of scheme assets	6%	-5%	-29%	22%	3%

23 RELATED PARTY TRANSACTIONS

Set out below are the related party transactions. The company has taken the exemption available under FRS 8 not to disclose transactions with other wholly-owned subsidiaries of MITIE Group PLC. There were no transactions with entities other than members of MITIE Group PLC which require disclosure under FRS 8.

KEY

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	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
MITIE Aviation Security Ltd	TRS	5	-	-	-
MITIE Business Services UK Ltd	TRS	12	1,370	12	308
MITIE Care & Custody Ltd	TRS	12	7	-	-
MITIE Client Services Ltd	TRS	896	643	77	125
MITIE Compliance Ltd	TRS	2	-	2	-
MITIE Deep Red 55 Ltd	TRS	1	-	5	-
MITIE Events & Leisure Services Ltd	TRS	74	-	6	-
MITIE Facilities Management Ltd	TRS	195	-	-	-
MITIE Landscapes Ltd	TRS	211	21	37	64
MITIE Ltd	TRS	-	-	61	120
MITIE Pest Control (London) Ltd	TRS	10	-	1	3
MITIE Security Ltd	TRS	4,475	4,888	73	870
MITIE Security (London) Ltd	TRS	682	58	15	6
MITIE Technical Facilities Management Ltd	TRS	66,526	48,485	10,633	8,142
MITIE Business Services UK Ltd	TRP	(46)	(1,729)	-	(130)

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

RELATED PARTY TRANSACTION DISCLOSURE (continued)

MITIE Client Services Ltd	TRP	(1)	(109)	(13)	-
MITIE Deep Red 55 Ltd	TRP	(19)	-	(5)	-
MITIE Facilities Management Ltd	TRP				
		(38)	-	-	(10)
MITIE Landscapes Ltd	TRP	(3,386)	(5,421)	(578)	(826)
MITIE Ltd	TRP	(543)	-	(158)	-
MITIE Pest Control (London) Ltd	TRP	(52)	(210)	(13)	(35)
MITIE Security Ltd	TRP	(2,559)	(5,833)	(417)	(291)
MITIE Security (London) Ltd	TRP	(254)	(41)	(106)	(8)
MITIE Security Systems Ltd	TRP	(2)	(198)	(1)	-
MITIE Technical Facilities Management Ltd	TRP				
		(525)	(528)	(175)	(91)
MITIE Landscapes Ltd	ICB	-	-	285	755

24 ACQUISITIONS

On 31st March 2013 the company acquired trade and assets from MITIE Services (Retail) Ltd for consideration with a fair value of £2,109,000, which was settled through intercompany balances

The assets are transferred in at their book value, as set out below

The book value of assets acquired equates to their fair value

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Fixed assets			
Intangible fixed assets	-	-	-
Tangible fixed assets	3,826	-	3,826
Current assets			
Stocks	58	-	58
Debtors	6,071	-	6,071
Cash	3,585	-	3,585
Total assets	<u>13,540</u>	<u>-</u>	<u>13,540</u>
Creditors			
Bank loans	-	-	-
Trade creditors	(2,673)	-	(2,673)
Accruals	(4,972)	-	(4,972)
Provisions			
Pensions	-	-	-
Taxation	(3,786)	-	(3,786)
Total liabilities	<u>(11,431)</u>	<u>-</u>	<u>(11,431)</u>
Net assets	<u>2,109</u>	<u>-</u>	<u>2,109</u>
Consideration (as described above)			2,109
Goodwill arising on acquisition			<u>-</u>

MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

25 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

MITIE Cleaning Services Ltd 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.