

**Company Registration Number 00686377**

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

**Report and Financial Statements**

**31 March 2010**

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

**REPORT AND FINANCIAL STATEMENTS 2010**

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

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

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

**SECRETARY**

MITIE Company Secretarial Services Limited

**REGISTERED OFFICE**

8 Monarch Court  
The Brooms  
Emersons Green  
Bristol  
BS16 7FH

**BANKERS**

HSBC Bank plc  
62 George White Street  
Bristol  
BS1 3BA

**AUDITORS**

Deloitte LLP  
Bristol

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

**DIRECTORS' REPORT**

The directors present their report and audited financial statements for the financial year ended 31 March 2010

**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 UK 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 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 ACTIVITY AND REVIEW OF THE BUSINESS**

The company is a majority owned subsidiary of MITIE Group PLC (the 'Group'). The company provides cleaning services to industrial and commercial clients.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 10.3% over the prior year. Profit after tax has increased by 17.4%.

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

The Group manages its operations on a divisional basis. For this reason, the company's directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the Group's annual report which does not form part of this report.

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

**DIVIDENDS**

A dividend of £83,463 (2009: £68,956) per ordinary share was approved and paid during the year.

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

**DIRECTORS' REPORT (continued)**

**PRINCIPAL RISKS AND UNCERTAINTIES**

Loss of key customers is a key risk to the business. The company manages this risk by developing and maintaining strong relationships with these customers.

Group risks are discussed in the Group's annual report which does not form part of this report.

**FINANCIAL RISK MANAGEMENT**

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

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

**PAYMENT POLICY**

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2010 trade creditors as a proportion of amounts invoiced from suppliers for the financial year, represented 37 days (2009: 42 days).

**ENVIRONMENT**

MITIE Group PLC and its subsidiaries endeavour to identify, monitor and manage the impact of their activities on the environment and are fully committed to environmental accountability and protection. The company operates in accordance with Group policies, which are described in the Group's annual report which does not form part of this report.

**EMPLOYEES**

The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their aptitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical or the employee unable to conform to the stringent regulations which apply to the operations of the company.

The company recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of MITIE Group PLC and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

**GOING CONCERN**

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

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

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

**DIRECTORS' REPORT (continued)**

**DIRECTORS**

The directors during the year and subsequently were as follows

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

**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 418 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 auditors in the absence of an Annual General Meeting

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



**S C Baxter**  
Director

9 July 2010

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED  
(formerly MITIE Cleaning & Support Services Limited)**

We have audited the financial statements of MITIE Cleaning & Environmental Services Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21. 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 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**

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 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 (APB'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.

**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 2010 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 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 Auditors  
Bristol, United Kingdom

*9 July 2010*

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

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2010**

	<b>Note</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>TURNOVER</b>	1	219,630	199,071
Cost of sales		(183,401)	(163,103)
<b>GROSS PROFIT</b>		36,229	35,968
Administrative expenses		(20,883)	(22,842)
<b>OPERATING PROFIT</b>	2	15,346	13,126
Interest receivable and similar income	3	118	131
Interest payable and similar charges	3	(1)	(3)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		15,463	13,254
Tax on profit on ordinary activities	4	(4 400)	(3 829)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	13	11,063	9,425

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 March 2010**

	<b>Note</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Profit for the financial year	13	11,063	9,425
Actuarial loss relating to pension scheme	19	(65)	(109)
UK deferred tax attributable to actuarial gain	19	18	31
<b>Total recognised gains and losses relating to the year</b>		11 016	9,347



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

**BALANCE SHEET**  
At 31 March 2010

	Note	2010 £'000	2009 £'000
<b>FIXED ASSETS</b>			
Intangible assets	6	1,569	1,791
Tangible assets	7	6,587	6,408
		<u>8,156</u>	<u>8,199</u>
<b>CURRENT ASSETS</b>			
Stock	8	178	-
Debtors due in less than one year	9	39,300	36,434
Debtors due in greater than one year	10	1,204	
Cash at bank and in hand		20,842	12,120
		<u>61,524</u>	<u>48,554</u>
<b>CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<u>(56,807)</u>	<u>(46,747)</u>
<b>NET CURRENT ASSETS</b>		<u>4,717</u>	<u>1,807</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		12,873	10,006
<b>PENSION LIABILITY</b>	19	(52)	(31)
<b>NET ASSETS</b>		<u>12,821</u>	<u>9,975</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	12	-	-
Profit and loss account	13	12,821	9,975
<b>SHAREHOLDERS' FUNDS</b>	14	<u>12,821</u>	<u>9,975</u>

The financial statements of MITIE Cleaning & Environmental Services Limited, company registration number 686377, were approved by the board on 9 July 2010



**S C Baxter**  
Director

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2010**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Turnover**

Turnover represents the total, excluding sales taxes receivable in respect of goods and services supplied. All turnover arises within the United Kingdom, from the company's principal activity.

Turnover from bundled contracts consists of various components which operate independently of each other and for which reliable fair values can be established. Accordingly, each component is accounted for separately as if it were an individual contractual arrangement.

**Intangible fixed assets**

Goodwill arising on the acquisition of subsidiary undertakings and businesses (representing the excess of the fair value of the consideration given over the fair value of separable net assets acquired) is capitalised and amortised over a period of 20 years and provision is made for any impairment.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

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

**Investments**

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

**Leases**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2010**

**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.

**Stock**

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

**Pension costs**

The company participates in the MITIE Group PLC Pension Schemes. One is a defined benefit multi-employer scheme the assets and liabilities of which are held independently from the group. For the purposes of Financial Reporting Standard 17 ('Retirement Benefits'), the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme.

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2010**

**1 ACCOUNTING POLICIES (continued)**

**Going concern**

The financial statements have been prepared under the going concern basis as discussed on page 3

**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**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit is stated after charging/(crediting)		
Depreciation - owned fixed assets	2 388	2,512
Amortisation	222	219
Operating lease rentals		
- other	782	525
- plant and equipment	-	39
Auditors' remuneration - audit services	57	45
(Profit)/loss on disposal of tangible fixed assets	(45)	182
	<u>          </u>	<u>          </u>

**3 INTEREST**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest receivable and similar income</b>		
Bank interest	107	66
Net return on pension schemes (note 19)	11	65
	<u>          </u>	<u>          </u>
	118	131
	<u>          </u>	<u>          </u>
<b>Interest payable and similar charges</b>	<b>£'000</b>	<b>£'000</b>
Bank interest	1	3
	<u>          </u>	<u>          </u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2010

**4 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>(a) Analysis of charge</b>		
United Kingdom corporation tax at 28% (2009 28%)	4,370	3,906
Adjustment in respect of prior periods	(20)	(99)
<b>Total current tax (note 4(b))</b>	<b>4,350</b>	<b>3,807</b>
Deferred taxation		
Timing differences - origination and reversal	(46)	(90)
Adjustment in respect of prior periods	96	112
<b>Tax on profit on ordinary activities</b>	<b>4,400</b>	<b>3,829</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 28% (2009 28%) The differences are as follows

	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	15,463	13,254
Tax at 28% thereon (2009 28%)	4,330	3,711
Tax relief on share options	(37)	27
Expenses not deductible for tax purposes	92	94
Depreciation (less than)/in excess of capital allowances	(7)	88
Other timing differences	(8)	(14)
Adjustment in respect of prior periods	(20)	(99)
<b>Current tax charge for the year (note 4(a))</b>	<b>4,350</b>	<b>3,807</b>

**(c) Factors affecting future tax charges**

The company is not aware of any factors that will materially affect the future tax charge apart from the proposed, phased reduction in corporation tax rates to 24% by 2015 which has not yet been enacted

**5 DIVIDENDS**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
The dividends approved and paid in the year are as follows		
£83,463 (2009 £68,956) per share on £1 ordinary shares	8,346	6,896

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2010**

**6. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 April 2009 and 31 March 2010	4,399
<b>Amortisation</b>	
At 1 April 2009	2,608
Charge for the financial year	222
At 31 March 2010	2,830
<b>Net book value</b>	
<b>At 31 March 2010</b>	<u>1,569</u>
At 31 March 2009	<u>1,791</u>

**7 TANGIBLE FIXED ASSETS**

	<b>Office equipment £'000</b>	<b>Plant and equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2009	2,954	7,855	4,313	15,122
Additions	333	1,018	1,018	2,369
Disposals	(7)	(147)	(536)	(690)
Transfers in from group undertakings	-	462	-	462
Transfers out to group undertakings	(674)	(32)	(24)	(730)
At 31 March 2010	<u>2,606</u>	<u>9,156</u>	<u>4,771</u>	<u>16,533</u>
<b>Depreciation</b>				
At 1 April 2009	1,855	4,854	2,005	8,714
Charge for the financial year	428	1,249	711	2,388
Disposals	(15)	(144)	(453)	(612)
Transfers out to group undertakings	(512)	(18)	(14)	(544)
At 31 March 2010	<u>1,756</u>	<u>5,941</u>	<u>2,249</u>	<u>9,946</u>
<b>Net book value</b>				
<b>At 31 March 2010</b>	<u>850</u>	<u>3,215</u>	<u>2,522</u>	<u>6,587</u>
At 31 March 2009	<u>1,099</u>	<u>3,001</u>	<u>2,308</u>	<u>6,408</u>

**Capital commitments**

At 31 March 2010 the directors had authorised capital expenditure of £238,840 (2009 £102,755)

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2010**

<b>8. STOCK</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Finished goods	178	-

<b>9. DEBTORS</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	26,822	27,912
Amounts owed by group undertakings	4,742	5,450
Other debtors	3,704	1,223
Prepayments and accrued income	3,695	1,475
Deferred tax asset	337	374
	<u>39,300</u>	<u>36,434</u>

A net deferred tax asset of £337,000 has been recognised at 31 March 2010 (2009 £374,000). 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 £50,000 (2009 £22,000). The amount charged through the statement of total recognised gains and losses was £18,000 (2009 £31,000).

<b>10. DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due from group undertakings	1,204	-

<b>11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft	17,072	996
Trade creditors	5,161	11,231
Amounts owed to group undertakings	18,273	15,495
Corporation tax	2,265	1,856
Other taxation and social security	6,520	5,845
Other creditors	579	1,280
Accruals and deferred income	6,937	10,044
	<u>56,807</u>	<u>46,747</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2010**

<b>12.</b>	<b>CALLED UP SHARE CAPITAL</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	<b>Allotted, called up and fully paid</b>		
	100 £1 Ordinary shares	100	100
		<u>          </u>	<u>          </u>
<b>13.</b>	<b>RESERVES</b>	<b>2010</b>	<b>2009</b>
	<b>Profit and loss account</b>	<b>£'000</b>	<b>£'000</b>
	At 1 April	9,975	7,338
	Profit for the financial year	11,063	9,425
	Dividends	(8,346)	(6,896)
	Capital contribution for the financial year	187	186
	Actuarial loss net of deferred tax	(58)	(78)
	<b>At 31 March</b>	<u>12,821</u>	<u>9,975</u>
<b>14.</b>	<b>RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>
	Profit for the financial year	11,063	9,425
	Capital contribution	187	186
	Dividends (note 5)	(8,346)	(6,896)
	Actuarial gain on pension scheme (note 19)	(65)	(109)
	Movement on deferred tax relating to pension scheme	7	31
	<b>Net addition to shareholders' funds</b>	<u>2,846</u>	<u>2,637</u>
	Opening shareholders' funds	9,975	7,338
	<b>Closing shareholders' funds</b>	<u>12,821</u>	<u>9,975</u>



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2010**

**15. FINANCIAL COMMITMENTS**

**Operating leases**

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as follows

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Land and buildings</b>		
Expiry date		
- within one year	188	638
- between two and five years	493	1,234
- after five years	101	9
	<u>782</u>	<u>1,881</u>

**Commitments on behalf of group undertakings**

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts and loans. As at 31 March 2010, the overall commitment was £109 million (2009 £10 million)

**Performance bonds**

The company had outstanding performance bonds as follows	<b>£'000</b>	<b>£'000</b>
Performance bonds	<u>28</u>	<u>92</u>

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**16. DIRECTORS**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
The emoluments of directors of the company were		
Fees and other emoluments (including benefits-in-kind)	<u>988</u>	<u>1,072</u>
Fees and emoluments disclosed above (excluding pension contributions) includes amounts paid to	<b>£'000</b>	<b>£'000</b>
The highest paid director	<u>302</u>	<u>360</u>
	<b>No.</b>	<b>No.</b>
The number of directors who were members of a defined benefit pension scheme	<u>5</u>	<u>5</u>

The accrued pension of the highest paid director at 31 March 2010 was £21,428 (2009 £20,769)

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

**17. EMPLOYEES**

**Number of employees**

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

	<b>2010</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>
Site labour	14,766	14,075
Administration and management	<u>604</u>	<u>758</u>
	<u>15,370</u>	<u>14,833</u>
<b>Employment costs</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	136,239	126,154
Social security costs	8,917	8,105
Pension costs	1,199	278
Share-based payments (see note 18)	<u>187</u>	<u>186</u>
	<u>146,542</u>	<u>134,723</u>

**MITIE CLEANING & ENVIRONMENTAL SERVICES LIMITED**  
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**18. SHARE-BASED PAYMENTS**

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

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

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

**The MITIE Group PLC 1991 Executive share option scheme**

The Executive share option scheme exercise price is equal to the market value of the shares over the five day period immediately preceding the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group. No options have been granted under this scheme since August 2001.

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

The Executive share option scheme exercise price is equal to the market value of the shares over the five day period immediately preceding the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group. Before options can be exercised, the performance condition that must be satisfied is that the percentage growth in the earnings per share over a three year period must be equal or greater than 10.0% per annum compound in respect of awards prior to July 2007 and 4.0% above the Retail Price per annum thereafter.

**The MITIE Group PLC 2001 Savings related share option scheme**

The Savings Related share option scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares on the day preceding the date on which invitations to participate in the Scheme are issued. For options granted prior to September 2008, the vesting period is five years. For options granted in September 2008 and thereafter, the vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the Group.

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**18 SHARE-BASED PAYMENTS (continued)**

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

	<b>2010</b>		<b>2009</b>	
	<b>Number of share options</b>	<b>Weighted average exercise price (in p)</b>	<b>Number of share options</b>	<b>Weighted average exercise price (in p)</b>
Outstanding at beginning of period <sup>(1)</sup>	2,094,209	179	1,961,687	166
Granted during the period	438,441	186	571,524	196
Forfeited during the period	(167,387)	200	(231,160)	146
Transferred to Group subsidiaries during the period	(15,561)	184	(53,262)	142
Exercised during the period	(332,674)	142	(154,580)	139
<b>Outstanding at the end of the period</b>	<b>2,017,028</b>	<b>185</b>	<b>2,094,209</b>	<b>179</b>
<b>Exercisable at the end of the period</b>	<b>482,227</b>	<b>151</b>	<b>562,399</b>	<b>140</b>

<sup>(1)</sup> Included within this balance are 131,800 (2009 195,600) 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 117p to 174p (2009 95p to 174p).

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

	<b>2010 £'000</b>	<b>2009 £'000</b>
Long Term Incentive Plan (LTIP)	32	14
2001 Executive share options	93	81
2001 Saving related share options	62	91
	<b>187</b>	<b>186</b>

The weighted average share price at the date of exercise for share options exercised during the period was 237p (2009 209p).

The options outstanding at 31 March 2010 had a weighted average exercise price of 185p (2009 179p) and a weighted average remaining contractual life of 4.87 years (2009 5.11 years).

In the year ended 31 March 2010, options were granted in June, July and September 2008 in respect of the Executive, Savings related share option and LTIP schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £260,737.

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**18. SHARE-BASED PAYMENTS (continued)**

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

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

	2010	2009
Share price (p)	133 to 230	133 to 230
Exercise price (p)	0 to 254	0 to 254
Expected volatility (%)	27 to 36	27 to 30
Expected life (years)	3 to 6	3 to 6
Risk-free rate (%)	2.42 to 5.25	4.17 to 5.25
Expected dividends (%)	1.43 to 3.30	1.43 to 3.15

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.

**19. 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 33 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' pension deficit of £6.8 million (2009: surplus of £3.0 million).

Contributions to the scheme for the period are shown in note 17 and the agreed contribution rate for the next 12 months is 17.5% (2009: 17.5%).

**Other defined benefit schemes**

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

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

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**19. PENSION ARRANGEMENTS (continued)**

	<b>2010</b>	<b>2009</b>
	<b>%</b>	<b>%</b>
Key assumptions used for FRS 17 valuation		
Discount rate	5.60	6.60
Expected return on scheme assets		
Equity instruments	8.00	8.00
Debt instruments	5.00	5.00
Property	7.50	7.50
Other assets	4.50	3.50
Expected rate of salary increases	4.00	3.50
Future pension increases	3.50	3.00
Inflation	3.50	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

	<b>£'000</b>	<b>£'000</b>
Current service cost	(132)	(172)

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

	<b>£'000</b>	<b>£'000</b>
Interest cost	(266)	(204)
Expected return on scheme assets	277	269
	<u>11</u>	<u>65</u>

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

	<b>£'000</b>	<b>£'000</b>
Actual return less expected return on scheme assets	1,255	987
Experience adjustments arising on plan liabilities	(1,241)	(1,822)
Contract adjustment	(79)	726
	<u>(65)</u>	<u>(109)</u>

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**19. 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

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	5,752	4,227	2,795	3,625
Present value of defined benefit obligations	(5,660)	(4,187)	(1,987)	(3,435)
Surplus in the scheme	92	40	808	186
Contract adjustment	(162)	(82)	(810)	(56)
Related deferred tax asset	18	11	-	-
<b>Net pension (liability)/asset</b>	<b>(52)</b>	<b>(31)</b>	<b>(2)</b>	<b>130</b>

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

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	4,187	1,987
Service cost	132	172
Interest cost	266	204
Contributions from scheme members	56	62
Actuarial gains and losses	1,263	1,822
Benefits paid	(119)	(116)
Contract transfers	(125)	56
<b>At 31 March</b>	<b>5,660</b>	<b>4,187</b>

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

	<b>£'000</b>	<b>£'000</b>
At 1 April	4,227	2,795
Expected return on scheme assets	277	269
Actuarial gains and losses	1,255	987
Contributions from the sponsoring companies	160	173
Contributions from scheme members	56	62
Benefits paid	(119)	(116)
Contract transfers	(104)	57
<b>At 31 March</b>	<b>5,752</b>	<b>4,227</b>

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**19 PENSION ARRANGEMENTS (continued)**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
The analysis of the scheme assets at the balance sheet date was as follows		
Equity instruments	4,069	2,630
Debt instruments	906	429
Property	212	206
Other assets	565	962
<b>At 31 March</b>	<b>5,752</b>	<b>4,227</b>

The four-year history of experience adjustments is as follows

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit obligations	(5,660)	(4,187)	(1,987)	(3,435)
Fair value of scheme assets	5,752	4,227	2,795	3,621
<b>Surplus in the scheme</b>	<b>92</b>	<b>40</b>	<b>808</b>	<b>186</b>
Experience adjustments on scheme liabilities				
Amount (£ 000)	128	676	(785)	(74)
Percentage of scheme liabilities (%)	2.3	16.1	(25.1)	(1.6)
Experience adjustments on scheme assets				
Amount (£ 000)	1,255	144	(459)	61
Percentage of scheme liabilities (%)	21.8	3.4	(12.6)	1.4



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**20. RELATED PARTY TRANSACTIONS**

The company is not 100% owned by MITIE Group PLC and hence is required to disclose its transactions with all other entities within the group

Related party	Nature of transaction	Amount of transaction				Debtor		Creditor	
		2010 £'000	Income 2009 £'000	2010 £'000	Expenditure 2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Cole Motors Ltd	Trade related services	38	-	(21)	(139)	-	-	(6)	(11)
MITIE Aviation Security Ltd	Trade related services	-	-	-	-	1	-	-	-
MITIE Air Conditioning (London) Ltd	Trade related services	-	-	-	(1)	-	-	-	-
MITIE Business Services Ltd	Trade related services	1,654	1,513	(1,355)	(2,167)	162	163	(239)	(221)
MITIE Catering Services Ltd	Trade related services	190	184	(978)	(648)	40	41	(84)	(30)
MITIE Client Services Ltd	Trade related services	7	5	(6)	(4)	2	6	(3)	-
MITIE Document Solutions Ltd	Trade related services	8	5	(8)	(40)	-	2	(2)	(1)
MITIE Energy Ltd	Trade related services	-	3	(19)	(6)	1	-	-	(5)
MITIE Engineering Maintenance (Caledonia) Ltd	Trade related services	-	-	(4)	(15)	81	-	-	(8)
MITIE Engineering Maintenance (North & Scotland) Ltd	Trade related services	-	5,108	(5)	(6)	5	1,258	-	(1)
MITIE Engineering Maintenance Ltd	Trade related services	6,563	13,534	(580)	(1,271)	3,813	3,060	(285)	(31)
MITIE Engineering Projects Ltd	Trade related services	23	43	-	-	43	26	-	-
MITIE Engineering Services Ltd	Trade related services	192	59	-	(1)	92	7	-	-
MITIE Engineering Services (Bristol) Ltd	Trade related services	11	-	-	-	-	-	-	-
MITIE Engineering Services (Cardiff) Ltd	Trade related services	152	105	-	-	24	21	-	-
MITIE Engineering Services (Edinburgh) Ltd	Trade related services	32	55	(2)	(1)	15	23	-	-
MITIE Engineering Services (Leeds) Ltd	Trade related services	-	75	-	(35)	-	43	-	-
MITIE Engineering Services (Liverpool) Ltd	Trade related services	-	41	-	-	-	25	-	-

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**20 RELATED PARTY TRANSACTIONS (continued)**

Related party	Nature of transaction	Amount of transaction				Debit		Creditor	
		Receivable		Payable		2010		2010	
		2010	2009	2010	2009	2010	2009	2010	2009
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MITIE Engineering Services (Midlands) Ltd	Trade related services	1	-	-	-	-	-	-	-
MITIE Engineering Services (South East) Ltd	Trade related services	32	-	-	-	6	1	-	-
MITIE Facilities Services Ltd	Trade related services	563	211	(71)	(209)	216	82	(7)	(20)
MITIE Group PLC	Trade related services	1 364	336	-	-	216	10	-	-
MITIE Interiors Ltd	Trade related services	24	-	-	-	9	-	-	-
MITIE Landscapes Ltd	Trade related services	987	194	(2,073)	(3,219)	106	45	(941)	(410)
MITIE Managed Services (North & Scotland) Ltd	Trade related services	67	141	-	(158)	12	11	-	-
MITIE Managed Services (South West & Wales) Ltd	Trade related services	217	120	-	-	31	30	-	-
MITIE Managed Services (Southern) Ltd	Trade related services	424	87	(1)	-	8	58	(1)	-
MITIE Managed Services Ltd	Trade related services	2,496	1,343	-	-	413	463	(1)	-
MITIE McCartney Fire Protection Ltd	Trade related services	10	8	-	(3)	-	-	-	-
MITIE Payroll Services Ltd	Trade related services	302	113	-	-	-	-	-	-
MITIE Pest Control (London) Ltd	Trade related services	29	1	(14)	-	22	1	(14)	-
MITIE Pest Control Services Ltd	Trade related services	424	122	(315)	(700)	38	21	(82)	(32)
MITIE PFI Ltd	Trade related services	1,620	1,769	(3)	(10)	193	126	(1)	(2)
MITIE Property Investments Ltd	Trade related services	4	32	-	-	-	-	-	-
MITIE Property Services (UK) Ltd	Trade related services	75	86	-	(151)	4	1	(170)	-
MITIE Resources Ltd	Trade related services	1,030	622	-	-	-	-	-	-

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**20. RELATED PARTY TRANSACTIONS (continued)**

Related party	Nature of transaction	Amount of transaction				Debit		Creditor	
		Receivable		Payable		2010		2009	
		2010	2009	2010	2009	2010	2009	2010	2009
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MITIE Security (London) Ltd	Trade related services	10	20	(43)	(857)	1	12	-	(8)
MITIE Security Ltd	Trade related services	3,089	405	(3,820)	(3,059)	732	135	(1,752)	(252)
MITIE Services (Retail) Ltd	Trade related services	5,400	2,085	(285)	(37)	563	29	(147)	-
MITIE Technical Facilities Management Ltd	Trade related services	23,211	-	(2)	-	2,083	-	(3)	-
MITIE Technology Ltd	Trade related services	16	15	-	(36)	-	6	-	(3)
MITIE Tilley Roofing Ltd	Trade related services	1	1	-	-	-	-	-	-
MITIE Transport Services Ltd	Trade related services	2,076	1,158	(3)	(46)	1	-	(6)	-
Envirocare Waste Services Ltd	None in the year	-	-	-	-	-	-	(69)	(69)
MITIE Cleaning Midlands Limited	None in the year	-	-	-	-	-	-	(2,094)	(2,094)
MITIE Cleaning South East Ltd	None in the year	-	-	-	-	-	-	(3,596)	(3,596)
MITIE Cleaning Ltd	None in the year	-	-	-	-	-	-	(672)	(672)
MITIE Cleaning South Wales Ltd	None in the year	-	-	-	-	-	-	(450)	(450)
MITIE Cleaning South West Ltd	None in the year	-	-	-	-	-	-	(1,310)	(1,310)
MITIE Cleaning Southern Ltd	None in the year	-	-	-	-	-	-	(3,582)	(3,582)
MITIE Olscot Ltd	None in the year	-	-	-	-	-	-	(2,756)	(2,756)
		52,190	29,599	8,753	12,819	8,933	5,706	18,273	15,495

Dividends paid to directors amounted to £16,000 (2009 £16,000), no amounts were owing at the year end

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**21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The directors regard MITIE Group PLC, a company registered in Scotland as the company's ultimate parent undertaking and controlling party. The immediate controlling party is MITIE Facilities Services Limited. MITIE Facilities Services Limited is the smallest group and MITIE Group PLC the largest group for which group accounts are prepared. Copies of these financial statements can be obtained from the company secretary at the registered office.