Company Registration Number 00906936

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED
(formerly Dalkia Energy & Technical Services Limited)

Report and Financial Statements

For the period from 1 January 2009 to 31 March 2010

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED
(formerly Dalkia Energy & Technical Services Limited)

REPORT AND FINANCIAL STATEMENTS 2010

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MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED
(formerly Dalkia Energy & Technical Services Limited)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Holt
I Howarth
P F Mosley (appointed 12 August 2009)
C R Payne (appointed 12 August 2009)
F Pelege (resigned 12 August 2009)
P B Stevens (resigned 12 August 2009)
J Winterbottom (resigned 12 August 2009)

SECRETARY

MITIE Company Secretarial Services Limited (appointed 12 August 2009)
P B Stevens (resigned 12 August 2009)

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

COMPANY REGISTRATION NUMBER

00906936

BANKERS

Barclays Bank Plc
1 Churchill Place
Canary Wharf
London
E14 5HP

National Westminster Bank Plc
130 Commercial Road
Portsmouth
Hampshire
PO1 1ES

AUDITORS

Deloitte LLP
Chartered Accountants
London
EC4A 3BZ

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED
(formerly Dalkia Energy & Technical Services Limited)

DIRECTORS' REPORT

The directors present the report and audited financial statements of MITIE Technical Facilities Management Limited (the "Company") for the period from 1 January 2009 to 31 March 2010 The Company was acquired by MITIE Group PLC (the "Parent Company") on 12 August 2009 and is a 100% owned subsidiary The period covered by these financial statements has been extended, post acquisition, to cover a 15-month period for its year end to coincide with that of the Parent Company The company changed its name from Dalkia Energy & Technical Services Limited to MITIE Technical Facilities Management Limited on 2nd March 2010

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide financial, organisational and environmental benefits for owners, managers and occupiers of commercial and public buildings The company delivers these benefits through an integrated service management approach uniquely combining energy management, mechanical and electrical services and a range of related services including fire protection, environment management and energy bureau

On 31 March 2010 the Company acquired the trade and assets of MITIE Engineering Maintenance Limited, MITIE Engineering Maintenance (North) Limited and MITIE Engineering Maintenance (Caledonia) Limited for a total consideration of £17,261,000 (Note 23)

REVIEW OF THE PERIOD

Turnover grew by 25 9% to £288,672,000 for the 15-month period (31 December 2008 £229,213,000) This represents a growth of 0 8% over a 12-month period Loss for the 15-month period after taxation was £9,411,000 (31 December 2008 profit of £4,480,000)

The current period result is stated after charging one-off adjustments on acquisition by MITIE Group PLC, totalling £18,671 000 Adjusting for these items the Company's profit for the financial period after tax is £9,260,000 (2008 £4,480,000) These adjustments represent further provisions recognised by the company against assets considered impaired after the purchase of the company by MITIE Group PLC

Further, the adjusted gross profit, operating profit and profit after tax re-calculated on a 12 month basis for comparative purposes are £32,448,000 (2008 £29,623 000), £8,621,000 (2008 £6,345,000) and £11,142,000 (2008 £4,480 000) respectively This shows a clear improvement over the previous comparative period in tough market conditions and the directors expect the Company to continue trading profitably in the future

GOING CONCERN

After adjusting for the one off items noted above, the company was profitable in the current period The directors have considered the forecast/budgeted profit and associated cash flows for the period to 31 March 2016 and the facilities available to the entity (through the Group) and believe that they can operate within the facilities available for the period of the cash flow forecast

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future For this reason, the directors continue to adopt the going concern basis in preparing the financial statements

Key Performance Indicators

The following indicators have been extracted from the monthly reporting processes to illustrate the type of indicators which management use to guide and shape the business These indicators provide management with a balanced and appropriate analysis of the development and performance of the business and financial position during the financial period

DIRECTORS' REPORT (continued)

Key performance indicators (continued)

	31 March 2010	31 December 2008
Revenue		
Total annualised revenue in £'000	230,938	229,213
Gross profit margin		
Adjusted annualised gross profit as a percentage of total annualised revenue	14 1%	12 9%
Operating profit margin		
Adjusted annualised operating profit as a percentage of total annualised revenue	3 7%	2 8%
Creditor days		
Trade creditors/total annualised costs excluding employment costs and depreciation x 365	43 days	23 days
Days sales outstanding		
Trade receivables excluding VAT/annualised revenue x 365	54 days	52 days

The creditor days and days sales outstanding relate to the legacy business and exclude balances acquired (Note 23) as the acquisitions occurred on 31 March 2010

- UK revenues increased by £59,459,000 (25 9%) for the 15-month period This represents an increase of £1,725,000 (0 8%) over a 12-month period predominately from organic growth and the impact of higher fuel prices
- The gross profit margin reflects pressure on price but has improved from previous years and is appropriate for the sector
- The operating profit margin has improved from previous years, reflecting cost containment and is appropriate for the sector
- The creditor days measure for the financial year indicates payment of our suppliers within terms and is consistent with previous years
- The days sales outstanding indicator is consistent with previous years, showing continued focus on working capital management and has held broadly in line with tough market conditions

PRINCIPAL RISKS AND UNCERTAINTIES

We have an established risk management and corporate governance framework for identifying evaluating and managing significant risks faced by MITIE We recognise that risks and uncertainties offer the potential for both upside and downside changes within our business We employ internal and external specialists to manage our risk profile and regularly review our system of internal control to ensure that risks are appropriately identified and addressed

Our principal risks and uncertainties are as detailed on pages 36 and 37 in MITIE's 2010 Annual Report, a copy of which is available on our website at www.mitie.com We have summarised the risks below

New business

As our business develops, we will increasingly tender for larger and more complex contracts creating new or larger-scale risks as well as the opportunity for enhanced returns

Acquisitions

We continue to seek acquisitions that fit with or complement our existing business and acknowledge the risks surrounding appropriate pricing and integration of any new business

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Health, safety and environment

The range of activities that we undertake carries with it a broad spectrum of health, safety and environmental risks with the potential to impact a number of stakeholder groups including our employees, the public and our clients

Employee skills shortages

MITIE is a people business and our success relies on our ability to recruit and retain the best talent throughout the organisation

Liquidity

Maintaining sufficient liquidity is essential for ensuring that we can meet our strategic targets and manage our day-to-day commitments

Pensions

We manage our exposure to pension scheme liabilities through the use of specialist in-house and external advisers and through established procedures to ensure compliance with current regulations

DIVIDENDS

No final dividend is proposed for 2010 (31 December 2008 a post year end dividend of £3,754,000 was declared and paid in the current year) No interim dividend for 2010 was paid (31 December 2008 £Nil)

DIRECTORS

The present membership of the board is set out on page 1 Following the acquisition of the Company by MITIE Group PLC in the period, F Pelège, P B Stevens and J Winterbottom resigned as directors of the company on 12 August 2009 P F Mosley and C R Payne were appointed as directors of the Company on the same day The other directors held office throughout the period

DISABLED PERSONNEL

Full and fair consideration is given to the skills and aptitudes of disabled people in recruitment and career development In pursuit of this policy all practicable measures are taken to place disabled people in jobs suited to their individual circumstances and to enable them to share equally with other employees in the opportunities available for training and promotion in the company

EMPLOYEE INVOLVEMENT AND EQUAL OPPORTUNITIES

Employee involvement and consultation is developed through regular formal meetings and informal channels The Company is an equal opportunity employer, and makes no discrimination on the grounds of race, sex or religion in recruitment or career development

DIRECTORS' REPORT (continued)

CREDIT PAYMENT POLICY

For payment of trade payables, the Company s policy is to

(a) settle the terms of payment with those suppliers when agreeing the terms of each transaction,

(b) ensure that those suppliers are made aware of the terms of the payment by inclusion of the relevant terms in contracts, and

(c) pay in accordance with its contractual and other legal obligations

Creditor days at 31 March 2010 were 43 days (31 December 2008 23 days)

AUDITORS

KPMG LLP resigned as auditors on 12 August 2009

Deloitte LLP were appointed as auditors to the company on 17 May 2010

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 auditors are unaware, and

- the director has taken all the steps that he ought to have taken as a director to make himself 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 s418 of the Companies Act 2006

Deloitte LLP has expressed a willingness to remain in office as the company's auditors A resolution to reappoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

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

M Holt
Director

9 July 2010

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period Under that law the directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU

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 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

We have audited the financial statements of MITIE Technical Facilities Management Limited for the period from 1 January 2009 to 31 March 2010 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 29 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 loss for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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 period 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

Ian Krieger

Ian Krieger (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

9 July 2010

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED
(formerly Dalkia Energy & Technical Services Limited)

INCOME STATEMENT
For the period from 1 January 2009 to 31 March 2010

	Note	Period ended 31 March 2010 £'000	Year ended 31 December 2008 £'000
REVENUE	1	288,672	229,213
Cost of sales		(264,063)	(199,590)
GROSS PROFIT		24,609	29,623
Administrative expenses		(37,172)	(23,278)
OPERATING (LOSS) / PROFIT	3	(12,563)	6,345
Investment revenues	4	30	2
Finance costs	5	(360)	(8)
(LOSS) / PROFIT BEFORE TAX		(12,893)	6,339
Tax credit / (charge) on (loss) / profit before tax	8	3,482	(1,859)
(LOSS) / PROFIT FOR THE FINANCIAL PERIOD	21	(9,411)	4,480

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

Income or expenses recognised directly in equity are presented on the statement of recognised income and expense on page 9

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED
(formerly Dalkia Energy & Technical Services Limited)

STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 January 2009 to 31 March 2010

	Period ended 31 March 2010 £'000	Year ended 31 December 2008 £'000
(Loss)/profit for the financial period	(9,411)	4,480
Gains on foreign currency forward contracts taken to equity	68	-
Tax on items taken directly to equity	(19)	-
Total comprehensive (expense)/income for the period	(9,362)	4,480

STATEMENT OF CHANGES IN EQUITY
For the period from 1 January 2009 to 31 March 2010

	£'000
Balance at 1 January 2008	16,740
Profit for the financial period	4,480
Dividends paid	(2,340)
Balance at 1 January 2009	18,880
Net income recognised directly in equity	49
Loss for the financial period	(9,411)
Dividends paid	(3,754)
Balance at 31 March 2010	5,764

Equity comprises share capital, hedging reserve and retained earnings

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED
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BALANCE SHEET
As at 31 March 2010

	Note	31 March 2010		31 December 2008	
		£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Goodwill	9		2 869		-
Property, plant and equipment	10		6,522		760
Investments	11		23		23
Deferred tax asset	15		4,059		200
TOTAL NON-CURRENT ASSETS			13,473		983
CURRENT ASSETS					
Inventories	12	7,414		12,430	
Trade and other receivables	13	105,588		47,382	
Current tax asset		202		-	
Cash and cash equivalents	16	27,968		121	
TOTAL CURRENT ASSETS			141,172		59,933
TOTAL ASSETS			154,645		60,916
EQUITY					
Called up share capital	20		6,700		6,700
Hedging reserve	21		49		-
Retained earnings	21		(985)		12,180
			5,764		18,880
CURRENT LIABILITIES					
Current tax liability		-		688	
Trade and other payables	17	147,412		41,348	
Obligations under finance leases	19	31		-	
Provisions	18	1,438		-	
TOTAL CURRENT LIABILITIES			148,881		42,036
TOTAL EQUITY AND LIABILITIES			154,645		60,916

The financial statements of MITIE Technical Facilities Management Limited, company registration number 00906936, were approved by the Board of Directors and authorised for issue on 9 July 2010

M Holt
Director

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED
(formerly Dalkia Energy & Technical Services Limited)

CASH FLOW STATEMENT
For the period from 1 January 2009 to 31 March 2010

	Note	Period ended 31 March 2010		Year ended 31 December 2008	
		£'000	£'000	£'000	£'000
Net cash from operating activities	25		27,613		2,287
Cash flows from investing activities					
Acquisition of property, plant and equipment	10	(4,973)		(92)	
Proceeds from disposal of property, plant and equipment		92		30	
Net cash used in investing activities			(4,881)		(62)
Cash flow from financing activities					
Dividends paid	21		(3,754)		(2,340)
Net increase/(decrease) in cash and cash equivalents			18,978		(115)
Cash and cash equivalents acquired on acquisition of business (Note 23)			8,869		-
Cash and cash equivalents at beginning of period			121		236
Cash and cash equivalents at end of period	16		27,968		121

NOTES TO THE FINANCIAL STATEMENTS
For the period from 1 January 2009 to 31 March 2010

1 ACCOUNTING POLICIES

MITIE Technical Facilities Management Limited ('the Company') is a company incorporated in the United Kingdom

Statement of compliance

The Company has prepared its financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (adopted IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB)

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily available from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods

Judgements made by the management in the applications of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to the financial statements

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

Going concern

Going concern has been deemed an appropriate basis for the preparation of these financial statements as discussed in the Directors' Report on page 2

Group accounts

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the company as an individual undertaking and not about its group

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, in the ordinary course of the company s activities Revenue is shown net of value-added tax, returns, rebates and discounts

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described as follows

1. ACCOUNTING POLICIES (continued)

Revenue (continued)

Services

Revenues are recognised by reference to the stage of completion of the Company's contracts In most cases, given the services provided reflect an indeterminate number of acts over the contract term, revenue is recognised on a straight line basis Where specific works on contracts represent a significant element of the whole, revenue is deferred until those works have been completed An element of the services provided relates to the provision of energy where revenue is recognised at the point of usage by the customer

Goodwill

All business combinations are accounted for by applying the purchase method The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures In respect of business acquisitions that have occurred since 1 January 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired

Goodwill is stated at cost less any accumulated impairment losses Goodwill is allocated to cash-generating units and is tested annually for impairment

Property, plant and equipment

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets The rates of depreciation are as follows

Leasehold improvements	10% to 33% per annum
Plant	10% to 33% per annum
Equipment, fixtures and fittings	20% to 33% per annum
Motor vehicles	25% per annum

Where there is evidence of impairment to carrying values, fixed assets are written down to their recoverable amount Any such write-down would be charged to operating profit

Investments

Investments held as non-current assets are stated at cost less provision for any impairment in value

Inventories

Inventories are measured at the lower of cost, computed on the first-in-first-out basis, and net realisable value

Hedge accounting

The Company uses derivate financial instruments such as interest rate swaps to hedge and manage risks associated with interest Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges

At the inception of the transaction, the Company assesses the risk of the transaction, in accordance with its risk management strategy and documents the relationship between the hedging instrument and the transaction The Company documents whether the hedging instrument is highly effective, both at inception and on an ongoing basis, at offsetting the movement in fair values or cash flows of the hedged transaction

Cash flow hedges

The effective portion of the gain or loss on the hedging item is deferred in equity The ineffective portion is recognised immediately in the income statement

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of the other segments

Assets held under finance leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over their useful economic lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding

Assets held under operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis

1. ACCOUNTING POLICIES (continued)

Income tax

Income tax on the profit or loss for the period comprises current and deferred tax Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date Deferred tax assets and liabilities are not discounted

Employee benefits

Defined contribution plan

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

Defined benefit plan

The expected costs of providing pensions, as calculated periodically by professionally qualified actuaries, is recognised as an expense in the income statement so as to spread the cost of the service lives of employees in the schemes operated within the Group in such a way that the pension costs are a substantially level percentage of current and expected future pensionable payroll

Trade and other receivables

Trade and other receivables are stated at their nominal value (discounted if material) less impairment losses In line with Group policy all receivables over six months old are fully provided for at year end

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows

Vacant property provision

Where premises are no longer occupied or used for the purposes of the business and are considered unlikely to be reoccupied in the future, provision is made for the present value of future rentals, less rents receivable from sub-tenants, over the remaining lease term

1 ACCOUNTING POLICIES (continued)

Share-based payments

The Company participates in a number of MITIE Group PLC executive and employee share option schemes For all grants of share options, the fair value as at the date of grant is calculated using the Black Scholes model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company s estimate of shares that will actually vest

Impairment

The carrying amounts of the Company s assets other than inventories and deferred tax assets, where policies are set out above, are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss

An impairment loss in respect of goodwill is not reversed In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

1. ACCOUNTING POLICIES (continued)

Accounting estimates and judgements

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates

The Group believes that up to the date of scheme closure the most critical accounting policies and significant areas of judgement and estimation arose from the accounting for defined benefit pension schemes under IAS 19 Employee benefits Defined benefit pension schemes require significant judgements in relation to the assumptions for inflation, future salary and pension increases, investment returns and member longevity that underpin the valuation Each year in selecting the appropriate assumptions the directors take advice from an independent qualified actuary

From time to time, disputes and subsequent negotiations may arise with customers over the value of work performed This may create uncertainty over the recoverability of both work in progress and debtor balances Where amounts are deemed to be irrecoverable, an impairment charge or provision is recorded to reflect the relevant circumstances However, the Company will still pursue full recovery to the extent they believe entitlement exists

Adoption of new and revised standards

The following amendments and interpretations, issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee are effective for the first time in the current period but have had no impact on the results or financial position of the Company

- IFRIC 13 'Customer Loyalty Programmes',
- IFRIC 15 'Agreements for the Construction of Real Estate',
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation',
- IFRIC 18 'Transfers of Assets from Customers ,
- IAS 27 (Revised) 'Consolidated and Separate Financial Statements',
- Amendments to IAS 32 and IAS 1 'Puttable Financial Instruments and Obligations Arising on Liquidation',
- Amendment to IAS 39 'Financial Instruments Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments', and
- Amendments resulting from May 2008 Annual Improvements to IFRSs

The following standards and interpretations have been issued but are not yet effective (and in some cases have not been adopted by the EU)

- IFRIC 14 'Prepayments of a Minimum Funding Requirement',
- IFRIC 17 'Distributions of Non-Cash Assets to Owners',
- IFRIC 19 'Extinguishing Financial Liabilities and Equity Instruments',
- IFRS 3 (Revised) 'Business Combinations', and consequential amendment to IAS 27 'Consolidated and Separate Financial Statements , IAS 28 'Investments in Associates and IAS 31 'Interests in Joint Ventures',
- IFRS 9 Financial Instruments – Classification and Measurement ,
- Amendments to IFRS 2 'Group Cash-settled Share-based Payment Transactions',
- Amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations',
- IAS 24 (Revised) Related Party Disclosures ,
- Amendments to IAS 32 'Financial Instruments Presentation Amendments relating to classification of rights issues',
- Amendments to IAS 39 Financial Instruments Recognition and Measurement – Amendments for eligible hedged items', and

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For the period from 1 January 2009 to 31 March 2010

1. ACCOUNTING POLICIES (continued)

Adoption of new and revised standards

- Amendments to IAS 32 'Financial Instruments Presentation Amendments relating to classification of rights issues ,
- Amendments to IAS 39 'Financial Instruments Recognition and Measurement – Amendments for eligible hedged items', and
- Amendments resulting from April 2009 Annual Improvements to IFRSs

The directors do not anticipate the adoption of these standards and interpretations will have a material financial impact on the Company's financial statements in the period of initial application, except in respect of the impact on the treatment of the acquisition of subsidiaries when IFRS 3 (Revised 2008) comes into effect for business combinations for which the acquisition date is on or after 1 April 2010

2. SEGMENTAL ANALYSIS

Segment information is presented in respect of the Company's business segments and is based on the Company's management and internal reporting structure All segments operate entirely within the UK

Inter-segment pricing is determined on an arm's length basis

Segment results, assets and liabilities include items directly attributable to a segment as well as items that can be allocated on a reasonable basis Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans and expenses, and corporate assets and expenses

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period

£'000	Commercial Period ended 31 March 2010	Commercial Year ended 31 December 2008	Rail and Retail Period ended 31 March 2010	Rail and Retail Year ended 31 December 2008	Total Period ended 31 March 2010	Total Year ended 31 December 2008
Total revenue	222,796	165,797	65,876	63,416	288,672	229,213
Segment result	9,796	16,700	(5,342)	5,532	4,454	22,232
Unallocated expenses					(17,347)	(15,893)
(Loss) / profit before tax					(12 893)	6,339
Income tax credit / (expense)					3,482	(1,859)
(Loss) / profit for the financial period					(9,411)	4,480

2. SEGMENTAL ANALYSIS

£'000	Commercial Period ended 31 March 2010	Commercial Year ended 31 December 2008	Rail and Retail Period ended 31 March 2010	Rail and Retail Year ended 31 December 2008	Total Period ended 31 March 2010	Total Year ended 31 December 2008
Segment assets	72,572	33,391	3,373	20,526	75,945	53,917
Assets acquired (Note 23)	67,601	-	-	-	67,601	-
Unallocated assets					11 099	6,999
Total assets					154,645	60,916
Segment liabilities	65,734	17,007	5,572	3,545	71,306	20,552
Liabilities acquired (Note 23)	67,552	-	-	-	67,552	-
Unallocated liabilities					10,023	21,484
Total liabilities					148,881	42,036

As noted in the directors' report current year results include an impact of one-off adjustments made on acquisition of the Company by MITIE Group PLC Adjusting for these movements the segment results would be £12,499,000 and £4,825,000 for the Commercial and Rail and Retail sectors respectively Also, the unallocated expenses would be £11,546,000 This represents a profit before tax for the period of £5,778,000 (2008 £6,339,000)

3. OPERATING (LOSS) / PROFIT

	Period ended 31 March 2010 £'000	Year ended 31 December 2008 £'000
Operating (loss) / profit is stated after charging		
Depreciation on owned assets	1,721	474
Staff costs (see Note 6)	88,267	57,573
Operating lease rentals		
- plant and machinery	987	91
- other	2,969	1,560
Auditors' remuneration - audit services	60	50
Loss on disposal of tangible fixed assets	585	72

Operating loss for the current period is stated after charging one-off adjustments on acquisition by MITIE Group PLC, totalling £18,671,000 Adjusting for these items, the underlying operating profit for the period is £6,108,000

NOTES TO THE FINANCIAL STATEMENTS
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4. INVESTMENT REVENUES

	Period ended 31 March 2010 £'000	Year ended 31 December 2008 £'000
Bank interest	30	-
Other interest	-	2
	30	2

5. FINANCE COSTS

	Period ended 31 March 2010 £'000	Year ended 31 December 2008 £'000
Bank interest	7	8
Interest on loan due to parent company	130	-
Other interest	223	-
	360	8

6 STAFF COSTS

	Period ended 31 March 2010 £'000	Year ended 31 December 2008 £'000
Wages and salaries	78,817	51,674
Social security costs	7,836	4,950
Contributions to group defined benefit plan	257	437
Other pension costs	1,357	512
	88,267	57,573

Presented in	£'000	£'000
Cost of sales	75,590	52,530
Administrative expenses	12,677	5,043
	88,267	57,573

The average number of employees during the period was made up as follows	No	No
Administration and management	1 398	258
Operations	2,913	1,553
	4,311	1,811

7 EMOLUMENTS OF THE COMPANY'S DIRECTORS

Emoluments of the directors for the period are as follows

	Period ended 31 March 2010 £'000	Year ended 31 December 2008 £'000
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	770	-

	£'000	£'000
The highest paid director	446	-

The accrued pension of the highest paid director at 31 March 2010 amounted to £Nil (2008 £Nil)

I Howarth and M Holt are remunerated by MITIE Technical Facilities Management Limited and their emoluments are disclosed above

J Winterbottom, F Pelege and P B Stevens were remunerated by Dalkia Plc, the parent company during 2008 and until 12 August 2009 when the company was acquired by MITIE Group PLC They all retired on 12 August 2009 Their roles included those of director in MITIE Technical Facilities Management Limited and several other subsidiaries of Dalkia Plc It is not practicable to allocate their total remuneration during the period of £151,000, between their roles as directors of various companies The emoluments disclosed above therefore exclude those of J Winterbottom, F Pelege and P B Stevens

C R Payne and P F Mosley were remunerated by MITIE Engineering Maintenance Limited up until 31 March 2010 Their roles include those of director of MITIE Technical Facilities Management Limited and several other subsidiaries of MITIE Group PLC It is not practicable to allocate their total remuneration during the period, of £461,000, between their roles as directors of various companies The emoluments disclosed above therefore exclude those of C R Payne and P F Mosley

8. TAX (CREDIT) / CHARGE ON (LOSS) / PROFIT BEFORE TAX

Recognised in the income statement	Period ended 31 March 2010 £'000	Year ended 31 December 2008 £'000
Current tax		
UK corporation tax	213	1,867
Adjustments in respect of prior years	(60)	(4)
Total current tax	153	1,863
Deferred tax		
Origination and reversal of timing differences	(3,635)	(42)
Adjustments in respect of prior years	-	38
Total deferred tax (Note 15)	(3,635)	(4)
Total recognised in the income statement	(3,482)	1,859

Reconciliation of effective tax rate	2010 %	Period ended 31 March 2010 £'000	2008 %	Year ended 31 December 2008 £'000
(Loss) / profit before tax		(12,893)		6,339
	%	£'000	%	£'000
Income using the domestic corporation tax rate	28 0	(3,610)	28 5	1,807
Non-deductible expenses	(1 5)	188	0 3	17
Effect of change in rate	0 0	-	0 0	1
Adjustments in respect of prior years	0 5	(60)	0 5	34
	27 0	(3,482)	29 3	1,859

9. GOODWILL

Cost and carrying amount	£'000
At 1 January 2009	-
Recognised on acquisition (Note 23)	2,869
At 31 March 2010	2,869

Goodwill relates to the Company s acquisition of the trade and assets of MITIE Engineering Maintenance Limited, MITIE Engineering Maintenance (North) Limited and MITIE Engineering Maintenance (Caledonia) Limited on 31 March 2010 (Note 23) The directors are of the view that the operations of the Company are a single cash generating unit (CGU) and have therefore allocated the entire goodwill balance to that CGU

Goodwill is subject to annual impairment reviews based upon the value in use of the relevant CGU For the current period, the directors are of the view that the since the underlying assets were acquired at their fair value as at 31 March 2010, an impairment review is not considered necessary

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED
(formerly Dalkia Energy & Technical Services Limited)

NOTES TO THE FINANCIAL STATEMENTS
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10. PROPERTY, PLANT AND EQUIPMENT

	Plant £'000	Equipment, fixtures and fittings £'000	Plant at clients' premises £'000	Leasehold improvements £'000	Motor vehicles[1] £'000	Total £'000
Cost or valuation						
At 1 January 2008	139	1,408	3,315	116	-	4,978
Additions	76	16	-	-	-	92
Disposals	-	-	(318)	-	-	(318)
At 1 January 2009	215	1,424	2,997	116	-	4,752
Additions	249	3,853	303	568	-	4,973
Reclassified as held for sale[2]	-	-	(2,936)	-	-	(2,936)
Acquisition of business (Note 23)	-	252	-	-	3,525	3,777
Transfers	364	-	(364)	-	-	-
Disposals	(63)	(57)	-	(684)[3]	-	(804)
At 31 March 2010	765	5,472	-	-	3,525	9,762
Depreciation and impairment losses						
At 1 January 2008	48	1,215	2,424	47	-	3,734
Charge for the year	70	165	216	23	-	474
Disposals	-	-	(216)	-	-	(216)
At 1 January 2009	118	1,380	2,424	70	-	3,992
Charge for the period	81	1,383	242	15	-	1,721
On assets reclassified as held for sale[2]	-	-	(2,346)	-	-	(2,346)
Transfers	320	-	(320)	-	-	-
Eliminated on disposals	(37)	(5)	-	(85)[3]	-	(127)
At 31 March 2010	482	2,758	-	-	-	3,240
Carrying values						
At 31 March 2010	283	2,714	-	-	3,525	6,522
At 31 December 2008	97	44	573	46	-	760

[1] – Included within motor vehicles are assets held under finance leases with a net book value of £1,066,000

[2] – Certain assets within the category 'Plant at clients' premises' amounting to £590,000 (net book value) have been reclassified as trade debtors where management believe that the assets concerned will be transferred to the client on completion of the service contracts Remaining balance of assets which will remain the property of the company has been transferred to the category 'Plant

[3] – Leasehold improvements have been charged to the income statement during the period in line with MITIE Group PLC group accounting policy

11. FIXED ASSET INVESTMENTS

	£'000
Cost and net book value	
At 1 January 2009 and 31 March 2010	23

The subsidiary undertaking at 31 March 2010 was

	Country of incorporation and registration	Activity	Proportion of ordinary shares held
Goldfield Electronics Limited	England	Security systems	100%

12. INVENTORIES

	31 March 2010 £'000	31 December 2008 £'000
Raw materials and consumables	253	152
Contract work in progress	7,161	12,278
	7,414	12,430

13 TRADE AND OTHER RECEIVABLES

	31 March 2010 £'000	31 December 2008 £'000
Current		
Trade receivables	85,041	38,614
Amounts due from group companies	10,622	815
Other debtors	325	70
Amounts recoverable on contracts	2,915	4,945
Prepayments and accrued income	6,685	2,938
	105,588	47,382

Amounts due from group companies are unsecured, interest-free and repayable on demand

13. TRADE AND OTHER RECEIVABLES (continued)

The ageing of trade receivables, net of allowance for impairment, at the reporting date was

	31 March 2010 £'000	31 December 2008 £'000
Not past due	67,766	25,597
Past due 0 to 30 days	10,483	7,762
Past due 31 to 90 days	4,639	2,991
Past due 91 to 180 days	1,851	1,121
Past due 181 to 365 days	302	324
More than one year	-	819
	85,041	38,614

The movement in the allowance for impairment in respect of trade receivables during the period was as follows

	31 March 2010 £'000	31 December 2008 £'000
Balance at the beginning of the period	937	1,156
Impairment losses recognised in the period	1,421	-
Impairment losses acquired	765	-
Impairment losses reversed	(14)	(219)
Balance at the end of the period	3,109	937

Based on past experience, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due

The allowance account in respect of trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly

14. FINANCIAL RISK MANAGEMENT

Exposure to credit and currency risk arises in the normal course of the Company s business

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis Credit evaluations are performed on all customers requiring credit over a certain amount The Company does not require collateral in respect of financial assets

The maximum exposure to credit risk is represented by the carrying value of trade receivables

Liquidity risk

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flow This is generally carried out at the Group level in accordance with practice and limits set by MITIE Group PLC In addition the Group s liquidity management policy involves monitoring key balance sheet ratios against internal measures

The maximum exposure to liquidity risk is represented by the carrying value of trade payables which have a contractual maturity of due within 6 months

15 DEFERRED TAX ASSETS

	31 March 2010 £'000	31 December 2008 £'000
Balance at the beginning of the period	200	196
Credited to income (Note 8)	3,635	4
Deferred tax asset acquired (Note 23)	224	-
Balance at the end of the period	4,059	200

The deferred tax asset relates to temporary differences on property, plant and equipment

16. CASH AND CASH EQUIVALENTS

	31 March 2010 £'000	31 December 2008 £'000
Bank balances	19,099	121
Bank balances acquired (Note 23)	8,869	-
	27,968	121

NOTES TO THE FINANCIAL STATEMENTS
For the period from 1 January 2009 to 31 March 2010

17 TRADE AND OTHER PAYABLES

	31 March 2010 £'000	31 December 2008 £'000
Trade payables	47,854	7,589
Amounts due to group companies	46,829	2,979
Payments on account	894	1,341
Other taxation and social security costs	15,213	6,485
Accruals and other deferred income	36,622	22,954
	147,412	41,348

Amounts due to Group companies are unsecured, interest-free and repayable on demand

18. PROVISIONS

	Leasehold property dilapidation provision £'000
At 1 January 2009	-
Provided in the period	1,438
At 31 March 2010	1,438

The leasehold property dilapidation provision is based on an assessment of the cost of reinstatement and repairs in accordance with contract terms on leasehold properties currently occupied by the Company

19. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of lease payments	
	31 March 2010 £'000	31 December 2008 £'000	31 March 2010 £'000	31 December 2008 £'000
Amounts payable under finance leases				
In the second to fifth years inclusive	31	-	31	-
	31	-	31	-
Present value of lease obligations	31	-	31	-
Amount due for settlement after twelve months	31	-	31	-

The average remaining lease term is 34 months (2008 Nil) All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments All lease obligations are denominated in sterling The company's obligations under finance leases are secured against the lessor's rights to the leased assets

20. CALLED UP SHARE CAPITAL

	31 March 2010 £'000	31 December 2008 £'000
Allotted, called up and fully paid		
3,350,000 'A' ordinary shares at £1 each	3,350	3,350
3,350,000 'B' ordinary shares at £1 each	3,350	3,350
	6,700	6,700

There is no difference in the rights of A' and 'B' ordinary shares

Capital management

The Board's policy when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders, and to sustain the future development of the business In order to maintain or adjust the capital structure, the Company may issue new shares or raise medium/long-term debt

21. RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2008	6,700	-	10,040	16,740
Profit for the year	-	-	4,480	4,480
Dividends	-	-	(2,340)	(2,340)
At 1 January 2009	6,700	-	12,180	18,880
Net income on foreign currency forward contracts recognised directly in equity	-	49	-	49
Loss for the period	-	-	(9,411)	(9,411)
Dividends	-	-	(3,754)	(3,754)
At 31 March 2010	6,700	49	(985)	5,764

Hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy The hedging reserve was acquired as part of MEM Limited on 31 March 2010

22. FINANCIAL COMMITMENTS

Capital commitments

The Company had capital commitments at 31 March 2010 amounting to £488,000 (2008 £Nil)

Operating lease commitments

Non-cancellable operating leases are payable as follows

	At 31 March 2010			At 31 December 2008		
	Land and buildings £'000	Other £'000	Total £'000	Land and buildings £'000	Other £'000	Total £'000
Less than one year	745	2,348	3,093	133	915	1,048
Between one and five years	1,386	3,542	4,928	137	1,153	1,290
More than five years	157	-	157	-	-	-
	2,288	5,890	8,178	270	2,068	2,338

During the period ended 31 March 2010 £3,956,000 was recognised as an expense in the income statement in respect of operating leases (31 December 2008 £1,651,000)

Bank guarantees

The Company has outstanding guarantees with Barclays Bank and NatWest Bank in relation to its trading relationships with the London Borough of Hillingdon and Dover District Council respectively In addition, 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 0 million (2008 £Nil)

Other guarantees

The Company is registered with HM Revenue & Customs as a member of a group for VAT purposes, and, as a result, jointly and severally liable on a continuing basis for amounts owing by other members of that group in respect of unpaid VAT

23. ACQUISITIONS

On 31 March 2010 the Company acquired the trade and assets of MITIE Engineering Maintenance Limited, MITIE Engineering Maintenance (North) Limited and MITIE Engineering Maintenance (Caledonia) Limited The fair values of the total considerations were £10,472,000, £4,022,000 and £2,767,000 respectively The following table sets out the book values of the identifiable assets and liabilities acquired

Acquisitions are accounted for under the acquisition method

The book value of assets acquired equate to their fair value

Net assets acquired

	£'000
Property, plant and equipment	3,777
Inventories	182
Trade and other receivables	52,564
Future dollar contract asset	49
Hedging reserve	(49)
Deferred tax asset	224
Cash and cash equivalents	8,869
Trade and other payables	(50,291)
Current tax liability	(933)
	14,392

	£'000
Satisfied by loan due to group companies	17,261

	£'000
Goodwill recognised on acquisition	2,869

MITIE Engineering Maintenance Limited, MITIE Engineering Maintenance (North) Limited and MITIE Engineering Maintenance (Caledonia) Limited made a profit after tax of £2,968,000, £2,004,000 and £2,244,000 respectively These results arose in the period from 1 April 2009 to 31 March 2010

24. DIVIDENDS

	31 March 2010 £'000	31 December 2008 £'000
Dividends approved and paid in the period are as follows		
£0 56 (2008 £0 35) per share on £1 ordinary shares	3,754	2,340

The dividend was paid on 26 June 2009 prior to the acquisition of the company by MITIE Group PLC

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25. NOTES TO THE CASH FLOW STATEMENT

	Note	Period ended 31 March 2010 £'000	Period ended 31 March 2010 £'000	Year ended 31 December 2008 £'000	Year ended 31 December 2008 £'000
(Loss) / profit for the financial period			(9,411)		4,480
Adjustments for					
Investment revenues	4		(30)		(2)
Finance costs	5		360		8
Depreciation	10		1,721		474
Loss on disposal of property, plant and equipment			585		72
Tax (credit) / charge on (loss) / profit before tax	8		(3,482)		1,859
Operating (loss)/profit before changes in working capital and provisions			(10,257)		6,891
(Increase) / decrease in trade and other receivables	13	(5,003)		7,344	
Decrease in inventories	12	5,198		763	
Increase / (decrease) in trade and other payables	17	38,530		(11,270)	
Increase in provisions	18	1,438		-	
			40,163		(3,163)
Cash generated from operations			29,906		3,722
Tax paid			(1,976)		(1,435)
Interest paid			(317)		(6)
Net cash from operating activities			27,613		2,287

26. EMPLOYEE BENEFITS

Defined benefit scheme - MITIE Group PLC Pension Scheme

Post acquisition, 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 IAS 19 ('Employee 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 MITIE Group PLC sets out the details of the International Accounting Standard 19 'Employee Benefits' pension deficit of £6 8 million (2009 surplus of £3 0 million)

Employer contributions to the scheme for the period were £Nil (31 December 2008 £Nil) The combined contribution rate for employee and employer contributions for the next 12 months is 17 5%

Defined benefit scheme - Dalkia Group Pension Scheme

Pre acquisition, the Company participated in the Dalkia Group Pension Scheme, a defined benefit scheme until 31 July 2009 The scheme was closed on 31 July 2009 and the members transferred to the Company's defined contribution scheme There was insufficient information available to enable the Company to disclose its share of the defined benefit obligations The Company therefore accounted for the scheme as if it were a defined contribution plan The scheme was separately funded and provided defined benefits that were computed based on an employee's years of service and final pensionable salary Contributions were made to the scheme on the basis of advice from independent actuaries, using actuarial methods, the objective of which was to provide adequate funds to meet pension obligations as they fell due, and were based on pension costs in respect of all members of the fund The cost of retirement benefits for the Company for the period was £257,000 (31 December 2008 £437,000)

Defined contribution scheme

Contributions paid to the Group's defined contribution scheme in the period amounted to £1,357,000 (31 December 2008 £512,000)

27 SHARE-BASED PAYMENTS

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

The MITIE Group PLC 2001 Executive share option scheme

The Executive share option scheme exercise price is equal to the average market value of the shares over the five-day period immediately preceding the date of grant The vesting period is three years If the options remain unexercised after a period of ten years from the date of grant the options expire Options may be forfeited if the employee leaves the Group Before options can be exercised, the performance condition that must be satisfied is that the percentage growth in the earnings per share over a three-year period must be equal to 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

27 SHARE-BASED PAYMENTS (continued)

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

	2010 Number of share options	2010 Weighted average exercise price (in p)	2008 Number of share options	2008 Weighted average exercise price (in p)
Outstanding at beginning of the period	-	-	-	-
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Transferred from Group subsidiaries during the period	1,226,521	193	-	-
Exercised during the period	-	-	-	-
Outstanding at end of the period	1,226,521	193	-	-
Exercisable at end of the period	51,000	176	-	-

The options outstanding at 31 March 2010 had a weighted average remaining contractual life of 4 23 years (2008 Nil years)

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

	2010	2008
Share price (p)	133 to 230	133 to 230
Exercise price (p)	120 to 254	120 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

Share options disclosed above were relate to the acquisition of business by the Company on 31 March 2010 (Note 23) Therefore, there is no income statement charge in the current period

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28 RELATED PARTY DISCLOSURES

The Company has a related party relationship with its fellow subsidiaries of MITIE Group

	Sales of service to		Purchases of services from		Outstanding balances	
	31 March 2010 £'000	31 December 2008 £'000	31 March 2010 £'000	31 December 2008 £'000	31 March 2010 £'000	31 December 2008 £'000
Cole Motors Ltd	-	-	-	-	(6)	-
Goldfield Electronics Ltd	-	-	-	-	656	-
MITIE Air Conditioning (London) Ltd	(15)	-	-	-	-	-
MITIE Business Services Ltd	-	-	-	-	(168)	-
MITIE Catering Ltd	-	-	-	-	(172)	-
MITIE Cleaning & Environmental Services Ltd	-	-	398	-	(1,070)	-
MITIE Cleaning (Scotland) Ltd	-	-	-	-	(280)	-
MITIE Cleaning (South East) Ltd	-	-	-	-	(3 602)	-
MITIE Cleaning Services Ltd	2	-	-	-	-	-
MITIE Connect South Ltd	-	-	-	-	(265)	-
MITIE Document Solutions Ltd	-	-	21	-	(10)	-
MITIE Energy Ltd	-	-	-	-	(7)	-
MITIE Engineering Maintenance (Caledonia) Ltd	-	-	14	-	(2,767)	-
MITIE Engineering Maintenance (North) Ltd	-	-	11	-	(4,022)	-
MITIE Engineering Maintenance (SWest) Ltd	-	-	-	-	(1,323)	-
MITIE Engineering Maintenance Ltd	98	-	42	-	(10,472)	-
MITIE Engineering Services (Cardiff) Ltd	-	-	-	-	(4)	-
MITIE Engineering Services (Edinburgh) Ltd	-	-	55	-	-	-
MITIE Engineering Services (England) Ltd	-	-	-	-	93	-
MITIE Engineering Services (London) Ltd	-	-	-	-	4	-
MITIE Engineering Services (Midlands) Ltd	-	-	-	-	21	-
MITIE Engineering Services (Retail) Ltd	-	-	-	-	128	-
MITIE Engineering Services (Scotland) Ltd	-	-	-	-	2	-
MITIE Engineering Services (SEast) Ltd	-	-	-	-	10	-
MITIE Engineering Services (Wales) Ltd	-	-	95	-	-	-

28. RELATED PARTY DISCLOSURES (continued)

	Sales of service to		Purchases of services from		Outstanding balances	
	31 March 2010 £'000	31 December 2008 £'000	31 March 2010 £'000	31 December 2008 £'000	31 March 2010 £'000	31 December 2008 £'000
MITIE Engineering Services Ltd	4	-	-	-	(31)	-
MITIE Engineering Services Technology and Infrastructure Ltd	30	-	-	-	95	-
MITIE Group PLC	1,579	-	7	-	(12,276)	-
MITIE Industrial Cleaning (North) Ltd	-	-	-	-	(440)	-
MITIE Initial Security Ltd	-	-	335	-	(2,552)	-
MITIE Interiors Ltd	-	-	5	-	-	-
MITIE Landscapes Ltd	-	-	114	-	-	-
MITIE Lighting Ltd	8,399	59	6,527	5,072	381	(2,659)
MITIE Lyndhurst Services Ltd	-	-	-	-	(319)	-
MITIE Maintenance Services (North) Ltd	-	-	-	-	318	-
MITIE Maintenance Services (WWales) Ltd	-	-	-	-	1,777	-
MITIE Maintenance Services Ltd	-	-	-	-	(88)	-
MITIE Pest Control Ltd	-	-	8	-	(20)	-
MITIE PFI Ltd	2	-	-	-	163	-
MITIE Property Services Ltd	-	-	15	-	205	-
MITIE Security (London) Ltd	-	-	-	-	(55)	-
MITIE Security Systems Ltd	-	-	12	-	(41)	-
MITIE Tilley Roofing Ltd	-	-	3	-	(43)	-
MITIE Waste & Environmental Services Ltd	-	-	-	-	(27)	-
	10,099	59	7,662	5,072	(36,207)	(2,659)

29. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

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