

Company Registration Number 2938041

MITIE FACILITIES SERVICES LIMITED

Report and Financial Statements

31 March 2009

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MITIE FACILITIES SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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MITIE FACILITIES SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R McGregor-Smith
S C Baxter
N R Goodman
J P Flanagan
M A Freeman
P F Mosley
P W Stirland
MITIE Administration 1 Limited
MITIE Administration 2 Limited

SECRETARY

MITIE Company Secretarial Services Limited

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte LLP
Bristol

MITIE FACILITIES SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the financial year ended 31 March 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company is a majority owned subsidiary of MITIE Group PLC (the 'Group'). The company began to formally trade within the year.

On 30 September 2007, as part of a group reorganisation, the company acquired from MITIE Group PLC all its active Facilities Services subsidiaries for £425 million. The adoption of merger accounting in these financial statements presents MITIE Facilities Services Limited as if it had always been the parent undertaking of the Facilities Services group of companies (the 'Facilities Services Group'). In addition, MITIE Facilities Services Limited acquired the entire issued share capital of catering company Catering Partnership Holdings Limited in March 2008 for consideration of £7.7 million.

The company issued a convertible loan note in the principal amount of £250 million on 30 September 2007 as part consideration for the purchase from MITIE Group PLC of its active Facilities Services subsidiaries (see note 13). The company was due to either convert the principal amount into shares or pay all amounts outstanding under the loan note at the option of the holder on 31 March 2009. The company, after due consideration of its capital structure and current preference for equity, decided to incentivise the holder of the loan note with a payment of £22.4 million to exercise its option to receive ordinary shares rather than demand repayment.

The principal activity of the Facilities Services Group is being a provider of facilities services. These services consist principally of the following:

- Cleaning
- Security
- Engineering Maintenance
- Facilities Management
- Catering
- Landscape
- Pest Control

MITIE FACILITIES SERVICES LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS (continued)

The Facilities Services Group delivers these services in one of three ways: single services, bundled services or facilities management.

The Facilities Services Group has had a good year, securing many new contracts and expanding many existing contracts by providing additional services adding to the customer order book which has increased to £4.2bn (2008: £3.6bn). During the year the Facilities Services Group has focused on developing the facilities management and multi-services offerings and on increasing the integration between the various business lines in the bidding and operation of contracts.

Given the nature of the businesses comprising the Facilities Services Group, management assert that the key performance indicators (KPIs) are based on financial performance and position and are thus represented within these financial statements. Performance of the Facilities Services Group against these KPIs is discussed earlier in this section.

The Facilities Services Group complies with the established risk management and corporate governance framework of the Group which is described in the Annual Report of MITIE Group PLC. The principal risks that affect the Facilities Services Group are new business, health, safety and environment, employee skill shortages, liquidity and pension risks.

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 14 and 15 in MITIE's 2009 Annual Report, a copy of which is available on our website at www.mitie.co.uk. We have summarised the risks below; how these risks are managed is more fully discussed in the aforementioned Annual Report.

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. These risks are mitigated by an internal control environment which includes a strict bid and contract review process along with an approval mechanism. The bid and contract review involves both internal and external specialists, and for material bids, the Board of MITIE Group PLC.

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. An experienced due diligence team, supported by internal specialists and external professionals, advise the Executive Board throughout each acquisition process.

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. A structured training programme is in place to develop and improve employee health and safety knowledge. Processes and procedures are accredited to OHSAS 18001 and are under regular review to ensure a safe working environment for our employees, our clients and the public.

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. Remuneration and reward structures are regularly reviewed and there is an ongoing emphasis on equity based incentivisation for employees.

MITIE FACILITIES SERVICES LIMITED

DIRECTORS' REPORT (continued)

Liquidity - Maintaining sufficient liquidity is essential for ensuring that we can meet our strategic targets and manage our day to day commitments. In order to manage this risk, the Facilities Services Group has access to MITIE Group PLC's £230m of committed funding lines, which are not renewable until 2012. Operational cash flow is prioritised through a set of Group KPIs, and financial trading performance compared to budget is reviewed on a monthly basis, with cash performance monitored daily.

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. Trustees manage the pension liabilities and the required contribution rates are set on the basis of independent actuarial advice.

FINANCIAL RISK MANAGEMENT

The directors have reviewed the financial risk management objectives and policies of the Facilities Services Group. Every MITIE business has a risk register that identifies the particular issues relating to that part of our operations and activities. These are consolidated into the overall MITIE Group risk register, which considers our high-level risks and is reviewed and considered by our Board. Our risk management team conducts regular reviews and assessments to ensure that our risk identification and management processes remain relevant to the shape of our business, the wider market conditions and most importantly that any risk mitigation strategies are being followed. The directors do not believe there to be significant risks in this area. The Facilities Services Group 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 Facilities Services Group 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.

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. We are aware of the impact that our business operations may have on the natural environment and we endeavour to minimise and mitigate such effects where possible by utilising environmentally benign materials and practices. We respect our environment and share best practice with all of our stakeholders as we strive to achieve our environmental targets, for example in the areas of vehicle fleet management and sustainability as more fully described in the Corporate Responsibility section of the Group's annual report which does not form part of this report. The Facilities Services Group operates in accordance with Group policies, which are described in the Group's annual report.

GOING CONCERN

The directors acknowledge the Financial Reporting Council guidance on going concern issued in November 2008. The Facilities Services Group benefits from a well diversified portfolio of service offerings providing stability in the current economic climate. In addition the Group has a broad, diverse customer base with a good balance between public and private sectors underpinned by a large number of long-term contracts contributing to a forward order book of £4.2bn. The Facilities Services Group benefits from a strong balance sheet and is supported by £230m of MITIE Group PLC's committed funding lines, of which £220m remained undrawn at 31 March 2009, which are not renewable until 2012. The Facilities Services Group was profitable in the year (after adjusting for a one-off incentive payment), and the directors have considered at a detailed level the forecast profit and associated cash flows against the facilities available to the Group. As a consequence, the directors believe that the Facilities Services Group is well placed to manage its business risk successfully and accordingly the Facilities Services Group continues to adopt the going concern basis in preparing its report and financial statements.

MITIE FACILITIES SERVICES LIMITED

DIRECTORS' REPORT (continued)

EMPLOYEES

The Facilities Services Group 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 Facilities Services Group.

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

DIRECTORS

The directors during the year and subsequently were as follows:

S C Baxter	
N R Goodman	
R McGregor-Smith	
J P Flanagan	(appointed 2 May 2008)
M A Freeman	(appointed 2 May 2008)
P F Mosley	(appointed 2 May 2008)
P W Stirland	(appointed 2 May 2008)
MITIE Administration 1 Limited	(appointed 27 April 2009)
MITIE Administration 2 Limited	(appointed 27 April 2009)

AUDITORS

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP.

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

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

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



S C Baxter
Director

17 July 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE FACILITIES SERVICES LIMITED

We have audited the group and parent company financial statements (the "financial statements") of MITIE Facilities Services Limited for the year ended 31 March 2009 which comprise the consolidated profit and loss account, consolidated statement of recognised gains and losses, consolidated and company balance sheets and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2009 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deoitte LLP

DELOITTE LLP

Chartered Accountants & Registered Auditors
Bristol, United Kingdom

17 July 2009

MITIE FACILITIES SERVICES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2009

	Notes	Continuing operations		
		2009 £m	2008 £m	2007 £m
TURNOVER	1	942.2	820.4	732.1
Cost of sales		(795.6)	(674.5)	(599.5)
GROSS PROFIT		146.6	145.9	132.6
Administrative expenses		(98.3)	(100.2)	(92.3)
OPERATING PROFIT	2	48.3	45.7	40.3
Incentive payment	13	(22.4)	-	-
Interest received and similar income	3	1.3	2.3	1.2
Interest paid and similar charges	3	(17.1)	(9.4)	(0.9)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10.1	38.6	40.6
Tax on profit on ordinary activities	4	(14.1)	(14.5)	(12.7)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(4.0)</u>	<u>24.1</u>	<u>27.9</u>
Attributable to:				
Equity holders of the parent	15	(5.6)	23.0	26.9
Minority interests		1.6	1.1	1.0
		<u>(4.0)</u>	<u>24.1</u>	<u>27.9</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2009

	Note	2009 £m	2008 £m	2007 £m
(Loss)/Profit for financial year		(4.0)	24.1	27.9
Actuarial loss relating to pension scheme	20	(0.8)	-	-
UK deferred tax attributable to actuarial loss		0.2	-	-
Total recognised gains and losses relating to the year		<u>(4.6)</u>	<u>24.1</u>	<u>27.9</u>

MITIE FACILITIES SERVICES LIMITED

CONSOLIDATED BALANCE SHEET At 31 March 2009

	Notes	2009 £m	2008 £m	2007 £m
FIXED ASSETS				
Intangible assets	7	20.6	22.8	16.1
Tangible assets	8	24.6	23.1	18.9
		<u>45.2</u>	<u>45.9</u>	<u>35.0</u>
CURRENT ASSETS				
Stock and work in progress		1.7	1.4	7.1
Debtors	10	165.6	162.9	143.6
Cash at bank and in hand		41.3	56.2	56.1
		<u>208.6</u>	<u>220.5</u>	<u>206.8</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(161.1)	(149.4)	(136.5)
NET CURRENT ASSETS		<u>47.5</u>	<u>71.1</u>	<u>70.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		92.7	117.0	105.3
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Finance leases	12	(2.9)	(2.1)	(1.6)
NET ASSETS EXCLUDING PENSION DEFICIT		<u>89.8</u>	<u>114.9</u>	<u>103.7</u>
Net pension deficit	20	(0.6)	-	-
TOTAL NET ASSETS EMPLOYED		<u>89.2</u>	<u>114.9</u>	<u>103.7</u>
FINANCED BY				
Convertible loan note	13	-	233.8	225.7
CAPITAL AND RESERVES				
Called up share capital	14	38.8	17.5	17.5
Share premium account	15	286.5	57.8	57.8
Profit and loss account	15	49.2	68.3	66.7
Group reorganisation reserve	15	(293.3)	(293.3)	(293.3)
Other reserves	15	-	24.3	24.3
		<u>81.2</u>	<u>(125.4)</u>	<u>(127.0)</u>
Minority interests		8.0	6.5	5.0
TOTAL FINANCING		<u>89.2</u>	<u>114.9</u>	<u>103.7</u>

These financial statements were approved by the Board of Directors on 17 July 2009.

Signed on behalf of the Board of Directors


S C Baxter
Director

MITIE FACILITIES SERVICES LIMITED

COMPANY BALANCE SHEET At 31 March 2009

	Notes	2009 £m	2008 £m	2007 £m
FIXED ASSETS				
Intangible assets	7	0.1	0.1	-
Tangible assets	8	0.2	-	-
Investments	9	330.4	333.1	-
		<u>330.7</u>	<u>333.2</u>	<u>-</u>
CURRENT ASSETS				
Debtors	10	9.8	1.2	-
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(37.2)	(6.7)	-
NET CURRENT LIABILITIES		<u>(27.4)</u>	<u>(5.5)</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>303.3</u>	<u>327.7</u>	<u>-</u>
TOTAL NET ASSETS EMPLOYED		<u>303.3</u>	<u>327.7</u>	<u>-</u>
FINANCED BY				
Convertible loan note	13	-	233.8	-
CAPITAL AND RESERVES				
Called up share capital	14	38.8	17.5	-
Share premium account	15	286.5	57.8	-
Profit and loss account	15	(22.0)	(5.7)	-
Other reserves	15	-	24.3	-
		<u>303.3</u>	<u>93.9</u>	<u>-</u>
TOTAL FINANCING		<u>303.3</u>	<u>327.7</u>	<u>-</u>

These financial statements were approved by the Board of Directors on 17 July 2009.

Signed on behalf of the Board of Directors



S C Baxter
Director

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The company is a majority owned subsidiary of MITIE Group PLC (the 'Group').

On 30 September 2007 the company acquired from MITIE Group PLC all its active MITIE Facilities Services subsidiaries for £425 million. This transaction has been accounted for as a merger with the result that the company and its subsidiaries form one group. The adoption of merger accounting in these financial statements presents MITIE Facilities Services Limited as if it had always been the parent undertaking of the Facilities Services Group and as if the associated transaction occurred on 1 April 2005.

The effect of merger accounting for this transaction is that the consolidated profit and loss account includes the profits and losses of each company for the entire period, regardless of the date of the merger, and the comparative amounts in the consolidated accounts are restated to the aggregate of the amounts recorded by the Facilities Services Group.

Going concern

The financial statements have been prepared under the going concern basis as discussed on page 4.

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 Facilities Services Group's principal activities.

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 made for any impairment. Results are consolidated from the date at which control has passed. Under merger accounting principles, no goodwill has been created as part of the group reconstruction and goodwill mainly represents that previously existing in the underlying subsidiaries. Additionally, goodwill relating to fair value adjustments on acquisitions has been recognised.

Other intangible assets are recognised to the extent that they are separable and can be measured reliably. They are capitalised at cost and amortised on a straight-line basis over their useful life.

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:

Property	shorter of lease period or 50 years
Plant and motor vehicles	3 to 5 years

Cash flow statement

The company has taken the exemption under FRS 1 ('Cash Flow Statements') from the requirement to prepare a cash flow statement, as it is included within the consolidated financial statements of MITIE Group PLC and greater than 90% of the voting rights of the company are held by MITIE Group PLC.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

1. ACCOUNTING POLICIES (continued)

Leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term. Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and useful lives. The capital elements of future hire purchase obligations are recorded as liabilities while the interest elements are charged to the profit and loss account over the period of the lease to provide a constant rate of charge on the balance of capital repayments outstanding.

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.

Pension costs

The Facilities Services Group participates in the MITIE Group PLC Pension Schemes. One of these schemes is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. For the purposes of FRS 17 ('Retirement Benefits'), the Facilities Services Group 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 Facilities Services Group is accounting for contributions to the scheme as if it were a defined contribution scheme. For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year.

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

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

Share-based payments

The Facilities Services Group 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. In accordance with the transitional provisions of FRS 20 ('Share-Based Payment'), FRS 20 has been applied to all grants after 7 November 2002 that had not vested before 1 April 2005.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

1. ACCOUNTING POLICIES (continued)

Financial instruments

The company accounts for financial instruments in accordance with FRS 25 ('Financial Instruments: Disclosure and Presentation') and FRS 4 ('Capital instruments'). The company classifies component parts of financial instruments that it issues as a financial liability or as equity in accordance with the substance of the contractual arrangement. The inception value of the financial liability component is determined as the net present value of the cash flows of a similar debt instrument without the equity element. The value of the equity component is calculated as the difference between the fair value of the financial instrument and the fair value of the financial liability component, is not subsequently remeasured, and is disclosed as 'Other reserves'. The financial liability component is carried during the life of the instrument at inception value plus cumulative finance cost measured such that interest is accreted to the profit and loss account at a constant rate over the term of the financial instrument, commencing from the date of issue.

In accordance with FRS 25, where the substance of a payment made is to amend the terms of a loan, that payment is charged to profit and loss except to the extent that there is a difference between the fair value of the loan under the revised terms and the fair value of the loan under the original terms.

2. OPERATING PROFIT

	2009 £m	2008 £m	2007 £m
Operating profit is stated after charging/(crediting):			
Depreciation	10.0	8.9	8.0
Amortisation of goodwill	2.0	1.6	1.6
Auditors' remuneration - audit services	0.2	0.2	0.2
Profit on disposal of tangible fixed assets	(0.5)	(0.8)	(0.3)

Company audit fees were £17,000 (2008: £16,000; 2007: nil).

Auditors remuneration for other services are disclosed in the accounts of MITIE Group PLC.

3. INTEREST

	2009 £m	2008 £m	2007 £m
Interest received and similar income			
Bank interest	1.2	2.2	1.1
Net return on pension schemes (note 20)	0.1	0.1	0.1
	<u>1.3</u>	<u>2.3</u>	<u>1.2</u>
Interest paid and similar charges			
Bank interest	0.6	0.6	0.1
Interest on obligations under finance leases	0.3	0.3	0.2
Interest on intercompany loan	-	0.4	0.6
Accretion of convertible loan note	16.2	8.1	-
	<u>17.1</u>	<u>9.4</u>	<u>0.9</u>

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £m	2008 £m	2007 £m
(a) Analysis of charge			
United Kingdom corporation tax at 28% (2008: 30%; 2007: 30%)	14.6	14.4	13.4
Adjustment in respect of prior periods	(0.3)	(0.4)	(0.2)
Total current tax (note 4(b))	<u>14.3</u>	<u>14.0</u>	<u>13.2</u>
Deferred taxation:			
Timing differences - origination and reversal	(0.2)	0.5	(0.5)
Tax on profit on ordinary activities	<u>14.1</u>	<u>14.5</u>	<u>12.7</u>

(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% (2008: 30%; 2007: 30%). The differences are as follows:

	£m	£m	£m
Profit on ordinary activities before tax	<u>10.1</u>	<u>38.6</u>	<u>40.6</u>
	£m	£m	£m
Tax at 28% (2008: 30%; 2007: 30%) thereon	2.8	11.6	12.2
Expenses not deductible for tax purposes	11.5	3.3	0.8
Depreciation in excess of capital allowances	0.4	-	0.2
(Utilisation)/generation of tax losses	(0.2)	-	0.3
Adjustment in respect of prior periods	(0.3)	(0.4)	(0.2)
Tax relief on share options	(0.1)	(0.3)	-
Other timing differences	0.2	(0.2)	(0.1)
Current tax charge for the year (note 4(a))	<u>14.3</u>	<u>14.0</u>	<u>13.2</u>

(c) Factors affecting future tax charges

The group is not aware of any factors that will materially affect the future tax charge.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

5. DIVIDENDS

The dividends approved and paid in the year are as follows:

	The Company			The Group		
	2009 £m	2008 £m	2007 £m	2009 £m	2008 £m	2007 £m
Dividends	<u>37.8</u>	<u>-</u>	<u>-</u>	<u>38.0</u>	<u>21.9</u>	<u>15.6</u>

6. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £2.8 million (2008: £5.7 million; 2007: nil).

7. INTANGIBLE FIXED ASSETS

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 April 2007	20.4	-	20.4
Additions	<u>8.2</u>	<u>0.1</u>	<u>8.3</u>
At 31 March 2008	28.6	0.1	28.7
Finalisation of goodwill re prior year acquisition	<u>(0.2)</u>	<u>-</u>	<u>(0.2)</u>
At 31 March 2009	<u>28.4</u>	<u>0.1</u>	<u>28.5</u>
Amortisation			
At 1 April 2007	4.3	-	4.3
Charge for the financial year	<u>1.6</u>	<u>-</u>	<u>1.6</u>
At 31 March 2008	5.9	-	5.9
Charge for the financial year	<u>2.0</u>	<u>-</u>	<u>2.0</u>
At 31 March 2009	<u>7.9</u>	<u>-</u>	<u>7.9</u>
Net book value			
At 31 March 2009	<u>20.5</u>	<u>0.1</u>	<u>20.6</u>
At 31 March 2008	<u>22.7</u>	<u>0.1</u>	<u>22.8</u>
At 31 March 2007	<u>16.1</u>	<u>-</u>	<u>16.1</u>

The other intangible assets arise in the balance sheet of the company.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

8. TANGIBLE FIXED ASSETS

THE GROUP	Property £m	Plant and motor vehicles £m	Total £m
Cost			
At 1 April 2007	0.7	39.3	40.0
Additions	0.2	14.0	14.2
Transfers in	-	0.6	0.6
Disposals	(0.1)	(8.3)	(8.4)
Transfers out	-	(0.7)	(0.7)
At 31 March 2008	0.8	44.9	45.7
Additions	-	12.8	12.8
Transfers in	-	1.0	1.0
Disposals	-	(15.9)	(15.9)
Transfers out	-	(1.0)	(1.0)
At 31 March 2009	0.8	41.8	42.6
Depreciation			
At 1 April 2007	0.3	20.8	21.1
Charge for the financial year	0.1	8.8	8.9
Transfers in	-	0.3	0.3
Disposals	-	(7.3)	(7.3)
Transfers out	-	(0.4)	(0.4)
At 31 March 2008	0.4	22.2	22.6
Charge for the financial year	0.1	9.9	10.0
Transfers in	-	0.4	0.4
Disposals	-	(14.6)	(14.6)
Transfers out	-	(0.4)	(0.4)
At 31 March 2009	0.5	17.5	18.0
Net book value			
At 31 March 2009	0.3	24.3	24.6
At 31 March 2008	0.4	22.7	23.1
At 31 March 2007	0.4	18.5	18.9

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

8. TANGIBLE FIXED ASSETS (continued)

	Plant and motor vehicles £m
THE COMPANY	
Cost	
At 1 April 2007 and 31 March 2008	-
Additions	0.2
	<hr/>
At 31 March 2009	0.2
	<hr/>
Depreciation	
At 1 April 2007 and 31 March 2008	-
Charge for the financial year	-
	<hr/>
At 31 March 2009	-
	<hr/>
Net book value	
At 31 March 2009	0.2
	<hr/>
	<hr/>
At 31 March 2008 and 31 March 2007	-
	<hr/>

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

9. INVESTMENTS

	£m
Cost	
At 1 April 2007	-
Additions	333.1
	<hr/>
At 31 March 2008	333.1
	<hr/>
Change in contingent deferred consideration	(0.1)
Redemption of redeemable preference shares	(2.6)
	<hr/>
At 31 March 2009	330.4
	<hr/>
Provision for impairment	
At 1 April 2007 and 1 April 2008	-
	<hr/>
At 31 March 2009	-
	<hr/>
Net book value	
At 31 March 2009	330.4
	<hr/>
	<hr/>
At 31 March 2008	333.1
At 31 March 2007	-
	<hr/>
	<hr/>

Principal subsidiaries are shown in note 22.

The investments recognised in the financial statements are net of £99.7 million of Section 132 relief.

10. DEBTORS

	The Company			The Group		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Trade debtors	1.1	-	-	143.1	140.3	116.6
Amounts owed by group undertakings	3.7	1.2	-	3.3	1.8	1.9
Corporation tax recoverable	0.8	-	-	-	-	-
Other debtors	3.4	-	-	6.3	1.2	3.7
Prepayments and accrued income	0.8	-	-	10.8	17.7	19.3
Deferred tax asset	-	-	-	2.1	1.9	2.1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	9.8	1.2	-	165.6	162.9	143.6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

10. DEBTORS (continued)

The deferred tax asset recognised in the financial statements is analysed as follows:

	The Company			The Group		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Negative accelerated capital allowances	-	-	-	1.2	0.8	1.0
Short-term timing differences	-	-	-	0.2	0.5	0.8
Share options	-	-	-	0.2	0.4	0.3
Tax losses	-	-	-	0.5	0.2	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.1</u>	<u>1.9</u>	<u>2.1</u>

The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount of deferred tax credited to the profit and loss account in the financial year was £0.2 million (2008: £0.5 million debit; 2007: £0.5 million credit).

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Company			The Group		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Obligations under finance leases (see note 12)	-	-	-	1.2	1.4	1.0
Overdraft	8.8	4.5	-	-	-	-
Trade creditors	0.3	0.1	-	55.9	61.0	55.0
Amounts owed to group undertakings	26.3	0.2	-	29.8	2.1	1.2
Corporation tax	-	-	-	6.7	6.9	7.0
Other taxation and social security	0.3	0.1	-	28.7	40.1	32.1
Deferred contingent consideration	-	0.9	-	-	0.9	-
Other creditors	0.1	-	-	6.6	4.8	1.3
Accruals and deferred income	1.4	0.9	-	32.2	32.2	38.9
	<u>37.2</u>	<u>6.7</u>	<u>-</u>	<u>161.1</u>	<u>149.4</u>	<u>136.5</u>

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

12. OBLIGATIONS UNDER FINANCE LEASES

Finance leases are repayable between one and five years and are secured by the assets to which they relate.

The following is an analysis of total finance lease obligations:

	The Company			The Group		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Minimum lease payments						
Amounts due in less than one year	-	-	-	1.5	1.4	1.0
In the second to fifth years inclusive	-	-	-	3.3	2.5	1.9
	-	-	-	4.8	3.9	2.9
Less: future finance charges	-	-	-	(0.7)	(0.4)	(0.3)
Present value of lease obligations	-	-	-	4.1	3.5	2.6
Less: amount due for settlement within 12 months (see note 11)	-	-	-	(1.2)	(1.4)	(1.0)
Amount due for settlement after 12 months	-	-	-	2.9	2.1	1.6

13. CONVERTIBLE LOAN NOTE

	The Company			The Group		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Convertible loan note	-	233.8	-	-	233.8	225.7

The company issued a convertible loan note in the principal amount of £250 million on 30 September 2007 as part consideration for the purchase from MITIE Group PLC of its active Facilities Services subsidiaries. The loan note is non interest bearing, unsecured and ranks equally with all other unsecured obligations of the company.

The loan note is accounted for as a compound instrument under FRS 25, bifurcating the loan note into a liability component of £225.7 million and an equity component of £24.3 million included in other reserves. During the life of the loan note, the financial liability component is measured in accordance with FRS 4 such that interest is accreted to the profit and loss account at a constant rate over the term of the loan note. The amount of interest in the current year is £16.2 million.

The company was due to either convert the principal amount into shares or pay all amounts outstanding under the loan note at the option of the holder on 31 March 2009. The company, after due consideration of its capital structure and current preference for equity, decided to incentivise the holder of the loan note with a payment of £22.4 million to exercise its option to receive ordinary shares rather than demand repayment.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

14. CALLED UP SHARE CAPITAL

	The Company			The Group		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Authorised						
38,751,000 (2008 & 2007: 17,501,000)						
£1 Ordinary shares	38.8	17.5	-	38.8	17.5	17.5
300,000,000 £0.01 Irredeemable preference shares	3.0	3.0	-	3.0	3.0	3.0
	<u>41.8</u>	<u>20.5</u>	<u>-</u>	<u>41.8</u>	<u>20.5</u>	<u>20.5</u>
	£m	£m	£m	£m	£m	£m
Allotted and fully paid						
38,750,002 (2008 & 2007: 17,500,002)						
£1 Ordinary shares	<u>38.8</u>	<u>17.5</u>	<u>-</u>	<u>38.8</u>	<u>17.5</u>	<u>17.5</u>

17,500,000 £1 ordinary shares were issued on 30 September 2007 as part of the group reorganisation, which is subject to merger accounting in these financial statements.

Immediately following their issue, every 1,127 irredeemable preference shares will automatically and mandatorily be redesignated and consolidated as 85 ordinary shares of £1 each ranking pari passu in all respects with the ordinary shares. An ordinary resolution was passed on 10 March 2008 such that, immediately prior to the automatic redesignation of the irredeemable preference shares to ordinary shares, the authorised share capital of the company is increased by 21,250,000 ordinary shares.

On 31 March 2009, the convertible loan note (see note 13) converted into 281,750,000 preference shares which automatically converted into 21,250,000 ordinary shares.

The ordinary shares and irredeemable preference shares rank pari passu in all respects save as follows:

Income

The holders of the irredeemable preference shares are entitled to receive a cumulative preferential dividend in priority to any other payment by way of dividend. The preferential dividend shall for every twelve month period in respect of each irredeemable preference share be:

$$((A + 2.31\%) \times 100 \times £0.01)$$

where A is equal to the twelve month sterling LIBOR rate expressed as a percentage and as more fully defined in the company's Articles. The irredeemable preference shares shall not confer upon the holders any right to participate in the profits of the company beyond the preferential dividend.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

14. CALLED UP SHARE CAPITAL (continued)

Capital

On a distribution of assets on a winding up or other return of capital, the surplus assets of the company remaining after payment of its liabilities shall be paid in the following order of priority:

- (i) firstly, in paying to the holders of irredeemable preference shares any amount of the preferential dividend accrued and/or due but unpaid on the date of the distribution or other return;
- (ii) secondly, in repaying to the holders of irredeemable preference shares the nominal value paid up on each such irredeemable preference share held by them on the date of the distribution or other return;
- (iii) thirdly, in paying to the holders of irredeemable preference shares £0.99 per irredeemable preference share held by them on the date of the distribution or other return; and
- (iv) thereafter, any surplus shall be paid to the holders of ordinary shares pro rata.

The irredeemable preference shares shall not confer upon the holders thereof any further right to participate in the assets of the company available for distribution among the members of the company.

Voting

The irredeemable preference shares shall not confer upon the holder or holders thereof any right to receive notice of, attend or vote at a general meeting.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

15. RESERVES

The Group	Share capital £m	Share premium £m	Group re-organisation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 April 2007	17.5	57.8	(293.3)	24.3	66.7	(127.0)
Profit for the financial year attributable to equity holders of the parent	-	-	-	-	23.0	23.0
Capital contribution in relation to share-based payments	-	-	-	-	0.5	0.5
Dividends	-	-	-	-	(21.9)	(21.9)
At 31 March 2008	17.5	57.8	(293.3)	24.3	68.3	(125.4)
On conversion of loan note	21.3	228.7	-	(24.3)	24.3	250.0
Loss for the financial year attributable to equity holders of the parent	-	-	-	-	(5.6)	(5.6)
Actuarial loss on pension scheme	-	-	-	-	(0.8)	(0.8)
Deferred tax attributable to actuarial loss	-	-	-	-	0.2	0.2
Capital contribution in relation to share-based payments	-	-	-	-	0.6	0.6
Dividends paid to equity holders of the parent	-	-	-	-	(37.8)	(37.8)
At 31 March 2009	38.8	286.5	(293.3)	-	49.2	81.2

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

15. RESERVES (Continued)

The Company	Share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 April 2007	-	-	-	-	-
Issued on purchase of Facilities Services Group	17.5	57.8	24.3	-	99.6
Loss for the financial year attributable to equity holders of the parent	-	-	-	(5.7)	(5.7)
At 31 March 2008	17.5	57.8	24.3*	(5.7)*	93.9
On conversion of loan note	21.3	228.7	(24.3)	24.3	250.0
Loss for the financial year attributable to equity holders of the parent	-	-	-	(2.8)	(2.8)
Dividends paid to shareholders	-	-	-	(37.8)	(37.8)
At 31 March 2009	38.8	286.5	-	(22.0)	303.3

* At 31 March 2008 £8.1 million of other reserves were distributable, hence distributable profits were £2.4 million. Upon conversion of the loan note during the current financial year, all of other reserves became distributable.

16. FINANCIAL COMMITMENTS

Operating leases

Minimum lease payments under operating leases for the year were £3.0 million (2008: £2.3 million; 2007: £1.9 million).

At the balance sheet date, the Facilities Services Group had total commitments under non-cancellable operating leases as follows:

	The Company			The Group		
	2009 £m	2008 £m	2007 £m	2009 £m	2008 £m	2007 £m
Expiry date:						
- within one year	-	-	-	2.1	1.4	1.4
- between two and five years	-	-	-	3.0	2.7	2.2
- after five years	-	-	-	0.1	0.3	0.2
	-	-	-	5.2	4.4	3.8

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

16. FINANCIAL COMMITMENTS (Continued)

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 2009, the overall commitment was £10 million (2008: £50 million; 2007: nil).

Performance bonds

The Facilities Services Group had outstanding performance bonds as follows:

	The Company			The Group		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Performance bonds	-	-	-	0.9	0.9	1.1

17. DIRECTORS

The emoluments of directors of the company were:

	2009	2008	2007
	£m	£m	£m
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	1.3	-	-
Fees and emoluments disclosed above (excluding pension contributions) includes amounts paid to:	£m	£m	£m
The highest paid director	0.4	-	-
The number of directors who:	No.	No.	No.
Are members of a defined benefit pension scheme	3	-	-
Are members of a money purchase pension scheme	1	-	-
Exercised options over shares in the company	1	-	-
Had rewards receivable in the form of shares under a long-term incentive plan	1	-	-

S C Baxter, N R Goodman and R McGregor-Smith are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the financial statements of that company.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

18. EMPLOYEES

Number of employees

The average number of persons (including directors) employed by the Facilities Services Group during the financial year was 45,898 (2008: 43,654; 2007: 38,429). The average number of persons employed by the Company during the year was 371 (2008: nil).

	The Company			The Group		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Employment costs						
Wages and salaries	6.9	-	-	535.6	501.8	415.4
Social security costs	0.5	-	-	41.7	40.3	32.9
Pension costs	0.2	-	-	3.7	3.6	3.0
Share-based payments (see note 19)	-	-	-	0.6	0.5	0.5
	<u>7.6</u>	<u>-</u>	<u>-</u>	<u>581.6</u>	<u>546.2</u>	<u>451.8</u>

19. SHARE-BASED PAYMENTS

The Facilities Services Group participates in the following MITIE Group PLC share option schemes:

The MITIE Group PLC 1991 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. 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 average market value of the shares over the five day period immediately preceding the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group. Before options can be exercised, the performance condition that must be satisfied is that the percentage growth in the earnings per share over a three-year period must be equal or greater than 10.0% per annum compound in respect of awards prior to July 2007 and 4.0% above the Retail Price 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.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

19. SHARE-BASED PAYMENTS (Continued)

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

	2009		2008	
	Number of share options (m)	Weighted average exercise price (in p)	Number of share options (m)	Weighted average exercise price (in p)
Outstanding at beginning of the period	6.1	177	6.1	144
Granted during the period	2.7	198	2.0	237
Forfeited during the period	(1.0)	169	(0.9)	157
Transferred during the period	(0.9)	175	(0.2)	149
Exercised during the period	(0.5)	137	(0.9)	113
Outstanding at end of the period⁽¹⁾	6.4	189	6.1	177
Exercisable at end of the period	0.8	141	0.9	131

⁽¹⁾ Included within this balance are 0.2 million (2008: 0.4 million; 2007: 1.1 million) 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 95p to 174p (2008: 57p to 174p; 2007: 57p to 174p).

The Facilities Services Group recognised the following expenses related to share-based payments:

	2009 £m	2008 £m	2007 £m
2001 Executive share options	0.3	0.3	0.3
2001 Saving related share options	0.3	0.2	0.2
	0.6	0.5	0.5

The weighted average share price at the date of exercise for share options exercised during the period was 205p (2008: 262p; 2007: 213p).

The options outstanding at 31 March 2009 had a weighted average exercise price of 189p (2008: 177p; 2007: 144p) and a weighted average remaining contractual life of 5.4 years (2008: 5.5 years; 2007: 5.3 years).

In the year ended 31 March 2009, options were granted in July and September 2008 in respect of the Executive and Savings Related share option schemes. The aggregate of the estimated fair values of the options granted on those dates is £0.9m.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

19. SHARE-BASED PAYMENTS (continued)

In the year ended 31 March 2008, options were granted in July and August 2007 in respect of the Executive and Savings related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £0.8 million.

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

	2009	2008	2007
Share price (p)	133 to 230	133 to 230	130 to 193
Exercise price (p)	120 to 254	120 to 254	120 to 191
Expected volatility (%)	27 to 30	27 to 30	28 to 30
Expected life (years)	3 to 6	4 to 6	4 to 6
Risk-free rate (%)	4.17 to 5.25	4.17 to 5.25	4.17 to 5.12
Expected dividends (%)	1.43 to 3.15	1.43 to 2.29	1.43 to 2.29

Expected volatility was based on historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

20. PENSION ARRANGEMENTS

The Facilities Services Group 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 Facilities Services Group 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 Facilities Services Group is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 34 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' pension surplus of £3.0 million (2008: £9.9 million; 2007: £0.5 million).

Total employer and employee contributions to the scheme for the period are shown in note 18 and the agreed contribution rate for the next 12 months is 17.5% (2008: 17.5%).

Other defined benefit schemes

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

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

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

20. PENSION ARRANGEMENTS (continued)

	2009 %	2008 %	2007 %
Key assumptions used for FRS 17 valuation:			
Discount rate	6.60	6.30	5.30
Expected return on scheme assets:			
Equity instruments	8.00	8.00	8.00
Debt instruments	5.00	5.00	5.00
Property	7.50	7.50	7.50
Other assets	3.50	5.25	5.25
Expected rate of salary increases	3.50	3.80	3.75
Future pension increases	3.00	3.30	3.00
Inflation	3.00	3.30	3.00

The overall expected return on assets is calculated as the weighted average of the expected return of each asset class. The expected return on equities is the sum of dividend growth and capital growth net of investment expenses. The return on gilts and bonds is the current market yield on long-term bonds. Expected return on property has been set equal to that expected on equities less a margin. The expected return on other assets is the rate earned by the scheme on cash and alternate assets.

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

	£m	£m	£m
Current service cost	(0.3)	(0.3)	(0.3)

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

	£m	£m	£m
Interest cost	(0.4)	(0.3)	(0.2)
Expected return on scheme assets	0.5	0.4	0.3
	0.1	0.1	0.1

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

	£m	£m	£m
Actual return on scheme assets	(0.2)	(0.3)	-
Expected return on scheme assets	(0.5)	(0.4)	-
Experience adjustments arising on plan liabilities	(0.1)	0.7	-
	(0.8)	-	-

The cumulative amount of actuarial loss recognised since 1 April 2004 in the statement of total recognised gains and losses is £0.8m.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

20. PENSION ARRANGEMENTS (continued)

The amounts included in the balance sheet arising from the Facilities Services Group's obligations in respect of its defined benefit retirement benefit schemes are as follows:

	2009 £m	2008 £m	2007 £m
Fair value of scheme assets	7.3	5.4	6.1
Present value of defined benefit obligations	(7.9)	(4.9)	(6.1)
Surplus in the scheme	(0.6)	0.5	-
Contract adjustment	(0.2)	(0.5)	-
Pension liability	(0.8)	-	-
Deferred tax asset	0.2	-	-
Net pension liability	(0.6)	-	-

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

	£m	£m	£m
At 1 April	4.9	6.1	-
Service cost	0.3	0.3	0.3
Interest cost	0.4	0.3	0.2
Contributions from scheme members	0.1	0.1	0.1
Actuarial gains and losses	0.7	(1.0)	-
Benefits paid	(0.2)	(0.1)	-
Contract transfers	1.7	(0.8)	5.5
At 31 March	7.9	4.9	6.1

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

	£m	£m	£m
At 1 April	5.4	6.1	-
Expected return on scheme assets	0.5	0.4	0.3
Actuarial gains and losses	(0.7)	(0.7)	-
Contributions from the sponsoring companies	0.3	0.2	0.2
Contributions from scheme members	0.1	0.1	0.1
Benefits paid	(0.2)	(0.1)	-
Contract transfers	1.9	(0.6)	5.5
At 31 March	7.3	5.4	6.1

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

20. PENSION ARRANGEMENTS (continued)

The analysis of the scheme assets at the balance sheet date was as follows:

	2009 £m	2008 £m	2007 £m
Equity instruments	4.9	4.1	4.7
Debt instruments	0.9	0.6	0.2
Property	0.4	0.3	0.8
Other assets	1.1	0.4	0.4
At 31 March	7.3	5.4	6.1

21. RELATED PARTY TRANSACTIONS

MITIE Group PLC controls greater than 90% of the voting rights of MITIE Facilities Services Limited. As such, MITIE Facilities Services Limited has taken advantage of the exemption from the requirement under FRS 8 ('Related Party Disclosures') to disclose related party transactions with MITIE Group PLC and other companies within the group.

22. PRINCIPAL SUBSIDIARIES

The companies set out below are those which were part of the Facilities Services Group at 31 March 2009 and in the opinion of the directors significantly affected the group's results and net assets during the year.

	At 31 March 2009 % Voting rights	At 31 March 2009 % Ordinary shares
MITIE Cleaning & Support Services Limited	45.8	95.9
MITIE Transport Services Limited	36.0	86.1
MITIE Security Holdings Limited	42.5	99.9

The companies listed above represent the principal operating companies of the Facilities Services Group. A full list of subsidiary accounts will be annexed to the next annual return.

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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