

Company Registration Number 00906936

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

Report and Financial Statements

Year ended 31 March 2013

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REPORT AND FINANCIAL STATEMENTS 2013

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MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R F Allan
S C Baxter
J I Clarke
R McGregor-Smith
P F Mosley

SECRETARY

MITIE Company Secretarial Services Limited

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

Barclays Bank plc
PO Box 119
Park House, Newbrck Road
Stoke Gifford
Bristol
BS34 8TN

AUDITOR

Deloitte LLP
London

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 March 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- Properly select and apply accounting policies,
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- Make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company is a subsidiary of MITIE Group PLC (the Group)

MITIE Technical Facilities Management (TFM) focuses on delivering integrated facilities management contracts and a range of technical and energy services. Energy management, Mechanical and electrical engineering maintenance, National mobile services, Specialist technical services, Lighting projects and maintenance and Building management and control systems.

The market move towards integrated FM is a major driver for MITIE TFM as the technical maintenance of critical infrastructure for our clients is key to their operations. Consequently our technical expertise underpins the integrated FM offering and where there is a significant element of technical delivery these contracts are undertaken predominantly through our MITIE TFM division.

During the year the business undertook a degree of restructuring to streamline our operations and support functions to the changing demands of our contracts and clients. As a result £3.9m was charged as a restructuring cost of change which has negatively impacted the performance of the company this year but is anticipated to deliver on-going cost reduction. These changes in the business will help to underpin the continued and sustainable profitable growth of the company into the future.

DIRÉCTORS' REPORT continued

The following indicators have been extracted from the monthly reporting processes to illustrate the type of indicators which management uses 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.

	31 March 2013	31 March 2012
Revenue		
Total annualised revenue in £'000	600,601	536,200
Gross profit margin		
Gross profit as a percentage of total revenue	8.7%	11.2%
Operating profit margin		
Operating profit as a percentage of total revenue	2.0%	4.2%
Creditor days		
Trade creditors/total costs excluding employment costs and depreciation x 365	40 days	53 days
Days sales outstanding		
Trade receivables excluding VAT/annualised revenue x 365	30 days	56 days

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

DIVIDENDS

A dividend of £0 (2012: £1.28) per ordinary share was approved and paid during the year.

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 in MITIE Group PLC's 2013 Annual Report, a copy of which is available on our website at www.mitie.com. We have summarised the risks below.

Loss of competitive position

Focus on clear strategic priorities and developing business cases for investment in new technology and infrastructure help to support our competitive position.

Inadequate contract performance

Relationship management and experienced teams are essential in minimising the risks that winning largescale new business can bring.

DIRECTORS' REPORT continued

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

Inability to support development in new markets

We utilise the local expertise of our management teams and/or external specialists to help manage a path into any new markets

Market conditions negatively impacting on company performance

Risks include client credit risk, price competition, changes in government policy and spending, and inflation and interest rate uncertainty. We mitigate these risks through measures such as credit insurance, on-going dialogue with the financial community and using limits to manage our exposure to individual customers and sub-contractors.

Reputational damage caused by employees not working to company values

The use of management systems and technology solutions to help prevent and detect fraud/economic crime. Training is also vital to develop a responsible culture.

Non-compliance with legislation

The company utilises a number of resources to ensure compliance from internal and external audit to external expert advisers and on-going training and guidance.

Crystallisation of losses on uninsured risks

The use of Group and Division Business Management System and the co-ordination of QHSE, Business Risk and Insurance information to review our insurance needs on an annual basis to minimise the losses of the business.

Failure of material counterparty or joint venture

We minimise this risk by carrying out legal reviews of contracts and regular assessments of counterparties.

Trading position comprised due to system, control process failure

We have in place defined business management systems, policies, control framework and delegated authorities as well as malicious software protection and multiple network routes to data centres to help mitigate the risk of any failures.

FINANCIAL RISK MANAGEMENT

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

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

DIRECTORS' REPORT continued

GOING CONCERN

The company is profitable and holds cash and cash equivalents of £53.8m. This, along with forecasts which show continued profitability, mean that the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2013 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 40 days (2012: 53 days).

ENVIRONMENT

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

EMPLOYEES

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

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

DIRECTORS

The directors during the year and subsequently were as follows:

R F Allan
S C Baxter
J I Clarke
R McGregor-Smith
P F Mosley
M J Holt (resigned 30/09/2012)
I Howarth (resigned 30/09/2012)

DIRECTORS' REPORT continued

AUDITOR

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

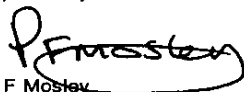
- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware,
and

- the director has taken all the steps that he/she ought to have taken as a director in order to make
himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of
that information

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

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

Approved by the Board and signed on its behalf by



P F Mosley
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

We have audited the financial statements of MITIE Technical Facilities Management Limited for the year ended 31 March 2013 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Cash Flow Statement and the related notes 1 to 30. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

AUDIT REPORT continued

Opinion on financial statements

In our opinion the financial statements

Give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,
have been properly prepared in accordance with IFRSs as adopted by the European Union and
have been prepared in accordance with the requirements of the Companies Act 2006

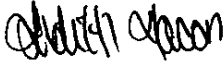
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Judith Tacon (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

27 June 2013

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

INCOME STATEMENT

Year ended 31 March 2013

	Note	2013 £'000	2012 £'000
REVENUE	2	600,601	536,200
Cost of sales		(548,305)	(475,919)
GROSS PROFIT		<u>52,296</u>	<u>60,281</u>
Other operating expenses		-	(4)
Administration expenses		(40,475)	(37,623)
OPERATING PROFIT	3	<u>11,821</u>	<u>22,654</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>11,821</u>	<u>22,654</u>
Investment revenues	4	882	131
Finance costs	5	(707)	(623)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>11,996</u>	<u>22,162</u>
Tax charge on profit on ordinary activities	6	(2,250)	(7,207)
PROFIT FOR THE FINANCIAL YEAR		<u>9,746</u>	<u>14,955</u>

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

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 March 2013	2013 £'000	2012 £'000
Profit for the financial year	9,746	14,955
Gains/(Losses) on foreign currency contracts taken to equity	-	(9)
Total comprehensive income for the financial year	9,746	14,946

STATEMENT OF CHANGES IN EQUITY

	£'000	£'000
Balance at start of year	26,203	15,654
Profit for the year	9,746	14,955
Net income recognised directly in equity	-	(9)
Total comprehensive income for the year	9,746	14,946
Issue of share capital	-	3,956
Dividends paid	-	(8,600)
Credit to equity for equity-settled share-based payments	229	247
Balance at end of year	36,178	26,203

Equity comprises share capital, hedging reserve and retained earnings

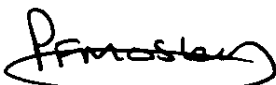
MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013		2012	
		£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Goodwill	8		2,869		2,869
Other intangible assets	9		2,003		2,231
Property plant and equipment	10		6,943		8,452
Investments	12		23		23
Deferred tax asset	12		1,021		576
TOTAL NON-CURRENT ASSETS			<u>12,859</u>		<u>14,151</u>
CURRENT ASSETS					
Inventories	13	6,367		3,255	
Trade and other receivables				-	
- due within one year	15	136,039		140,249	
Current tax asset		946		-	
Cash and cash equivalents		<u>53,818</u>		<u>46,345</u>	
TOTAL CURRENT ASSETS			197,170		189,849
TOTAL ASSETS			<u>210,029</u>		<u>204,000</u>
EQUITY					
Called up share capital	19	6,739		6,739	
Share premium account		3,917		3,917	
Retained earnings		<u>25,523</u>		<u>15,548</u>	
TOTAL EQUITY			36,179		26,204
CURRENT LIABILITIES					
Trade and other payables	16	173,849		165,641	
Current tax liability		-		338	
Obligations under finance leases	16	1		14	
Borrowings	17	-		11,702	
Provisions	18	-		100	
TOTAL CURRENT LIABILITIES			173,850		177,795
NON-CURRENT LIABILITIES					
Obligations under finance leases	16	-		1	
TOTAL NON-CURRENT LIABILITIES			-		1
TOTAL EQUITY AND LIABILITIES			<u>210,029</u>		<u>204,000</u>

The financial statements of MITIE Technical Facilities Management Limited, company registered number 00906936, were approved by the board and authorised for issue on 26 JUNE 2013. They were signed on behalf of the board by



P F Mosley
Director

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2013

	2013		2012	
	£'000	£'000	£'000	£'000
Net cash inflows from operating activities		19,643		21,634
Investing activities				
Interest received	882		131	
Proceeds on disposal of property, plant and equipment	8,674		338	
Purchases of property, plant and equipment	(9,975)		(3,614)	
Purchases of trading investments	(36)		(2,231)	
Net cash used in investing activities		(455)		(5,376)
Financing activities				
Dividends paid	-		(8,600)	
Repayments of borrowings	(11,702)		-	
Repayments of obligations under finance leases	(14)		(13)	
Release on hedging reserve	-		(9)	
Proceeds on issue of shares	-		3,956	
Net cash used in financing activities		(11,716)		(4,666)
Net increase in cash and cash equivalents		7,473		11,592
Cash and cash equivalents at beginning of year		46,345		34,753
Cash and cash equivalents at end of year		<u>53,818</u>		<u>46,345</u>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

1 ACCOUNTING POLICIES

MITIE Technical Facilities Management Limited 'the company' is a company incorporated in the United Kingdom. The address of the registered office of the company is given on page 3.

The company is exempt from the preparation of consolidated financial statements, since it is included in the group accounts of MITIE Group PLC. The group accounts of MITIE Group PLC are available for public use and can be obtained from the registered office.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost convention.

Going concern

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

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

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:

Services

Revenues are recognised by reference to the stage of completion of the company's contracts. In most cases, given that 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 a 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

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, over the net amounts of the identifiable assets acquired and the liabilities assumed at the acquisition date.

If, after reassessment, the company's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of an operation, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

ACCOUNTING POLICIES continued

Intangible assets - research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. The development costs are amortised over five years and provision is made for any impairment.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided 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:

Plant 3 to 10 years

Equipment, fixtures & fittings 3 to 5 years

Leasehold improvements 5 to over the term of the lease years

Motor vehicles 4 years

Operating leases

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

Finance leases

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

Investments

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

Inventories

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

Hedge accounting

The company uses derivative 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 hedge instrument and the transaction. The company documents whether the hedge 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.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

ACCOUNTING POLICIES continued

Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the company operates (its functional currency), which is pounds sterling

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates 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 are recognised in profit or loss in the period in which they arise except for

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings,
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting), and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Derivative financial instruments

Financial assets and liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. The company derecognises financial assets and liabilities only when the contractual rights and obligations are discharged or expire.

Assets that are assessed not to be individually impaired are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the company's past experiences of collecting payments, the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowances account are recognised in the income statement.

The company uses derivative financial instruments such as forward foreign exchange contracts to manage risks associated with exchange rate fluctuations. Such derivative financial instruments are stated at fair value through income statement.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

All financial instruments are held at amortised cost with the exception of derivative financial instruments which are classified as fair value through income statement.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

ACCOUNTING POLICIES *continued*

Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Pension costs

The company participates in the MITIE Group PLC Pension Schemes. One is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. For the purposes of International Accounting Standard 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.

For defined contribution schemes the amount charged to the income statement is the contributions payable in the year.

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.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

ACCOUNTING POLICIES continued

Financial risk management

Hedging instruments held in the prior year have been settled in the current year

Credit risk

Management has a credit risk policy in place. The company's exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new customers requiring credit over a set amount. The company does not require collateral in respect of financial assets.

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 the practice and limits set by MITIE Group PLC. In addition, the group's liquidity management policy involves monitoring key statement of financial position ratios against set internal measures.

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

Segmental 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 different from those of the other segments.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

ACCOUNTING POLICIES continued

Standards not affecting the reported results or the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements, but with the exception of the amendment to IFRS 1, may impact the accounting for future transactions and arrangements.

Amendment to IFRS 1 - Severe Hyper inflation and Removal of Fixed Dates for First-time Adopters

The amendments replace the fixed dates in the derecognition exception and the exemption related to the initial fair value measurement of financial instruments and add a deemed cost exemption that an entity can apply at the date of transition IFRSs after being subject to severe hyperinflation.

Amendments to IFRS 7 - Disclosures – Transfers of Financial Assets

The amendments introduce new disclosure requirements about certain transfers of financial assets.

Amendments to IAS 12 - Deferred Tax - Recovery of underlying Assets

The amendment provides an exception to the general measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

IFRS 12	Disclosure of Interests in other Entities, Investment Entities
IFRS 13	Fair Value Measurement
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 19 (revised)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements, Investment Entities
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

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 United Kingdom.

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. Unallocatable 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.

	Commercial		Rail		Retail, lighting and electrical		Total	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Total revenue	505,207	458,005	26,652	14,653	68,743	63,542	600,601	536,200
Segment result	13,018	19,305	2,454	3,439	413	274	15,885	23,018
Unallocated expenses							(3,889)	-
Profit before tax							11,996	23,018
Income tax expense							(2,250)	(7,207)
Profit for the financial period							9,746	15,811
Segment assets	169,515	157,320	3,387	3,295	23,322	29,234	196,224	189,849
Assets acquired	-	-	-	-	-	-	-	-
Unallocated assets							946	-
Total current assets							197,170	189,849
Segmental liabilities	154,641	151,189	2,120	1,862	17,089	24,744	173,850	177,795
Liabilities acquired	-	-	-	-	-	-	-	-
Unallocated liabilities							-	-
Total current liabilities							173,850	177,795

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

3 PROFIT FOR THE FINANCIAL YEAR

	2013	2012
	£'000	£'000
Profit for the year is stated after charging		
Depreciation of property, plant and equipment owned	2,808	2,429
held under finance leases and hire purchase contracts	-	200
Amortisation of internally generated intangible assets	264	-
Staff costs	166,794	151,982
Restructuring costs	3,890	-
Operating lease rentals plant and machinery	5,105	5,133
other	2,454	2,548
Loss on disposal of tangible fixed assets	-	14
Fees payable to the company's auditor for the audit of the company's annual accounts	140	140

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

4 INVESTMENT REVENUES

	2013	2012
	£'000	£'000
Bank interest	882	131

5 FINANCE COSTS

	2013	2012
	£'000	£'000
Bank interest	40	112
Interest on loan due to parent company	295	469
Other	372	42

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

6 TAX	2013	2012
	£'000	£'000
(a) Analysis of charge in the year		
United Kingdom corporation tax at 24% (2012 26%)	2,819	5,817
Adjustment in respect of prior years	<u>(123)</u>	<u>649</u>
Total current tax	<u>2,696</u>	<u>6,466</u>
Deferred taxation (see note 12)		
Timing differences - origination and reversal	(120)	(112)
Adjustment in respect of prior years	<u>(325)</u>	<u>853</u>
Total recognised in the income statement (note 6(b))	<u>2,251</u>	<u>7,207</u>

(b) Factors affecting tax charge in the year per the income statement as follows

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 24% (2012 26%) thereon

	£'000	£'000
Profit on ordinary activities before tax	<u>11,996</u>	<u>22,162</u>
	£'000	£'000
Tax at 24% (2012 26%)	2,879	5,762
Expenses not deductible for tax purposes	(76)	57
Capital allowances in excess of depreciation	143	22
Relief in respect of employee share options	(182)	(90)
Other timing differences	11	66
Effect of change in tax rates	44	-
Adjustments to tax charge in respect of prior years	(448)	1,502
Timing differences - origination and reversal	<u>(120)</u>	<u>(112)</u>
Tax charge for the year (note 6(a))	<u>2,251</u>	<u>7,207</u>

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

7 DIVIDENDS

The dividends approved and paid in the year are as follows	2013	2012
	£'000	£'000
£0.00 (2012 £1.28) per Ordinary A	<u>-</u>	<u>8,600</u>
	<u>-</u>	<u>8,600</u>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

8 GOODWILL

	2013	2012
	£'000	£'000
Goodwill at start of year	<u>2,869</u>	<u>2,869</u>
Goodwill at end of year	<u>2,869</u>	<u>2,869</u>

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

The directors are of the view that the operations of the company are a single cash-generating unit and have therefore allocated all goodwill to that cash-generating unit

Goodwill is subject to annual impairment reviews based upon the value in the use of the relevant cash-generating unit

9 OTHER INTANGIBLE ASSETS

	Development
	Costs
	£'000
Cost at 1 April 2012	
Additions	2,231
At 1 April 2012	2,231
Additions	<u>36</u>
At 31 March 2013	<u>2,267</u>
Charge for the year	264
Net book value	
At 31 March 2013	<u>2,003</u>
At 31 March 2012	<u>2,231</u>

The amortisation period for development costs incurred is 5 years commencing from completion

During the year there was a small investment by the business in CarbonCare, the MITIE-wide energy services offering. This brand (acquired when MITIE purchased Dalkia FM in August 2009) has created and enhanced some of MITIE's unique selling propositions, which have begun to significantly differentiate the business within its market place

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

10 PROPERTY, PLANT AND EQUIPMENT

	Plant	Equipment, fixtures & fittings	Leasehold improvements	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2011	528	4 873	934	5,571	11,906
Additions	17	1,032	90	2,474	3,613
Disposals	(68)	(308)	-	(724)	(1,100)
At 1 April 2012	477	5,597	1 024	7,321	14,419
Additions	597	3 132	106	6,125	9,960
Disposals	(68)	(415)	(5)	(11,486)	(11,974)
At 31 March 2013	1,006	8,314	1,125	1 960	12,405
Depreciation					
At 1 April 2011	397	2,624	86	979	4,086
Charge for the year	61	886	57	1,625	2 629
Disposals	(64)	(293)	-	(391)	(748)
At 1 April 2012	394	3,217	143	2,213	5,967
Charge for the year	125	895	112	1,676	2,808
Disposals	(69)	(408)	-	(2,836)	(3,313)
At 31 March 2013	450	3,704	255	1,053	5,462
Net book value					
At 31 March 2013	556	4,610	870	907	6,943
At 31 March 2012	83	2,380	881	5,108	8 452
At 31 March 2011	131	2,249	848	4 592	7,820
Leased assets included above					
Net book value					
At 31 March 2013	-	-	-	-	-
At 31 March 2012	-	-	-	347	347
At 31 March 2011	-	-	-	747	747

11 FIXED ASSET INVESTMENTS

	2013 £'000	2012 £'000
Investments at start of year	23	23
Impairment losses	-	-
Investments start and end of year	23	23

The investments balance at 31 March 2013 represents interests in the following companies, all of which are incorporated in Great Britain

Name of subsidiary	Principal activity	Class of shares held	Percentage of shares and voting rights held %	Country of incorporation
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Goldfield Electronics Limited	Dormant	20p Ordinary Shares	100	England
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The company has taken advantage of Section 400 of the Companies Act 2006 and therefore no consolidated financial statements have been prepared

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

12 DEFERRED TAX

	2013	2012
	£'000	£'000
The deferred tax asset comprises the following		
Depreciation in excess of capital allowances	729	400
Share-based payment timing difference	88	116
Other timing differences	204	60
	<u>1,021</u>	<u>576</u>
	£'000	£'000
Balance at the beginning of the year	576	1,306
Charged/ Credited to profit or loss	445	(741)
Deferred tax asset acquired	-	11
Balance at the end of the year	<u>1,021</u>	<u>576</u>

13 INVENTORIES

	2013	2012
	£'000	£'000
Raw materials	2,051	1,659
Work in progress	4,316	1,596
	<u>6,367</u>	<u>3,255</u>

14 TRADE AND OTHER RECEIVABLES

	2013	2012
	£'000	£'000
Current amounts falling due within one year		
Trade receivables	58,747	84,972
Amounts recoverable on contracts	45,477	33,995
Amounts owed by Group undertakings	18,243	10,706
Other debtors	374	748
Prepayments and accrued income	13,198	9,828
	<u>136,039</u>	<u>140,249</u>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

RECEIVABLES continued

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

	2013 £'000	2012 £'000
Not past due	43,583	68,220
Past due 0 to 30 days	5,573	3,357
Past due 31 to 90 days	1,972	4,369
Past due 91 to 180 days	2,465	7,400
Past due 181 to 365 days	4,480	1,626
More than one year	674	-
	<u>58,747</u>	<u>84,972</u>

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

	2013 £'000	2012 £'000
Balance at the beginning of the year	350	3,170
Impairment losses recognised in the year	-	(962)
Impairment losses acquired	1,127	-
Impairment losses reversed	-	(1,858)
Balance at the end of the year	<u>1,477</u>	<u>350</u>

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

15 TRADE AND OTHER PAYABLES

	2013 £'000	2012 £'000
Payments received on account	1,059	1,247
Trade payables	56,982	56,611
Bills of exchange payable	51,774	-
Amounts owed to Group undertakings	-	46,694
Other taxation and social security	16,318	17,234
Other payables	415	74
Accruals and deferred income	47,301	43,375
Defined contribution pension scheme accrual	-	406
	<u>173,849</u>	<u>165,641</u>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

16 OBLIGATIONS UNDER FINANCE LEASES

Minimum lease payments	2013	2012
	£'000	£'000
Amounts payable under finance leases		
- within one year	1	14
- in the second to fifth years inclusive	-	1
	<u>1</u>	<u>15</u>
 Present value of minimum lease payments		
	£'000	£'000
Amounts payable under finance leases		
- within one year	1	14
- in the second to fifth years inclusive	-	1
	<u>1</u>	<u>15</u>
 Analysed as.	£'000	£'000
- Amounts due for settlement within 12 months (shown in current liabilities)	1	14
- Amounts due for settlement after 12 months	-	1
	<u>1</u>	<u>15</u>

The average remaining lease term is 11 months (2012 7 months). All leases are on a fixed repayment basis and no arrangements have been entered into the contingent rental payments. All lease obligations are denominated in Sterling. The company's obligations under finance leases are secured against the lessor's right to leased assets.

17 BORROWINGS	2013	2012
	£'000	£'000
Unsecured borrowings at amortised cost		
Bank overdrafts	-	-
Loans from related parties	-	11,702
Total borrowings	<u>-</u>	<u>11,702</u>
 Analysed as.	£'000	£'000
- Amounts due for settlement within 12 months	-	11,702
	<u>-</u>	<u>11,702</u>

18 PROVISIONS

	Total
	£'000
At 1 April 2012	100
Utilisation of provision	(100)
At 31 March 2013	<u>-</u>

The leasehold property dilapidation provision was utilised in 2013 in line with expectations.

19 CALLED UP SHARE CAPITAL	2013	2012
	£'000	£'000
Allotted, called up and fully paid		
6,700,000 £1 Ordinary A	6,700	6,700
3,956,166 £0.01 Ordinary B	39	39
	<u>-</u>	<u>-</u>
	<u>6,739</u>	<u>6,739</u>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

20 RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2011	6,700	-	9	8,945	15,654
Issue of share capital	39	3,917	-	-	3,956
Net cost of foreign currency forward contracts recognised directly in equity	-	-	(9)	-	(9)
Profit for the year	-	-	-	14,955	14,955
Credit to equity for equity-settled share-based payments	-	-	-	248	248
Dividends	-	-	-	(8,600)	(8,600)
At 1 April 2012	6,739	3,917	-	15,548	26,204
Profit for the year	-	-	-	9,746	9,746
Credit to equity for equity-settled share-based payments	-	-	-	229	229
At 31 March 2013	6,739	3,917	-	25,523	36,179

21 FINANCIAL COMMITMENTS

At the statement of financial position date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2013			2012		
	Land and buildings £'000	Other £'000	Total £'000	Land and buildings £'000	Other £'000	Total £'000
Within one year	692	4,818	5,510	1,043	4,130	5,173
In two to five years inclusive	295	6,850	7,145	627	5,316	5,943
	987	11,668	12,655	1,670	9,446	11,116

The average lease term is 24 months

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

COMMITMENTS continued

Performance bonds

	2013	2012
	£'000	£'000
The company has outstanding performance bonds as follows		
Performance bonds	-	-
Commitments on behalf of group undertakings	<u>-</u>	<u>-</u>

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

	2013	2012
	£'000	£'000
Overall commitment	<u>290,200</u>	<u>157,300</u>

Contractual guarantees

The company is party with other group undertakings to cross guarantees of each other's bank overdrafts and loans. As at 31 March 2013, the overall commitment was £290.2 million (2012 £157.3 million)

22 NOTES TO THE CASH FLOW STATEMENT

	2013	2012
	£'000	£'000
Profit for the year	9,746	14,955
Adjustments for:		
Investment revenues	(882)	(131)
Finance costs	707	623
Income tax (credit)/expense	(1,692)	7,430
Depreciation of property, plant and equipment	2,808	2,629
Amortisation of intangible assets	264	-
Share-based payment charge	229	248
Loss on disposal of property, plant and equipment	-	14
Operating cash flows before movements in working capital	<u>11,180</u>	<u>25,768</u>
Decrease in provisions	(100)	(387)
(Increase)/Decrease in inventories	(3,112)	64
Decrease in receivables	4,174	830
Increase/(Decrease) in payables	8,208	(600)
Cash generated by operations	<u>20,350</u>	<u>25,675</u>
Tax refund/(paid)	-	(3,418)
Interest paid	(707)	(623)
Net cash from operating activities	<u>19,643</u>	<u>21,634</u>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

23 EMOLUMENTS OF THE COMPANY'S DIRECTORS

	2013 £'000	2012 £'000
The emoluments of the directors of the company were		
- Aggregate emoluments	560	1,039
- Aggregate value of contributions paid to a money purchase pension scheme	22	45
	<u>582</u>	<u>1,084</u>
	£'000	£'000
Highest paid director		
- Aggregate emoluments	219	383
- Aggregate value of contributions paid to a money purchase pension scheme	-	26
	<u>219</u>	<u>409</u>
	No	No
The number of directors who		
- were members of a defined benefit pension scheme	2	2
- were members of a defined contribution pension scheme		
exercised share options in the year	<u>2</u>	<u>2</u>

The highest paid director did exercise share options in the year

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

R F Allan	MITIE Group Plc
S C Baxter	MITIE Group Plc
R McGregor-Smith	MITIE Group Plc

24 STAFF COSTS

Number of employees

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

	2013 No	2012 No
Operations	4,422	4,144
Administration	442	461
	<u>4,864</u>	<u>4,605</u>
	£'000	£'000
Employment cost		
Wages and salaries	147,954	134,636
Social security costs	15,697	14,288
Other pension costs	2,315	2,231
Contributions to group defined benefit plan	600	574
Share-based payment	228	253
	<u>166,794</u>	<u>151,982</u>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

25 SHARE-BASED PAYMENTS

Equity-settled share option schemes

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

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

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

The MITIE Group PLC 2001 Executive share option scheme

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

The MITIE Group PLC 2001 SAYE scheme

The SAYE scheme is open to all employees. The exercise price is not less than 80% 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.

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

	2013		2012	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of the year	2,985,363	165	2,471,589	186
Granted during the year	1,160,815	224	903,924	144
Forfeited during the year	(487,814)	97	(193,025)	246
Transferred from Group subsidiaries during the year	186,562	144	360,469	151
Exercised during the year	(793,707)	176	(557,594)	185
Outstanding at end of the year	3,051,219	194	2,985,363	165
Exercisable at end of year	321,254	176	388,106	184

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

	2013 £'000	2012 £'000
2001 Executive share options	(70)	130
2001 Savings Related share options	150	129
Long-term incentive plan scheme (LTIP)	148	(6)
	228	253

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

SHARE BASED PAYMENTS NOTE continued

	2013	2012
The weighted average share price at the date of exercise for share options exercised during the year was (p)	273	247
The options outstanding at the year-end had a weighted average price of (p)	194	165
The options outstanding at the year-end had a weighted average remaining contractual life of (years)	5	5

The company granted options in the period as detailed below

Share scheme	Fair value
SAYE	260,595
ESOS	207,027
LTIP	118,327

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

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

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.

26 PENSION ARRANGEMENTS

Defined benefit schemes

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 35 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £29.7m (2012 deficit of £17.2m).

Employer contributions to the scheme for the period are shown in Note 24. The agreed contribution rate for employee and employer contributions for the next 12 months is 18.5% (2012 18.5%).

Defined contribution schemes

Contributions to the Group's defined contribution pension scheme amounted to £600,000 (2012 £2,154,000).

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

27 RELATED PARTY TRANSACTIONS

The company has a related party relationship with other subsidiaries of MITIE Group PLC. Transactions with group companies are disclosed below.

Related party	Transaction amount		Year-end balance	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cole Motors Ltd	332	168	-	-
Cole Motors Ltd	(643)	(36)	(1)	(12)
EPS Ltd	-	-	133	133
Goldfield Electronics Ltd	-	-	656	656
MITIE Asset Management Ltd	6	6	-	-
MITIE Asset Management Ltd	(533)	-	-	-
MITIE Built Environment Ltd	1,635	302	181	104
MITIE Built Environment Ltd	(1,771)	(77)	(559)	(438)
MITIE Business Services Ltd	339	561	7	232
MITIE Business Services Ltd	(3,155)	(3,137)	(241)	(858)
MITIE Business Services UK Ltd	(3,002)	-	(641)	-
MITIE Care and Custody Ltd	354	181	43	21
MITIE Catering Services Ltd	41	52	18	55
MITIE Catering Services Ltd	(8,120)	(2,416)	(1,557)	(919)
MITIE Cleaning & Environmental Services Ltd	443	481	175	91
MITIE Cleaning & Environmental Services Ltd	(55,720)	(39,035)	(10,633)	(8,142)
MITIE Client Services Ltd	924	1,062	98	161
MITIE Client Services Ltd	(4,178)	(1,537)	(797)	(657)
MITIE Compliance Ltd	(118)	-	(5)	-
MITIE Deep Red 55 Ltd	(30)	(1)	-	-
MITIE Deutschland GmbH	287	178	-	-
MITIE Deutschland GmbH	(140)	(40)	(139)	(40)
MITIE Document Solutions Ltd	-	1	-	-
MITIE Document Solutions Ltd	(89)	(57)	(120)	(2)
MITIE Energy Ltd	-	(211)	-	-
MITIE Engineering Services (Midlands) Ltd	-	19	-	-
MITIE Engineering Services (Midlands) Ltd	-	(3)	-	-
MITIE Engineering Maintenance (Caledonia) Ltd	-	-	(2,767)	(2,767)
MITIE Engineering Maintenance (North) Ltd	-	-	(4,021)	(4,021)
MITIE Engineering Maintenance (South West) Ltd	-	-	(992)	(992)
MITIE Engineering Maintenance (West) Ltd	-	-	(331)	(331)
MITIE Engineering Maintenance Ltd	-	-	(10,472)	(10,472)
MITIE Engineering Services (Retail) Ltd	-	399	-	-
MITIE Engineering Services (S East) Ltd	-	29	-	-
MITIE Engineering Services (Wales) Ltd	-	5	-	-
MITIE Engineering Services (Wales) Ltd	-	(219)	-	-
MITIE Engineering Services Ltd	-	10	-	12
MITIE Engineering Services Ltd	-	(4)	-	-
MITIE Espana SL	11	-	11	-
MITIE Facilities Management Ltd (Ire)	-	68	11	11
MITIE Facilities Management Ltd (Ire)	(59)	-	(36)	(32)
MITIE Facilities Services Ltd	91,452	20,785	12,950	5,365
MITIE Facilities Services Ltd	(387)	(175)	(367)	(457)
MITIE France SAS	25	18	-	-
MITIE France SAS	(27)	-	(27)	-
MITIE Group PLC	96	374	23	135
MITIE Group PLC	-	(55)	-	(11,702)
MITIE Healthcare Energy Services Ltd	1,069	1,032	105	129
MITIE Infrastructure Ltd	261	108	166	63
MITIE Infrastructure Ltd	(63)	(127)	-	-
MITIE Interiors Ltd	-	(77)	-	-
MITIE Justice Ltd	8,373	146	749	136

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

RELATED PARTY TRANSACTIONS continued

MITIE Justice Ltd	(72)	-	(72)	-
MITIE Landscapes Ltd	29	22	10	6
MITIE Landscapes Ltd	(3,795)	(1,818)	(1,553)	(917)
MITIE Lighting Ltd	-	-	(7,911)	(7,911)
MITIE Ltd (NI)	174	-	65	-
MITIE Ltd (NI)	(1,217)	(11)	(377)	(26)
MITIE Managed Services Ltd	1,447	-	317	-
MITIE Managed Services (South) Ltd	38	3,882	17	1,312
MITIE Managed Services (South) Ltd	-	(1)	-	(6)
MITIE Managed Services (SW & Wales) Ltd	1	94	5	25
MITIE Managed Services Ltd	-	1,539	-	299
MITIE Managed Services Ltd	(5)	(26)	-	-
MITIE Nederland BV	2	-	2	-
MITIE Norge Aksjeselskap	441	264	-	-
MITIE Norge Aksjeselskap	(202)	-	(202)	-
MITIE Pest Control Ltd	(559)	(358)	(284)	(166)
MITIE Pest Control (London) Ltd	(259)	-	(4)	-
MITIE PFI Ltd	1,192	1,430	259	306
MITIE PFI Ltd	-	-	(4)	(33)
MITIE Polska Sp Zoo	32	35	-	-
MITIE Polska Sp Zoo	(17)	-	(17)	-
MITIE Shared Services Ltd	204	172	20	21
MITIE Property Services (Eastern) Ltd	-	81	-	-
MITIE Property Services (Midlands) Ltd	-	-	-	249
MITIE Property Services (Midlands) Ltd	(4,771)	(11)	(239)	(1,246)
MITIE Property Services (North West) Ltd	-	-	-	8
MITIE Property Services (North West) Ltd	-	-	-	(410)
MITIE Property Services (Scotland) Ltd	(3,379)	-	(169)	(148)
MITIE Property Services (Southern) Ltd	953	-	152	-
MITIE Property Services (Southern) Ltd	-	-	-	(1)
MITIE Property Services (Western) Ltd	(64)	-	(3)	-
MITIE Property Services (UK) Ltd	-	284	-	-
MITIE Property Services (UK) Ltd	-	(5,862)	-	-
MITIE Schweiz GmbH	2	-	2	-
MITIE Security (London) Ltd	9	54	-	2
MITIE Security (London) Ltd	(3,914)	(1,296)	(520)	(21)
MITIE Security Ltd	105	686	-	19
MITIE Security Ltd	(28,750)	(20,396)	(3,049)	(2,238)
MITIE Security Systems Ltd	82	167	-	-
MITIE Security Systems Ltd	(797)	(588)	(14)	(60)
MITIE Services (Retail) Ltd	4	-	4	-
MITIE Shared Services Ltd	5,283	-	207	-
MITIE Suomi Oy	57	45	8	-
MITIE Sverige AB	65	58	-	-
MITIE Sverige AB	(149)	-	(136)	-
MITIE Tilley Roofing Ltd	2	-	-	-
MITIE Tilley Roofing Ltd	(642)	(263)	(100)	(22)
MITIE Transport Services Ltd	669	7	466	-
MITIE Transport Services Ltd	(57)	(109)	(19)	(13)
MITIE Work Wise Ltd	(51)	-	(51)	-
MTFM Holdings Ltd	3	257	341	338
Parkersell Ltd	-	-	(3,338)	(3,338)
Pinniger & Partners Ltd	526	100	969	443
Utiyx Ltd	3,721	311	72	373
Utiyx Ltd	(461)	-	(8)	-

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

28 FINANCIAL INSTRUMENTS

Foreign currency risk management

The company undertakes transactions denominated in foreign currencies, consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Foreign currency sensitivity analysis

Exposure to currency risk in the year is in connection with the normal course of the company's business, specifically on purchase transactions where the supply is denominated and settled in foreign currency and on the retranslation at closing spot rate of the bank balances assets held and denominated in US\$. The gains and losses are taken to the Income Statement as incurred, in the year ended 31 March 2013 the net profit/loss on foreign exchange totalled £ nil (2012 £ nil). Management assess sensitivity to currency risk to be very low.

Forward foreign exchange contracts

At 31 March 2013 no US Dollar forward contracts existed.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the company uses other publicly available financial information and its own trading records to rate its major customers. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consists of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors which has established an appropriate liquidity risk management framework for the management of the company's short-, medium- and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the company has at its disposal to further reduce liquidity risk are set out below.

Liquidity risk and interest tables

The following tables detail the company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the statement of financial position date. The contractual maturity is based on the earliest date on which the company may be required to pay.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

FINANCIAL INSTRUMENTS DISCLOSURE continued

	Weighted average effective interest rate %	Less than 1 year £'000	1 to 5 years £'000	5+ years £'000	Total £'000
At 31 March 2012					
Variable interest rate instruments	-	11,702	-	-	11,702
		<u>11,702</u>	<u>-</u>	<u>-</u>	<u>11,702</u>
At 31 March 2013					
Variable interest rate instruments	5	-	3	-	3
		<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>

The amounts included above for financial guarantee contracts are the maximum amount the company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee. This is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The Company has an outstanding contractual guarantee with Barclays Bank PLC in relation to its trading relationship with London Borough of Hillingdon and Essex County Council.

The following table details the Company's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than 1 year £'000	1 to 5 years £'000	5+ years £'000	Total £'000
For the year ended 31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
For the year ended 31 March 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

	Carrying value		Fair value	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Financial assets				
Loans and receivables				
- trade and other receivables	136,039	140,249	136,039	140,249
Financial liabilities				
Financial liabilities held at amortised cost				
- loans from related parties	-	11,702	-	11,702
- trade and other payables	122,075	165,641	122,075	165,641

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

FINANCIAL INSTRUMENTS DISCLOSURE continued

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes)

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

29 DERIVATIVE FINANCIAL INSTRUMENTS

	2013	2012	2011
	£'000	£'000	£'000
Current			
Derivatives that are designated effective as hedge instruments carried at fair value	-	-	-
Forward foreign currency contracts	-	-	12
Financial assets carried at fair value through profit and loss	-	-	-
	<u>-</u>	<u>-</u>	<u>12</u>
Non-current			
Derivatives that are designated effective as hedge instruments carried at fair value	-	-	-
Forward foreign currency contracts	-	-	-
Financial assets carried at fair value through profit and loss	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

30 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC# a company registered in Scotland, as the company's ultimate parent undertaking and controlling party

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