

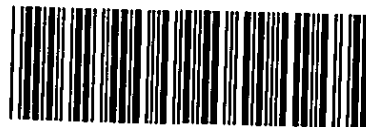
Company Registration Number 00906936

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

Report and Financial Statements

Year ended 31 March 2012

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MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

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, Newbrick 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 2012

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')

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

Energy reduction is one of the key drivers of MITIE's growth. Our CarbonCare offering forms a fundamental part of MITIE's overall energy services capabilities and has helped successfully establish MITIE as a leading energy services business. A significant number of CarbonCare services are provided by TFM and this has been further strengthened by the acquisition of Utilyx within the TFM group. The on-going demand in this area is driving continued strong performance within TFM.

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

We have made further investments in our national mobile services offering, which delivers a fast and responsive mobile technical FM service across the UK and is developing well. We have also been working with leading lighting manufacturers to create a new service model that embraces the initial design of LED installations, LED retro-fit projects capability and ongoing support for LED installations.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

DIRECTORS 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 2012	31 March 2011
Revenue		
Total annualised revenue in £ 000	536,200	483,619
Gross profit margin		
Gross profit as a percentage of total revenue	11.2%	10.2%
Operating profit margin		
Operating profit as a percentage of total revenue	4.2%	2.9%
Creditor days		
Trade creditors/total costs excluding employment costs and depreciation x 365	48 days	53 days
Days sales outstanding		
Trade receivables excluding VAT/annualised revenue x 365	40 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 £1.28 (2011: Nil) 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 on pages 46 and 47 in MITIE Group PLC's 2012 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 large-scale new business can bring.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

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. Hedging instrument assets present in 2012 have been fully released in the year. 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

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

DIRECTORS REPORT continued

GOING CONCERN

The company is profitable and holds cash and cash equivalents of £46.3m. 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 2012, trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 48 days (2011: 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:

J I Clarke (appointed 29 November 2011)
M Holt
I Howarth
P F Mosley
R F Allan (appointed 30 March 2012)
R McGregor-Smith (appointed 03 July 2012)
S C Baxter (appointed 03 July 2012)

AUDITOR

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

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

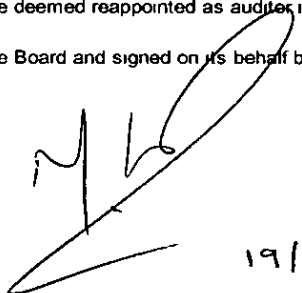
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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

Approved by the Board and signed on its behalf by

M Holt
Director



19/07/12

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 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the 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.

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 2012 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.

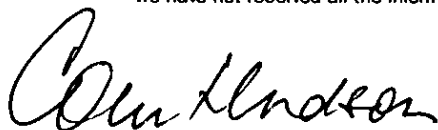
Opinion on other matters prescribed by the Companies Act 2006

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.



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

19 July 2012.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

INCOME STATEMENT
Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
REVENUE	2	536,200	483,619
Cost of sales		(475,919)	(434,252)
GROSS PROFIT		<u>60,281</u>	<u>49,367</u>
Other operating expenses		(4)	-
Administration expenses		(37,623)	(35,233)
ORDINARY PROFIT	3	<u>22,654</u>	<u>14,134</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>22,654</u>	<u>14,134</u>
Investment revenues	4	131	144
Finance costs	5	(623)	(464)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>22,162</u>	<u>13,814</u>
Tax charge on profit on ordinary activities	6	(7,207)	(4,138)
PROFIT FOR THE FINANCIAL YEAR		<u>14,955</u>	<u>9,676</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 2012	2012 £'000	2011 £'000
Profit for the financial year	14,955	9,676
(Losses)/gains on foreign currency contracts taken to equity	(9)	26
Tax on items taken directly to equity	-	(7)
Total comprehensive income for the financial year	14,946	9,695

STATEMENT OF CHANGES IN EQUITY

	£'000	£'000
Balance at start of year	15,654	5,764
Profit for the year	14,955	9,676
Net income recognised directly in equity	(9)	19
Total comprehensive income for the year	14,946	9,695
Issue of share capital	3,956	-
Dividends paid	(8,600)	-
Own shares acquired in the period	-	(40)
Credit to equity for equity-settled share-based payments	247	235
Balance at end of year	26,203	15,654

Equity comprises share capital, hedging reserve and retained earnings

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

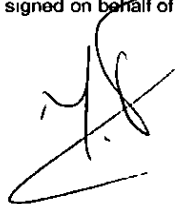
STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012		2011	
		£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Goodwill	8		2,869		2,869
Other intangible assets	9		2,231		-
Property, plant and equipment	10		8,452		7,820
Investments	11		23		23
Deferred tax asset	12		576		1,307
TOTAL NON-CURRENT ASSETS			<u>14,151</u>		<u>12,019</u>
CURRENT ASSETS					
Inventories	13	3,255		3,319	
Trade and other receivables					
- due within one year	14	140,249		141,067	
Current tax asset		-		2,942	
Derivative financial instruments	29	-		12	
Cash and cash equivalents		<u>46,345</u>		<u>34,753</u>	
TOTAL CURRENT ASSETS			<u>189,849</u>		<u>182,093</u>
TOTAL ASSETS			<u><u>204,000</u></u>		<u><u>194,112</u></u>
EQUITY					
Called up share capital	19	6,739		6,700	
Share premium account		3,917		-	
Hedging reserve		-		9	
Retained earnings		<u>15,548</u>		<u>8,945</u>	
TOTAL EQUITY			<u>26,204</u>		<u>15,654</u>
CURRENT LIABILITIES					
Trade and other payables	15	165,641		166,241	
Current tax liability		338		-	
Obligations under finance leases	16	14		10	
Borrowings	17	11,702		11,702	
Provisions	18	<u>100</u>		<u>487</u>	
TOTAL CURRENT LIABILITIES			<u>177,795</u>		<u>178,440</u>
NON-CURRENT LIABILITIES					
Obligations under finance leases	16	<u>1</u>		<u>18</u>	
TOTAL NON-CURRENT LIABILITIES			<u>1</u>		<u>18</u>
TOTAL EQUITY AND LIABILITIES			<u><u>204,000</u></u>		<u><u>194,112</u></u>

The financial statements of MITIE Technical Facilities Management Limited, company registered number 00906936, were approved by the board and authorised for issue on 19th July 2012. They were signed on behalf of the board by

M Holt
Director



MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2012

	2012		2011	
	£'000	£'000	£'000	£'000
Net cash inflows from operating activities		21,634		6,874
Investing activities				
Interest received	131		124	
Proceeds on disposal of property, plant and equipment	338		416	
Purchases of property, plant and equipment	(3,614)		(4,375)	
Purchases of trading investments	(2,231)		-	
Net cash used in investing activities		(5,376)		(3,835)
Financing activities				
Dividends paid	(8,600)		-	
Repayments of obligations under finance leases	(13)		(3)	
Release on hedging reserve	(9)		-	
Proceeds on issue of shares	3,956		-	
Cash acquired on the acquisition of a business	-		3,737	
Net cash (used in)/from financing activities		(4,666)		3,734
Net increase in cash and cash equivalents		11,592		6,773
Cash and cash equivalents at beginning of year		34,753		27,968
Effect of foreign exchange differences		-		12
Cash and cash equivalents at end of year		46,345		34,753

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

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.

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.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

Accounting Policies continued

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 2012

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

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 Financial Reporting Standard 17 ('Retirement Benefits'), the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme.

For defined contribution schemes the amount charged to the 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 2012

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.

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.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

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

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Total revenue	458,005	433,012	14,653	15,056	63,542	35,551	536,200	483,619
Segment result	19,305	9,622	3,439	2,062	274	3,670	23,018	15,354
Unallocated expenses							-	(1,540)
Profit before tax							23,018	13,814
Income tax expense							(7,207)	(4,138)
Profit for the financial period							15,811	9,676
Segment assets	157,320	161,873	3,295	3,757	29,234	9,485	189,849	175,115
Assets acquired	-	-	-	-	-	18,997	-	18,997
Unallocated assets							-	-
Total assets							189,849	194,112
Segmental liabilities	151,189	161,188	1,862	2,307	24,744	3,877	177,795	167,372
Liabilities acquired	-	-	-	-	-	11,086	-	11,086
Unallocated liabilities							-	-
Total liabilities							177,795	178,458

3 PROFIT FOR THE FINANCIAL YEAR

	2012 £'000	2011 £'000
Profit for the year is stated after charging		
Depreciation of property, plant and equipment owned	2,429	2,402
held under finance leases and hire purchase contracts	200	259
Staff costs	151,982	142,750
Operating lease rentals		
plant and machinery	5,133	3,331
other	2,548	1,593
Loss on disposal of tangible fixed assets	14	289
Fees payable to the company's auditor for the audit of the company's annual accounts	140	9

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.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

4 INVESTMENT REVENUES

	2012 £'000	2011 £'000
Bank Interest	<u>131</u>	<u>144</u>

5 FINANCE COSTS

	2012 £'000	2011 £'000
Bank interest	112	8
Interest on loan due to parent company	469	351
Other	42	105
	<u>623</u>	<u>464</u>

6 TAX

	2012 £'000	2011 £'000
(a) Analysis of charge in the year		
United Kingdom corporation tax at 26% (2011 28%)	5,817	4,040
Adjustment in respect of prior years	649	(2,744)
Total current tax	<u>6,466</u>	<u>1,296</u>
Deferred taxation (see note 12)		
Timing differences - origination and reversal	(112)	(104)
Adjustment in respect of prior years	853	2,946
Total recognised in the income statement (note 6(b))	<u>7,207</u>	<u>4,138</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 26% (2011 28%) thereon

	£'000	£'000
Profit on ordinary activities before tax	<u>22,162</u>	<u>13,814</u>
£'000		
Tax at 26% (2011 28%)	5,762	3,868
Expenses not deductible for tax purposes	57	(18)
Capital allowances in excess of depreciation	22	-
Relief in respect of employee share options	(90)	86
Other timing differences	66	-
Adjustments to tax charge in respect of prior years	1,502	202
Timing differences - origination and reversal	(112)	-
Tax charge for the year (note 6(a))	<u>7,207</u>	<u>4,138</u>

The UK Government announced a reduction in the UK corporation tax rate from 26% to 24% from 1 April 2012, which was subsequently enacted on 26 March 2012. The reduction in the statement of financial position carrying value of deferred tax assets and liabilities to reflect the rate of tax at which those assets are expected to reverse have 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 22% by 1 April 2014. 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.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

7 DIVIDENDS

The dividends approved and paid in the year are as follows	2012 £'000	2011 £'000
£1 28 (2011 £0 00) per Ordinary A	<u>8 600</u>	<u>-</u>
	8,600	-

8 GOODWILL

	2012 £'000	2011 £'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 2011	-
Additions	<u>2 231</u>
At 31 March 2012	<u>2,231</u>
Net book value	
At 31 March 2012	<u>2,231</u>
At 31 March 2011	<u>-</u>

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

During the year there was considerable 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. Costs in relation to developing the market offering from the original concept have been capitalised in the year. CarbonCare now encompasses and draws upon the full range of services that MITIE can provide and self-deliver, and significant bid activity within MITIE will have considered CarbonCare principles.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

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 2010	765	5,472	-	3,525	9,762
Additions	18	1,237	898	2,222	4,375
Acquisition of businesses	67	28	36	157	288
Disposals	(115)	(1,316)	-	(319)	(1,750)
Transfers in from group companies	(207)	221	-	(14)	-
Transfers out to group companies	-	(769)	-	-	(769)
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 31 March 2012	477	5,597	1,024	7,321	14,419
Depreciation					
At 1 April 2010	482	2,758	-	-	3,240
Charge for the year	30	1,400	86	1,145	2,661
Disposals	(115)	(1,031)	-	(166)	(1,312)
Transfers out to group companies	-	(503)	-	-	(503)
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 31 March 2012	394	3,217	143	2,213	5,967
Net book value					
At 31 March 2012	83	2,380	881	5,108	8,452
At 31 March 2011	131	2,249	848	4,592	7,820
At 31 March 2010	283	2,714	-	3,525	6,522
Leased assets included above					
Net book value					
At 31 March 2012	-	-	-	347	347
At 31 March 2011	-	-	-	747	747
At 31 March 2010	-	-	-	1,066	1,066

11 FIXED ASSET INVESTMENTS

	2012	2011
	£'000	£'000
Investments start and end of year	23	23

The investments balance at 31 March 2012 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
Goldfield Electronics Limited	Security Systems	20p Ordinary Shares	100	England

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 2012

12 DEFERRED TAX

	2012 £'000	2011 £'000
The deferred tax asset comprises the following		
Depreciation in excess of capital allowances	400	706
Share-based payment timing difference	116	35
Other timing differences	60	565
	<u>576</u>	<u>1,306</u>
	£'000	£'000
Balance at the beginning of the year	1,306	4,059
Charged to profit or loss	(741)	(2,842)
Deferred tax asset acquired	11	89
Balance at the end of the year	<u>576</u>	<u>1,306</u>

13 INVENTORIES

	2012 £'000	2011 £'000
Raw materials	1 659	1,386
Work in progress	1 596	1,933
	<u>3 255</u>	<u>3,319</u>

14 TRADE AND OTHER RECEIVABLES

	2012 £'000	2011 £'000
Current amounts falling due within one year		
Trade receivables	84,972	99,180
Amounts recoverable on contracts	33,995	22 138
Amounts owed by Group undertakings	10,706	8 850
Other debtors	748	6,376
Prepayments and accrued income	9,828	4,523
	<u>140,249</u>	<u>141,067</u>

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

	2012 £'000	2011 £'000
Not past due	68,220	69,241
Past due 0 to 30 days	3,357	17,953
Past due 31 to 90 days	4,369	7,566
Past due 91 to 180 days	7,400	4,420
Past due 181 to 365 days	1,626	-
	<u>84,972</u>	<u>99 180</u>

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

	2012 £'000	2011 £'000
Balance at the beginning of the year	3 170	3 109
Impairment losses recognised in the year	(962)	(1,241)
Impairment losses acquired	-	29
Impairment losses reversed	(1,858)	1,273
Balance at the end of the year	<u>350</u>	<u>3,170</u>

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

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

15 TRADE AND OTHER PAYABLES	2012 £'000	2011 £'000
Payments received on account	1,247	1,187
Trade payables	56,611	55,937
Amounts owed to Group undertakings	46,694	39,923
Other taxation and social security	17,234	18,427
Other payables	74	-
Accruals and deferred income	43,375	50,407
Defined contribution pension scheme accrual	406	360
	<u>165,641</u>	<u>166,241</u>

16 OBLIGATIONS UNDER FINANCE LEASES

Minimum lease payments	2012 £'000	2011 £'000
Amounts payable under finance leases		
- within one year	14	10
- in the second to fifth years inclusive	1	18
	<u>15</u>	<u>28</u>

Present value of minimum lease payments

	£'000	£'000
Amounts payable under finance leases		
- within one year	14	10
- in the second to fifth years inclusive	1	18
	<u>15</u>	<u>28</u>

Analysed as.

	£'000	£'000
- Amounts due for settlement within 12 months (shown in current liabilities)	14	10
- Amounts due for settlement after 12 months	1	18
	<u>15</u>	<u>28</u>

The average remaining lease term is 7 months (2011 14 months). All leases are on a fixed repayment basis and no arrangements have been entered into any 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	2012 £'000	2011 £'000
Unsecured borrowings at amortised cost		
Bank overdrafts	-	-
Loans from related parties	11,702	11,702
Total borrowings	<u>11,702</u>	<u>11,702</u>
Analysed as.	£'000	£'000
- Amounts due for settlement within 12 months	11,702	11,702
	<u>11,702</u>	<u>11,702</u>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

18 PROVISIONS

	Leasehold property dilapidations provision £'000	Onerous contracts provision £'000	Total £'000
At 1 April 2011	287	200	487
Utilisation of provision	(187)	(200)	(387)
At 31 March 2012	<u>100</u>	<u>-</u>	<u>100</u>

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

The onerous contract provision relating to the carrying value of EPS Fire and Security Limited balance sheet as at 30 June 2010 was released during the year

19 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Alotted, called up and fully paid		
6,700 000 £1 Ordinary A	6,700	3,350
3,956 166 £0.01 Ordinary B	39	3,350
1 £1 Ordinary C	-	-
	<u>6,739</u>	<u>6,700</u>

The company allotted Ordinary B shares with a nominal value of £39,562 and Ordinary C shares with a nominal value of £1. The recapitalisation was in relation to further investment from the parent company.

A reclassification of 3,350,000 Ordinary B shares to Ordinary A shares was agreed upon and made during the year. There is no difference in the rights of 'A', 'B' and 'C' ordinary shares.

Capital management

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

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 2010	6,700	-	49	(985)	5,764
Net cost of foreign currency forward contracts recognised directly in equity	-	-	(40)	-	(40)
Profit for the year	-	-	-	9,676	9,676
Credit to equity for equity-settled share-based payments	-	-	-	235	235
Deferred tax on share-based payment transactions	-	-	-	19	19
At 1 April 2011	<u>6,700</u>	<u>-</u>	<u>9</u>	<u>8,945</u>	<u>15,654</u>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

Reserves continued

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 31 March 2012	6,739	3,917	-	15,548	26,204

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

The share premium account represents the value of the investment by MITIE Technical Facilities Management Holdings Limited in excess of the share capital purchased as part of the investment.

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:

	2012			2011		
	Land and buildings £'000	Other £'000	Total £'000	Land and buildings £'000	Other £'000	Total £'000
Within one year	1,043	4,130	5,173	1,515	3,984	5,499
In two to five years inclusive	627	5,316	5,943	2,056	4,661	6,717
	<u>1,670</u>	<u>9,446</u>	<u>11,116</u>	<u>3,571</u>	<u>8,645</u>	<u>12,216</u>

The average lease term is 22 months.

Commitments on behalf of group undertakings

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

	2012 £'000	2011 £'000
Overall commitment	<u>157,300</u>	<u>195,300</u>

Contractual guarantees

The company has an outstanding contractual guarantee with Barclays Bank PLC in relation to its trading relationship with the London Borough of Hillingdon.

Other guarantees

The company had capital commitments amounting to £5,000 (2011: £54,000). In addition, the company is registered with HM Revenue & Customs as a member of a group for VAT purposes, and, as a result, is jointly and severally liable on a continuing basis for amounts owing by other members of that group in respect of unpaid VAT.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

22 NOTES TO THE CASH FLOW STATEMENT	2012 £'000	2011 £'000
Profit for the year	14,955	9,676
Adjustments for		
Investment revenues	(131)	(144)
Finance costs	623	464
Income tax expense	7,430	4,138
Depreciation of property, plant and equipment	2,629	2,661
Share-based payment charge	248	235
Loss on disposal of property plant and equipment	14	289
Operating cash flows before movements in working capital	<u>25,768</u>	<u>17,319</u>
Decrease in provisions	(387)	(951)
Decrease in inventories	64	4,095
Decrease/(increase) in receivables	830	(35,478)
(Decrease)/increase in payables	(600)	26,503
Cash generated by operations	<u>25,675</u>	<u>11,488</u>
Tax paid	(3,418)	(4,150)
Interest paid	(623)	(464)
Net cash from operating activities	<u>21,634</u>	<u>6,874</u>

23 EMOLUMENTS OF THE COMPANY'S DIRECTORS	2012 £'000	2011 £'000
The emoluments of the directors of the company were		
- Aggregate emoluments	1,039	581
- Aggregate value of contributions paid to a money purchase pension scheme	45	-
	<u>1,084</u>	<u>581</u>
	£'000	£'000
Highest paid director		
- Aggregate emoluments	383	354
- Aggregate value of contributions paid to a money purchase pension scheme	26	-
	<u>409</u>	<u>354</u>
	No	No
The number of directors who		
- were members of a defined benefit pension scheme	2	-
- were members of a defined contribution pension scheme		
exercised share options in the year	<u>2</u>	<u>-</u>

The highest paid director did not exercise share options in the year

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

24 STAFF COSTS

Number of employees

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

	2012 No	2011 No
Operations	4,144	3,565
Administration	461	803
	<u>4,605</u>	<u>4,368</u>

Employment cost	£'000	£'000
Wages and salaries	134,636	127,452
Social security costs	14,288	12,787
Other pension costs	2,231	2,268
Contributions to group defined benefit plan	574	8
Share-based payment	253	235
	<u>151,982</u>	<u>142,750</u>

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.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

Share Based Payments continued

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

	2012		2011	
	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	2,471,589	186	1,226,521	193
Granted during the year	903,924	144	1,396,807	173
Forfeited during the year	(193,025)	246	(153,554)	145
Transferred from Group subsidiaries during the year	360,469	151	121,027	163
Exercised during the year	(557,594)	185	(119,212)	145
Outstanding at end of the year	2,985,363	165	2,471,589	186
Exercisable at end of year	388,106	184	171,473	216

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

	2012 £'000	2011 £'000
2001 Executive share options	130	64
2001 Savings Related share options	129	115
Long-term incentive plan scheme (LTIP)	(6)	56
	253	235
	2012	2011

The weighted average share price at the date of exercise for share options exercised during the year was (p)

	247	202
The options outstanding at the year-end had a weighted average price of (p)	165	182
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
ESOS	176,361
LTIP	559,214

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

	2012	2011
Share price (p)	191 to 243	160 to 243
Exercise price (p)	0 to 254	0 to 254
Expected volatility (%)	28 to 36	27 to 36
Expected life (years)	3 to 6	3 to 6
Risk-free rate (%)	1.48 to 5.25	1.49 to 5.25
Expected dividends (%)	2.22 to 4.10	2.11 to 3.93

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.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

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 24 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £17.2m (2011 deficit of £3m).

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% (2011 17.5%).

Defined contribution schemes

Contributions to the Group's defined contribution pension scheme amounted to £ 2,154,000 (2011 £ 2,187,000).

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cole Motors Ltd	168	49	-	-
Cole Motors Ltd	(36)	(109)	(12)	(5)
EPS Ltd	-	129	133	129
Goldfield Electronics Ltd	-	-	656	656
MITIE Asset Management Ltd	6	958	-	1
MITIE Built Environment Ltd	302	-	104	-
MITIE Built Environment Ltd	(77)	-	(438)	-
MITIE Business Services Ltd	561	322	232	63
MITIE Business Services Ltd	(3,137)	(1,823)	(858)	(692)
MITIE Care & Custody Ltd	181	-	21	-
MITIE Care & Custody Ltd	-	(5)	-	-
MITIE Catering Ltd	52	5	55	-
MITIE Catering Ltd	(2,416)	(1,329)	(919)	(82)
MITIE Cleaning & Environmental Services Consolidated Group	481	860	91	197
MITIE Cleaning & Environmental Services Consolidated Group	(39,035)	(34,106)	(8,142)	(4,496)
MITIE Cleaning Waste & Environmental Ltd	-	(290)	-	(594)
MITIE Client Services Ltd	1,062	-	161	-
MITIE Client Services Ltd	(1,537)	(511)	(657)	(43)
MITIE DeepRed 55 Ltd	(1)	-	-	-
MITIE Deutschland GmbH	178	41	-	41
MITIE Deutschland GmbH	(40)	-	(40)	-
MITIE Document Services Ltd	1	1	-	1
MITIE Document Services Ltd	(57)	(94)	(2)	(8)
MITIE Energy Ltd	-	20	-	-
MITIE Energy Ltd	(211)	(577)	-	(12)
MITIE Engineering Ltd	-	3	-	-
MITIE Engineering Ltd	-	(1)	-	-
MITIE Engineering Services (Midlands) Ltd	19	48	-	37
MITIE Engineering Services (Midlands) Ltd	(3)	-	-	-
MITIE Engineering Maintenance (Caledonia) Ltd	-	-	(2,767)	(2,767)
MITIE Engineering Maintenance (North) Ltd	-	-	(4,021)	(4,022)
MITIE Engineering Maintenance (South West) Ltd	-	-	(992)	(1,323)

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

Related Party Transactions continued

MITIE Engineering Maintenance (West) Ltd	-	-	(331)	-
MITIE Engineering Maintenance Ltd	-	-	(10 472)	(10,472)
MITIE Engineering Services (S West) Ltd	-	-	-	(5)
MITIE Engineering Services (Retail) Ltd	399	447	-	119
MITIE Engineering Services (S East) Ltd	29	-	-	1
MITIE Engineering Services (S East) Ltd	-	(31)	-	-
MITIE Engineering Services (Wales) Ltd	5	21	-	2
MITIE Engineering Services (Wales) Ltd	(219)	(429)	-	(75)
MITIE Engineering Services (Edinburgh) Ltd	-	(2)	-	-
MITIE Engineering Services Ltd	10	55	12	-
MITIE Engineering Services Ltd	(4)	(2)	-	(1)
MITIE Facilities Management Ltd (Ire)	68	-	11	-
MITIE Facilities Management Ltd (Ire)	-	-	(32)	-
MITIE Facilities Services Ltd	20,785	7 708	5,365	2,590
MITIE Facilities Services Ltd	(175)	(153)	(457)	(212)
MITIE France SA	18	3	-	3
MITIE Group Plc	374	5,962	135	118
MITIE Group Plc	(55)	(937)	(11,702)	(11,702)
MITIE Healthcare Energy Services Ltd	1 032	954	129	194
MITIE Healthcare Energy Services Ltd	-	(250)	-	-
MITIE Infrastructure Ltd	108	214	63	11
MITIE Infrastructure Ltd	(127)	(38)	-	(41)
MITIE Interiors Ltd	-	340	-	-
MITIE Interiors Ltd	(77)	(1)	-	-
MITIE Justice Ltd	146	-	136	-
MITIE Landscape Ltd	22	2	6	2
MITIE Landscape Ltd	(1,818)	(1,483)	(917)	(580)
MITIE Lighting Ltd	-	14,295	-	-
MITIE Lighting Ltd	-	(12,243)	(7,911)	(7,911)
MITIE Ltd (Ire)	(11)	-	(26)	(27)
MITIE Managed Services (South) Ltd	3,882	1,616	1,312	1,348
MITIE Managed Services (South) Ltd	(1)	(9)	(6)	(1)
MITIE Managed Services (SW & Wales) Ltd	94	103	25	18
MITIE Managed Services Ltd	1,539	2,075	299	376
MITIE Managed Services Ltd	(26)	(51)	-	-
MITIE Norge Aksjeselskap	264	57	-	57
MITIE Pest Control Ltd	(358)	(193)	(166)	(68)
MITIE PFI Ltd	1,430	1,588	306	800
MITIE PFI Ltd	-	(3)	(33)	-
MITIE Polska Sp Zoo	35	47	-	7
MITIE Property Investments Ltd	172	61	21	9
MITIE Property Investments Ltd	-	(182)	-	-
MITIE Property Services (East) Ltd	81	78	-	-
MITIE Property Services (East) Ltd	-	(13)	-	(2)
MITIE Property Services (Midlands) Ltd	-	-	249	9
MITIE Property Services (Midlands) Ltd	(11)	(1)	(1,246)	(1)
MITIE Property Services (North) Ltd	-	-	8	-
MITIE Property Services (North) Ltd	-	(7)	(410)	(14)
MITIE Property Services (Scotland) Ltd	-	-	(148)	(31)
MITIE Property Services (South) Ltd	-	-	(1)	-
MITIE Property Services (West) Ltd	-	(10)	-	-
MITIE Property Services UK Ltd	284	-	-	-
MITIE Property Services UK Ltd	(5 862)	(942)	-	(2)
MITIE Security London Ltd	54	129	2	7
MITIE Security London Ltd	(1,296)	(538)	(21)	(90)
MITIE Security Ltd	686	689	19	7
MITIE Security Ltd	(20,396)	(14,663)	(2,238)	(1 185)
MITIE Security Systems Ltd	167	182	-	25
MITIE Security Systems Ltd	(588)	(530)	(60)	(42)
MITIE Suomi Oy	45	11	-	11
MITIE Sveige AB	58	11	-	11

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

Related Party Transactions continued

MITIE Tilley Roofing Ltd	(263)	(218)	(22)	(25)
MITIE Transport Services Ltd	7	8	-	9
MITIE Transport Services Ltd	(109)	(19)	(13)	(18)
MTFM Holdings Ltd	257	-	338	-
Parkersell Ltd	-	-	(3,338)	(3,338)
Pinniger & Partners Ltd	100	-	443	595
Pinniger & Partners Ltd	-	(4)	-	(4)
Utilyx Ltd	311	-	373	-

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.

Exposure to currency risk arises in the normal course of the company's business. A cash at bank balance of US\$623,524 (£390,190) was held at 31 March 2012, this was not designated as a hedging instrument by management at 31 March 2012. No liabilities are denominated in a foreign currency at 31 March 2012 (2011 Nil).

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 balance assets held and denominated in US\$. The gains and losses are taken to the income statement as incurred, in the year ended 31 March 2012 the net profit/loss on foreign exchange totalled £nil. Management assesses sensitivity to currency risk to be very low.

Forward foreign exchange contracts

At 31 March 2012 all US Dollar forward contracts had matured and as such none were designated as hedging instruments (2011 one US Dollar forward contract of US\$416,000 maturing 31 March 2012).

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.

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

Financial Instruments Disclosure continued

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.

	Weighted average effective interest rate %	Less than 1 year £'000	1 to 5 years £'000	5+ years £'000	Total £'000
At 31 March 2011					
Variable interest rate instruments	3	11,702	-	-	11,702
		<u>11,702</u>	<u>-</u>	<u>-</u>	<u>11,702</u>
At 31 March 2012					
Variable interest rate instruments	3	11,702	-	-	11,702
		<u>11,702</u>	<u>-</u>	<u>-</u>	<u>11,702</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 not entered into any financial guarantee contracts during the year.

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
Net-settled foreign exchange forward contracts	249	-	-	249
For the year ended 31 March 2011	<u>249</u>	<u>-</u>	<u>-</u>	<u>249</u>
For the year ended 31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

Financial Instruments Disclosure continued

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Financial assets				
Loans and receivables				
- trade and other receivables	140,249	141,067	140,249	141,067
Financial liabilities				
Financial liabilities held at amortised cost				
- loans from related parties	11,702	11,702	11,702	11,702
- trade and other payables	165,641	166,241	165,641	166,241

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

The loan from related party is a loan from MITIE Group PLC attracting interest at 3% p a and is disclosed as a year-end payable balance in the related party note

29 DERIVATIVE FINANCIAL INSTRUMENTS

	2012 £'000	2011 £'000	2010 £'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>12</u>	<u>-</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>

MITIE TECHNICAL FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

Derivatives Disclosure continued

The following table details the forward foreign currency contracts outstanding as at the year-end

	Average exchange rate		Foreign currency		Notional value		Fair value	
	2012	2011	2012	2011	2012	2011	2012	2011
Cash flow hedges			\$'000	\$'000	£'000	£'000	£'000	£'000
less than 3 months	-	-	-	-	-	-	-	-
3 to 6 months	-	-	-	-	-	-	-	-
over 6 months	-	2	-	416	-	12	-	12
			\$'000	\$'000	£'000	£'000	£'000	£'000
less than 3 months	-	-	-	-	-	-	-	-
3 to 6 months	-	-	-	-	-	-	-	-
over 6 months	-	-	-	-	-	12	-	-
			\$'000	\$'000	£'000	£'000	£'000	£'000
less than 3 months	-	-	-	-	-	-	-	-
3 to 6 months	-	-	-	-	-	-	-	-
over 6 months	-	-	-	-	-	-	-	-
			\$'000	\$'000	£'000	£'000	£'000	£'000
less than 3 months	-	-	-	-	-	-	-	-
3 to 6 months	-	-	-	-	-	-	-	-
over 6 months	-	-	-	-	-	-	-	-
	-	2	-	416	-	24	-	12

At the statement of financial position date the USD hedging contract asset was fully realised and, as such, no balance existed at the year-end

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