

Company Registration Number 2935593

**MITIE PROPERTY SERVICES (UK)
LIMITED**

Report and Financial Statements

Year ended 31 March 2011

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MITIE PROPERTY SERVICES (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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MITIE PROPERTY SERVICES (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
C Boath
A M Dawson
R McGregor-Smith
A J Morton
P F Noble
J Ridley
W Robson
MITIE Administration 1 Limited
MITIE Administration 2 Limited

SECRETARY

MITIE Company Secretarial Services Limited

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank Plc
62 George White Street
Cabot Circus
Bristol
BS1 3BA

AUDITOR

Deloitte LLP
Bristol

MITIE PROPERTY SERVICES (UK) LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company provides comprehensive property maintenance and refurbishment, painting and decorating and new house fit-out services to the commercial, industrial and public sectors throughout the United Kingdom.

During the year the company's turnover decreased compared to the previous year as a result of the current economic conditions. As a result, the gross profit margin achieved in the year fell to 23% compared to 26% the previous year. The balance sheet of the financial statements shows that the company's financial position at the year end has, in both net asset and cash terms, improved compared with the prior year.

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

DIVIDENDS

Dividends for each share class were declared as follows

A Ordinary shares £1 8984 per share (2010 £1 7367)

B Ordinary shares £1 8984 per share (2010 £1 7367)

DIRECTORS' REPORT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

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

FINANCIAL RISK MANAGEMENT

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

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

GOING CONCERN

The company was profitable in the year. The directors have considered the forecast and budgeted profit and associated cash flows for the coming five years. The directors have considered the facilities available to the entity and believe that they can operate within the facilities available for the period of the cash flow forecast. Accordingly, the directors consider it appropriate to adopt the going concern basis in the preparation of the company's 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 2011, trade creditors as a proportion of amounts invoiced from suppliers for the financial year represented 67 days (2010: 63 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 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' REPORT CONTINUED

DIRECTORS

The directors during the year and subsequently were as follows

S C Baxter

C Boath

A M Dawson

R McGregor-Smith

A J Morton

P F Noble

J Ridley

W Robson

MITIE Administration 1 Limited

MITIE Administration 2 Limited

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 have indicated their willingness to be reappointed for another term and appropriate
arrangements have been put in place for them to be deemed reappointed as auditor in the absence
of an Annual General Meeting

Approved by the Board and signed on its behalf by

S C Baxter
Director



11 July 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITIE PROPERTY SERVICES (UK)

We have audited the financial statements of MITIE Property Services (UK) Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 2011 and of its profit for the year ended then,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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.

Nigel Thomas
Nigel Thomas (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

11 July 2011

MITIE PROPERTY SERVICES (UK) LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 March 2011

	Note	2011 £'000	2010 £'000
TURNOVER	1	148,176	150,207
Cost of sales		<u>(114,783)</u>	<u>(111,197)</u>
GROSS PROFIT		33,393	39,010
Administration expense		<u>(22,400)</u>	<u>(27,499)</u>
OPERATING PROFIT	2	<u>10,993</u>	<u>11,511</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		10,993	11,511
Interest receivable and similar income	3	<u>177</u>	<u>243</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE		11,170	11,754
Tax charge on profit on ordinary activities	5	<u>(3,291)</u>	<u>(3,236)</u>
PROFIT FOR THE FINANCIAL YEAR	11	<u><u>7,879</u></u>	<u><u>8,518</u></u>

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

MITIE PROPERTY SERVICES (UK) LIMITED
BALANCE SHEET
As at 31 March 2011

		2011		2010	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	6		<u>496</u>		<u>733</u>
			496		733
CURRENT ASSETS					
Stocks	7	28		-	
Debtors					
- due within one year	8	46,072		32,388	
Cash at bank and in hand		<u>26,125</u>		<u>23,783</u>	
		72,225		56,171	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(53,440)</u>		<u>(38,885)</u>	
NET CURRENT ASSETS			<u>18,785</u>		<u>17,286</u>
NET ASSETS			<u>19,281</u>		<u>18,019</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	10		3,600		3,600
Profit and loss account	11		15,681		14,419
SHAREHOLDERS' FUNDS	12		<u>19,281</u>		<u>18,019</u>

The financial statements of MITIE Property Services (UK) Limited, company registered number 2935593, were approved by the board and authorised for issue on 11 July 2011

S C Baxter
Director



MITIE PROPERTY SERVICES (UK) LIMITED
CASH FLOW STATEMENT
Year ended 31 March 2011

		2011		2010	
	Note	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	13		12,011		9,505
Returns on investments and servicing of					
Interest received		<u>185</u>		<u>206</u>	
Net cash inflow from returns on investments					
and servicing of finance			185		206
Taxation					
UK corporation tax paid			(2,970)		(2,816)
Capital expenditure					
Payments to acquire tangible fixed assets		(89)		(267)	
Receipts from disposal of tangible fixed assets		<u>39</u>		<u>188</u>	
Net cash outflow from capital expenditure			(50)		(79)
Equity dividend paid			(6,834)		(6,252)
Increase in cash in the year			<u>2,342</u>		<u>564</u>

MITIE PROPERTY SERVICES (UK) LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2011

	2011	2010
	£'000	£'000
Profit for the financial year	7,878	8,518
Actuarial losses on defined benefit pension schemes	-	(381)
Deferred tax attributable to actuarial loss	-	107
Total recognised gains relating to the period	7,878	8,244

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

1 ACCOUNTING POLICIES

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

Accounting convention

The accounts are 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.

Turnover

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

Tangible fixed assets and depreciation

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

Plant and machinery 3 to 10 years

Motor vehicles 4 years

Office equipment 3 to 5 years

Operating leases

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

Stocks

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

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts receivable as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

ACCOUNTING POLICIES CONTINUED

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The 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 profit and loss account is the contributions payable in the year.

Share-based payment

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.

Group accounts

Consolidated group accounts are not prepared as the group has taken advantage of the exemption from this requirement, conferred by Financial Reporting Standard 2, on the grounds that its accounts are consolidated in the larger group of MITIE Group PLC. Accordingly, the financial statements present information about the company as an entity and not as a group.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

2 OPERATING PROFIT

	2011 £'000	2010 £'000
Operating profit is stated after charging/(crediting)		
Profit on disposal of fixed assets	(39)	(44)
Depreciation of tangible fixed assets owned	397	704
Operating lease rentals other	319	527
Fees payable to the company's auditor for the audit of the company's annual accounts	79	41

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

3 INTEREST

	2011 £'000	2010 £'000
Interest receivable and similar income		
Bank interest	177	213
Net pension scheme interest income	-	30
	<u>177</u>	<u>243</u>

4 DIVIDENDS

The dividends approved and paid in the year are as follows

	2011 £'000	2010 £'000
A Ordinary shares	1,139	1,042
B Ordinary shares	<u>5,695</u>	<u>5,210</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £'000	2010 £'000
(a) Analysis of charge in the year		
United Kingdom corporation tax at 28% (2010 28%)	3,167	3,216
Adjustment in respect of prior years	(66)	(243)
Total current tax (note 5(b))	3,101	2,973
Deferred taxation		
Timing differences - origination and reversal	98	28
Adjustment in respect of prior years	92	235
Tax on profit on ordinary activities	3,291	3,236

(b) Factors affecting tax charge in the year

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are as follows

	£'000	£'000
Profit on ordinary activities before tax	11,170	11,754
	£'000	£'000
Tax at 28% (2010 28%) thereon	3,128	3,291
Expenses not deductible for tax	31	38
Differences between capital allowances and depreciation	23	27
Higher tax rates on overseas earnings	-	(107)
Relief in respect of employee share	(40)	(34)
Other timing differences	25	1
Adjustments to tax charge in respect of prior periods	(66)	(243)
Current tax charge for the year (note 4(a))	3,101	2,973

The forthcoming changes in the corporation tax rate from 28% to 23% in future years will not materially affect the future tax charge

The deferred tax balance comprises the following	£'000	£'000
Depreciation in excess of capital allowances	203	227
Share based payment timing difference	63	145
Other timing differences	27	86
	293	458
	£'000	£'000
Amount charged to the profit and loss account in the year in relation to deferred tax	190	263

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

6 TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost or valuation				
At 1 April 2010	2,088	667	612	3,367
Additions	30	47	12	89
Disposals	(285)	(517)	(217)	(1,019)
Transfers in from group companies	61	54	101	216
At 31 March 2011	1,894	251	508	2,653
Depreciation				
At 1 April 2010	1,480	663	492	2,635
Charge for the year	319	9	69	397
Disposals	(285)	(517)	(217)	(1,019)
Transfers in from group companies	12	40	92	144
At 31 March 2011	1,526	195	436	2,157
Net book value				
At 31 March 2011	368	56	72	496
At 31 March 2010	608	4	120	732

7 STOCKS

	2011 £'000	2010 £'000
Raw materials	28	-

8 DEBTORS

	2011 £'000	2010 £'000
Amounts falling due within one year		
Trade debtors	25,076	18,551
Amounts recoverable on contracts	17,943	10,785
Amounts owed by Group undertakings	2,218	2,261
Other debtors	325	146
Prepayments and accrued income	216	187
Deferred tax asset	294	458
	46,072	32,388

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Payments received on account	834	2,418
Trade creditors	25,389	17,320
Amounts owed to Group undertakings	19,358	11,838
Corporation tax	1,599	1,536
Other taxation and social security	4,294	3,721
Other creditors	629	437
Accruals and deferred income	1,337	1,615
	<u>53,440</u>	<u>38,885</u>

10 CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called up and fully paid share capital		
600,000 £1 A Ordinary shares	600	600
3,000,000 £1 B Ordinary shares	3,000	3,000
	<u>3,600</u>	<u>3,600</u>

11 RESERVES

	Profit and loss account £'000
At 1 April 2010	14,419
Profit for the financial year	7,878
Dividends	(6,834)
Capital contribution relating to share-based payments	218
At 31 March 2011	<u>15,681</u>

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
Profit for the financial year	7,878	8,518
Dividends paid on equity shares	(6,834)	(6,252)
Net actuarial gain/(loss) on pension scheme	-	(274)
Capital contribution relating to share-based payments	218	248
Net addition to shareholders' funds	<u>1,262</u>	<u>2,240</u>
Opening shareholders' funds	18,019	15,779
Closing shareholders' funds	<u>19,281</u>	<u>18,019</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

13 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011	2010
	£'000	£'000
Operating profit	10,992	11,511
Depreciation and amortisation	397	704
Profit on sale of tangible fixed assets	(39)	(44)
(Increase)/decrease in stocks	(28)	152
Increase in debtors	(23,648)	(1,244)
Increase/(decrease) in creditors	24,119	(1,507)
Decrease in provisions	-	(315)
Share-based payment expense	218	248
Net cash inflow from operating activities	12,011	9,505

14 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April	Cash flow	At 31 March
	2010		2011
	£'000	£'000	£'000
Cash at bank and in hand	23,783	2,342	26,125
Net cash	23,783	2,342	26,125
Debt	-	-	-
Net funds	23,783	2,342	26,125

15 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2011	2010
	£'000	£'000
Increase in cash in the year	2,342	564
Change in net funds resulting from cash flows	2,342	564
Net funds at beginning of the year	23,783	23,219
Net funds at end of the year	26,125	23,783

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

16 FINANCIAL COMMITMENTS

The company has annual lease commitments under non-cancellable operating leases as detailed below

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- in less than one year	2	-	79	-
- between two and five years	233	-	177	-
- after five years	220	-	288	-
	<u>455</u>	<u>-</u>	<u>544</u>	<u>-</u>

Commitments on behalf of group undertakings

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

	2011 £'000	2010 £'000
Overall commitment	<u>195,300</u>	<u>109,000</u>

17. DIRECTORS

	2011 £'000	2010 £'000
The emoluments of the directors of the company were		
- Aggregate emoluments	342	302
- Aggregate value of contributions paid to a money purchase pension	12	-
	<u>354</u>	<u>302</u>

	£'000	£'000
Highest paid director		
- Aggregate emoluments	142	170
	<u>142</u>	<u>170</u>
	No	No

The number of directors who were members of a defined benefit pension scheme

<u>2</u>	<u>2</u>
----------	----------

No No

The number of directors who exercised share options in the year

<u>4</u>	<u>-</u>
----------	----------

The highest paid director is a member of the company's defined benefit pension scheme and had accrued entitlements of £25,595 under the scheme at the end of the year. There is no accrued lump sum.

The highest paid director did exercise share options in the year

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

DIRECTORS CONTINUED

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.

Director	Remunerated by
W Robson	MITIE Group PLC
R McGregor-Smith	MITIE Group PLC
S Baxter	MITIE Group PLC
A Morton	MITIE Property Management Limited
J Ridley	MITIE Property Management Limited

18 EMPLOYEES

Average employee numbers

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

	2011 No	2010 No.
Operations	1,417	1,561
Administration	308	384
	<u>1,725</u>	<u>1,945</u>
Employment cost	£'000	£'000
Wages and salaries	42,460	46,363
Social security costs	3,794	4,064
Other pension costs	1,008	1,999
Share-based payments	218	248
	<u>47,480</u>	<u>52,674</u>

19 SHARE-BASED PAYMENTS

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

The MITIE Group PLC 2001 Executive share option scheme

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

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

SHARE BASED PAYMENTS CONTINUED

The MITIE Group PLC 2001 Savings Related share option scheme

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

The MITIE Group PLC Long Term Incentive Plan (LTIP)

The LTIP was introduced in July 2007 following shareholder approval at the AGM. 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 of between 5.0% and 14.0% above the Retail Price Index per annum compound growth in earnings per share over a three-year period.

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

	2011		2010	
	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	1,932,739	186	2,069,675	175
Granted during the year	545,286	186	447,408	191
Forfeited during the year	(215,667)	204	(216,268)	182
Transferred from Group subsidiaries during the year	41,759	94	2,000	162
Exercised during the year	(251,106)	139	(370,076)	135
Outstanding at end of the year	2,053,011	188	1,932,739	186
Exercisable at end of year	273,155	185	250,045	152

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

	2011 £'000	2010 £'000
2001 Executive share options	88	71
2001 Savings Related share options	109	137
Long-term incentive plan scheme (LTIP)	20	40
	218	248
	2011	2010
The weighted average share price at the date of exercise for share options exercised during the year was (p)	201	236
The options outstanding at the year-end had a weighted average price of (p)	188	186
The options outstanding at the year-end had a weighted average remaining contractual life of (years)	4	4

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

SHARE BASED PAYMENTS CONTINUED

The company granted options in the period as detailed below

Share scheme	Fair value £'000
Executive Share Option Scheme	64
Savings Related Share Option Scheme	79
Long Term Incentive Plan	55

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

	2011	2010
Share price (p)	191 to 230	133 to 230
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 (%)	1.49 to 5.25	2.42 to 5.25
Expected dividends (%)	2.22 to 3.93	1.43 to 3.3

20 PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. For the purposes of Financial Reporting Standard 17 ('Retirement Benefits'), the company has been unable to identify its share of the underlying assets and liabilities in the main Group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 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 £3 million (2010 deficit of £6.8 million).

Employer contributions to the scheme for the period are shown in note 18. The agreed contribution rate for employee and employer contributions for the next 12 months is 17.5% (2010 17.5%).

Due to cessation of the contract in April 2010, MITIE Property Services (UK) Limited no longer participates in the West Midlands Pension Scheme. No contributions were made to the scheme during the year.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

21 PENSION LIABILITY

Other defined benefit schemes

Due to cessation of the contract in April 2010, MITIE Property Services (UK) Limited no longer participates in the West Midlands Pension Scheme

The contributions made by the employer over the financial period were £0 (2010 £0)

Key assumptions used for FRS 17 valuation	2011 %	2010 %
Discount rate	-	5.6
Expected return on scheme assets		
- Equity instruments	-	8.0
- Debt instruments	-	5.0
- Property	-	7.5
- Other assets	-	4.5
Expected rate of salary increases	-	3.5
Future pension increases	-	3.5
Inflation	-	3.5

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

Amounts recognised in administrative expenses in respect of these defined benefit

	2011 £'000	2010 £'000
Current service cost	-	726

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

	£'000	£'000
Interest cost	-	2,636
Expected return on scheme assets	-	(2,666)
	-	(30)

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

PENSION LIABILITY CONTINUED

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

	£'000	£'000
Actual return less expected return on scheme assets	-	9,003
Experience adjustments arising on plan liabilities	-	(13,516)
	<u>-</u>	<u>(4,513)</u>

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

	£'000	£'000
Fair value of scheme assets	-	49,360
Present value of defined benefit obligations	-	(56,321)
Deficit in the scheme	-	(6,961)
Contract adjustment	-	6,961
Deficit in the scheme after contract adjustment	-	-
Related deferred tax asset	-	-
Net pension liability	<u>-</u>	<u>-</u>

Analysis of scheme assets

	£'000	£'000
Equity instruments	-	36,132
Debt instruments	-	7,997
Property	-	4,590
Other assets	-	641
At 31 March 2011	<u>-</u>	<u>49,360</u>

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

	£'000	£'000
At 1 April 2010	-	39,703
Service costs	-	726
Interest costs	-	2,636
Contributions from scheme members	-	420
Actuarial gains	-	13,516
Benefits paid	-	-
Contract transfers	-	(680)
At 31 March 2011	<u>-</u>	<u>57,001</u>

Movements in the fair value of scheme assets were as follows

	£'000	£'000
At 1 April 2009	-	36,874
Expected return on scheme assets	-	2,666
Actuarial gains	-	9,003
Contributions from scheme members	-	420
Contributions from sponsoring companies	-	1,077
Benefits paid	-	(680)
Contract transfers	-	-
At 31 March 2010	<u>-</u>	<u>49,360</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

22 RELATED PARTY TRANSACTIONS

Related party	Nature of transaction	Transaction amount		Year end balance	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
MITIE Landscapes Limited	services provided	1	1	-	-
MITIE Secunty Limited	services provided	20	-	20	-
MITIE Tilley Roofing Limited	services provided	108	191	-	-
MITIE Property Services (Eastern) Limited	services provided	13	14	-	-
MITIE Interiors Limited	services provided	283	50	1	-
Environmental Property Services Limited	services provided	51	-	6	-
MITIE Property Investments Limited	services provided	38	29	-	-
MITIE Group PLC	services provided	4	1	-	1
MITIE Managed Services (Southern) Limited	services provided	14	9	-	-
MITIE Managed Services Limited	services provided	8	-	-	-
MITIE PFI Limited	services provided	467	200	29	-
MITIE Engineering Projects Limited	services provided	19	-	-	-
MITIE Engineering Maintenance Limited	services provided	32	153	-	23
MITIE Engineering Services (North) Limited	services provided	23	16	2	1
MITIE Technical Facilities Management Limited	services provided	567	16	82	16
MITIE Facility Services Limited	services provided	252	49	31	-
MITIE Cleaning and Support Services Limited	services provided	72	-	30	-
MITIE Catenng Services Limited	services provided	5	-	-	-
MITIE Property Management Limited	overhead recharges paid	(7,572)	(8,173)	-	-
MITIE McCartney Fire Protection Limited	services acquired	(1)	(11)	-	-
Robert Prettie & Co Limited	sewces acquired	(161)	-	-	-
MITIE Tilley Roofing Limited	sewces acquired	(411)	(288)	(2)	(47)
MITIE Property Services (Eastern) Limited	sewces acquired	(22)	-	-	-
MITIE Engineering Services (Midlands) Limited	sewces acquired	(238)	-	(128)	-
MITIE Waste & Environmental Services Limited	sewces acquired	(2)	(1)	-	-

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

23 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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