

Company Registration Number 2935593

MITIE PROPERTY SERVICES (UK) LIMITED

Report and Financial Statements

Year ended 31 March 2012

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MITIE PROPERTY SERVICES (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2012

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MITIE PROPERTY SERVICES (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C Boath
A M Dawson
A J Morton
J Ridley
W Robson
P Griffin

SECRETARY

MITIE Company Secretarial Services Limited

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emerson Green
Bristol
BS16 7FH

BANKERS

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

AUDITOR

Deloitte LLP
London

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.

On the 1st April 2011 the trade and assets of MITIE Engineering Projects Limited and MITIE Property Services (Eastern) Limited were transferred into MITIE Property Services (UK) Limited. On the 1st of July 2011 the trade and assets of Robert Prettie and Co Limited were transferred into MITIE Property Services (UK) Limited. Turnover increased by £79,446,500 (54%) compared to the previous year but the gross profit margin fell from 23% in the prior year to 17% in the year under review as a result of the current economic conditions. The balance sheet of the financial statements shows that the company's financial position at the year end has, in net asset terms, decreased compared to the previous 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

Ordinary A Shares £1 8514 per share (2011 £1 8984)

Ordinary B Shares £1 8514 per share (2011 £1 8984)

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.

DIRECTORS' REPORT (continued)

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 foreseeable future being at least twelve months from the date of these financial statements. 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 2012, trade creditors as a proportion of amounts invoiced from suppliers for the financial year represented 74 days (2011: 67 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

The directors during the year and subsequently were as follows:

C Boath

A M Dawson

A J Morton

J Ridley

W Robson

P Griffin (Appointed 01 February 2012)

R McGregor-Smith (Resigned 01 February 2012)

S C Baxter (Resigned 01 February 2012)

P F Noble (Resigned 01 February 2012)

MITIE Administration 1 Limited (Resigned 20 March 2012)

DIRECTORS' REPORT (continued)

MITIE Administration 2 Limited (Resigned 20 March 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



W Robson
Director

29 June 2012

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

We have audited the financial statements of MITIE Property Services (UK) Limited for the year ended 31 March 2012 which comprise Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. 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 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 United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

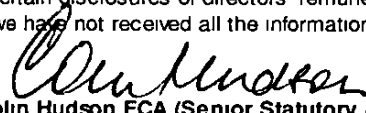
Opinion on other matters prescribed by the Companies Act 2006

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.


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

2 July 2012

MITIE PROPERTY SERVICES (UK) LIMITED**PROFIT AND LOSS ACCOUNT**

Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
TURNOVER	1	227,622	148,176
Cost of sales		(189,329)	(114,783)
GROSS PROFIT		<u>38,293</u>	<u>33,393</u>
Administration expense		(30,704)	(22,400)
OPERATING PROFIT	2	<u>7,589</u>	<u>10,993</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>7,589</u>	<u>10,993</u>
Interest receivable and similar income	3	271	177
Interest payable and similar charges	3	(60)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>7,800</u>	<u>11,170</u>
Tax charge on profit on ordinary activities	5	(1,685)	(3,291)
PROFIT FOR THE FINANCIAL YEAR	12	<u>6,115</u>	<u>7,879</u>

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


There are no recognised gains and losses for the current or preceding financial year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented

MITIE PROPERTY SERVICES (UK) LIMITED
BALANCE SHEET
As at 31 March 2012

		2012		2011	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Goodwill	6		6,496		-
Tangible assets	7		334		496
			<u>6,830</u>		<u>496</u>
CURRENT ASSETS					
Stocks	8	88		28	
Debtors					
- due within one year	9	70,738		46,072	
Cash at bank and in hand		<u>22,637</u>		<u>26,125</u>	
		93,463		72,225	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(81,391)</u>		<u>(53,440)</u>	
NET CURRENT ASSETS			<u>12,072</u>		<u>18,785</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			18,902		19,281
NET ASSETS			<u>18,902</u>		<u>19,281</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	11		3,600		3,600
Share premium account	12		-		-
Profit and loss account	12		15,302		15,681
SHAREHOLDERS' FUNDS	13		<u>18,902</u>		<u>19,281</u>

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

W Robson
Director


29 June 2012

MITIE PROPERTY SERVICES (UK) LIMITED
CASH FLOW STATEMENT
Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	14	6,520	12,011
Returns on investments and servicing of finance			
Interest received		255	185
Interest paid		<u>(54)</u>	<u>-</u>
Net cash inflow from returns on investments and servicing of finance		201	185
Taxation			
UK corporation tax paid		(3,530)	(2,970)
Capital expenditure			
Payments to acquire tangible fixed assets		(64)	(89)
Receipts from disposal of tangible fixed assets		<u>50</u>	<u>39</u>
Net cash outflow from capital expenditure		(14)	(50)
Equity dividend paid		<u>(6,665)</u>	<u>(6,834)</u>
(Decrease)/Increase in cash before financing		(3,488)	2,342
Net cash inflow from financing		-	-
(Decrease)/Increase in cash in the year		<u><u>(3,488)</u></u>	<u><u>2,342</u></u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

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. Revenue is recognised as services are delivered.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

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.

Stock

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 2012

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.

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

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

Share-based payments

The 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 PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

2. OPERATING PROFIT

	2012 £'000	2011 £'000
Operating Profit is stated after charging/(crediting)		
Loss on disposal of fixed assets	20	39
Depreciation of tangible fixed assets owned	204	397
Research and development	82	-
Amortisation of goodwill	633	319
Operating lease rentals other	95	79
Fees payable to the company's auditor for the audit of the company's annual accounts	<u>95</u>	<u>79</u>

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

	2012 £'000	2011 £'000
Interest receivable and similar income		
Bank interest	271	177
	<u>271</u>	<u>177</u>
Interest payable and similar charges	£'000	£'000
Bank interest	60	-
	<u>60</u>	<u>-</u>

4 DIVIDENDS

The dividends approved and paid in the year are as follows

	2012 £'000	2011 £'000
Ordinary A Shares	1,111	1,139
Ordinary B Shares	5,554	5,695
	<u>6,665</u>	<u>6,834</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
(a) Analysis of charge in the year		
United Kingdom corporation tax 26% (2011 28%)	1,995	3,167
Adjustment in respect of prior years	(326)	(66)
Total current tax (Note 5(b))	<u>1,669</u>	<u>3,101</u>
Deferred taxation		
Timing differences - origination and reversal	(86)	98
Adjustment in respect of prior years	102	92
Tax on profit on ordinary activities	<u>1,685</u>	<u>3,291</u>

(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 26% (2011 28%) The differences are as follows

	£'000	£'000
Profit on ordinary activities before tax	<u>7,800</u>	<u>11,170</u>
	£'000	£'000
Tax at 26% (2011 28%) thereon	2,028	3,128
Expenses not deductible for tax purposes	51	31
Differences between capital allowances and depreciation	(15)	23
Relief in respect of employee share options	(113)	(40)
Other timing differences	44	25
Adjustments to tax charge in respect of prior periods	(326)	(66)
Current tax charge for the year (Note 5(a))	<u>1,669</u>	<u>3,101</u>

The UK Government announced a reduction in the UK corporation tax rate from 26% to 24% from 1 April 2012, which was substantively enacted on 26 March 2012. The reduction in the balance sheet carrying value of deferred tax assets and liabilities to reflect the rate of tax at which those assets are expected to reverse has resulted in a deferred tax credit of £6.2k to the profit and loss account. 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. Further 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.

The deferred tax balance comprises the following	£'000	£'000
Depreciation in excess of capital allowances	124	204
Share based payment timing difference	32	63
Other timing differences	154	27
	<u>310</u>	<u>294</u>
	£'000	£'000
Amount charged to the profit and loss account in the year in relation to deferred tax	<u>16</u>	<u>190</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

6 GOODWILL

	£'000
Cost	
At 1 April 2011	-
Additions	6,578
At 31 March 2012	6,578
Amortisation	
At 1 April 2011	-
Charge for the year	82
At 31 March 2012	82
Net book value	
At 31 March 2012	6,496
At 1 April 2011	-

On the 1st April 2011 the trade and assets of MITIE Engineering Projects Limited were transferred into MITIE Property Services (UK) Limited at an Open Market Value of £9,820k and on which goodwill of £6,578k was recognised

7 TANGIBLE ASSETS

	Plant and machinery £'000	Motor vehicles £'000	Office Equipment £'000	Total £'000
Cost or valuation				
At 1 April 2011	1,894	251	508	2,653
Additions	4	-	-	4
Disposals	(87)	(223)	(38)	(348)
Transfers in from group companies	76	163	177	416
At 31 March 2012	1,887	191	647	2,725
Depreciation				
At 1 April 2011	1,526	195	436	2,157
Charge for the year	132	24	48	204
Disposals	(63)	(218)	(38)	(319)
Transfers in from group companies	63	131	155	349
At 31 March 2012	1,658	132	601	2,391
Net book value				
At 31 March 2012	229	59	46	334
At 31 March 2011	368	56	72	496

8 STOCKS

	2012 £'000	2011 £'000
Raw materials	88	28
	88	28

MITIE PROPERTY SERVICES (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2012

9. DEBTORS

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade debtors	38,383	25,076
Amounts recoverable on contracts	23,128	17,943
Amounts owed by Group undertakings	7,899	2,218
Other debtors	560	325
Prepayments and accrued income	290	216
Corporation tax	168	-
Deferred tax asset	310	294
	<u>70,738</u>	<u>46,072</u>

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Payments received on account	1,013	834
Trade creditors	42,211	25,389
Amounts owed to Group undertakings	30,598	19,358
Corporation tax	-	1,599
Other taxation and social security	5,925	4,294
Other creditors	469	629
Accruals and deferred income	1,175	1,337
	<u>81,391</u>	<u>53,440</u>

11 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted, called up and fully paid share capital		
600,000 £1 Ordinary A Shares	600	600
3,000,000 £1 Ordinary B Shares	3,000	3,000
	<u>3,600</u>	<u>3,600</u>

12 RESERVES

	Profit and loss account £'000
At 1 April 2011	15,681
Profit for the year	6,115
Dividend	(6,665)
Capital contribution relating to share based payments	171
At 31 March 2012	<u>15,302</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
Profit for the financial year	6,115	7,878
Dividends paid on equity shares	(6,665)	(6,834)
Capital contribution relating to share-based payments	171	218
(Net reduction in)/addition to shareholders' funds	(379)	1,262
Opening shareholders' funds	19,281	18,019
Closing shareholders' funds	18,902	19,281

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

	2012 £'000	2011 £'000
Operating profit	7,589	10,992
Depreciation and amortisation	286	397
Profit on sale of tangible fixed assets	(20)	(39)
Increase in stocks	(60)	(28)
Increase in debtors	(26,553)	(23,648)
Increase in creditors	25,107	24,119
Share-based payment expense	171	218
Net cash inflow from operating activities	6,520	12,011

15 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2011 £'000	Cash flow £'000	At 31 March 2012 £'000
Cash at bank and in hand	26,125	(3,488)	22,637
Net cash	26,125	(3,488)	22,637
Net funds	26,125	(3,488)	22,637

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2012 £'000	2011 £'000
(Decrease)/increase in cash in the year	(3,488)	2,342
Change in net debt resulting from cashflows	(3,488)	2,342
Net funds at beginning of the year	26,125	23,783
Net funds at end of the year	22,637	26,125

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

17 FINANCIAL COMMITMENTS

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

	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- in less than one year	43	-	2	-
- between two and five years	297	-	233	-
- after five years	232	-	220	-
	<u>572</u>	<u>-</u>	<u>455</u>	<u>-</u>

Capital commitments

The company did not have any outstanding capital commitments that were not provided for at the end of the current or prior years

Commitments on behalf of group undertakings

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

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

18 DIRECTORS

The emoluments of the directors of the company were

	2012 £'000	2011 £'000
- Aggregate emoluments	323	342
- Aggregate value of contributions paid to a money purchase pension scheme	13	12
	<u>336</u>	<u>354</u>

The number of directors who
were members of a defined benefit pension scheme
were members of a defined contribution pension scheme
exercised share options in the year

	2012 No	2011 No
	2	2
	1	-
	<u>-</u>	<u>4</u>

Highest paid director:

	2012 £'000	2011 £'000
- Aggregate emoluments	122	142
- Aggregate value of contributions paid to a money purchase pension scheme	13	5
	<u>135</u>	<u>147</u>

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

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

DIRECTORS (continued)

The following directors are also directors or employees 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 or employees of other group companies.

Director	Remunerated by
W Robson	MITIE Group PLC
J Ridley	MITIE Property Management Limited
S C Baxter	MITIE Group PLC
R McGegor-Smith	MITIE Group PLC
P Griffin	MITIE Group PLC

19 EMPLOYEES

Average employee numbers

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

	2012 No	2011 No.
Operations	1,762	1,417
Administration	398	308
	<u>2,160</u>	<u>1,725</u>
Employment cost	£'000	£'000
Wages and salaries	54,801	42,460
Social security costs	4,768	3,794
Other pension costs	1,288	1,008
Share-based payments	171	218
	<u>61,028</u>	<u>47,480</u>

20 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, a performance condition must be satisfied, the performance condition is linked to the percentage growth in earnings per share over a three-year period.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

SHARE-BASED PAYMENTS (continued)

The MITIE Group PLC 2001 Savings Related share option scheme

The SAYE 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 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.

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	2,053,011	188	1,932,739	186
Granted during the year	475,448	161	545,286	186
Forfeited during the year	(90,937)	178	(215,667)	204
Transferred (to)/from Group subsidiaries during the year	72,371	201	41,759	94
Exercised during the year	(650,096)	180	(251,106)	139
Outstanding at end of the year	1,859,797	185	2,053,011	188
Exercisable at end of year	351,302	202	273,155	185

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

SHARE-BASED PAYMENTS (continued)

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

	2012 £'000	2011 £'000
2001 Executive share options	98	88
2001 Savings Related share options	78	109
Long-term incentive plan scheme (LTIP)	(5)	20
	<u>171</u>	<u>218</u>
	2012	2011
The weighted average share price at the date of exercise for share options exercised during the year was (p)	247	201
The options outstanding at the year-end had a weighted average price of (p)	185	188
The options outstanding at the year-end had a weighted average remaining contractual life of (years)	<u>5</u>	<u>4</u>

The company granted options in the period as detailed below

Share scheme	Fair value £'000
Executive Share Option Scheme	104
Long-term Incentive Plan Scheme	235

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	191 to 230
Exercise price (p)	0 to 254	0 to 254
Expected volatility (%)	28 to 36	28 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 4.1	2.22 to 3.93

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

21. 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 37 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £17.2 million (2011 deficit of £3 million).

Employer contributions to the scheme for the period are shown in note 21. The agreed contribution rate for employee and employer contributions for the next 12 months is 18.5% (2011 17.5%).

22 RELATED PARTY TRANSACTIONS

Set out below are the related party transactions

Related Party	Nature of transaction	Transaction amount		Year end balance	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
MITIE Aviation Security Limited	services provided	2	-	-	-
MITIE Care and Custody Limited	services provided	44	-	-	-
MITIE Landscapes Limited	services provided	9	1	-	-
MITIE Techniccal Facilities Management Limited	services provided	7,147	567	1,814	82
MITIE Security Limited	services acquired	21	5	-	-
MITIE Techniccal Facilities Management Limited	services acquired	360	-	257	-

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.