

Company Registration Number 2935593

MITIE PROPERTY SERVICES (UK) LIMITED

Report and Financial Statements

31 March 2008

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MITIE PROPERTY SERVICES (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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MITIE PROPERTY SERVICES (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
C Boath (Appointed 1 April 2007)
T G Cook
A M Dawson
J Livingstone
R McGregor-Smith
A J Morton
P F Noble
J Ridley
W Robson
C J Summers (Resigned 14 April 2008)

SECRETARY

MITIE Company Secretarial Services Limited

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche LLP
Bristol

MITIE PROPERTY SERVICES (UK) LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). 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

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

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

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company is a wholly owned subsidiary of MITIE Group PLC (the 'Group'). The company provides comprehensive property maintenance and refurbishment, painting and decorating, new house fit out and roofing services to the commercial, industrial and public sectors, throughout the United Kingdom. There have not been any significant changes in the company's principal activities in the year under review and the directors are not aware of any likely major changes.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 5% over the prior year and profit after tax has increased by 39%.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end has, in both net assets 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.

MITIE PROPERTY SERVICES (UK) LIMITED

DIRECTORS' REPORT (continued)

DIVIDENDS

A dividend of £0.52 (2007: £0.52) per 'A' ordinary share and £0.52 (2007: £0.52) per 'B' ordinary share was approved for the year ended 31 March 2008.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Group risks are discussed in the Group's annual report which does not form part of this report.

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.

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 2008 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 67 days (2007: 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 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.

MITIE PROPERTY SERVICES (UK) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The directors during the year and subsequently were as follows

S C Baxter
C Boath (Appointed 1 April 2007)
T G Cook
A M Dawson
J Livingstone
R McGregor-Smith
A J Morton
P F Noble
J Ridley
W Robson
C J Summers (Resigned 14 April 2008)

AUDITORS

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

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

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

Pursuant to Section 386 Companies Act 1985, an elective resolution was passed on 14 March 2005 dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche LLP are deemed to continue as auditors

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



S C Baxter
Director

17 July 2008

INDEPENDENT AUDITORS' 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 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion:

- ☐ the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- ☐ the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- ☐ the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

17 July 2008

MITIE PROPERTY SERVICES (UK) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2008

	Note	Continuing operations	
		2008	2007
		£	£
TURNOVER	1	171,286,249	163,305,196
Cost of sales		(133,748,453)	(129,215,063)
GROSS PROFIT		37,537,796	34,090,133
Administrative expenses		(32,530,492)	(26,756,213)
OPERATING PROFIT	2	5,007,304	7,333,920
Interest received and similar income	3	1,669,191	171,969
Interest paid and similar charges	3	(22,273)	(2,493,744)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,654,222	5,012,145
Tax on profit on ordinary activities	4	(1,722,891)	(1,475,924)
PROFIT FOR THE FINANCIAL YEAR	12	4,931,331	3,536,221

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2008

	2008	2007
	£	£
Profit for the financial year	4,931,331	3,536,221
Actuarial losses on defined benefit pension schemes (note 21)	(799,000)	(1,049,000)
Deferred tax attributable to actuarial loss	-	314,700
Total recognised gains and losses relating to the year	4,132,331	2,801,921

MITIE PROPERTY SERVICES (UK) LIMITED

BALANCE SHEET
At 31 March 2008

	Note	2008		2007	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		2,043,270		2,663,648
CURRENT ASSETS					
Stocks	7	224,879		233,426	
Debtors	8	37,653,615		40,310,005	
Cash at bank and in hand		13,966,078		9,344,112	
		51,844,572		49,887,543	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(41,397,460)		(42,498,514)	
NET CURRENT ASSETS			10,447,112		7,389,029
NET ASSETS			12,490,382		10,052,677
SHARE CAPITAL AND RESERVES					
Called up share capital	10		3,600,000		3,600,000
Profit and loss account	11		8,352,686		6,074,436
Capital contribution reserve	11		537,696		378,241
TOTAL SHAREHOLDERS' FUNDS	12		12,490,382		10,052,677

These financial statements were approved by the Board of Directors on 17 July 2008

Signed on behalf of the Board of Directors



S C Baxter
Director

MITIE PROPERTY SERVICES (UK) LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2008

	Note	2008		2007	
		£	£	£	£
Net cash inflow from operating activities	13		8,403,622		7,772,971
Returns on investments and servicing of finance					
Interest received		400,731		152,632	
Interest paid		<u>(19,286)</u>		<u>(62,349)</u>	
Net cash inflow from returns on investments and servicing of finance			381,445		90,283
Taxation					
UK corporation tax paid			(1,764,301)		(1,777,538)
Capital expenditure					
Payments to acquire tangible fixed assets		(876,433)		(2,037,715)	
Receipts from disposal of tangible fixed assets		<u>492,598</u>		<u>695,429</u>	
Net cash outflow from capital expenditure			(383,835)		(1,342,286)
Dividends paid			(1,854,081)		(1,880,000)
Issue of ordinary share capital			-		3,400,000
Increase in cash in the year	15		<u>4,782,850</u>		<u>6,263,430</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

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 financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the total value, excluding sales taxes, receivable in respect of goods and services supplied and contract work completed in the year. All turnover arises within the United Kingdom, from the company's principal activity.

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	5 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.

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.

Stocks

Stocks are valued at the lower of cost and net realisable value in the ordinary course of business. Cost represents purchase cost on a last in, first out basis. Net realisable value is based on estimated selling price less cost to sell.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES (continued)

Tax

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

Deferred taxation 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 binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Pension costs

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 this scheme as if it were a defined contribution scheme.

For defined contributions 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 2008

2. OPERATING PROFIT

Is stated after charging/(crediting):	2008 £	2007 £
Depreciation	1,071,151	1,266,875
Operating lease rentals		
- plant and equipment	57,347	159,648
- other	1,143,731	649,963
Auditors' remuneration - audit services	51,000	47,320
Profit on disposal of tangible fixed assets	(66,937)	(217,759)

3. INTEREST

Interest received and similar income	2008 £	2007 £
Bank interest	410,191	171,826
Other interest	-	143
Net return on pension scheme (note 21)	1,259,000	-
	<u>1,669,191</u>	<u>171,969</u>
 Interest paid and similar charges	 £	 £
Bank interest	22,273	53,744
Pension interest cost	-	2,440,000
	<u>22,273</u>	<u>2,493,744</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
(a) Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 30% (2007 30%)	1,754,226	1,322,791
Adjustment in respect of prior years	(3,693)	(23,189)
Total current tax (note 4(b))	1,750,533	1,299,602
Deferred taxation		
Timing differences - origination and reversal	(68,903)	145,777
Adjustment in respect of prior years	12,876	30,545
Increase in tax rate	28,385	-
Tax on profit on ordinary activities	1,722,891	1,475,924

(b) Factors affecting tax charge in year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2007 30%) The differences are as follows

	£	£
Profit on ordinary activities before tax	6,654,222	5,012,145
Tax at 30% thereon	1,996,267	1,503,644
Expenses not deductible for tax purposes	82,630	59,620
Depreciation in excess of capital allowances	23,929	474
Relief in respect of employee share options	(153,871)	(94,697)
Pension contribution	(239,700)	-
Other timing differences	44,971	(146,250)
Adjustment in respect of prior years	(3,693)	(23,189)
Current tax charge for the year (note 4(a))	1,750,533	1,299,602

(c) Factors affecting future tax charges

The reduction in the corporation tax rate to 28% is not anticipated to materially affect the future tax charge

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

4. TAX ON PROFIT ON ORDINARY ACTIVITIES (continue)

(d) Deferred tax note

	2008 £	2007 £
Movement in deferred taxation asset in the year		
Opening balance	369,668	231,292
Credit to profit and loss account	27,642	138,376
Closing balance (note 8)	<u>397,310</u>	<u>369,668</u>

(e) Analysis of deferred tax asset

	£	£
Depreciation in excess of capital allowances	190,688	193,367
Short term timing differences	64,948	62,708
Other	114	120
Share based payments	141,560	113,473
	<u>397,310</u>	<u>369,668</u>

5. DIVIDENDS

The dividends approved and paid in the year are as follows	2008 £	2007 £
£0 52 (2007 £0 52) per share on £1 'A' ordinary shares	309,014	313,333
£0 52 (2007 £0 52) per share on £1 'B' ordinary shares	<u>1,545,067</u>	<u>1 566,667</u>
	<u>1,854,081</u>	<u>1,880,000</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

6. TANGIBLE FIXED ASSETS

	Plant £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2007	1,494,252	1,182,621	2,939,143	5,616,016
Additions	210,156	441,253	11,325	662,734
Disposals	(119,740)	(159,638)	(964,655)	(1,244,033)
Transfers from other group companies	-	-	33,347	33,347
Transfers to other group companies	-	(27,284)	(23,966)	(51,250)
At 31 March 2008	1,584,668	1,436,952	1,995,194	5,016,814
Depreciation				
At 1 April 2007	473,264	552,419	1,926,685	2,952,368
Charge for the year	334,937	303,824	432,390	1,071,151
Disposals	(62,397)	(130,878)	(852,713)	(1,045,988)
Transfers from other group companies	-	-	14,913	14,913
Transfers to other group companies	-	(7,908)	(10,992)	(18,900)
At 31 March 2008	745,804	717,457	1,510,283	2,973,544
Net book value				
At 31 March 2008	838,864	719,495	484,911	2,043,270
At 31 March 2007	1,020,988	630,202	1,012,458	2,663,648

Capital commitments

At 31 March 2008 the directors had authorised capital expenditure of nil (2007 nil)

7. STOCKS

	2008 £	2007 £
Finished goods	224,879	233,426

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

8. DEBTORS	2008 £	2007 £
Trade debtors	26,005,208	27,347,514
Amounts recoverable on contracts	10,333,669	11,117,955
Amounts owed by group undertakings	510,936	898,329
Other debtors	269,054	292,959
Prepayments and accrued income	137,438	283,580
Deferred tax asset (note 4)	397,310	369,668
	<u>37,653,615</u>	<u>40,310,005</u>

A deferred tax asset of £397,310 has been recognised at 31 March 2008 (2007 £369,668). This asset relates to depreciation in excess of capital allowances and timing differences relating to share based payment expense. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited to the profit and loss account in the year was £27,642 (2007 £138,376).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2008 £	2007 £
Bank overdraft	-	160,884
Payments on account	1,128,301	1,036,790
Trade creditors	20,466,558	21,882,747
Amounts owed to group undertakings	11,637,796	12,305,538
Corporation tax	489,511	392,282
Other taxes and social security costs	4,519,349	5,213,757
Other creditors	496,734	254,153
Accruals and deferred income	2,659,211	1,252,363
	<u>41,397,460</u>	<u>42,498,514</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

10. CALLED UP SHARE CAPITAL	2008 £	2007 £
Authorised		
1,000,000 £1 'A' ordinary shares	1,000,000	1,000,000
4,000,000 £1 'B' ordinary shares	4,000,000	4,000,000
	<u>5,000,000</u>	<u>5,000,000</u>
	£	£
Allotted and fully paid		
600,000 £1 'A' ordinary shares	600,000	600,000
3,000,000 £1 'B' ordinary shares	3,000,000	3,000,000
	<u>3,600,000</u>	<u>3,600,000</u>

Rights attached to shares

The rights attaching to the 'A' and 'B' £1 ordinary shares are as follows

Income

Subject to the approval of the board, save as set out below, the profits of the company available for distribution in respect of any financial year shall be applied

- (i) first, in paying to the holders of the 'A' and 'B' shares a dividend of such amount as the board shall decide.
- (ii) second, in paying as a cumulative dividend to the holders together of the 'A' shares one-half of the profits of the company available for distribution (net of any tax that is actually payable) in each financial year less the amount(s) already paid in respect of the 'A' shares and 'B' shares under clause (i) together with any arrears of such cumulative dividend unpaid from any previous financial year insofar as there is sufficient profit remaining after the payment in clause (i). and
- (iii) third, the balance of the profits available for distribution which are resolved to be distributed shall be distributed among the holders of the 'A' and 'B' shares pari passu as if they constituted one class of share

Every dividend shall be distributed to the appropriate shareholders pro rata according to the nominal value of the shares held by them respectively

Capital

On a return of capital, the assets of the company will be distributed equally to all £1 ordinary shareholders

Voting

Each 'A' and 'B' share will carry one vote

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

11. RESERVES

	Profit and loss account £	Capital contribution reserve £
At 1 April 2007	6,074,436	378,241
Profit for the financial year	4,931,331	-
Dividends (note 5)	(1,854,081)	-
Actuarial losses on pension scheme (note 21)	(799,000)	-
Share-based payment expense	-	159,455
At 31 March 2008	8,352,686	537,696

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the financial year	4,931,331	3,536,221
Dividends (note 5)	(1,854,081)	(1,880,000)
Share-based payment expense	159,455	378,241
Net actuarial loss on defined benefit pension schemes	(799,000)	(1,049,000)
Tax credit on actuarial loss taken directly to equity	-	314,700
Issue of ordinary share capital	-	3,400,000
Net addition to shareholders' funds	2,437,705	4,700,162
Opening shareholders' funds	10,052,677	5,352,515
Closing shareholders' funds	12,490,382	10,052,677

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

	2008 £	2007 £
Operating profit	5,007,304	7,333,920
Depreciation charge	1,071,151	1,266,875
Profit on disposal of tangible fixed assets	(66,937)	(217,759)
Decrease/(increase) in stocks	8,547	(233,426)
Decrease/(increase) in debtors	875,543	(7,286,962)
Increase in creditors	888,559	10,021,082
Share-based payment expense	159,455	378,241
Adjustment for pension funding	460,000	(3,489,000)
Net cash inflow from operating activities	8,403,622	7,772,971

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

14. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2007 £	Cash flows £	At 31 March 2008 £
Cash at bank	9,344,112	4,621,966	13,966,078
Overdraft	(160,884)	160,884	-
	<u>9,183,228</u>	<u>4,782,850</u>	<u>13,966,078</u>

15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2008 £	2007 £
Increase in cash in the year	4,782,850	6,263,430
Net funds at beginning of year	9,183,228	2,919,798
Net funds at end of year	<u>13,966,078</u>	<u>9,183,228</u>

16. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2008 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings £	2008 Office equipment £	Land and buildings £	2007 Office equipment £
Expire date				
- within one year	77,700	12,050	153,371	85,849
- within two to five years	1,355,361	-	132,432	26,508
- after five years	1,398,518	-	249,101	-
	<u>2,831,579</u>	<u>12,050</u>	<u>534,904</u>	<u>112,357</u>

Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts and loans. As at 31 March 2008, the overall commitment was £50 million (2007 £20 million)

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

17. DIRECTORS

	2008 £	2007 £
The emoluments of directors of the company were		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>680,099</u>	<u>736,495</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to	£	£
The highest paid director	<u>145,458</u>	<u>122,527</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>5</u>	<u>6</u>

S C Baxter, R McGregor-Smith, and W Robson are directors of MITIE Group PLC. All disclosures relating to their emoluments, pension details and share options are disclosed in the group accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE Property Services (UK) Limited and their services as directors of other group companies.

One director exercised options in the shares of the ultimate group company, MITIE Group PLC during the year (2007: three directors).

18. EMPLOYEES

Number of employees

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

	2008 No.	2007 No.
Site labour	1,725	1,927
Administration and management	<u>450</u>	<u>489</u>
	<u>2,175</u>	<u>2,416</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

18. EMPLOYEES (continued)

	2008	2007
Employment costs (including directors)	£	£
Wages and salaries	49,792,840	48,339,536
Social security costs	4,576,695	4,615,830
Other pension costs	1,726,582	3,946,658
Share-based payments (note 19)	159,455	378,241
	<u>56,255,572</u>	<u>57,280,265</u>

In respect of other pension costs, the balance only includes amounts charged to operating expenses

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 is open to all employees. The exercise price is equal to the market value of the shares on 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.

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. The vesting period is five years. If the options remain unexercised after a period of five years and nine months from the date of grant, 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% above the Retail price Index per annum compound growth in earnings per share over a three-year period.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

19. SHARE-BASED PAYMENTS (continued)

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

		2008 Weighted average exercise price (in p)		2007 Weighted average exercise price (in p)
	Number of share options		Number of share options	
Outstanding at beginning of period ⁽¹⁾	2,115,650	139	2,093,142	129
Granted during the period	516,747	224	578,391	173
Forfeited during the period	(276,252)	143	(222,474)	143
Transferred from Group subsidiaries during the period	86,186	139	31,092	138
Exercised during the period	(388,921)	119	(364,501)	133
Outstanding at the end of the period	2,053,410	164	2,115,650	139
Exercisable at the end of the period	322,054	133	312,376	128

⁽¹⁾ Included within this balance are 155,054 (2007 451,592) options that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20. Their exercise prices range from 57p to 174p (2007 57p to 174p).

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

	2008 £	2007 £
2001 Executive share options	53,760	178,041
2001 Saving Related share options	99,853	200,200
Long term incentive plan	5,842	-
	159,455	378,241

The weighted average share price at the date of exercise for share options exercised during the period was 263p (2007 217p)

The options outstanding at 31 March 2008 had a weighted average exercise price of 164p (2007 139p) and a weighted average remaining contractual life of 4.5 years (2007 4.6 years)

In the year ended 31 March 2008, options were granted on July 2007 and August 2007 in respect of the Executive and Savings Related share option schemes and LTIP scheme. The aggregate of the estimated fair values of the options granted on those dates is £220,698.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

19. SHARE-BASED PAYMENTS (continued)

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

	2008	2007
Share price (p)	133 to 230	130 to 193
Exercise price (p)	120 to 254	120 to 191
Expected volatility (%)	27 to 30	28 to 30
Expected life (years)	4 to 5	4 to 6
Risk-free rate (%)	4.17 to 5.25	4.17 to 5.12
Expected dividends (%)	1.43 to 2.29	1.43 to 2.29

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

20. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Property Services (UK) Limited has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

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 30 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £9.9 million (2007: £0.5 million).

Contributions to the scheme for the period are shown in note 18 and the agreed contribution rate for the next 12 months is 10% (2007: 10%) and 7.5% (2007: 7.5%) for the group and employees respectively.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

21. PENSION ARRANGEMENTS (continued)

Other defined benefit schemes

In addition the company makes contributions under Admitted Body status to a customer's defined benefit scheme in respect of certain TUPE employees. These valuations are updated by the actuaries, the related current service cost, and past service cost were measured using the projected unit credit method.

For the West Midland Pension Scheme, which is part of the Local Government Pension Scheme, the company will only participate for a finite period up to the end of the contract. The company is required to pay regular contributions as decided by the relevant Scheme Actuary and detailed in the scheme Schedule of Contributions. The contributions payable by the employer are capped and any excess of the cap recovered from the body that the employees transferred from. In addition, at the end of the contract Group will be required to pay any deficit (as determined by the Scheme Actuary) that is remaining for its notional section of the scheme.

Key assumptions used for FRS 17 valuation

	2008 %	2007 %
Discount rate	6.30	5.30
Expected return on scheme assets		
Equity	8.00	8.00
Debt instruments	5.00	7.50
Property	7.50	5.00
Other assets	5.25	5.25
Expected rate of salary increases	3.80	3.75
Future pension increases	3.30	3.00

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

Amounts recognised in profit and loss account in respect of this defined benefit scheme are as follows

	2008 £	2007 £
Current service costs	1,183,000	1,271,000
Past service costs	416,000	-
Interest cost	2,885,000	2,440,000
Expected return on scheme assets	(4,144,000)	(3,629,000)
	<u>340,000</u>	<u>82,000</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

21. PENSION ARRANGEMENTS (continued)

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

	2008 £	2007 £
Actual return on scheme assets	(996,000)	3,513,000
Expected return on scheme assets	(4,144,000)	(3,629,000)
Experience adjustments arising on plan liabilities	6,813,000	(392,000)
Contract adjustment	(2,472,000)	(903,000)
Transfer in of scheme	-	362,000
	<u>(799,000)</u>	<u>(1,049,000)</u>

The cumulative amount of actuarial loss recognised since 1 April 2006 in the statement of total recognised gains and losses is £1,307,000 (2007 £508,000).

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

	£	£
Fair value of scheme assets	44,507,000	54,980,000
Present value of defined benefit obligations	<u>(41,132,000)</u>	<u>(54,077,000)</u>
Surplus in the scheme	3,375,000	903,000
Contract adjustment	<u>(3,375,000)</u>	<u>(903,000)</u>
Net pension asset	<u>-</u>	<u>-</u>

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

	£	£
At 1 April 2007	54,077,000	-
Service cost	1,599,000	1,271,000
Interest cost	2,885,000	2,440,000
Contributions from scheme members	384,000	401,000
Actuarial (gains)/losses	(6,813,000)	392,000
Benefits paid	(836,000)	-
Contract transfers	<u>(10,164,000)</u>	<u>49,573,000</u>
At 31 March 2008	<u>41,132,000</u>	<u>54,077,000</u>

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

21. PENSION ARRANGEMENTS (continued)

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

	2008 £	2007 £
At 1 April 2007	54,980,000	-
Expected return on scheme assets	4,144,000	3,629,000
Actuarial losses	(5,140,000)	(116,000)
Contributions from the sponsoring companies	1,139,000	6,271,000
Contributions from scheme members	384,000	401,000
Benefits paid	(836,000)	-
Contract transfers	(10,164,000)	44,795,000
At 31 March 2008	44,507,000	54,980,000

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

	£	£
Equity instruments	31,555,000	41 786 000
Debt instruments	6,988,000	7 147,000
Property	3,917,000	4,398,000
Other assets	2,047,000	1,649,000
At 31 March 2008	44,507,000	54,980,000

The history of experience adjustments is as follows

	£	£
Fair value of scheme assets	44,507,000	54,980,000
Present value of defined benefit obligations	(41,132,000)	(54,077,000)
Contract adjustment	(3,375,000)	(903,000)
Surplus in scheme	-	-
Experience adjustments on scheme liabilities	(6,813,000)	392,000
Percentage of scheme liabilities	(16.6)%	0.0%
Experience adjustments on scheme assets	(5,140,000)	(116,000)
Percentage of scheme assets	(11.5)%	-0.2%

22. 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 both the smallest and largest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.