

Company Registration Number 02935593

MITIE PROPERTY SERVICES (UK) LIMITED

Report and Financial Statements

31 March 2010

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MITIE PROPERTY SERVICES (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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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 (appointed 27 April 2009)
MITIE Administration 2 (appointed 27 April 2009)

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 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 2010

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 UK 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 ACTIVITY AND REVIEW OF THE BUSINESS

The company is a subsidiary of MITIE Group PLC (the 'Group'). 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 increased its turnover only marginally compared to the previous year as a result of the current economic conditions. Through close control of costs the company achieved a gross profit margin of 26% compared to 24% in the previous year and the directors are confident that the business will continue to grow in the forthcoming year.

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 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 of £1.74 (2009: £1.64) per A ordinary share and £1.74 (2009: £1.64) per B ordinary share were approved and paid in the year.

MITIE PROPERTY SERVICES (UK) LIMITED

DIRECTORS' REPORT (continued)

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.

GOING CONCERN

The directors have considered the forecast and budgeted profit and associated cash flows for the coming five years. The directors have also 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 is appropriate to adopt the going concern basis in the preparation of the company's financial statements.

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 2010 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 57 days (2009: 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 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
A M Dawson
R McGregor-Smith
A J Morton
P F Noble
J Ridley
W Robson
MITIE Administration 1 (appointed 27 April 2009)
MITIE Administration 2 (appointed 27 April 2009)

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 s418 of the Companies Act 2006

A resolution to reappoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

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



S C Baxter
Director

9 July 2010

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 period ended 31 March 2010 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 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 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

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 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 (APB'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.

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 2010 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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 Auditors
Bristol, United Kingdom

9 July 2010

MITIE PROPERTY SERVICES (UK) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2010

| | Note | 2010 £ | 2009 £ |
|---|------|---------------|---------------|
| TURNOVER | 1 | 150,207,295 | 149,861 153 |
| Cost of sales | | (111,197,598) | (113,235,627) |
| GROSS PROFIT | | 39,009,697 | 36 625 526 |
| Administrative expenses | | (27,499,002) | (26,753,056) |
| OPERATING PROFIT | 2 | 11,510,695 | 9,872,470 |
| Gain on sale of business | 3 | - | 1,724 382 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION | | 11,510,695 | 11,596,852 |
| Interest receivable and similar income | 4 | 243,075 | 1,143,384 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 11 753,770 | 12 740,236 |
| Tax on profit on ordinary activities | 5 | (3,235,515) | (3,120,197) |
| PROFIT FOR THE FINANCIAL YEAR | 12 | 8,518,255 | 9,620,039 |

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 March 2010

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| Profit for the financial year | 8,518,255 | 9,620,039 |
| Actuarial losses on defined benefit pension schemes (note 21) | (381,000) | (856,000) |
| Deferred tax attributable to actuarial losses | 106,680 | 239 700 |
| Total recognised gains and losses relating to the year | 8,243,935 | 9,003,739 |

MITIE PROPERTY SERVICES (UK) LIMITED

BALANCE SHEET

At 31 March 2010

| | Note | 2010 | | 2009 | |
|---|------|--------------|------------|--------------|------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 7 | | 732,556 | | 1,313,997 |
| CURRENT ASSETS | | | | | |
| Stocks | 8 | - | | 151,603 | |
| Debtors | 9 | 32,388,492 | | 31,329,448 | |
| Cash at bank and in hand | | 23,783,216 | | 23,218,926 | |
| | | 56,171,708 | | 54,699,977 | |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 10 | (38,885,386) | | (40,235,489) | |
| NET CURRENT ASSETS | | | 17,286,322 | | 14,464,488 |
| NET ASSETS | | | 18,018,878 | | 15,778,485 |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 11 | | 3,600,000 | | 3,600,000 |
| Profit and loss account | 12 | | 13,462,414 | | 11,470,308 |
| Capital contribution reserve | 12 | | 956,464 | | 708,177 |
| SHAREHOLDERS' FUNDS | 13 | | 18,018,878 | | 15,778,485 |

The financial statements of MITIE Property Services (UK) Limited, company registration number 02935593, were approved by the board and authorised for issue on 9 July 2010



S C Baxter
Director

MITIE PROPERTY SERVICES (UK) LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2010

| | Note | 2010 | | 2009 | |
|--|---------|-----------|-------------|-----------|-------------|
| | | £ | £ | £ | £ |
| Net cash inflow from operating activities | 14 | | 9 504 183 | | 16 682 630 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | | 206,381 | | 474,490 |
| Taxation | | | | | |
| UK corporation tax paid | | | (2 815,668) | | (1,958 098) |
| Capital expenditure | | | | | |
| Payments to acquire tangible fixed assets | | (266,516) | | (368,849) | |
| Receipts from disposal of tangible fixed assets | | 187 739 | | 308,792 | |
| Net cash outflow from capital expenditure | | | (78,777) | | (60,057) |
| Dividends paid | | | (6,251 829) | | (5 886,117) |
| Increase in cash in the year | 15 & 16 | | 564,290 | | 9,252,848 |

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

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.

Going concern

The directors have considered the forecast and budgeted profit and associated cash flows for the coming five years. The directors have also 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 is appropriate to adopt the going concern basis in the preparation of the company's financial statements.

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 |
| Short leasehold improvements | 3 to 10 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.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

1. ACCOUNTING POLICIES (continued)

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.

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 by 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 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 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.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

1 ACCOUNTING POLICIES (continued)

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.

2. OPERATING PROFIT

| | 2010 | 2009 |
|---|----------|-----------|
| | £ | £ |
| Operating profit is stated after charging/(crediting) | | |
| Depreciation | 704,300 | 929,479 |
| Operating lease rentals - other | 527,422 | 533,882 |
| Auditors' remuneration - audit services | 41,000 | 39,000 |
| Profit on disposal of tangible fixed assets | (44,081) | (140,149) |

3. GAIN ON SALE OF BUSINESS

On 1 April 2008 the company transferred the trade and assets of its roofing business to MITIE Tilley Roofing Limited for total consideration of £4.79 million, generating a gain on disposal of £1.72 million for the company. The consideration was settled through the intercompany accounts settlement process with MITIE Tilley Roofing Limited and so no cash was received in respect of the sale during the prior year.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2010 | 2009 |
|--|----------------|------------------|
| | £ | £ |
| Bank interest | 213,075 | 449,384 |
| Net return on pension scheme (note 21) | 30,000 | 694,000 |
| | <u>243,075</u> | <u>1,143,384</u> |

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2010 £ | 2009 £ |
|--|------------------|------------------|
| (a) Analysis of tax charge on ordinary activities | | |
| United Kingdom corporation tax at 28% (2009 28%) | 3,215,790 | 2,941,302 |
| Adjustment in respect of prior years | (242,944) | 146,242 |
| Total current tax (note 5(b)) | 2,972,846 | 3,087,544 |
| Deferred taxation | | |
| Timing differences - origination and reversal | 28,117 | 247,218 |
| Adjustment in respect of prior years | 234,552 | (214,565) |
| Total deferred tax (note 5(c)) | 262,669 | 32,652 |
| Tax on profit on ordinary activities | 3,235,515 | 3,120,197 |

(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 28% (2009 28%). The differences are as follows

| | £ | £ |
|--|------------------|------------------|
| Profit on ordinary activities before tax | 11,753,770 | 12,740,236 |
| | £ | £ |
| Tax at 28% (2009 28%) thereon | 3,291,055 | 3,567,266 |
| Expenses not deductible for tax purposes | 37,972 | 63,906 |
| Depreciation in excess of capital allowances | 26,808 | 57,627 |
| Relief in respect of employee share options | (34,414) | (6,844) |
| Pension contribution | (106,680) | - |
| Other timing differences | 1,049 | (257,826) |
| Non-taxable gain | - | (482,827) |
| Adjustment in respect of prior years | (242,944) | 146,242 |
| Current tax charge for the year (note 5(a)) | 2,972,846 | 3,087,544 |

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(c) Deferred tax note

| | 2010 £ | 2009 £ |
|---|----------------|----------------|
| Movement in deferred taxation asset in the year | | |
| Opening balance | 373,758 | 397,310 |
| Charge to profit and loss account (note 5(a)) | (262,669) | (32,652) |
| Other movements | 346,548 | 9,100 |
| Closing balance (note 9) | 457,637 | 373,758 |

(d) Analysis of deferred tax asset

| | £ | £ |
|--|----------------|----------------|
| Depreciation in excess of capital allowances | 227,008 | 223,032 |
| Short-term timing differences | 76,118 | 47,085 |
| Share-based payments | 145,247 | 94,541 |
| Other | 9,264 | 9,100 |
| | 457,637 | 373,758 |

(e) Factors affecting future tax charges

The company is not aware of any factors that will materially affect the future tax charge apart from the proposed, phased reduction in corporation tax rates to 24% by 2015 which has not yet been enacted

6 DIVIDENDS

| The dividends approved and paid in the year are as follows | 2010 £ | 2009 £ |
|--|------------------|------------------|
| £1 74 (2009 £1 64) per share on £1 'A' ordinary shares | 1,041,972 | 981,020 |
| £1 74 (2009 £1 64) per share on £1 'B' ordinary shares | 5,209,857 | 4,905,097 |
| | 6,251,829 | 5,886,117 |

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

7. TANGIBLE FIXED ASSETS

| | Short leasehold improvements £ | Plant £ | Office equipment £ | Motor vehicles £ | Total £ |
|---|---|----------------|--------------------------|------------------------|------------------|
| Cost | | | | | |
| At 1 April 2009 | 1 796,347 | 134 163 | 1,051,589 | 944,368 | 3,926,467 |
| Additions | 171,634 | 2,124 | 92 758 | - | 266,516 |
| Disposals | (15,774) | - | (54 956) | (275 464) | (346 194) |
| Transfers from other group companies | - | - | - | 10,370 | 10 370 |
| Transfers to other group companies | - | - | (477,486) | (11,822) | (489,308) |
| At 31 March 2010 | <u>1 952 207</u> | <u>136,287</u> | <u>611,905</u> | <u>667,452</u> | <u>3,367,851</u> |
| Depreciation | | | | | |
| At 1 April 2009 | 1,006,742 | 67,384 | 743 836 | 794,508 | 2,612,470 |
| Charge for the year | 370,785 | 47,217 | 144,946 | 141,352 | 704,300 |
| Disposals | (11,990) | - | (54 882) | (272,029) | (338,901) |
| Transfers from other group companies | - | - | - | 10,370 | 10,370 |
| Transfers to other group companies | - | - | (342,107) | (10,837) | (352,944) |
| At 31 March 2010 | <u>1,365,537</u> | <u>114,601</u> | <u>491 793</u> | <u>663,364</u> | <u>2,635,295</u> |
| Net book value At 31 March 2010 | <u>586,670</u> | <u>21 686</u> | <u>120,112</u> | <u>4,088</u> | <u>732,556</u> |
| At 31 March 2009 | <u>789,605</u> | <u>66,779</u> | <u>307,753</u> | <u>149,860</u> | <u>1,313,997</u> |

During the year the company has re-grouped the fixed assets to better reflect their current use. In doing so, the company has changed from fixed asset categories of plant, office equipment and motor vehicles to those shown above. Cost of £1,392,105 and accumulated depreciation of £916,089 have been represented in short leasehold improvements as opposed to plant, and cost of £404,242 and accumulated depreciation of £90 656 have been represented in short leasehold improvements as opposed to office equipment. There has been no impact on opening net book value.

8. STOCKS

| | 2010 £ | 2009 £ |
|----------------|-----------|----------------|
| Finished goods | <u>-</u> | <u>151,603</u> |

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

| 9. | DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2010 £ | 2009 £ |
|----|--|-------------------|-------------------|
| | Trade debtors | 18,551,197 | 22,213,087 |
| | Amounts recoverable on contracts | 10,784,741 | 6,387,641 |
| | Amounts owed by group undertakings | 2,261,068 | 2,002,934 |
| | Other debtors | 146,613 | 243,731 |
| | Prepayments and accrued income | 187,236 | 108,297 |
| | Deferred tax asset (note 5) | 457,637 | 373,758 |
| | | <u>32,388,492</u> | <u>31,329,448</u> |

A deferred tax asset of £457,637 has been recognised at 31 March 2010 (2009 £373,758). This asset relates to depreciation in excess of capital allowances, timing differences relating to share based payment expense and other short term timing differences. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount charged to the profit and loss account in the year was £262,669 (2009 charged £32,652).

| 10 | CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2010 £ | 2009 £ |
|----|--|-------------------|-------------------|
| | Payments on account | 2,418,255 | 1,561,376 |
| | Trade creditors | 17,320,461 | 19,447,241 |
| | Amounts owed to group undertakings | 11,837,638 | 11,962,637 |
| | Corporation tax | 1,536,436 | 1,379,258 |
| | Other taxes and social security costs | 3,721,270 | 3,255,575 |
| | Other creditors | 436,524 | 492,350 |
| | Accruals and deferred income | 1,614,802 | 2,137,052 |
| | | <u>38,885,386</u> | <u>40,235,489</u> |

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

| | | | |
|------------|---|--------------------------------|-------------------------------------|
| 11 | CALLED UP SHARE CAPITAL | 2010 | 2009 |
| | | £ | £ |
| | Allotted, called up 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> |
| 12. | RESERVES | | |
| | | Profit and loss account | Capital contribution reserve |
| | | £ | £ |
| | At 1 April 2009 | 11,470,308 | 708,177 |
| | Profit for the financial year | 8,518,255 | - |
| | Dividends (note 6) | (6,251,829) | - |
| | Net actuarial loss on pension scheme (note 21) | (274,320) | - |
| | Share-based payment expense | - | 248,287 |
| | At 31 March 2010 | <u>13,462,414</u> | <u>956,464</u> |
| 13 | RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS | 2010 | 2009 |
| | | £ | £ |
| | Profit for the financial year | 8,518,255 | 9,620 039 |
| | Dividends (note 6) | (6,251,829) | (5,886,117) |
| | Capital Contribution | 248,287 | 170,481 |
| | Net actuarial loss on defined benefit pension schemes | (274 320) | (616,300) |
| | Net addition to shareholders' funds | <u>2,240 393</u> | <u>3,288,103</u> |
| | Opening shareholders' funds | <u>15,778,485</u> | <u>12,490,382</u> |
| | Closing shareholders' funds | <u>18,018,878</u> | <u>15,778,485</u> |

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

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

| | 2010 | 2009 |
|--|------------------|-------------------|
| | £ | £ |
| Operating profit | 11 510 695 | 11,596,852 |
| Depreciation charge | 704,300 | 929,479 |
| Profit on disposal of tangible fixed assets | (44 082) | (1,864,531) |
| Decrease in stocks | 151,603 | 73,276 |
| (Increase)/decrease in debtors | (1,244 336) | 7,265,077 |
| Decrease in creditors | (1,507 281) | (1,326,004) |
| Share-based payment expense | 248,286 | 170,481 |
| Adjustment for pension funding | (315,000) | (162 000) |
| Net cash inflow from operating activities | 9,504 183 | 16,682,630 |

15. ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 April 2009 | Cash flows | At 31 March 2010 |
|--------------------------|----------------------------|-------------------|-----------------------------|
| | £ | £ | £ |
| Cash at bank and in hand | 23 218 926 | 564,290 | 23 783,216 |

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | 2010 | 2009 |
|---------------------------------|-------------------|-------------------|
| | £ | £ |
| Increase in cash in the year | 564,290 | 9 252,848 |
| Net funds at beginning of year | 23,218,926 | 13,966,078 |
| Net funds at end of year | 23,783,216 | 23 218,926 |

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

17. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as follows

| | 2010 £ | 2009 £ |
|----------------------------|----------------|----------------|
| Expiry date | | |
| - within one year | 78,993 | 128,519 |
| - within two to five years | 177,347 | 222,662 |
| - after five years | 287,896 | 223,547 |
| | <u>544,236</u> | <u>574,728</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 2010 the overall commitment was £109 million (2009 £10 million)

18. DIRECTORS

| | 2010 £ | 2009 £ |
|---|----------------|----------------|
| The emoluments of the directors of the company were | | |
| Fees and other emoluments (excluding pension contributions but including benefits-in-kind) | <u>302,089</u> | <u>408,532</u> |
| Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to | £ | £ |
| The highest paid director | <u>170,411</u> | <u>147,265</u> |
| | No. | No. |
| The number of directors who were members of a defined benefit pension scheme | <u>2</u> | <u>2</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.

J Ridley and C Boath are directors of MITIE Property Services (UK) Limited. All disclosures relating to their emoluments, pension details and share options are disclosed in MITIE Property Management Ltd accounts.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

19. EMPLOYEES

Number of employees

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

| | 2010 No. | 2009 No. |
|-------------------------------|--------------|--------------|
| Site labour | 1,561 | 1,280 |
| Administration and management | 384 | 654 |
| | <u>1,945</u> | <u>1,934</u> |

Employment costs (including directors)

| | £ | £ |
|--------------------------------|-------------------|-------------------|
| Wages and salaries | 46,363,440 | 43,525,145 |
| Social security costs | 4,064,104 | 4,015,802 |
| Other pension costs | 1,999,262 | 1,761,277 |
| Share-based payments (note 20) | 248,287 | 170,481 |
| | <u>52,675,093</u> | <u>49,472,705</u> |

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

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 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.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

20. SHARE-BASED PAYMENTS (continued)

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.

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

| | 2010 | | 2009 | |
|--|-------------------------------|--|-------------------------------|--|
| | 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 period ⁽¹⁾ | 175 | 2,069,675 | 2,053,410 | 164 |
| Granted during the period | 191 | 447,408 | 560,047 | 195 |
| Forfeited during the period | 182 | (216,268) | (232,529) | 177 |
| Transferred to Group subsidiaries during the period | 162 | 2,000 | (56,336) | 166 |
| Exercised during the period | 135 | (370,076) | (254,917) | 125 |
| Outstanding at end of the year | 186 | 1,932,739 | 2,069,675 | 175 |
| Exercisable at end of the year | 152 | 250,045 | 335,962 | 141 |

⁽¹⁾ Included within this balance are 64,000 (2009: 112,500) 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 117p to 174p (2009: 57p to 174p).

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

20 SHARE-BASED PAYMENTS (continued)

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

| | 2010 £ | 2009 £ |
|------------------------------------|----------------|----------------|
| 2001 Executive share options | 71,490 | 57,474 |
| 2001 Savings Related share options | 136,697 | 99,925 |
| Long Term Incentive Plan scheme | 40,099 | 13,082 |
| | <u>248,286</u> | <u>170,481</u> |

The weighted average share price at the date of exercise for share options exercised during the period was 236p (2009 201p)

The options outstanding at 31 March 2010 had a weighted average exercise price of 186p (2009 175p) and a weighted average remaining contractual life of 4.34 years (2009 4.2 years)

In the year ended 31 March 2010 options were granted in June, July and August 2009 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 £241,566.

In the year ended 31 March 2009, options were granted in July and September 2008 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 £181,551.

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

| | 2010 | 2009 |
|-------------------------|--------------|--------------|
| Share price (p) | 133 to 230 | 133 to 230 |
| Exercise price (p) | 0 to 254 | 0 to 254 |
| Expected volatility (%) | 27 to 36 | 27 to 30 |
| Expected life (years) | 3 to 6 | 4 to 5 |
| Risk-free rate (%) | 2.42 to 5.25 | 4.17 to 5.25 |
| Expected dividends (%) | 1.43 to 3.30 | 1.43 to 3.15 |

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

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

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 33 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 Employee Benefits net pension deficit of £6.8 million (2009 surplus of £3.0 million).

Employer contributions to the scheme for the period are shown in note 19. The combined contribution rate for employee and employer contributions for the next 12 months is 17.5% (2009 17.5%).

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 the 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

| | 2010 % | 2009 % |
|-----------------------------------|-----------|-----------|
| Discount rate | 5.60 | 6.50 |
| Expected return on scheme assets | | |
| Equity | 8.00 | 8.00 |
| Debt instruments | 5.00 | 5.00 |
| Property | 7.50 | 7.50 |
| Other assets | 4.50 | 3.50 |
| Expected rate of salary increases | 3.50 | 3.00 |
| Future pension increases | 3.50 | 3.00 |
| Inflation | 3.50 | 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.

The mortality for the scheme is based upon up to date tables which project mortality improvements in the future. For a male aged 65.0 years the expected life is 87.4 years (2009 87.3 years) and for a female aged 65.0 years the expected life is 89.8 years (2009 89.7 years). Mortality for the other schemes is that used by the relevant scheme actuary.

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

21. PENSION ARRANGEMENTS (continued)

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

| | 2010 £ | 2009 £ |
|----------------------------------|----------------|----------------|
| Current service costs | 726,000 | 927,000 |
| Interest cost | 2 636,000 | 2,612,000 |
| Expected return on scheme assets | (2 666 000) | (3 306,000) |
| | <u>696,000</u> | <u>233,000</u> |

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

| | £ | £ |
|--|------------------|------------------|
| Actual return on scheme assets | 11,669,000 | (8,444,000) |
| Expected return on scheme assets | (2,666 000) | (3 306,000) |
| Experience adjustments arising on plan liabilities | (13,516,000) | 4 690 000 |
| Contract adjustment | 4,132,000 | 6 204,000 |
| | <u>(381,000)</u> | <u>(856,000)</u> |

The cumulative amount of actuarial loss recognised since 1 April 2006 in the statement of total recognised gains and losses is £2,544,000 (2009 £2,163,000)

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 | 49 360 000 | 36,874,000 |
| Present value of defined benefit obligations | (56,321,000) | (39,703,000) |
| Deficit in the scheme | (6 961 000) | (2,829,000) |
| Contract adjustment | 6,961,000 | 2,829,000 |
| Net pension asset | <u>-</u> | <u>-</u> |

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

21. PENSION ARRANGEMENTS (continued)

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

| | 2010 £ | 2009 £ |
|-----------------------------------|-------------------|-------------------|
| At 1 April | 39,703,000 | 41,132,000 |
| Service cost | 726,000 | 927,000 |
| Interest cost | 2,636,000 | 2,612,000 |
| Contributions from scheme members | 420,000 | 416 000 |
| Actuarial gains | 13,516,000 | (4,690 000) |
| Benefits paid | (680,000) | (694,000) |
| At 31 March | 56,321,000 | 39,703,000 |

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

| | £ | £ |
|---|-------------------|-------------------|
| At 1 April | 36,874,000 | 44,507,000 |
| Expected return on scheme assets | 2 666,000 | 3,306,000 |
| Actuarial losses | 9,003 000 | (11,750,000) |
| Contributions from the sponsoring companies | 1,077,000 | 1,089,000 |
| Contributions from scheme members | 420,000 | 416 000 |
| Benefits paid | (680,000) | (694,000) |
| At 31 March | 49 360,000 | 36 874 000 |

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

| | £ | £ |
|--------------------|-------------------|-------------------|
| Equity instruments | 36,132,000 | 23,968,000 |
| Debt instruments | 7,997,000 | 7,043,000 |
| Property | 4,590,000 | 4,056,000 |
| Other assets | 641 000 | 1,807,000 |
| At 31 March | 49,360 000 | 36,874,000 |

MITIE PROPERTY SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

21. PENSION ARRANGEMENTS (continued)

| The history of experience adjustments is as follows | 2010 £ | 2009 £ |
|---|--------------|--------------|
| Fair value of scheme assets | 49,360,000 | 36,874,000 |
| Present value of defined benefit obligations | (56,321,000) | (39,703,000) |
| Contract adjustment | 6,961,000 | 2,829,000 |
| Surplus in scheme | - | - |
| Experience adjustments on scheme liabilities | - | (4,690,000) |
| Percentage of scheme liabilities | - | (11.8%) |
| Experience adjustments on scheme assets | 9,003,000 | (11,750,000) |
| Percentage of scheme assets | 18.2% | (31.9%) |

22. RELATED PARTY TRANSACTIONS

At 31 March 2010 MITIE Group PLC is a 79.88% (2009 79.2%) shareholder in MITIE Property Services (UK) Limited

During the year overhead recharges were paid to MITIE Property Management Limited of £8,172,906 (2009 £7,539,728)

During the year the company purchased goods and services amounting to £9,199,619 (2009 £10,899,417) on normal commercial terms from other companies within MITIE Group PLC. An amount of £154,351 (2009 £146,747) is included in creditors in respect of these transactions.

During the year the company provided goods and services amounting to £882,997 (2009 £650,762) on normal commercial terms to companies within MITIE Group PLC. An amount of £237,550 (2009 £82,889) remained outstanding at the year end in respect of these transactions.

23. 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.