

RELIANCE FACILITIES MANAGEMENT LIMITED
(formerly Reliance Integrated Services Limited)

ANNUAL REPORT & FINANCIAL STATEMENTS

25 APRIL 2008

Company Registration Number 1878843

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RELIANCE FACILITIES MANAGEMENT LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 25 April 2008

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RELIANCE FACILITIES MANAGEMENT LIMITED

DIRECTORS' REPORT

YEAR ENDED 25 April 2008

ACCOUNTS

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 25 April 2008.

In compliance with section 234ZA of the Companies Act 1985:

- (a) so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) each of the directors has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

On 3 March 2008 the company changed its name from Reliance Integrated Services Limited to Reliance Facilities Management Limited.

The Company is a wholly owned subsidiary of Reliance Security Group Ltd and operates as part of the Group's facilities management division.

As shown in the Company's profit and loss account on page 7, the Company's sales excluding exceptionals have decreased by 5.49% over the prior year (2007: increased by 16.5%).

A key measurement of the effectiveness of the Company's operations is the operating profit margin. Excluding exceptional items the Company produced an operating loss of 1.0% of turnover (2007: 0.5% as restated – see note 21) with this change in operating margin being principally attributable to additional administrative costs incurred as a result of the restructuring of the management of certain contracts. Investment income decreased by £0.1m (2007: reduced by £0.1m) as a result of higher dividends payable by the Company's participating interest.

There have been no significant events since the balance sheet date.

RESULTS AND DIVIDENDS

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements.

	2008	2007
	£	£
Dividends in respect of the year are:	<u>400,000</u>	<u>1,200,000</u>

DIRECTORS

The directors who served the Company throughout the year except as noted, and subsequently, were as follows:

S Davies	
D Murray	
B Nealon	
J Nicholls	
C Porton	
J Skelton	(appointed 3 December 2007)
P Fisher	(resigned 31 May 2007)
R Masters	(resigned 30 April 2008)
S Pippard	(resigned 21 December 2007)

RELIANCE FACILITIES MANAGEMENT LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 25 April 2008

FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk, and price risk. Due to the nature of the Company's business and assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to the Company are credit risk and liquidity risk. These risks are mitigated by the creditworthiness of the Company's customer base and the Company's strong underlying cash generation.

POLICY ON THE PAYMENT OF CREDITORS

As a subsidiary of a listed company, the Company has subscribed to the CBI Prompt Payers Code and endeavours to ensure that its suppliers agreed credit terms are complied with. The Company is currently seeking to settle its trade liabilities on average 30 days from receipt of invoice.

DISABLED EMPLOYEES

It is the Company's policy to give full and fair consideration to the employment and development of disabled persons, having regard to their particular aptitudes and abilities. In the event of employees becoming disabled while in the service of the Company, every effort is made to continue their employment by transfer to other duties and, if required, by the provision of appropriate training.

EMPLOYEE INVOLVEMENT

The future growth and success of the Company depends on the ability, attitudes and skills of its people. Providing the highest quality of services for our customers is greatly influenced by enabling our people to be more valuable. We lay great emphasis on, and invest in, excellence in management and the development of individual employees by training and successful communication. 'Investors in People' provides the core of our approach and affirms our belief in investing to enable our people to improve their knowledge and skills. There is a framework for continuously improving the performance of our business and making us more competitive through a planned approach to setting and communicating business objectives and developing our people to meet these objectives.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

Signed by order of the directors



J Simon LLB
Company Secretary

18 September 2008

RELIANCE FACILITIES MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES, INCLUDING ADOPTION OF GOING CONCERN BASIS

YEAR ENDED 25 April 2008

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 that 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.

RELIANCE FACILITIES MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RELIANCE FACILITIES MANAGEMENT LIMITED

YEAR ENDED 25 APRIL 2008

We have audited the financial statements of Reliance Facilities Management Limited for the year ended 25 April 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet 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

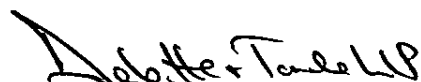
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

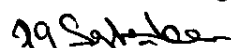
Opinion

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 25 April 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
Chartered Accountants and Registered Auditors
London, United Kingdom



2008

RELIANCE FACILITIES MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 25 April 2008

	Notes	2008 £	Restated (*) 2007 £
TURNOVER	2	53,774,863	56,903,664
Cost of sales		(48,286,746)	(51,422,458)
GROSS PROFIT		5,488,117	5,481,206
Administrative expenses		(6,070,661)	(5,751,326)
OPERATING (LOSS)/PROFIT	3	(582,544)	(270,120)
Non-operating exceptional items			
Profit on sale of investment	8	382,500	-
Cost of fundamental restructuring of continuing operations	8	(347,200)	-
		35,300	-
LOSS ON ORDINARY ACTIVITIES BEFORE FINANCE AND OTHER INCOME		(547,244)	(270,120)
Income from participating interests	6	1,029,000	1,102,500
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		481,756	832,380
Tax on profit on ordinary activities	7	164,017	76,020
Exceptional taxation	8	415,841	-
Total taxation		579,858	76,020
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE YEAR	20	1,061,614	908,400

All of the activities of the Company are classed as continuing.

* see note 21

RELIANCE FACILITIES MANAGEMENT LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 25 April 2008

	2008	Restated (*)
	£	2007
		£
Profit for the financial year	1,061,614	908,400
Total recognised gains and losses for the year	1,061,614	908,400
Prior year adjustment	42,304	-
Total gains and losses recognised since last report	1,103,918	908,400

* see note 21

RELIANCE FACILITIES MANAGEMENT LIMITED

BALANCE SHEET

AS AT 25 April 2008

	Notes	2008 £	2007 – restated (*) £
FIXED ASSETS			
Tangible assets	9	401,113	380,458
Investments	10	490,049	30,049
		<u>891,162</u>	<u>410,507</u>
CURRENT ASSETS			
Stocks	11	136,696	636,742
Debtors: amounts due within one year	12	11,322,567	13,206,479
Debtors: amounts due after more than one year	12	95,965	187,849
Cash at bank and in hand		1,120,405	125,193
		<u>12,675,633</u>	<u>14,156,263</u>
LIABILITIES: amounts falling due within one year	13	<u>(8,878,264)</u>	<u>(10,824,505)</u>
NET CURRENT ASSETS		<u>3,797,369</u>	<u>3,331,758</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,688,531</u>	<u>3,742,265</u>
LIABILITIES: amounts falling due after more than one year	14	<u>(11,153)</u>	<u>(26,997)</u>
NET ASSETS		<u><u>4,677,378</u></u>	<u><u>3,715,268</u></u>
CAPITAL AND RESERVES			
Called up equity share capital	18	3,006,000	3,006,000
Profit and loss account	20	1,671,378	709,268
SHAREHOLDERS' FUNDS	20	<u><u>4,677,378</u></u>	<u><u>3,715,268</u></u>

These financial statements were approved by the directors on 18 September 2008 and are signed on their behalf by:



D Murray
Director

* see note 21

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom company law and accounting standards and under the historical cost convention. The following accounting policies have been consistently applied in the year, and in the preceding year, in dealing with items which are considered material to the Company's accounts, subject to the change in the year as set out below. The financial year is the 52 or 53 weeks up to the Friday before, or falling on, the accounting reference date of 30 April.

Under the requirements of UITF 44: FRS 20 Group and Treasury Share Transactions, the Company adopted Financial Reporting Standard 20 Share-based payment (FRS 20) during the year to measure the fair value of share options granted to its employees. The impact of this change in accounting policy is that the net assets of the Company at 27 April 2007 were £42,304 higher than previously reported. Details of the restatement of comparative figures are set out in note 21.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business net of VAT. Revenue, expenses and net income are accounted for in the period to which the service is related.

Share-based payments

The Company applies FRS 20 Share-based Payment for grants of equity instruments made after 7 November 2002 which had not vested by 29 April 2006.

Under FRS 20, equity-settled share-based payments are measured at fair value at the date of grant and this is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest. In addition, the Company has estimated the corresponding charge to Class 1A National Insurance Contributions (NIC) which will arise on its estimate of the number of shares which will eventually vest. Deferred tax is recognised in respect of the total charge made, and an additional deferred tax asset is recognised in respect of the movement in the imputed taxable gain which would be realised by the option holder if the shares vested at the balance sheet date.

A transfer to the profit and loss reserve is made each period to match the fair value of the share options which has been charged to the profit and loss account. Further adjustments to the profit and loss reserve are made in respect of the deferred tax on the charge to the profit and loss account for the fair value of the share options, and in respect of the movement in the imputed taxable gain which would be realised by the option holder if the shares vested at the balance sheet date. The Company's estimated liability to NIC is held as a creditor on the balance sheet.

Under FRS 20, the expense for cash-settled share-based payments is measured as the difference between the fair value at the date of grant and at the balance sheet date and charged on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest. In addition, the Company has estimated the corresponding charge to class 1A National Insurance Contributions (NIC) which will arise on its estimate of the number of shares which will eventually vest. Deferred tax is recognised in respect of the total charge made. The liabilities in respect of the fair value of the estimated eventual payments to employees and the associated NIC are held as creditors on the balance sheet.

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

1. ACCOUNTING POLICIES (*continued*)

Pensions

The Company operates a defined contribution plan for all staff, the costs of which are recognised as they fall due for payment.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated using the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is calculated on a non-discounted basis.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write-off the cost of an asset, less its estimated residual value, on a straight line basis over its expected useful life as follows:

Short leasehold property	-	Term of lease
Furniture, fixtures & fittings	-	10 – 20% per annum
Other equipment	-	20 – 33% per annum
Motor vehicle	-	20 – 25% per annum

Where an asset is purchased specifically to fulfil the requirements of a particular contract, its carrying value is written down to residual value at the earlier of the end of the asset's useful life (as set out above) and the end date of the relevant contract. For this purpose, potential extensions to the relevant contract are ignored.

Investments

Fixed asset investments are shown at cost less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Work in progress

Work in progress represents the materials used in maintenance contracts, which have been partly completed at the year-end.

Pre-contract costs

The Company expenses all pre-contract costs except for certain directly attributable costs which, when it is virtually certain that a contract will be awarded, are capitalised and written off over the life of the contract.

Costs incurred prior to the date when a contract award is virtually certain are not subsequently reinstated.

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

1. ACCOUNTING POLICIES *(continued)*

Start-up costs

On certain large contracts for services, extending over a number of years, the Company incurs start-up costs in the period between contract award and the commencement of service delivery. Where such costs are not reimbursed at the outset, but are contractually recoverable, they are held on the Company's balance sheet and amortised over the life of the underlying contract. For this purpose, potential extensions to the relevant contract are ignored.

Investment income

Investment income comprises dividends and interest, and is accounted for on a receivable basis.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the Company. All turnover is derived from within the United Kingdom.

3. OPERATING LOSS

Operating loss is stated after charging:

	2008 £	2007 £
Depreciation of owned fixed assets	178,953	125,318
Loss on disposal of fixed assets	9,156	-
Auditors' remuneration		
- as auditors	17,856	17,000
Rent of leasehold properties	42,442	40,550
Other operating leases and hire charges	470,513	678,678

4. PARTICULARS OF EMPLOYEES

The average number of staff (including directors) employed by the Company during the financial year was:

	2008 No.	2007 No.
Facilities management and other operational staff	1,238	1,491
Office staff and management	93	129
	<u>1,331</u>	<u>1,620</u>

The aggregate payroll costs (including directors) of the above were:

	2008 £	2007 £
Wages and salaries	20,851,583	24,509,608
Social security costs	1,737,216	2,056,020
Other pension costs	389,502	383,974
	<u>22,978,301</u>	<u>26,949,602</u>

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2008	2007
	£	£
Emoluments receivable	868,238	762,302
Value of Company pension contributions to money purchase schemes	46,953	50,052
Compensation for loss of office	144,541	-
	<u>1,059,732</u>	<u>812,354</u>

Emoluments of highest paid director:

	2008	2007
	£	£
Total emoluments (excluding pension contributions)	252,960	158,181
Value of Company pension contributions to money purchase schemes	15,450	13,792
	<u>268,410</u>	<u>171,973</u>

The number of directors who accrued benefits under Company pension schemes was as follows:

	2008	2007
	No.	No.
Money purchase schemes	<u>5</u>	<u>5</u>

6. INCOME FROM PARTICIPATING INTERESTS

	2008	2007
	£	£
Income from fixed asset investments	<u>1,029,000</u>	<u>1,102,500</u>

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of credit in the year

	2008 £	Restated (*) 2007 £
Current tax:		
In respect of the year:		
UK Corporation tax credit based on the results for the year at 29.83% (2007: 30.00%)	151,457	52,869
Under provision in prior year	6,934	19,459
Total current tax credit	158,391	72,328
Deferred tax:		
Increase in deferred tax asset (note 12)	5,626	3,692
Exceptional items:		
Current tax credit	415,841	-
Total after exceptional items:		
Current tax	574,232	72,328
Deferred tax	5,626	3,692
Taxation credit on loss on ordinary activities	579,858	76,020

* see note 21

b) Factors affecting current tax credit

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK Corporation Tax to the profit before tax are as follows:

	2008 £	2007 £
Profit on ordinary activities before taxation	481,756	832,380
Tax on profit on ordinary activities at 29.83% rate of tax (2007: 30.00%)	143,707	249,714
Expenses not deductible for tax purposes	11,513	27,361
Permanent differences in respect of share based payments	(302,031)	-
United Kingdom dividend income	(306,951)	(330,750)
Capital allowances in excess of depreciation	1,128	(9,690)
Group relief	(114,100)	-
Other timing differences	(564)	10,496
Prior year items	(6,934)	(19,459)
Total current tax credit (note 7(a))	(574,232)	(72,328)

RELiance FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

8. EXCEPTIONAL ITEMS

Profit on disposal of investment in Bootle Accommodation Partnership Holding Limited

On 9 October 2007, the Company disposed of its holding in Bootle Accommodation Partnership Holding Limited, which was the holding company for the Health & Safety Executive PFI, for cash consideration of £412,000, resulting in a profit of £382,500. Unutilised capital losses within the group were available to the company such that no tax is payable on this gain.

Costs of fundamental re-organisation of existing operations

During the period, an offer was made by Reliance Executive Limited (an indirect and wholly owned subsidiary of Reliance Corporation Limited which is controlled by Mr Brian Kingham) for the issued ordinary share capital of Reliance Security Group plc, the parent company of Reliance Facilities Management Limited, other than the shares already controlled by Brian Kingham. This offer was declared unconditional on 24 August 2007 and trading in Reliance Security Group plc shares on AIM ceased on 25 September 2007.

Under the rules governing the operation of the Group's share options and other long-term incentive schemes, this offer for the minority shareholding in Reliance Security Group plc was deemed to be a 'change of control' and resulted in the early vesting of shares under these schemes. The additional charge to profit in Reliance Facilities Management relating specifically to the early vesting has been calculated as £347,200 under FRS 20 Share-based Payment and classified as a non-operating exceptional item as it relates to a fundamental change to the Group's ownership structure. The regular cost under FRS 20 for the share options and other long-term incentive schemes prior to their early vesting has been charged to administration costs.

The corporation tax deduction related to these exceptional share-based payments has been calculated under Schedule 23 of Finance Act 2003 to be £415,841.

9. TANGIBLE FIXED ASSETS

	Short Leasehold property	Equipment, furniture, fixtures and fittings	Motor Vehicles	Total
	£	£	£	£
At 28 April 2007	135,291	964,623	22,636	1,122,550
Additions	25,920	182,844	-	208,764
Disposals	-	(189,781)	-	(189,781)
At 25 April 2008	161,211	957,686	22,636	1,141,533
DEPRECIATION				
At 28 April 2007	46,526	681,223	14,343	742,092
Charge for the year	17,671	155,481	5,801	178,953
Disposals	-	(180,625)	-	(180,625)
At 25 April 2008	64,197	656,079	20,144	740,420
NET BOOK VALUE				
At 25 April 2008	97,014	301,607	2,492	401,113
At 27 April 2007	88,765	283,400	8,293	380,458

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

10. INVESTMENTS

	Shares in associate £	Loans advanced to associate £	Equity investment in participating interest £	Total £
COST				
At 28 April 2007	49	-	30,000	30,049
Additions	-	490,000	-	490,000
Disposals	-	-	(30,000)	(30,000)
At 25 April 2008	49	490,000	-	490,049
NET BOOK VALUE				
At 25 April 2008	49	490,000	-	490,049
At 28 April 2007	49	-	30,000	30,049

	Principal activity	Country of registration or incorporation	Shares held Class	%
Associate Monteray Limited	Facilities management	England and Wales	Ordinary	24.5

11. STOCKS

	2008 £	2007 £
Work in progress	134,519	630,762
Consumables	2,177	5,980
	136,696	636,742

There is no material difference between the balance sheet value of stocks and their replacement cost.

12. DEBTORS

Amounts due within one year:

	2008 £	2007 £
Trade debtors	3,521,602	3,550,829
Amounts owed by group undertakings	1,770,868	3,742,465
Amounts owed by associates	4,452,864	5,291,379
Other debtors	132,062	36,367
Prepayments and accrued income	870,484	556,192
Corporation tax recoverable	567,298	21,147
Deferred taxation	7,389	8,100
	11,322,567	13,206,479

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

12. DEBTORS (continued)

Amounts due after more than one year:

	2008	Restated (*)
	£	2007
		£
Other debtors	48,148	77,068
Deferred taxation	47,817	110,781
	<u>95,965</u>	<u>187,849</u>

	2008	Restated (*)
	£	2007
		£
Deferred tax is recognised as follows:		
Amounts due within one year:		
- Short-term timing differences	7,389	8,100
Amounts due after more than one year:		
- Deferred capital allowances	44,694	42,020
- Share-based payments	3,123	69,301
- Other timing differences	-	(540)
	<u>55,206</u>	<u>118,881</u>

The movement in the deferred taxation account during the year was:

	2008	Restated (*)
	£	2007
		£
Balance brought forward	118,881	115,189
Profit and loss account movement arising during the year (note 7(a))	5,626	3,692
Share-based payments	(69,301)	-
Balance carried forward	<u>55,206</u>	<u>118,881</u>

* see note 21

13. LIABILITIES: amounts falling due within one year

	2008	2007
	£	£
Trade creditors	1,183,346	3,356,825
Amounts owed to group undertakings	640,623	1,837,187
Other taxation and social security	1,259,830	1,439,313
Other creditors	1,122,653	64,720
Accruals and deferred income	4,671,812	4,126,460
	<u>8,878,264</u>	<u>10,824,505</u>

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

14. LIABILITIES: amounts falling due after more than one year

	2008 £	Restated (*) 2007 £
Other creditors	<u>11,153</u>	<u>26,997</u>

* see note 21

15. PENSIONS

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. At the year-end, Company contributions of £23,951 were outstanding (2007: £27,000).

16. COMMITMENTS UNDER OPERATING LEASES

At 25 April 2008 the Company had annual commitments under non-cancellable operating leases as set out below.

	2008		2007	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	19,036	-	135,730
Within 2 to 5 years	-	156,463	-	542,948
After more than 5 years	42,442	4,020	40,550	-
	<u>42,442</u>	<u>179,519</u>	<u>40,550</u>	<u>678,678</u>

17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption allowed by FRS 8 "Related Party Transactions", not to disclose any transactions with entities that are included in the consolidated financial statements of Reliance Corporation Limited. Other than these there are no other related party transactions.

18. SHARE CAPITAL

Authorised share capital:

	2008 £	2007 £
5,000,000 Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>

Allotted, called up and fully paid:

	2008 £	2007 £
3,006,000 Ordinary shares of £1 each	<u>3,006,000</u>	<u>3,006,000</u>

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

19. SHARE-BASED PAYMENTS

Equity-settled share based payments

The Company's immediate parent operated an Executive Share Option Scheme (ESOS), Executive Share Option Plan (ESOP) and Long-Term Incentive Plan (LTIP) for directors and senior management. Awards made under these ESOS, ESOP and LTIP schemes granted the recipients options in shares in Reliance Security Group plc.

Details of the awards outstanding under these schemes to the directors and senior management of the Company, and which have been accounted for under FRS 20, are as follows:

	Exercise price per share £	Number of Shares			Outstanding at 25 April 2008
		Outstanding at 27 April 2007	Exercised	Lapsed	
ESOS					
2 July 2003	800p	23,605	(23,605)	-	-
ESOP					
2 July 2003	800p	1,395	(1,395)	-	-
LTIP					
21 April 2004	nominal	13,922	(13,922)	-	-
4 August 2004	nominal	16,136	(16,136)	-	-
4 July 2005	nominal	73,115	(60,595)	(12,520)	-
6 July 2006	nominal	52,245	(30,238)	(22,007)	-
9 October 2006	nominal	20,862	-	(20,862)	-
8 December 2006	nominal	20,500	(6,698)	(13,802)	-
Total		196,780	(127,589)	(69,191)	-

As set out above all the share options under the ESOS, ESOP and LTIP were either exercised or lapsed during the year. The exercise of the options was subject to the achievement of performance conditions by Reliance Security Group plc and the continued employment of the option holder. Options were valued using a simulation model. The fair value per option and the assumptions used in the calculations were as follows:

	Expected term/ exercise date	Share price at grant date £	Risk free rate %	Expected dividend yield %	Expected volatility %	Fair value of one share under option £
2 July 2003	2 July 2010	4.83	4.05%	2.66%	24.00%	0.44
21 April 2004	21 April 2008	5.33	5.11%	2.75%	22.58%	2.16
4 August 2004	4 August 2008	5.33	5.11%	2.75%	22.58%	2.16
4 July 2005	4 July 2009	5.15	4.10%	3.77%	18.91%	2.33
6 July 2006	6 July 2010	5.15	4.80%	3.98%	19.61%	2.58
9 October 2006	9 October 2010	6.70	4.82%	3.97%	21.70%	3.65
8 December 2006	8 December 2010	6.39	4.85%	3.83%	18.65%	3.06

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

19. SHARE-BASED PAYMENTS (continued)

Expected volatility was based on the historical daily volatility over periods of increasing length ending on the date of grant (e.g. for options with a 4 year expected term volatility for 1, 2, 3 and 4 years each ending on the date of the grant). These volatility figures were used to calculate a weighted average volatility for the term commensurate with the expected term of the award being valued. The source of the data for this analysis was Bloomberg.

	2008		2007	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at beginning of year	221,780	0.90	142,705	1.49
Granted in the year	-	N/A	93,607	-
Lapsed during the year	(69,191)	-	(14,532)	0.83
Exercised during the year	(152,589)	1.31	-	N/A
Outstanding at the end of the year	-	N/A	221,780	0.90
Exercisable at the end of the year	-	N/A	-	N/A

The weighted average price at the date of exercise for the share options exercised during the year was £9.16.

The Company recognised expenses before taxation of £370,736 (of which £347,200 has been classified as a non-operating exceptional item – see note 7) and £50,771 related to equity share based payment transactions in 2008 and 2007 respectively.

Cash-settled share-based payments

Certain employees in the Company have the opportunity to participate in the Phantom Share Option Plan (PSOP) a new cash-settled share based long-term incentive scheme which was introduced during the year, and which is based on the performance of the shares of Reliance Corporation Limited. On exercise the Company will pay the intrinsic value gains made under this plan to the employees, providing they remain in employment at the vesting date.

The Company has recorded liabilities of £11,153 in 2008. The fair value of the PSOP is determined by using a binomial valuation model using the assumptions set out in the table below. The Group recorded total expenses of £11,153 in 2008. The total intrinsic value at 25 April 2008 was £31,313.

The value per share and the assumptions used in the calculations are as follows:

	Expected term/ exercise date	Share price at grant date £	Risk free rate %	Expected dividend yield %	Expected volatility %	Fair value of one share under option £
Phantom share option plan	30 August 2011	170.37	4.40%	0%	31.77%	86.50

Expected volatility was based on the historical daily volatility for a group of 50 comparator companies in the FTSE All Share Support Services sector over periods of increasing length ending on the date of grant (e.g. for options with a 4 year expected term volatility for 1, 2, 3 and 4 years each ending on the date of the grant). These volatility figures were used to calculate a weighted average volatility for the term commensurate with the expected term of the award being valued. The source of the data for this analysis is Bloomberg.

RELIANCE FACILITIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 25 APRIL 2008

20. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital £	Profit and loss account £	2008 Total £	Restated (*) 2007 Total £
At start of year	3,006,000	666,964	3,672,964	3,929,024
Prior year adjustment on adoption of UITF 44	-	42,304	42,304	9,156
At start of the year as restated	3,006,000	709,268	3,715,268	3,938,180
Profit for the financial year	-	1,061,614	1,061,614	908,400
Share based payments	-	300,496	300,496	68,688
Dividends	-	(400,000)	(400,000)	(1,200,000)
At end of year	3,006,000	1,671,378	4,677,378	3,715,268

21. PRIOR YEAR RESTATEMENT – ADOPTION OF FRS 20 SHARE-BASED PAYMENT

	2007 Financial Statements £	Adoption of UITF 44 £	Restated 2007 Financial Statements £
Profit and loss account			
Operating profit/(loss)	(219,349)	(50,771)	(270,120)
Income from participating interests	1,102,500	-	1,102,500
Tax charge	60,789	15,231	76,020
Profit for the financial year	943,940	(35,540)	908,400
Balance sheet			
Creditors due after one year – other creditors	-	(26,997)	(26,997)
Debtors due after one year – deferred tax	41,480	69,301	110,781
Profit and loss reserve	666,964	42,304	709,268
Net assets	3,672,964	42,304	3,715,268

22. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Reliance Security Services Limited, incorporated in Great Britain and registered in England and Wales, is the immediate parent company. The smallest and largest groups in which the Company's results are consolidated are headed by Reliance Security Group Limited and its ultimate parent, Reliance Corporation Limited, respectively. Copies of the consolidated accounts of Reliance Corporation Limited are available from the registered office at Boundary House, Cricketfield Road, Uxbridge, Middlesex UB8 1QG.

Mr. Brian Kingham, chairman and founder of the group, has a beneficial interest in the entire ordinary issued share capital of Reliance Corporation Limited and is the ultimate controlling party of the company.