

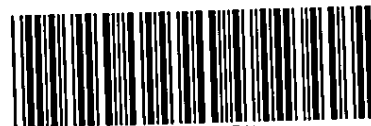
Company Registration Number 2938041

MITIE FACILITIES SERVICES LIMITED
(formerly MITIE Facilities Management Limited)

Report and Financial Statements

31 March 2008

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MITIE FACILITIES SERVICES LIMITED
(formerly MITIE Facilities Management Limited)

REPORT AND FINANCIAL STATEMENTS 2008

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MITIE FACILITIES SERVICES LIMITED
(formerly MITIE Facilities Management Limited)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R McGregor-Smith
S C Baxter
N R Goodman
J P Flanagan
M A Freeman
P F Mosely
P W Stirland

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 FACILITIES SERVICES LIMITED
(formerly MITIE Facilities Management Limited)

DIRECTORS' REPORT

The directors present their report and financial statements for the financial 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 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 group and of the profit or loss of the group for that period. In preparing those 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 to 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 majority owned subsidiary of MITIE Group PLC (the 'Group'). The company changed its name from MITIE Facilities Management Limited to MITIE Facilities Services Limited on 1 August 2007.

On 30 September 2007, as part of a group reorganisation, the company acquired from MITIE Group PLC all its active Facilities Services subsidiaries for £425 million. The adoption of merger accounting in these financial statements presents MITIE Facilities Services Limited as if it had always been the parent undertaking of the Facilities Services group of companies (the 'Facilities Services Group'). In addition, MITIE Facilities Services Limited acquired the entire issued share capital of catering company Catering Partnership Holdings Limited in March 2008 for expected consideration of £7.8 million.

The principal activity of the Facilities Services Group is being a provider of facilities services. These services consist principally of the following:

- Cleaning
- Security
- Engineering Maintenance
- Facilities Management
- Catering
- Landscape
- Pest Control

MITIE FACILITIES SERVICES LIMITED
(formerly MITIE Facilities Management Limited)

DIRECTORS' REPORT (continued)

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS (continued)

The Facilities Services Group delivers these services in one of three ways single services, bundled services or facilities management

The Facilities Services Group has had a strong year with good levels of growth across the business

Key performance indicators (KPIs) used by the MITIE Group PLC are earnings before interest, tax and amortisation (EBITA), conversion of EBITA before depreciation (EBITDA) to cash, capital expenditure, operating margins, reportable accidents, management turnover, retention of existing contracts, forward order book and carbon dioxide emissions Performance of MITIE Group PLC against these KPIs is discussed in the Group's annual report which does not form part of this report

The Facilities Services Group complies with the established risk management and corporate governance framework of the Group which is described in the Annual Report of MITIE Group PLC The principal risks that affect the Facilities Services Group are new business, health, safety and environment, employee skill shortages, liquidity and pension risks

PRINCIPAL RISKS AND UNCERTAINTIES

We have an established risk management and corporate governance framework for identifying, evaluating and managing significant risks faced by MITIE We recognise that risks and uncertainties offer the potential for both upside and downside changes within our business We employ internal and external specialists to manage our risk profile and regularly review our system of internal control to ensure that risks are appropriately identified and addressed

Our principal risks and uncertainties are as detailed on pages 46 and 47 in MITIE's 2008 Annual Report, a copy of which is available on our website at www.mitie.co.uk We have summarised the risks below

New business - As our business develops, we will increasingly tender for larger and more complex contracts creating new or larger scale risks as well as the opportunity for enhanced returns

Acquisitions - We continue to seek acquisitions that fit with or complement our existing business and acknowledge the risks surrounding appropriate pricing and integration of any new business

Health, safety and environment - The range of activities that we undertake carries with it a broad spectrum of health, safety and environmental risks with the potential to impact a number of stakeholder groups including our employees, the public and our clients

Employee skills shortages - MITIE is a people business and our success relies on our ability to recruit and retain the best talent throughout the organisation

Liquidity - Maintaining sufficient liquidity is essential for ensuring that we can meet our strategic targets and manage our day to day commitments

Pensions - We manage our exposure to pension scheme liabilities through the use of specialist in-house and external advisers and through established procedures to ensure compliance with current regulations

MITIE FACILITIES SERVICES LIMITED
(formerly MITIE Facilities Management Limited)

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT

The directors have reviewed the financial risk management objectives and policies of the Facilities Services Group. The directors do not believe there to be significant risks in this area. The Facilities Services Group 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 Facilities Services Group 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.

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 Facilities Services Group 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 Facilities Services Group 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 Facilities Services Group.

The Facilities Services Group recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of MITIE Group PLC and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

DIRECTORS

The directors during the year and subsequently were as follows

S C Baxter	
N R Goodman	(appointed 20 August 2007)
C S Hale	(appointed 20 August 2007, resigned 14 January 2008)
R McGregor-Smith	
J P Flanagan	(appointed 2 May 2008)
M A Freeman	(appointed 2 May 2008)
P F Mosely	(appointed 2 May 2008)
P W Stirland	(appointed 2 May 2008)

MITIE FACILITIES SERVICES LIMITED
(formerly MITIE Facilities Management Limited)

DIRECTORS' REPORT (continued)

AUDITORS

Deloitte & Touche LLP were appointed as auditors on 6 May 2008

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

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

A handwritten signature in black ink, appearing to be 'S C Baxter', with a large circular flourish at the end.

S C Baxter
Director

17 July 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE FACILITIES SERVICES LIMITED

We have audited the group and parent company financial statements (the "financial statements") of MITIE Facilities Services Limited (formerly MITIE Facilities Management Limited) for the year ended 31 March 2008 which comprise the consolidated profit and loss account, the consolidated and company balance sheets and the related notes 1 to 24. 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 Annual Report and 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 other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

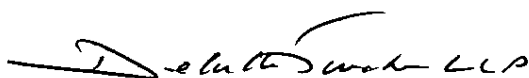
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 group's and 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 group's and the parent company's affairs as at 31 March 2008 and of the group's 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 & Registered Auditors
Bristol, United Kingdom

18 July 2008

MITIE FACILITIES SERVICES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2008

	Notes	Continuing operations		
		2008 £m	2007 £m	2006 £m
TURNOVER	1	820.4	732.1	516.0
Cost of sales		(674.5)	(599.5)	(418.4)
GROSS PROFIT		145.9	132.6	97.6
Administrative expenses		(100.2)	(92.3)	(65.2)
OPERATING PROFIT	2	45.7	40.3	32.4
Interest received and similar income	3	2.3	1.2	1.3
Interest paid and similar charges	3	(9.4)	(0.9)	(0.2)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		38.6	40.6	33.5
Tax on profit on ordinary activities	4	(14.5)	(12.7)	(10.2)
PROFIT FOR THE FINANCIAL YEAR		24.1	27.9	23.3
Attributable to:				
Equity holders of the parent	15	23.0	26.9	21.9
Minority interests		1.1	1.0	1.4
		24.1	27.9	23.3

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


MITIE FACILITIES SERVICES LIMITED

CONSOLIDATED BALANCE SHEET At 31 March 2008

	Notes	2008 £m	2007 £m	2006 £m
FIXED ASSETS				
Intangible assets	7	22 8	16 1	15 6
Tangible assets	8	23 1	18 9	17 3
		<u>45 9</u>	<u>35 0</u>	<u>32 9</u>
CURRENT ASSETS				
Stock and work in progress		1 4	7 1	8 1
Debtors	10	162 9	143 6	122 2
Cash at bank and in hand		56 2	56 1	59 4
		<u>220 5</u>	<u>206 8</u>	<u>189 7</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(149 4)	(136 5)	(130 3)
NET CURRENT ASSETS		<u>71 1</u>	<u>70 3</u>	<u>59 4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		117 0	105 3	92 3
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Finance leases	12	(2 1)	(1 6)	(1 0)
TOTAL NET ASSETS EMPLOYED		<u>114 9</u>	<u>103 7</u>	<u>91 3</u>
FINANCED BY				
Convertible loan note	13	233 8	225 7	225 7
CAPITAL AND RESERVES				
Called up share capital	14	17 5	17 5	17 5
Share premium account	15	57 8	57 8	57 8
Profit and loss account	15	68 3	66 7	54 9
Group reorganisation reserve	15	(293 3)	(293 3)	(293 3)
Other reserves	15	24 3	24 3	24 3
		<u>(125 4)</u>	<u>(127 0)</u>	<u>(138 8)</u>
		108 4	98 7	86 9
Minority interests		6 5	5 0	4 4
TOTAL FINANCING		<u>114 9</u>	<u>103 7</u>	<u>91 3</u>

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 FACILITIES SERVICES LIMITED

COMPANY BALANCE SHEET At 31 March 2008

	Notes	2008 £m	2007 £m	2006 £m
FIXED ASSETS				
Intangible assets	7	0.1	-	-
Investments	9	333.1	-	-
		<u>333.2</u>	<u>-</u>	<u>-</u>
CURRENT ASSETS				
Debtors	10	1.2	-	-
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(6.7)	-	-
NET CURRENT LIABILITIES		<u>(5.5)</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>327.7</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS EMPLOYED		<u>327.7</u>	<u>-</u>	<u>-</u>
FINANCED BY				
Convertible loan note	13	233.8	-	-
CAPITAL AND RESERVES				
Called up share capital	14	17.5	-	-
Share premium account	15	57.8	-	-
Profit and loss account	15	(5.7)	-	-
Other reserves	15	24.3	-	-
		<u>93.9</u>	<u>-</u>	<u>-</u>
TOTAL FINANCING		<u>327.7</u>	<u>-</u>	<u>-</u>

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 FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The company is a majority owned subsidiary of MITIE Group PLC (the 'Group'). The company changed its name from MITIE Facilities Management Limited to MITIE Facilities Services Limited on 1 August 2007.

On 30 September 2007 the company acquired from MITIE Group PLC all its active MITIE Facilities Services subsidiaries for £425 million. This transaction has been accounted for as a merger with the result that the company and its subsidiaries form one group. The adoption of merger accounting in these financial statements presents MITIE Facilities Services Limited as if it had always been the parent undertaking of the Facilities Services Group and as if the associated transaction occurred on 1 April 2005.

The effect of merger accounting for this transaction is that the consolidated profit and loss account includes the profits and losses of each company for the entire period, regardless of the date of the merger, and the comparative amounts in the consolidated accounts are restated to the aggregate of the amounts recorded by the Facilities Services Group.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied. All turnover arises within the United Kingdom, from the Facilities Services Group's principal activities.

Turnover from bundled contracts consists of various components which operate independently of each other and for which reliable fair values can be established. Accordingly, each component is accounted for separately as if it were an individual contractual arrangement.

Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses (representing the excess of the fair value of the consideration given over the fair value of separable net assets acquired) is capitalised and amortised over a period of 20 years and provision made for any impairment. Results are consolidated from the date at which control has passed. Under merger accounting principles, no goodwill has been created as part of the group reconstruction and goodwill mainly represents that previously existing in the underlying subsidiaries. Additionally, goodwill relating to fair value adjustments on acquisitions has been recognised.

Other intangible assets are recognised to the extent that they are separable and can be measured reliably. They are capitalised at cost and amortised on a straight-line basis over their useful life.

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:

Property	shorter of lease period or 50 years
Plant and motor vehicles	3 to 5 years

Leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term. Assets held under finance leases, which confer rights and obligations similar to those attached to current assets, are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and useful lives. The capital elements of future hire purchase obligations are recorded as liabilities while the interest elements are charged to the profit and loss account over the period of the lease to provide a constant rate of charge on the balance of capital repayments outstanding.

MITIE FACILITIES SERVICES 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 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. 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 Facilities Services Group participates in the MITIE Group PLC Pension Schemes. One of these schemes is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. For the purposes of FRS 17 ('Retirement Benefits'), the Facilities Services Group 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 Facilities Services Group is accounting for contributions to the scheme as if it were a defined contribution scheme. For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year.

Where the Facilities Services Group can separately identify its share of the underlying assets and liabilities of any defined benefit schemes to which it contributes, the Facilities Services Group 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 Facilities Services Group 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. In accordance with the transitional provisions of FRS 20 ('Share-Based Payment'), FRS 20 has been applied to all grants after 7 November 2002 that had not vested before 1 April 2005.

Cash flow statement

The company has taken the exemption under FRS 1 ('Cash Flow Statements') from the requirement to prepare a cash flow statement, as it is included within the consolidated financial statements of MITIE Group PLC and greater than 90% of the voting rights of the company are held by MITIE Group PLC.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

1. ACCOUNTING POLICIES (continued)

Financial instruments

The company accounts for financial instruments in accordance with FRS 25 ('Financial Instruments Disclosure and Presentation') and FRS 4 ('Capital instruments'). The company classifies component parts of financial instruments that it issues as a financial liability or as equity in accordance with the substance of the contractual arrangement. The inception value of the financial liability component is determined as the net present value of the cash flows of a similar debt instrument without the equity element. The value of the equity component is calculated as the difference between the fair value of the financial instrument and the fair value of the financial liability component, is not subsequently remeasured, and is disclosed as 'Other reserves'. The financial liability component is carried during the life of the instrument at inception value plus cumulative finance cost measured such that interest is accreted to the profit and loss account at a constant rate over the term of the financial instrument, commencing from the date of issue.

2. OPERATING PROFIT

	2008 £m	2007 £m	2006 £m
Operating profit is stated after charging/(crediting)			
Depreciation	8.9	8.0	6.0
Amortisation of goodwill	1.6	1.6	0.4
Auditors' remuneration - audit services	0.2	0.2	0.2
Profit on disposal of tangible fixed assets	(0.8)	(0.3)	(0.3)

Company audit fees were £16,000 (2007: nil, 2006: nil)

3. INTEREST

	2008 £m	2007 £m	2006 £m
Interest received and similar income			
Bank interest	2.2	1.1	1.3
Net return on pension schemes (note 20)	0.1	0.1	-
	<u>2.3</u>	<u>1.2</u>	<u>1.3</u>
Interest paid and similar charges			
Bank interest	0.6	0.1	0.2
Interest on obligations under finance leases	0.3	0.2	-
Interest on intercompany loan	0.4	0.6	-
Accretion of convertible loan note	8.1	-	-
	<u>9.4</u>	<u>0.9</u>	<u>0.2</u>

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £m	2007 £m	2006 £m
(a) Analysis of charge			
United Kingdom corporation tax at 30% (2007 30%, 2006 30%)	14.4	13.4	10.7
Adjustment in respect of prior periods	(0.4)	(0.2)	(0.1)
Total current tax (note 4(b))	<u>14.0</u>	<u>13.2</u>	<u>10.6</u>
Deferred taxation			
Timing differences - origination and reversal	0.5	(0.5)	(0.4)
Tax on profit on ordinary activities	<u>14.5</u>	<u>12.7</u>	<u>10.2</u>

(b) Factors affecting tax charge

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%, 2006 30%) The differences are as follows

	£m	£m	£m
Profit on ordinary activities before tax	<u>38.6</u>	<u>40.6</u>	<u>33.5</u>
	£m	£m	£m
Tax at 30% (2007 30%, 2006 30%) thereon	11.6	12.2	10.1
Expenses not deductible for tax purposes	3.3	0.8	0.3
Depreciation in excess of capital allowances	-	0.2	0.2
Generation of tax losses	-	0.3	0.1
Adjustment in respect of prior periods	(0.4)	(0.2)	(0.1)
Group relief not paid for	-	-	(0.1)
Tax relief on share options	(0.3)	-	-
Other timing differences	(0.2)	(0.1)	0.1
Current tax charge for the year (note 4(a))	<u>14.0</u>	<u>13.2</u>	<u>10.6</u>

(c) Factors affecting future tax charges

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

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

5. DIVIDENDS

The dividends approved and paid in the year are as follows

The Company			The Group		
2008	2007	2006	2008	2007	2006
£m	£m	£m	£m	£m	£m
-	-	-	21.9	15.6	18.3

6. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £5.7m (2007 nil, 2006 nil)

7. INTANGIBLE FIXED ASSETS

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 April 2006	18.3	-	18.3
Additions	2.1	-	2.1
At 31 March 2007	20.4	-	20.4
Additions	8.2	0.1	8.3
At 31 March 2008	28.6	0.1	28.7
Amortisation			
At 1 April 2006	2.7	-	2.7
Charge for the financial year	1.6	-	1.6
At 31 March 2007	4.3	-	4.3
Charge for the financial year	1.6	-	1.6
At 31 March 2008	5.9	-	5.9
Net book value			
At 31 March 2008	22.7	0.1	22.8
At 31 March 2007	16.1	-	16.1
At 31 March 2006	15.6	-	15.6

The other intangible assets arise in the balance sheet of the company

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

8. TANGIBLE FIXED ASSETS

	Property £m	Plant and motor vehicles £m	Total £m
Cost			
At 1 April 2006	1 1	33 7	34 8
Additions	0 2	11 3	11 5
Transfers in	0 2	1 9	2 1
Disposals	(0 2)	(6 2)	(6 4)
Transfers out	(0 6)	(1 4)	(2 0)
	<hr/>	<hr/>	<hr/>
At 31 March 2007	0 7	39 3	40 0
Additions	0 2	14 0	14 2
Transfers in	-	0 6	0 6
Disposals	(0 1)	(8 3)	(8 4)
Transfers out	-	(0 7)	(0 7)
	<hr/>	<hr/>	<hr/>
At 31 March 2008	0 8	44 9	45 7
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2006	0 3	17 2	17 5
Charge for the financial year	0 1	7 9	8 0
Transfers in	0 1	1 4	1 5
Disposals	(0 1)	(5 0)	(5 1)
Transfers out	(0 1)	(0 7)	(0 8)
	<hr/>	<hr/>	<hr/>
At 31 March 2007	0 3	20 8	21 1
Charge for the financial year	0 1	8 8	8 9
Transfers in	-	0 3	0 3
Disposals	-	(7 3)	(7 3)
Transfers out	-	(0 4)	(0 4)
	<hr/>	<hr/>	<hr/>
At 31 March 2008	0 4	22 2	22 6
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2008	0 4	22 7	23 1
	<hr/>	<hr/>	<hr/>
At 31 March 2007	0 4	18 5	18 9
	<hr/>	<hr/>	<hr/>
At 31 March 2006	0 8	16 5	17 3
	<hr/>	<hr/>	<hr/>

There were no tangible fixed assets in the balance sheet of the company

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

9. INVESTMENTS

	£m
Cost	
At 1 April 2006 and 2007	-
Additions	333.1
At 31 March 2008	333.1
Provision for impairment	
At 1 April 2006 and 2007	-
At 31 March 2008	-
Net book value	
At 31 March 2008	333.1
At 31 March 2006 and 2007	-

Principal subsidiaries are shown in note 23

The investments recognised in the financial statements are net of £99.7 million of section 132 relief

10. DEBTORS

	The Company			The Group		
	2008	2007	2006	2008	2007	2006
	£m	£m	£m	£m	£m	£m
Trade debtors	-	-	-	140.3	116.6	114.7
Amounts owed by group undertakings	1.2	-	-	1.8	1.9	0.5
Other debtors	-	-	-	1.2	3.7	0.9
Prepayments and accrued income	-	-	-	17.7	19.3	5.1
Deferred tax asset	-	-	-	1.9	2.1	1.0
	1.2	-	-	162.9	143.6	122.2

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

10. DEBTORS (continued)

The deferred tax asset recognised in the financial statements is analysed as follows

	The Company			The Group		
	2008	2007	2006	2008	2007	2006
	£m	£m	£m	£m	£m	£m
Negative accelerated capital allowances	-	-	-	0.8	1.0	0.6
Short-term timing differences	-	-	-	0.5	0.8	0.2
Share options	-	-	-	0.4	0.3	0.2
Tax losses	-	-	-	0.2	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.9</u>	<u>2.1</u>	<u>1.0</u>

The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount of deferred tax debited to the profit and loss account in the financial year was £0.5 million (2007: £0.5 million credit, 2006: £0.4 million credit).

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Company			The Group		
	2008	2007	2006	2008	2007	2006
	£m	£m	£m	£m	£m	£m
Obligations under finance leases (see note 12)	-	-	-	1.4	1.0	0.8
Overdraft	4.5	-	-	-	-	-
Trade creditors	0.1	-	-	61.0	55.0	45.8
Amounts owed to group undertakings	0.2	-	-	2.1	1.2	12.9
Corporation tax	-	-	-	6.9	7.0	6.5
Other taxation and social security	0.1	-	-	40.1	32.1	30.6
Deferred contingent consideration	0.9	-	-	0.9	-	-
Other creditors	-	-	-	4.8	1.3	0.7
Accruals and deferred income	0.9	-	-	32.2	38.9	33.0
	<u>6.7</u>	<u>-</u>	<u>-</u>	<u>149.4</u>	<u>136.5</u>	<u>130.3</u>

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

12. OBLIGATIONS UNDER FINANCE LEASES

Finance leases are repayable between one and five years and are secured by the assets to which they relate

The following is an analysis of total finance lease obligations

	The Company			The Group		
	2008 £m	2007 £m	2006 £m	2008 £m	2007 £m	2006 £m
Minimum lease payments						
Amounts due in less than one year	-	-	-	1 4	1 0	0 8
In the second to fifth years inclusive	-	-	-	2 5	1 9	1 3
	-	-	-	3 9	2 9	2 1
Less future finance charges	-	-	-	(0 4)	(0 3)	(0 3)
Present value of lease obligations	-	-	-	3 5	2 6	1 8
Less amount due for settlement within 12 months (see note 11)	-	-	-	(1 4)	(1 0)	(0 8)
Amount due for settlement after 12 months	-	-	-	2 1	1 6	1 0

13. CONVERTIBLE LOAN NOTE

	The Company			The Group		
	2008 £m	2007 £m	2006 £m	2008 £m	2007 £m	2006 £m
Convertible loan note	233 8	-	-	233 8	225 7	225 7

The company issued a convertible loan note in the principal amount of £250 million on 30 September 2007 as part consideration for the purchase from MITIE Group PLC of its active Facilities Services subsidiaries. The loan note is non interest bearing, unsecured and ranks equally with all other unsecured obligations of the company.

The company will either convert the principal amount into shares or pay all amounts outstanding under the loan note to the holder on 31 March 2009 (or earlier in the case of default). The loan note is accounted for as a compound instrument under FRS 25, bifurcating the loan note into a liability component of £225.7 million and an equity component of £24.3 million included in other reserves. During the life of the loan note, the financial liability component is measured in accordance with FRS 4 such that interest is accreted to the profit and loss account at a constant rate over the term of the loan note. The amount of interest in the current year is £8.1 million.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

14. CALLED UP SHARE CAPITAL

	The Company			The Group		
	2008	2007	2006	2008	2007	2006
	£m	£m	£m	£m	£m	£m
Authorised						
17,501,000 £1 Ordinary shares	17.5	-	-	17.5	17.5	17.5
300,000,000 £0.01 Irredeemable preference shares	3.0	-	-	3.0	3.0	3.0
	<u>20.5</u>	<u>-</u>	<u>-</u>	<u>20.5</u>	<u>20.5</u>	<u>20.5</u>
	£m	£m	£m	£m	£m	£m
Allotted and fully paid						
17,500,002 £1 Ordinary shares	<u>17.5</u>	<u>-</u>	<u>-</u>	<u>17.5</u>	<u>17.5</u>	<u>17.5</u>

17,500,000 £1 ordinary shares were issued on 30 September 2007 as part of the group reorganisation, which is subject to merger accounting in these financial statements

Immediately following their issue, every 1,127 irredeemable preference shares will automatically and mandatorily be redesignated and consolidated as 85 ordinary shares of £1 each ranking pari passu in all respects with the ordinary shares. An ordinary resolution was passed on 10 March 2008 such that, immediately prior to the automatic redesignation of the irredeemable preference shares to ordinary shares, the authorised share capital of the company is increased by 21,250,000 ordinary shares.

The ordinary shares and irredeemable preference shares rank pari passu in all respects save as follows:

Income

The holders of the irredeemable preference shares are entitled to receive a cumulative preferential dividend in priority to any other payment by way of dividend. The preferential dividend shall for every twelve month period in respect of each irredeemable preference share be

$$((A + 2.31\%) \times 100 \times £0.01)$$

where A is equal to the twelve month sterling LIBOR rate expressed as a percentage and as more fully defined in the company's Articles. The irredeemable preference shares shall not confer upon the holders any right to participate in the profits of the company beyond the preferential dividend.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

14 CALLED UP SHARE CAPITAL (continued)

Capital

On a distribution of assets on a winding up or other return of capital, the surplus assets of the company remaining after payment of its liabilities shall be paid in the following order of priority

- (i) firstly, in paying to the holders of irredeemable preference shares any amount of the preferential dividend accrued and/or due but unpaid on the date of the distribution or other return,
- (ii) secondly, in repaying to the holders of irredeemable preference shares the nominal value paid up on each such irredeemable preference share held by them on the date of the distribution or other return,
- (iii) thirdly, in paying to the holders of irredeemable preference shares £0.99 per irredeemable preference share held by them on the date of the distribution or other return, and
- (iv) thereafter, any surplus shall be paid to the holders of ordinary shares pro rata

The irredeemable preference shares shall not confer upon the holders thereof any further right to participate in the assets of the company available for distribution among the members of the company

Voting

The irredeemable preference shares shall not confer upon the holder or holders thereof any right to receive notice of, attend or vote at a general meeting

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

15. RESERVES

The Group	Share capital £m	Share premium £m	Group re-organisation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 April 2006	17.5	57.8	(293.3)	24.3	54.9	(138.8)
Profit for the financial year attributable to equity holders of the parent	-	-	-	-	26.9	26.9
Capital contribution in relation to share-based payments	-	-	-	-	0.5	0.5
Dividends	-	-	-	-	(15.6)	(15.6)
At 31 March 2007	17.5	57.8	(293.3)	24.3	66.7	(127.0)
Profit for the financial year attributable to equity holders of the parent	-	-	-	-	23.0	23.0
Capital contribution in relation to share-based payments	-	-	-	-	0.5	0.5
Dividends	-	-	-	-	(21.9)	(21.9)
At 31 March 2008	17.5	57.8	(293.3)	24.3	68.3	(125.4)
The Company	£m	£m	£m	£m	£m	£m
At 1 April 2006	-	-	-	-	-	-
Profit for the financial year attributable to equity holders of the parent	-	-	-	-	-	-
At 31 March 2007	-	-	-	-	-	-
Issued on purchase of Facilities Services Group	17.5	57.8	-	24.3	-	99.6
Loss for the financial year attributable to equity holders of the parent	-	-	-	-	(5.7)	(5.7)
At 31 March 2008	17.5	57.8	-	24.3*	(5.7)*	93.9

* At 31 March 2008 £8.1 million of other reserves are distributable, hence distributable profits are £2.4 million

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

16 FINANCIAL COMMITMENTS

Operating leases

Minimum lease payments under operating leases for the year were £2.3 million (2007: £1.9 million, 2006: £2.6 million)

At the balance sheet date, the Facilities Services Group had total commitments under non-cancellable operating leases as follows

	The Company			The Group		
	2008	2007	2006	2008	2007	2006
	£m	£m	£m	£m	£m	£m
Expiry date						
- within one year	-	-	-	1.4	1.4	0.6
- between two and five years	-	-	-	2.7	2.2	2.2
- after five years	-	-	-	0.3	0.2	0.5
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4.4</u>	<u>3.8</u>	<u>3.3</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: nil, 2006: nil)

Performance bonds

The Facilities Services Group had outstanding performance bonds as follows

	The Company			The Group		
	2008	2007	2006	2008	2007	2006
	£m	£m	£m	£m	£m	£m
Performance bonds	-	-	-	0.9	1.1	0.8
	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.9</u>	<u>1.1</u>	<u>0.8</u>

17 DIRECTORS

No emoluments were payable to the directors during the current or preceding financial year. S C Baxter, N R Goodman, C S Hale and R McGregor-Smith were directors of MITIE Group PLC and their emoluments and pension details are disclosed in the financial statements of that company.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

18 EMPLOYEES

Number of employees

The average number of persons (including directors) employed by the Facilities Services Group during the financial year was 43,654 (2007 38,429, 2006 29,298)

	The Company			The Group		
	2008	2007	2006	2008	2007	2006
Employment costs	£m	£m	£m	£m	£m	£m
Wages and salaries	-	-	-	501.8	415.4	327.9
Social security costs	-	-	-	40.3	32.9	43.1
Pension costs	-	-	-	3.6	3.0	2.1
Share-based payments (see note 19)	-	-	-	0.5	0.5	0.3
	<u>-</u>	<u>-</u>	<u>-</u>	<u>546.2</u>	<u>451.8</u>	<u>373.4</u>

19 SHARE-BASED PAYMENTS

The Facilities Services Group 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 in respect of awards prior to 26 July 2007 and 4.0% above the Retail Price per annum thereafter.

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 FACILITIES SERVICES 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	2007
	Weighted average exercise price (in p)	Weighted average exercise price (in p)
Number of share options (m)	Number of share options (m)	Number of share options (m)
Outstanding at beginning of the period	6.1	5.7
Granted during the period	2.0	1.8
Forfeited during the period	(0.9)	(0.7)
Transferred during the period	(0.2)	-
Exercised during the period	(0.9)	(0.7)
Outstanding at end of the period⁽¹⁾	6.1	6.1
Exercisable at end of the period	0.9	1.0

⁽¹⁾ Included within this balance are 0.4 million (2007: 1.1 million, 2006: 1.6 million) 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, 2006: 57p to 174p).

The Facilities Services Group recognised the following expenses related to share-based payments

	2008 £m	2007 £m	2006 £m
2001 Executive share options	0.3	0.3	0.2
2001 Savings related share options	0.2	0.2	0.1
	0.5	0.5	0.3

The weighted average share price at the date of exercise for share options exercised during the period was 262p (2007: 213p, 2006: 181p).

The options outstanding at 31 March 2008 had a weighted average exercise price of 177p (2007: 144p, 2006: 130p) and a weighted average remaining contractual life of 5.5 years (2007: 5.3 years, 2006: 5.5 years).

In the year ended 31 March 2008, options were granted in July and August 2007 in respect of the Executive and Savings related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £0.8 million.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

19 SHARE-BASED PAYMENTS (continued)

In the year ended 31 March 2007, options were granted in June and July 2006 in respect of the Executive and Savings related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £0.7 million.

In the year ended 31 March 2006, options were granted in June and July 2005 in respect of the Executive and Savings related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £0.6 million.

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

	2008	2007	2006
Share price (p)	133 to 230	130 to 193	98 to 161
Exercise price (p)	120 to 254	120 to 191	99 to 162
Expected volatility (%)	27 to 30	28 to 30	28 to 30
Expected life (years)	4 to 6	4 to 6	5 to 6
Risk-free rate (%)	4.17 to 5.25	4.17 to 5.12	4.17 to 5.12
Expected dividends (%)	1.43 to 2.29	1.43 to 2.29	1.43 to 2.12

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 PENSION ARRANGEMENTS

The Facilities Services Group 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 Facilities Services Group 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 Facilities Services Group is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 34 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' pension surplus of £9.9 million (2007: £0.5 million, 2006: £1.8 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% and 7.5% for the group and employees respectively.

Other defined benefit schemes

In addition the Facilities Services Group makes contributions under Admitted Body status to its customers' defined benefit schemes in respect of certain TUPE employees. These valuations are updated by the actuaries with the related current service cost and past service cost measured using the projected unit credit method.

For the Admitted Body Schemes which are all part of the Local Government Pension Scheme, the Facilities Services Group will only participate for a finite period up to the end of the contracts. The Facilities Services Group is required to pay regular contributions as decided by the relevant Scheme Actuary and detailed in the schemes' Schedule of Contributions.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

20 PENSION ARRANGEMENTS (continued)

	2008 %	2007 %	2006 %
Key assumptions used for FRS 17 valuation			
Discount rate	6.30	5.30	-
Expected return on scheme assets			
Equity instruments	8.00	8.00	-
Debt instruments	5.00	5.00	-
Property	7.50	7.50	-
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 administrative expenses in respect of these defined benefit schemes are as follows

	£m	£m	£m
Current service cost	(0.3)	(0.3)	-

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

	£m	£m	£m
Interest cost	(0.3)	(0.2)	-
Expected return on scheme assets	0.4	0.3	-
	0.1	0.1	-

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

	£m	£m	£m
Actual return on scheme assets	(0.3)	-	-
Expected return on scheme assets	(0.4)	-	-
Experience adjustments arising on plan liabilities	0.7	-	-
	-	-	-

The cumulative amount of actuarial gain recognised since 1 April 2004 in the statement of total recognised gains and losses is nil.

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

20. PENSION ARRANGEMENTS (continued)

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

	2008 £m	2007 £m	2006 £m
Fair value of scheme assets	5.4	6.1	-
Present value of defined benefit obligations	(4.9)	(6.1)	-
Surplus in the scheme	0.5	-	-
Contract adjustment	(0.5)	-	-
Net pension asset	-	-	-

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

	£m	£m	£m
At 1 April 2007	6.1	-	-
Service cost	0.3	0.3	-
Interest cost	0.3	0.2	-
Contributions from scheme members	0.1	0.1	-
Actuarial gains and losses	(1.0)	-	-
Benefits paid	(0.1)	-	-
Contract transfers	(0.8)	5.5	-
At 31 March 2008	4.9	6.1	-

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

	£m	£m	£m
At 1 April 2007	6.1	-	-
Expected return on scheme assets	0.4	0.3	-
Actuarial gains and losses	(0.7)	-	-
Contributions from the sponsoring companies	0.2	0.2	-
Contributions from scheme members	0.1	0.1	-
Benefits paid	(0.1)	-	-
Contract transfers	(0.6)	5.5	-
At 31 March 2008	5.4	6.1	-

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

20 PENSION ARRANGEMENTS (continued)

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

	2008 £m	2007 £m	2006 £m
Equity instruments	4.1	4.7	-
Debt instruments	0.6	0.2	-
Property	0.3	0.8	-
Other assets	0.4	0.4	-
At 31 March	5.4	6.1	-

21 ACQUISITION OF SUBSIDIARIES

MITIE Facilities Services Limited acquired 100% of catering company Catering Partnership (Holdings) Limited on 6 March 2008 for estimated total consideration of £7.8 million. The transaction was accounted for by the purchase method of accounting. Below we provide provisional information on the fair value of net assets acquired.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible asset	-	0.1	0.1
Deferred tax asset	-	0.3	0.3
Property, plant and equipment	0.4	(0.1)	0.3
Inventories	0.1	-	0.1
Trade and other receivables	1.4	(0.1)	1.3
Cash and cash equivalents	0.5	-	0.5
Trade and other payables	(2.1)	(0.9)	(3.0)
	0.3	(0.7)	(0.4)
Goodwill			8.2
Total consideration			7.8
			£m
Satisfied by			
Cash			6.6
Deferred contingent consideration			0.9
Directly attributable costs			0.3
Total consideration			7.8

MITIE FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

21 ACQUISITION OF SUBSIDIARIES (continued)

	£m
Net cash outflow arising on acquisition	
Cash consideration	6 6
Cash and cash equivalents acquired	(0 2)
Net cash outflow	6 4

The goodwill arising on the acquisition is attributable to the underlying profitability of the business, expected profitability arising from new business and the anticipated future operating synergies arising from assimilation into the group

22 RELATED PARTY TRANSACTIONS

MITIE Group PLC controls greater than 90% of the voting rights of MITIE Facilities Services Limited. As such, MITIE Facilities Services Limited has taken advantage of the exemption from the requirement under FRS 8 ('Related Party Disclosures') to disclose related party transactions with MITIE Group PLC and other companies within the group.

23 PRINCIPAL SUBSIDIARIES

The companies set out below are those which were part of the Facilities Services Group at 31 March 2008 and in the opinion of the directors significantly affected the group's results and net assets during the year.

	At 31 March 2008 % Voting rights	At 31 March 2008 % Ordinary shares
MITIE Cleaning & Support Services Limited	45.8	95.9
MITIE Services (Retail) Limited	7.5	57.6
MITIE Transport Services Limited	36.0	86.1
MITIE Security Holdings Limited	45.6	99.9

The companies listed above represent the principal operating companies of the Facilities Services Group. A full list of subsidiary accounts will be annexed to the next annual return.

24 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. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.