

Company Registration Number 3528320

MITIE PROPERTY SERVICES LIMITED

Report and Financial Statements

31 March 2006



MITIE PROPERTY SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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MITIE PROPERTY SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
R McGregor-Smith
J Ridley
W Robson
I R Stewart

SECRETARY

MITIE Company Secretarial Services Limited (appointed 30 June 2006)
C K Ross (resigned 30 June 2006)

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche LLP
Bristol

MITIE PROPERTY SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the financial year ended 31 March 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company 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 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 the system of internal control, 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 provides management and administration services to certain fellow subsidiary undertakings. There have not been any significant changes in the company's principal activities in the year under review and the directors are not aware of any likely major changes.

The company's profit and loss account, on page 6, reveals that operating income has increased by 17% over the prior year and profit after tax has increased by 775%.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end is, in both net assets and cash terms, improved on the prior year.

The Group manages its operations on a divisional basis. For this reason, the company's directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the Group's Annual Report which does not form part of this report.

DIVIDENDS

A dividend of £16,875 (2005: £12,250) per 'A' ordinary share was approved and paid during the year.

MITIE PROPERTY SERVICES LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

FINANCIAL RISK MANAGEMENT

The directors have reviewed the financial risk management objectives and policies of the company. The directors do not believe there to be significant risks in this area. The company does not enter into any hedging instruments, as there are not believed to be any material exposures. It does not enter into any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall MITIE Group PLC financing arrangements.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2006 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 25 days (2005: 25 days).

ENVIRONMENT

MITIE Group PLC and its subsidiaries endeavour to identify, monitor and manage the impact of their activities on the environment and are fully committed to environmental accountability and protection. The company operates in accordance with Group policies, which are described in Group's Annual Report which does not form part of this Report.

EMPLOYEES

The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their attitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical or the employee unable to conform to the stringent regulations which apply to the operations of the company.

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

DIRECTORS AND THEIR INTERESTS

The directors during the year and subsequently were as follows:

R McGregor-Smith

J Ridley

W Robson

I R Stewart

S C Baxter (appointed 8 May 2006)

MITIE PROPERTY SERVICES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

No director held a beneficial interest in the share capital of the company or any other group company at the beginning or end of the financial year, except as disclosed below.

W Robson, I R Stewart and R McGregor-Smith are directors of MITIE Group PLC, the parent undertaking, and their interests in the share capital of that company are shown in the financial statements of MITIE Group PLC.

Other directors' interests in the share capital of MITIE Group PLC are as follows:

	At 31 March 2006 2.5p Ordinary shares No.	At 1 April 2005 2.5p Ordinary shares No.
J Ridley	79,963	88,345

Share Options

	At 1 April 2005	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2006
J Ridley	(i) 12,676	2,011	£1.38	2010	2011	2,250	£1.50	12,437

(i) Options under the Savings Related Option Scheme

Further details of the MITIE Group PLC Share Schemes are given in the accounts of that company.

AUDITORS

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

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

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

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

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



R McGregor-Smith
Director

14 August 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE PROPERTY SERVICES LIMITED

We have audited the financial statements of MITIE Property Services Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 20. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report 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 transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and 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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

15 August 2006

MITIE PROPERTY SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2006

	Notes	Continuing operations 2006 £	2005 (restated) £
Operating income	1	3,072,590	2,630,732
Administrative expenses		(2,262,031)	(2,562,784)
OPERATING PROFIT	2	810,559	67,948
Interest receivable	3	39,040	34,062
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		849,599	102,010
Tax on profit on ordinary activities	4	(257,802)	(34,342)
PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR	10	591,797	67,668

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

MITIE PROPERTY SERVICES LIMITED

BALANCE SHEET

At 31 March 2006

	Notes	2006		2005 (restated)	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		511,679		60,338
CURRENT ASSETS					
Debtors	7	709,423		508,434	
Cash at bank and in hand		554,561		165,676	
		1,263,984		674,110	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(879,456)		(396,288)	
NET CURRENT ASSETS			384,528		277,822
NET ASSETS			896,207		338,160
SHARE CAPITAL AND RESERVES					
Called up share capital	9		2		2
Profit and loss account	10		896,205		338,158
TOTAL SHAREHOLDERS' FUNDS	11		896,207		338,160

These financial statements were approved by the Board of Directors on 14 August 2006.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

MITIE PROPERTY SERVICES LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2006

	Notes	2006		2005	
		£	£	£	£
Net cash inflow from operating activities	12		995,959		194,178
Returns on investments and servicing of finance					
Interest received		39,092		32,362	
Net cash inflow from returns on investments and servicing of finance			39,092		32,362
Taxation					
UK corporation tax paid			(120,316)		(72,469)
Capital expenditure					
Payments to acquire tangible fixed assets		(506,700)		(40,969)	
Receipts from disposal of tangible fixed assets		14,600		-	
Net cash outflow from capital expenditure			(492,100)		(40,969)
Equity dividend paid			(33,750)		(24,500)
Increase in cash in the year	14		388,885		88,602

MITIE PROPERTY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2006

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable United Kingdom accounting standards.

Operating income

Operating income represents management charges receivable from other group companies.

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:

Office equipment	3 to 10 years
Motor vehicles	4 years

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 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

Pension costs represent amounts paid to one of the group's pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC.

MITIE PROPERTY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

1. ACCOUNTING POLICIES (continued)

Change in accounting policy

The financial statements for the year ended 31 March 2006 have been drawn up using the same accounting policies as for the year ended 31 March 2005 subject to the adoption of FRS 21 'Events after the balance sheet date', FRS 17 'Retirement Benefits', and FRS 25 'Financial Instruments'.

The adoption of FRS 17 and FRS 25 has had no impact on the financial statements of this company.

Adoption of FRS 21 - Events after the balance sheet date

The effect of adopting FRS 21, and therefore recognising dividends in the period during which they were approved, has decreased the retained profit for the year ended 31 March 2006 by £33,750 and increased the retained profit for the year ended 31 March 2005 by £9,250. The net assets at 31 March 2006 and 31 March 2005 have increased by nil and £33,750 respectively.

This change in policy has not impacted recognised gains or losses and no statement of total recognised gains and losses has been presented.

2. OPERATING PROFIT

	2006 £	2005 £
Operating profit is stated after charging:		
Depreciation	37,660	26,848
Operating lease rentals- plant and machinery	17,138	11,526
Auditors' remuneration - audit services	2,500	2,250
Loss on disposal of tangible fixed assets	3,099	-
	<u>58,397</u>	<u>40,624</u>

3. INTEREST RECEIVABLE

	2006 £	2005 £
Bank interest	39,016	34,062
Other interest	24	-
	<u>39,040</u>	<u>34,062</u>

MITIE PROPERTY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2006

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2005: 30%)	227,540	38,384
Adjustment in respect of prior years	2,776	(5,902)
Total current tax (note 4(b))	<u>230,316</u>	<u>32,482</u>
Deferred taxation:		
Timing differences - origination and reversal	28,379	(824)
Adjustment in respect of prior years	(893)	2,684
Tax on profit on ordinary activities	<u>257,802</u>	<u>34,342</u>

(b) Factors affecting tax charge in year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	<u>849,599</u>	<u>102,010</u>
	£	£
Tax at 30% thereon	254,880	30,603
Expenses not deductible for tax purposes	1,039	6,957
Capital allowances in excess of depreciation	(28,466)	1,337
Other timing differences	87	(513)
Prior year adjustments	2,776	(5,902)
Current tax charge for the year (note 4(a))	<u>230,316</u>	<u>32,482</u>

(c) Factors affecting future tax charges

The company is not aware of any matters that will materially affect the future tax charge.

MITIE PROPERTY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

5. DIVIDENDS

The dividends approved and paid in the year are as follows:

	2006 £	2005 £
£16,875 (2005: £12,250) per share on £1 'A' ordinary shares	<u>33,750</u>	<u>24,500</u>

6. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 2005	68,085	62,039	130,124
Additions	55,430	451,270	506,700
Disposals	-	(38,372)	(38,372)
At 31 March 2006	<u>123,515</u>	<u>474,937</u>	<u>598,452</u>
Depreciation			
At 1 April 2005	40,162	29,624	69,786
Charge for the year	16,750	20,910	37,660
Disposals	-	(20,673)	(20,673)
At 31 March 2006	<u>56,912</u>	<u>29,861</u>	<u>86,773</u>
Net book value			
At 31 March 2006	<u>66,603</u>	<u>445,076</u>	<u>511,679</u>
At 31 March 2005	<u>27,923</u>	<u>32,415</u>	<u>60,338</u>

7. DEBTORS

	2006 £	2005 £
Trade debtors	373,740	300,639
Amounts owed by group undertakings	230,302	30,913
Other debtors	102,052	172,334
Prepayments and accrued income	3,329	3,381
Deferred tax	-	1,167
	<u>709,423</u>	<u>508,434</u>

MITIE PROPERTY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2006

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2006	2005 (restated)
	£	£
Amounts owed to group undertakings	43,790	43,790
Corporation tax	162,489	52,489
Other taxation and social security	64,254	65,640
Accruals and deferred income	572,626	226,091
Other creditors	9,978	8,278
Deferred tax	26,319	-
	<u>879,456</u>	<u>396,288</u>

A deferred tax liability of £26,319 has been recognised at 31 March 2006 (2005: asset of £1,167). This liability relates to capital allowances in excess of depreciation. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount charged to the profit and loss account in the year was £27,486 (2005: £1,860).

9. CALLED UP SHARE CAPITAL	2006	2005
	£	£
Authorised		
1,000 £1 'A' ordinary shares	<u>1,000</u>	<u>1,000</u>
	£	£
Allotted and fully paid		
2 £1 'A' ordinary shares	<u>2</u>	<u>2</u>

10. PROFIT AND LOSS ACCOUNT	£
At 1 April 2005 (as previously stated)	304,408
Prior year adjustment (note 1)	33,750
	<u>338,158</u>
At 1 April 2005 (restated)	338,158
Profit for the financial year	591,797
Dividends	(33,750)
	<u>896,205</u>
At 31 March 2006	<u>896,205</u>

MITIE PROPERTY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

11.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2006	2005
		£	£
	Profit for the financial year	591,797	67,668
	Dividends (note 5)	(33,750)	(24,500)
	Net addition to shareholders' funds	558,047	43,168
	Opening shareholders' funds (as previously stated)	304,410	270,492
	Prior year adjustment	33,750	24,500
	Opening shareholders' funds (restated)	338,160	294,992
	Closing shareholders' funds	896,207	338,160
12.	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2006	2005
		£	£
	Operating profit	810,559	67,948
	Depreciation charges	37,660	26,848
	(Increase)/decrease in debtors	(202,208)	24,377
	Increase in creditors	346,849	75,005
	Loss on disposal of tangible fixed assets	3,099	-
	Net cash inflow from operating activities	995,959	194,178
13.	ANALYSIS OF CHANGES IN NET FUNDS	At 1 April 2005	At 31 March 2006
		£	£
	Cash at bank and in hand	165,676	554,561
14.	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	2006	2005
		£	£
	Increase in cash in the year	388,885	88,602
	Net funds at beginning of year	165,676	77,074
	Net funds at end of year	554,561	165,676

MITIE PROPERTY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2006

15. FINANCIAL COMMITMENTS

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 2006, the overall commitment was £33 million (2005: nil).

Operating leases

At 31 March 2006, the company had annual commitments under non-cancellable operating leases of office equipment expiring within two to five years of £15,483 (2005: £17,281).

16. DIRECTORS

	2006 £	2005 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>95,216</u>	<u>87,709</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>2</u>	<u>2</u>

I R Stewart, W Robson and R McGregor-Smith are also directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE Property Services Limited and their services as directors of other group companies.

One of the directors exercised options in the shares of the ultimate group company, MITIE Group PLC, during the year (2005: one director).

MITIE PROPERTY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

17. EMPLOYEES

Number of employees

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

	2006 No.	2005 No.
Administration and management	20	16
Employment costs (including directors)	£	£
Wages and salaries	1,343,302	964,944
Social security costs	144,234	118,182
Other pension costs	62,460	50,343
	1,549,996	1,133,469

18. RELATED PARTY TRANSACTIONS

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

19. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. For the purposes of Financial Reporting Standard 17 ("Retirement Benefits"), the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 29 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £1.8 million (2005: deficit of £7.6 million).

Contributions to the scheme for the period are shown in note 17 and the agreed contribution rate for the next 12 months is 10% (2005: 10%) and 7.5% (2005: 7.5%) for the group and employees respectively.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. MITIE Group PLC is both the smallest and largest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.