

Registered number: 03679828

MOUCHEL BUSINESS SERVICES LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

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MOUCHEL BUSINESS SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2012
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MOUCHEL BUSINESS SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS

P D England
G Rumbles
A M Rylett
P Rayner

COMPANY SECRETARY

N Cobden

COMPANY NUMBER

03679828

REGISTERED OFFICE

Export House
Cawsey Way
Woking
Surrey, United Kingdom
GU21 6QX

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

MOUCHEL BUSINESS SERVICES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

The Directors present their report and the financial statements for the 14 month period ended 30 September 2012

PRINCIPAL ACTIVITIES

The principal activity of the Company has been the provision of outsourced business process services. The Directors expect this to continue into the foreseeable future.

BUSINESS REVIEW

MBS is one of the UK's leading providers of outsourced professional and support services. We provide an integrated portfolio of back-office and customer-facing support services to UK local authorities and other public bodies, such as the police and fire and rescue services, Department of Health and education establishments.

Services include HR and payroll management, pension administration, property management, revenues and benefits, contact centre support, financial and procurement services and a range of ICT services. They are delivered through strategic partnerships, which typically encompass a range of these services together with support to the local economy.

Our property services team provides strategic and operational asset management, master planning, design, estates and facilities management for a substantial property portfolio up and down the UK. This includes operational property, non operational (investment) property, and regeneration and redevelopment sites, including 5,000 buildings, 12,000 homes and more than 3,000 schools.

MBS provides its services through more than 30 long-term collaborative partnerships with public sector bodies, including county councils, unitary and metropolitan councils, district councils, primary care trusts, police and fire and rescue services.

Working in partnership, we transform public services, support our clients in addressing challenging budgetary cuts, and deliver the vital social and physical infrastructure that helps to solve the problems of economic uncertainty, unemployment, educational attainment, poor health, industrial restructuring and housing shortages.

We deliver efficient and effective integrated solutions working in collaboration with our clients. We have more than 100 years' experience in delivery excellence using our market-leading capabilities and understanding of the overall end-to-end service process from planning and design through to delivery. By engaging stakeholders and the communities we serve, we optimise solutions provided in terms of value to users.

On 25 August 2012, following the financial restructuring of the group, the ultimate parent company changed from Mouchel Group plc to MRBL Limited.

This financial restructuring was necessary so that the Group now has a level of debt appropriate to its operations and level of profitability. This change of ownership and restructuring provides the business with strong committed shareholders and a sound financial structure to underpin our market leading positions.

Review of performance

We use a variety of performance measures to monitor and manage the business. Some of these are particularly important in monitoring progress and are therefore regarded as key performance indicators (KPIs). These measure past performance and also provide us with the information needed to manage the Company on an ongoing basis.

Our KPI's comprise turnover, underlying EBITDA, underlying operating profit, underlying operating margin, order book, contract win rate and staff numbers. Financial indicators measure the volume of work undertaken.

MOUCHEL BUSINESS SERVICES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

and its profitability. The order book provides visibility of secured future earnings and the growth in the staff numbers shows the success of our resource strategy.

Key performance indicators

	14 months ended 30 September 2012	Year ended 31 July 2011
Turnover (£000)	108,977	111,441
Underlying EBITDA ¹ (£000)	1,647	11,397
Underlying operating (loss)/profit (£000)	(435)	9,456
Underlying operating margin ¹ (%)	(0.4)	8.5
Order book (£000)	242,036	335,200
Staff numbers (average)	1,664	2,087

¹ Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation), operating loss and underlying operating margin are before non-underlying (income)/costs. Underlying operating margin is calculated by dividing underlying operating profit by turnover.

The Company's revenue has decreased by £2,464,000 compared with the previous year despite the longer accounting period due to the pass back of certain services to Middlesbrough Borough Council with effect from 1 June 2011 together with reductions in discretionary spend as a result of our customers' Comprehensive Spending Review reductions.

The underlying operating margin fell to (0.4%) (2011: 8.5%) as a result of the loss of margin in the customers' discretionary spend, costs associated with some operational contract issues and an increase in the level of management fees and charged out services incurred.

Market overview and outlook

The Directors see opportunities for development of the business in both the bundled service market and the provision of single service contracts.

Reduction in order book during the year was due to the unwind of existing contracts and a conscious decision to delay bidding activity during the refinancing of the Group.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £6,079,000 (2011: profit £15,733,000).

The Directors do not recommend the payment of a dividend for the period (2011: £nil).

DIRECTORS

The Directors who served during the period, and up to the date of signing the financial statements, were

P D England (appointed 6 October 2011)
R Harns (appointed 17 June 2011 & resigned 25 January 2013)
A J E Massie (appointed 6 October 2011 & resigned 8 March 2013)
G Rumbles (appointed 21 November 2011)
A M Rylett
R H Cuthbert (resigned 5 October 2011)
P Rayner (appointed 31 January 2013)

MOUCHEL BUSINESS SERVICES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

DIRECTORS' INDEMNITIES

The Company is a wholly owned subsidiary of MRBL Limited who has maintained cover for its directors and officers and those of its subsidiary companies under a directors' and officers' liability insurance policy, which includes a qualifying 3rd party indemnity provision, as permitted by section 234 of the Companies Act 2006. The policy has been in place for the whole financial period and up to the date of signing the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The board has identified the most significant risks and has plans to mitigate these:

- The Company has only a small number of large partnerships. As a consequence, problems on any one of these are of greater significance than if the Company had many small partnerships. This risk is inherent in the nature of our business and its stage of development. The senior management structure is designed to ensure that there is close contact between executives and those of our partners to ensure that any issues are identified and dealt with quickly.
- In common with many organisations we have a financial exposure to our defined benefit pension schemes arising from future investment performance and general economic and demographic factors. This exposure has been quantified and included elsewhere in these financial statements. Where deficits exist we are making contributions to reduce these in a planned way.
- Our reputation is important for the Company's plans for growth. The Company takes steps to ensure that its employees behave with integrity and responsibly. We take action to protect our reputation when it is criticised unfairly. It retains good legal and media advice.
- Inaccurate pricing of new partnership contracts is a risk to the future performance. This work is complex but carried out by experienced professionals in our business development team. This is reinforced by operational managers throughout the Company. Our governance process ensures that all material pricing is reviewed by the Group Investment Board, which includes the Managing Director, the Group Chief Executive and the Group Finance Director.

Operational risks are managed by developing a strong culture of openness and accountability. Regular, structured operational review ensures that any issues are identified and dealt with quickly. The membership of the Operational Board means that there are clear lines of communication and action from the Managing Director to those involved in service delivery.

FINANCIAL RISKS

The Company's financial risk management policies can be found in note 1.16 of the notes to the financial statements.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company agrees terms and conditions for its business transactions with its suppliers. Payment is then made to these terms subject to the terms and conditions being met by the supplier.

Trade creditor days of the Company for the 14 months ended 30 September 2012 were 23 days (2011: 34 days). This represents the ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the period to the trade creditors at the period end.

MOUCHEL BUSINESS SERVICES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

EMPLOYEES

Mouchel's policy is to provide an environment for all employees to fully develop their individual potential and thereby encourage their contribution to the success of the company. We place considerable value on the involvement of our employees and have Investors in People accreditation for all our UK offices and sites.

Internal communication is a high priority within Mouchel and employees are kept informed on matters affecting them and on Mouchel's financial performance. Staff opinions are sought annually via a confidential staff survey. The results of the survey are communicated to staff, reviewed and acted upon to make improvements.

Mouchel has a diversity and equal opportunities policy and is committed to providing equal opportunities to all employees and job applicants irrespective of gender, race, age, religion, disability or sexual orientation.

Mouchel's policy and practice in respect of disabled persons is to encourage the recruitment and subsequent training, career development and promotion of disabled persons, and the retention and retraining of employees who become disabled on the basis of their aptitude and abilities. Mouchel also has a policy of ensuring that we offer family-friendly working arrangements. We consider requests for individuals to work flexibly to meet their needs and the needs of the business. Some employees also have more formal arrangements in place such as part-time working and job sharing.

POST BALANCE SHEET EVENTS

At 31 December 2012 the majority of services provided to Milton Keynes Council, where the annual contracted revenue was £23m pa, were transferred back with those remaining being extended until 2018, in exchange for compensation for loss of contracted profits.

MOUCHEL BUSINESS SERVICES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The financial statements have been prepared on a going-concern basis. The Company is a borrower under the Group's external borrowing facilities and therefore its liquidity position is linked directly to the position of the Group. In determining that this is an appropriate basis the Directors have had regard to the factors affecting the future development, performance and financial position of the Company and the Group. There have been a number of actions taken to secure the long-term prospects of the Group, including the renegotiation of the Group's debt facility.

The Directors are satisfied that there is sufficient available banking facilities and headroom within the banking facilities to support the current business for the foreseeable future. After considering these factors the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the signing of these financial statements.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that

- so far as that each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

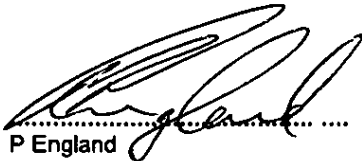
MOUCHEL BUSINESS SERVICES LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

INDEPENDENT AUDITORS

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier

This report was approved by the board and signed on its behalf


.....
P England
Director
Date 30 April 2013

MOUCHEL BUSINESS SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOUCHEL BUSINESS SERVICES LIMITED

We have audited the financial statements of Mouchel Business Services Limited for the period ended 30 September 2012, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes, set out on pages 10 to 45. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2012 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

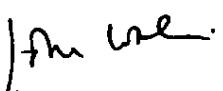
MOUCHEL BUSINESS SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOUCHEL BUSINESS SERVICES LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

30 April 2013

MOUCHEL BUSINESS SERVICES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

		14 months ended 30 September 2012			Year ended 31 July 2011		
	Note	Underlying business performance £'000	Non- underlying items £'000	Total £'000	Underlying business performance £'000	Non- underlying items £'000	Total £'000
TURNOVER	2	108,977	-	108,977	111,441	-	111,441
Cost of sales		(97,249)	-	(97,249)	(93,987)	-	(93,987)
GROSS PROFIT		11,728	-	11,728	17,454	-	17,454
Administrative expenses	4	(12,163)	(1,292)	(13,455)	(7,998)	2,078	(5,920)
OPERATING (LOSS)/PROFIT	3	(435)	(1,292)	(1,727)	9,456	2,078	11,534
Interest receivable and similar income	7	269	-	269	261	-	261
Interest payable and similar charges	8	(181)	-	(181)	(217)	-	(217)
Other finance income	9	1,192	-	1,192	1,587	-	1,587
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		845	(1,292)	(447)	11,087	2,078	13,165
Tax on (loss)/profit on ordinary activities	10	(5,918)	286	(5,632)	2,878	(310)	2,568
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(5,073)	(1,006)	(6,079)	13,965	1,768	15,733
EBITDA	33	1,647	(1,139)	508	11,397	2,078	13,475

All amounts relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial periods stated and their historical cost equivalents

The notes on pages 15 to 45 form part of these financial statements

MOUCHEL BUSINESS SERVICES LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

		14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD	Note	(6,079)	15,733
Net actuarial (loss)/gain related to pension scheme	24	(7,426)	1,851
Deferred tax attributable to actuarial (loss)/gain	17	1,708	(463)
TOTAL RECOGNISED (LOSSES)/GAINS FOR THE PERIOD		(11,797)	17,121

The notes on pages 14 to 45 form part of these financial statements


MOUCHEL BUSINESS SERVICES LIMITED
REGISTERED NUMBER: 03679828

BALANCE SHEET
AS AT 30 SEPTEMBER 2012

		30 September 2012	31 July 2011
	Note	£000	£000
FIXED ASSETS			
Tangible assets	11	4,876	5,826
Investments	12	2,200	2,200
		<u>7,076</u>	<u>8,026</u>
CURRENT ASSETS			
Stock	13	147	83
Debtors	14	52,521	60,407
Cash at bank and in hand	15	4,925	9,031
		<u>57,593</u>	<u>69,521</u>
CREDITORS: amounts falling due within one year	16	<u>(33,016)</u>	<u>(37,679)</u>
NET CURRENT ASSETS		<u>24,577</u>	<u>31,842</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>31,653</u>	<u>39,868</u>
 Provisions for liabilities	18	 <u>(1,274)</u>	 <u>(957)</u>
NET ASSETS EXCLUDING PENSION SURPLUS		<u>30,379</u>	<u>38,911</u>
Defined benefit pension scheme (deficit)/surplus	24	<u>(1,277)</u>	<u>1,919</u>
NET ASSETS INCLUDING PENSION SURPLUS		<u>29,102</u>	<u>40,830</u>
CAPITAL AND RESERVES			
Called up share capital	19	155,582	155,582
Profit and loss account	21	<u>(126,480)</u>	<u>(114,752)</u>
TOTAL SHAREHOLDERS' FUNDS	22	<u>29,102</u>	<u>40,830</u>

The notes on pages 14 to 45 form part of these financial statements

The financial statements on pages 10 to 45 were approved by the Board of Directors on 30 April 2013 and were signed on its behalf by


P D England
Director

MOUCHEL BUSINESS SERVICES LIMITED

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

	Note	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Net cash flow from operating activities	30	(2,757)	3,061
Returns on investments and servicing of finance	31	38	(6)
Taxation		1	-
Capital expenditure and financial investment	31	(1,285)	(758)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(4,003)	2,297
Financing	31	(103)	(863)
(DECREASE)/INCREASE IN CASH IN THE PERIOD		(4,106)	1,434

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
(Decrease)/Increase in cash in the period	(4,106)	1,434
Cash outflow from decrease in debt and lease financing	103	863
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	(4,003)	2,297
Other non-cash changes	-	(2)
MOVEMENT IN NET DEBT IN THE PERIOD	(4,003)	2,295
Net funds at 1 August 2011	8,928	6,633
NET FUNDS AT 30 SEPTEMBER 2012	4,925	8,928

MOUCHEL BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2012

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company is a wholly-owned subsidiary of MRBL Limited, a company incorporated in England and Wales, and is included in its consolidated financial statements which are publicly available. The Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006. Consequently, the financial statements present information about the Company as an individual undertaking only.

1.2 Going concern

The financial statements have been prepared on a going-concern basis. The Company is a borrower under the Group's external borrowing facilities and therefore its liquidity position is linked directly to the position of the Group. In determining that this is an appropriate basis the Directors have had regard to the factors affecting the future development, performance and financial position of the Company and the Group. There have been a number of actions taken to secure the long-term prospects of the Group, including the renegotiation of the Group's debt facility. The Directors are satisfied that there is sufficient available banking facilities and headroom within the banking facilities to support the current business for the foreseeable future. After considering these factors the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the signing of these financial statements.

1.3 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1 (Revised 1996) Cash Flow Statements.

MOUCHEL BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2012

1. ACCOUNTING POLICIES (continued)

1.4 Tangible fixed assets and depreciation

The cost or valuation of assets acquired or created to fulfil customer contracts, less their estimated residual value, is written down in equal instalments over the life of the contract to which the assets relate. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Furniture, fittings and equipment	-	3 - 5 years
Assets under the course of construction	-	As per the policy below these assets are not depreciated

Assets under the course of construction are capital software projects which are incomplete at the balance sheet date. They are not depreciated. Once the project is brought into use and transferred to furniture, fittings and equipment it will be depreciated in accordance with the policy above.

Residual values and estimated useful lives are reviewed, and adjusted if appropriate, at least at each financial period end.

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

Investments are tested for impairment where a triggering event is identified.

The reversal of an impairment loss is recognised immediately in the profit and loss account to the extent that the original impairment loss was recognised in the profit and loss account.

1.6 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads and is determined using weighted average cost.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

1. ACCOUNTING POLICIES (continued)

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1.9 Share based payments

Certain employees of the Company have been issued equity settled share based payments in Mouchel Group plc. Equity settled share based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the estimate of the shares that will eventually vest.

At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to reserves.

For share options where there are no market based vesting conditions, fair value is measured using the Black-Scholes pricing model. For share options where there are market based vesting conditions, the Monte Carlo simulation model is used for fair value measurement.

1.10 Repairs and renewals

These costs are charged against profits as and when they are incurred. No provision for future repairs is made in the financial statements.

1.11 Non underlying items

Material and non-recurring items of income and expense are disclosed in the profit and loss account as "Non underlying items". Examples of items which may give rise to disclosure as "Non underlying items" include integration of newly acquired businesses, asset impairments and pension fund settlements and curtailments.

1.12 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

1. ACCOUNTING POLICIES (continued)

1.13 Accounting for outsourced contracts

Contract set-up and bid costs

Pre contract costs incurred before it becomes virtually certain that the contract will be awarded are charged directly to the profit and loss account. Costs incurred after that point are recognised as an asset in the balance sheet and charged to the profit and loss account over the duration of the contract.

Turnover and revenue recognition

Turnover represents the fair value of services provided in the case of time charge work and the value of services provided as a proportion of the total value of the contract in the case of fixed fee contracts. Turnover is net of value added tax.

Under certain services contracts, the Company manages customer expenditure and is obliged to purchase goods and services from third-party contractors and recharge them on to the customer at cost. The amounts charged by contractors and recharged to customers are excluded from revenue and netted off within cost of sales. Receivables, payables and cash relating to these transactions are included within the balance sheet.

Turnover recognition on outsourcing contracts is determined by reference to the proportion of the annual service delivered to date. Where cash flows on such contracts varies year on year but the underlying annual service remains the same, turnover is recognised evenly over the length of the contract with over/under amounts represented in deferred or accrued income. Where the costs of obligations in relation to the non-renewal or termination of a contract are higher in the final period of the contract a proportion of turnover is deferred each period to meet these anticipated costs.

Provision is made in full for estimated losses, if the costs of fulfilling the contract exceed the recoverable amount. Turnover is only recognised to the extent that it is probable that it will be recoverable. Where the outcome cannot be measured reliably, turnover is recognised to the extent of costs incurred to date where it is probable that costs will be recoverable.

Where turnover that has been recognised is found to not be recoverable due to a dispute with the client, these amounts are charged against the turnover recognised. Where non-recovery is as a result of inability of a client to meet its obligations, these amounts are charged to administrative expenses.

As described above, turnover represents the fair value of services provided as a proportion of the total value of the contract. Work in progress is the difference between the turnover recognised and the amounts actually invoiced to customers. Where invoicing exceeds the amount of turnover recognised, these amounts are included in deferred income.

Onerous contracts

A provision is made in accordance with FRS 12 for all unavoidable costs arising on an onerous contract, where such costs exceed the economic benefits expected to be generated over the remaining life.

The unavoidable costs under a contract reflect the least net cost of exiting from the contract, being the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

1. ACCOUNTING POLICIES (continued)

1.14 Financial Instruments

Financial instruments comprise internal cash resources and debtors and creditors arising from normal trading activities. The policy is to manage financial instruments centrally by the parent company, to provide both the working capital and the investment funds necessary for ongoing operations and future development.

The majority of UK projects and contracts are in sterling, and otherwise are in line with the currencies in which the majority of the costs are denominated.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(a) Debtors

Debtors are initially measured at book value, do not carry any interest, and are reduced by appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the profit and loss account.

(b) Cash

Cash comprises cash in hand and deposits repayable on demand with any bank or other financial institution.

(c) Creditors

Creditors are not interest-bearing and are measured at their book value.

(d) Borrowings

Bank overdrafts and interest-bearing loans are initially measured at book value, and obligations under finance leases are dealt with in accordance with the policy on leases. After initial recognition, loans and borrowings are subsequently measured at amortised cost, taking into account issue costs.

(e) Equity instruments

Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

(f) Financial assets and liabilities including investments

Financial assets and liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

1. ACCOUNTING POLICIES (continued)

1.15 Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of the shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled by the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument

MOUCHEL BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2012

1. ACCOUNTING POLICIES (continued)

1.16 Financial risk management

Mouchel Business Services Limited is exposed to foreign exchange risk, interest rate risk, credit risk and liquidity risk in varying degrees, but all have relatively low levels of risk. For this reason the Company does not undertake hedging or complex financial instruments to mitigate these particular risks. The Mouchel Group finance department manage these risks within a set of policies and procedures defined by the parent company Board.

The policies for managing these risks are set out below

(a) Foreign exchange risk

The Company does not hedge for foreign currency exchange risk as transactions denominated in foreign currency are not significant. All bonds and guarantees are funded out of the UK.

(b) Interest rate risk

The Company's policy is to manage its interest cost using fixed rates on its loans and finance leases.

(c) Credit risk

The principal financial assets are cash and debtors. Counterparty risk on cash deposits is managed by adhering to guidelines which currently state that a maximum of £5,000,000 of cash can be deposited with any one UK counterparty. Trade debtors are managed through set up and authorisation policies for new customers and monthly monitoring of balances.

(d) Liquidity risk

The risk relating to liquidity is also low following successful refinancing of the Group's facilities as outlined in the contingent liabilities note 26.

1.17 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on material timing differences at the rate of taxation anticipated to apply when these differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in the taxation computations in periods different from those in which they are included in the financial statements.

A deferred tax asset is only recognised when it is considered more likely than not that it will be recovered in the future. Deferred tax assets and liabilities recognised have not been discounted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

MOUCHEL BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2012

1. ACCOUNTING POLICIES (continued)

1.18 Post retirement benefits

Defined contribution schemes

Contributions to the Company's defined contribution schemes are recognised as an employee benefit expense when they fall due. Employer pension contributions in respect of employees who transferred under TUPE to Mouchel Business Services Limited, but who remain members of their respective councils' defined benefit pension scheme are treated as being made to defined contribution schemes where under the terms of the contract the defined benefit liability effectively remains with the relevant council. Prepaid contributions are recognised as an asset to the extent that they result in either a cash refund or a reduction in future payments.

Defined benefit pension schemes

The asset or liability recognised in the balance sheet for the Company's defined benefit pension schemes is the present value of the defined benefit obligation at the balance sheet date as adjusted for unrecognised past service cost, less the fair value of scheme assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and by discounting the estimated future cash flows using interest rates on high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Any asset resulting from this calculation is limited to unrecognised past service costs plus the present value of available refunds and reductions in future contributions to the scheme.

The pension expense for the Company's defined benefit schemes is recognised as follows:

Within operating profit

Current service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Past service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in prior periods, which arises from changes made to the benefits under the scheme in the current period. To the extent that the changes to benefits vest immediately, past service costs are recognised immediately, otherwise they are recognised on a straight-line basis over the vesting period.

Gains and losses arising on settlements and curtailments – where the item that gave rise to the settlement or curtailment is recognised within operating profit.

Within finance costs

Interest cost on the liabilities of the scheme – calculated by reference to the scheme liabilities and discount rate at the beginning of the period and allowing for changes during the period.

Expected return on the assets of the scheme – calculated by reference to the scheme assets and long-term expected rate of return at the beginning of the period and allowing for changes during the period.

Within the Statement of Total Recognised Gains and Losses

Actuarial gains and losses arising on the assets and liabilities of the scheme.

When a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the Income Statement during the period in which the curtailment occurs.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

2. SEGMENTAL ANALYSIS

A business segment is an operation engaged in providing services that are subject to a different risk, regulatory or economic environment from those of other business segments. A geographical segment is engaged in providing services within a particular world location.

The Company has one business segment used by management to review the business and this is defined in the Directors' report.

The basis for reporting the secondary segment information is the geographical sectors of the UK and elsewhere, as these represent the Company's most significant geographical sectors. As an immaterial proportion of the Company's turnover is derived overseas no analysis by country or continent has been given.

3. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/(crediting)

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Depreciation of tangible fixed assets (note 11)		
- owned by the company	2,082	1,891
- held under finance leases	-	50
Operating lease rentals		
- plant and machinery	73	123
- other operating leases	1,756	1,282
Difference on foreign exchange	(2)	3
Management fee and charged out services	11,089	8,622

Audit fees of £182,000 (2011: £140,000) were borne by another group company, Mouchel Limited, and these fees were recharged via the group overhead.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

4. NON UNDERLYING ITEMS

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Restructuring credit	12	144
Pensions settlement/curtailment gain from customer contract change	-	1,934
Write off of fixed assets	(153)	-
Onerous lease provisions on contract	(585)	-
Insurance provision	(566)	-
	(1,292)	2,078

Management use underlying profit to measure and manage the financial performance of the Company on a day-to-day basis. Underlying profit excludes material income and charges considered to be one off or non-recurring in nature.

Asset impairment charges were incurred in 2012 relating to assets under the course of construction. The restructuring credit in 2011 relates to a release of over provision in the prior year.

The pension scheme settlement/curtailment gain on the Teesside Pension Scheme in 2011 arose from a customer contract change (see note 24).

Provisions against onerous contract leases were made during the year in respect of ICT Education and ICT refresh for Middlesbrough.

Insurance provisions relate to an outstanding professional indemnity claim.

The tax effect of the exceptional items above is a debit of £286,000 (2011: £310,000 credit) in the profit and loss account.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

5. STAFF COSTS

Staff costs were as follows

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Wages and salaries	51,722	52,051
Social security costs	4,157	4,310
Other pension costs (Note 24)	4,795	4,442
	<u>60,674</u>	<u>60,803</u>

Included within wages and salaries above is a charge of £69,000 (2011 £114,000) in relation to share based payments and a charge of nil (2011 credit of £130,000) in relation to exceptional staff costs

The average monthly number of employees, including the Directors, during the period was as follows

	14 months ended 30 September 2012 Number	Year ended 31 July 2011 Number
Permanent staff	<u>1,664</u>	<u>2,087</u>

6. DIRECTORS' REMUNERATION

Messrs R Harris, G Rumbles and R H Cuthbert were employed by the ultimate parent company Mouchel Group plc, until 24 August 2012 when the ultimate parent company changed to MRBL Limited, and their remuneration was borne by those companies. P D England and A J E Massie were employed by another group company, Mouchel Limited, and their remuneration was borne by that company. Mr A Rylett was employed by Mouchel Business Services Limited, and his remuneration was borne by this company. The Directors do not consider it practical to allocate their remuneration between the various group entities. However, for information purposes, total emoluments paid by the Group to the Directors was £1,328,000 (2011 £1,264,000) including payment in lieu of notice of £nil (2011 £284,000). Of this amount £188,000 (2011 £167,000) was paid by Mouchel Business Services Limited and £1,140,000 (2011 £1,097,000) was paid by other group companies.

5 (2011 5) Directors were entitled to shares under a long term incentive scheme. For more information on the long term incentive scheme, please refer to note 20 of the financial statements.

During the period retirement benefits were accruing to 3 Directors (2011 - 3) in respect of defined contribution pension schemes.

During the period retirement benefits were accruing to 2 Directors (2011 - 3) in respect of defined benefit pension schemes.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

6 DIRECTORS' REMUNERATION (continued)

The highest paid Director received remuneration of £365,000 (2011 - £423,000)

Mr A Rylett accrued pension of £27,000 at 30 September 2012 with a transfer value of £589,000

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Interest receivable from group companies	230	230
Bank interest receivable	39	31
	<u>269</u>	<u>261</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
On other loans	1	31
On finance leases and hire purchase contracts	-	6
On loans from group undertakings	180	180
	<u>181</u>	<u>217</u>

9. OTHER FINANCE INCOME

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Expected return on pension scheme assets	5,926	8,072
Interest on pension scheme liabilities	(4,734)	(6,485)
	<u>1,192</u>	<u>1,587</u>

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

10. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Analysis of tax charge in the period/year		
Current tax		
UK corporation tax charge on (loss)/profit for the period/year	-	-
Deferred tax		
Effect of reduction in future tax rate to 23% (2011 25%)	384	199
Timing differences on exceptional items	-	194
Losses utilised in period/year	-	665
Losses released/(recognised) in year	4,509	(5,445)
Special contributions to retirement benefit schemes	739	1,336
On curtailment of the Teesside Pension Scheme deficit	-	483
Total deferred tax (note 17)	<u>5,632</u>	<u>(2,568)</u>
Tax on profit/(loss) on ordinary activities	<u><u>5,632</u></u>	<u><u>(2,568)</u></u>

Factors affecting tax charge for the period/year

The tax assessed for the period/year is different to the standard rate of corporation tax in the UK of 25 14% (2011 27 33%) The differences are explained below

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
(Loss)/profit on ordinary activities before tax	<u>(447)</u>	<u>13,165</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25 14% (2011 27 33%)	(112)	3,598
Effects of:		
Expenses not deductible/(deductible) for tax purposes	82	(115)
Depreciation for period/year in excess of capital allowances	527	534
Utilisation of tax losses	-	(2,028)
Excess pensions payments made	(807)	(1,989)
Tax losses carried forward	310	-
Total current tax	<u><u>-</u></u>	<u><u>-</u></u>

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

10. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting future tax charges

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 25.14%. In addition, a number of further changes to the UK Corporation tax system were announced in the March 2012 Budget Statement. A further reduction to reduce the rate to 23% by April 2013 was enacted in the Finance Act 2012. In the Autumn Statement to Parliament on 5 December 2012 it was announced that there would be a further reduction in the corporation tax rate to 21% from April 2014.

Deferred tax has been recognised at 23%, reflecting the rate that was enacted in the Finance Act 2012.

The proposed reductions to the main rate of corporation tax to 21% by April 2014 are expected to be enacted separately each year. The overall effect of further proposed changes from 23% to 21%, if these are applied to the net deferred tax balance sheet as at 30 September 2012, would be to reduce the net deferred tax asset by approximately £44,000.

11. TANGIBLE ASSETS

	Furniture, fittings and equipment £000	Assets under the course of construction £000	Total £000
Cost			
At 1 August 2011	38,845	685	39,530
Additions	1,518	53	1,571
Transfers	356	(356)	-
Disposals	(12,220)	(185)	(12,405)
Write off	-	(153)	(153)
At 30 September 2012	28,499	44	28,543
Accumulated depreciation			
At 1 August 2011	33,704	-	33,704
Charge for the period	2,082	-	2,082
On disposals	(12,119)	-	(12,119)
At 30 September 2012	23,667	-	23,667
Net book value			
At 30 September 2012	4,832	44	4,876
At 31 July 2011	5,141	685	5,826

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

12. INVESTMENTS

	Shares in group undertakings £000
Cost	
At 1 August 2011 and 30 September 2012	<u>2,200</u>
Net book value	
At 30 September 2012	<u>2,200</u>
At 31 July 2011	<u>2,200</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Grand Services Contracts Limited	Ordinary	100 %
HBS Facilities Management Limited	Ordinary	100 %

Both subsidiaries were incorporated in England and Wales and both are dormant entities

The aggregate of the share capital and reserves as at 30 September 2012 and of the profit or loss for the period ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £000	Profit/(loss) £000
HBS Facilities Management Limited	<u>2,200</u>	<u>-</u>

The Directors believe that the book value of investments is supported by their underlying net assets

Joint ventures

The Company is party to a 50/50 joint venture with Mouchel Holdings Limited. The joint venture entity is a holding company called MPHBS Limited which owns a 66.7% share in a trading company, The Unity Partnership Limited (Unity). Both companies are incorporated in England and Wales. The remaining 33.3% share in Unity is owned by Oldham Metropolitan Borough Council. The results of this joint venture are not contained in the financial statements of Mouchel Business Services Limited but are included in the consolidated Group results.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

13. STOCKS

	30 September 2012 £000	31 July 2011 £000
Consumables	147	83

The estimated replacement costs are not materially different from the above amounts

14. DEBTORS

	30 September 2012 £000	31 July 2011 £000
Trade debtors	1,476	3,149
Amounts owed by group undertakings	46,159	46,516
Other debtors	158	130
Prepayments and accrued income	4,228	5,167
Deferred tax asset (see note 17)	500	5,445
	52,521	60,407

Debtors include £nil (2011 £3,705,000) of deferred tax falling due after more than one year

Included with amounts owed by group undertakings is an amount of £9,200,000 (2011 £9,200,000) relating to an intercompany loan. The loan is unsecured and repayable on demand and attracts interest at Bank of England base rate plus 2%. All other amounts are non-interest bearing.

15. CASH AT BANK AND IN HAND

The Company and its subsidiaries have provided cross-guarantees over any amounts overdrawn as part of the Group's cash pooling arrangement between group companies.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

16. CREDITORS' amounts falling due within one year

	30 September 2012 £000	31 July 2011 £000
Other loans	-	103
Trade creditors	1,652	7,713
Amounts owed to group undertakings	13,331	11,876
Social security and other taxes	1,826	4,613
Other creditors	4,317	97
Accruals and deferred income	11,890	13,277
	<u>33,016</u>	<u>37,679</u>

Included with amounts owed to group undertakings is an amount of £4,500,000 (2011 £4,500,000) relating to an intercompany loan. The loan is unsecured and repayable on demand and attracts interest at Bank of England base rate plus 3.5%. All other amounts are non-interest bearing.

The payroll creditor is now being contained in Other Creditors (2011 Trade creditors)

Other loans

	2012 £000	2011 £000
Other loans can be analysed as falling due:		
In one year or less, or on demand	-	104
Less interest expense included above	-	(1)
	<u>-</u>	<u>103</u>

The Company had a third party loan facility under which one loan was drawn down, with repayments being made in installments over five years. Interest was charged at 7.44% per annum and the loan was repaid in full in October 2011. The loan was made to acquire infrastructure investments for a customer contract. In the event of early termination of the contract, the Company is entitled to claim for Stipulated Loss Values (SLV) from the customer. The Company has assigned full title guarantee of the SLV to the lender up to the limit of payments of principal and interest. In addition, the lender holds priority over any existing charges of the Company.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

17. DEFERRED TAX

A deferred tax asset has been recognised as it is considered more than likely that it will be recovered in the future

The movement during the period/year for deferred tax was

	30 September 2012 £000	31 July 2011 £000
At beginning of period/year	5,445	927
Charged to the profit and loss account	(4,945)	4,518
At end of period/year	500	5,445

The deferred tax asset is made up as follows

	30 September 2012 £000	31 July 2011 £000
Tax losses carried forward	500	5,445

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

17. DEFERRED TAX (continued)

The deferred tax that is expected to be used within one year is £500,000 (2011 £1,702,000) The remainder of deferred tax is a non current asset

Movement on the deferred tax asset relating to the pension deficit during the period/year was

	30 September	31 July
	2012	2011
	£000	£000
At 1 August	(639)	1,774
Effects of reduction in future tax rate	51	(130)
Deferred tax charged to the statement of total recognised gains and losses	1,708	(463)
Deferred tax charge in the profit and loss account	<u>(739)</u>	<u>(1,820)</u>
At 30 September / 31 July	<u><u>381</u></u>	<u><u>(639)</u></u>

The deferred tax asset of £382,000 (2011 liability £639,000) has been deducted in arriving at the net pension liability (2011 asset) on the balance sheet.

The tax charges arising on trading profits in future periods will be reduced by the impact of trading losses carried forward. The value of deferred tax assets unprovided is £26,382,000 (2011 £22,624,000), which will be recovered when the Company has sufficient trading profits

The elements of unrecognised deferred taxation are as follows	2012	2011
	£000	£000
Difference between accumulated depreciation and capital allowances	9,079	9,267
Trading losses	15,714	11,629
Capital losses	1,589	1,728
Unrecognised deferred tax asset at end of period/year	<u><u>26,382</u></u>	<u><u>22,624</u></u>

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

18. PROVISIONS FOR LIABILITIES

	Dilapidation provisions £000	Insurance provisions £000	Restructur- ing provisions £000	Onerous contracts provisions £000	Total £000
At 1 August 2011	251	-	278	428	957
Charged to the profit and loss account	6	566	-	585	1,157
Utilised during the period	-	-	(156)	-	(156)
Amounts reversed to the profit and loss account	-	-	1	(92)	(91)
Amounts transferred to other group companies	(257)	-	-	(336)	(593)
At 30 September 2012	-	566	123	585	1,274

Dilapidation provisions

Dilapidation provisions relate to the expected costs of meeting dilapidation/reinstatement requirements for properties leased by the Company when they are exited and these are provided for over the term of the lease. The lease expiry dates range between two and four years. No reimbursement is expected for these provisions.

The net liability was transferred to a fellow group company during the period.

Insurance provisions

Insurance/claims provisions reflect management's view of the likely outcome of insurance and other legal claims made against the Company in connection with operational activities. These provisions are held until utilised, by the settlement of a claim, or until such time as the claim is considered unlikely. Due to the very nature of these provisions it is uncertain when they may unwind as individual cases progress at unpredictable rates. Based on historic trends and given the nature of the items being provided against it is management's judgment that they will largely settle within 2 to 5 years of the period end. No reimbursement is expected for these provisions.

Restructuring provisions

Restructuring provisions principally relate to redundancy costs expected to be incurred at the balance sheet date as a result of communicated and committed restructuring plans. The majority of these provisions will unwind within one year. No reimbursement is expected for these provisions.

Onerous contracts provisions

Onerous contract provisions relate principally to property lease contracts where the ongoing level of unavoidable costs is not expected to be fully recovered by the economic benefits expected to be derived from using those properties. The expectation is that this expenditure will be incurred over the remaining periods of the leases which range up to two years. No reimbursement is expected for these provisions.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

19. CALLED UP SHARE CAPITAL

	30 September 2012 £000	31 July 2011 £000
Authorised		
114,998,752 Ordinary shares of £1 each	114,999	114,999
3,583,000 11% Preference shares of £1 each	3,583	3,583
77,000,000 12% Preference shares of £1 each	77,000	77,000
	<u>195,582</u>	<u>195,582</u>
Allotted and fully paid		
114,998,752 Ordinary shares of £1 each	114,999	114,999
3,583,000 11% Preference shares of £1 each	3,583	3,583
37,000,000 12% Preference shares of £1 each	37,000	37,000
	<u>155,582</u>	<u>155,582</u>

No dividend or other distribution shall be declared or paid on the ordinary shares unless or until the Company shall have paid to the holders of the 11% preference shares and the holders of the 12% preference shares, the aggregate preferred 11% participation and the aggregate 12% participation respectively of all the 11% preference shares and of all the 12% preference shares. No dividend or distribution shall be declared paid on any 11% preference share or on any 12% preference share in excess of the preferred 11% participation or preferred 12% participation of that share.

On winding up, the priority of the distribution is firstly to the 11% preference shareholders including any aggregated preferred 11% participation due, secondly to the 12% preference shareholders including any aggregated preferred 12% participation due and lastly to the ordinary shareholders.

The preference shareholders have the right to attend and speak at all general meetings of the Company but only the ordinary shareholders have voting rights.

20. SHARE BASED PAYMENTS

Prior to the administration and subsequent delisting of the parent company, Mouchel Group plc, on 25 August 2012, employees were invited to participate in various share schemes (Approved and Unapproved Executive Share Option Schemes, Co-Investment Plan, Performance Share Plan, Sharesave Scheme) offered by the parent company Mouchel Group plc. Following the delisting these share options will cease to be capable of vesting or have any value on exercise. Consequently, they now effectively have no value and will lapse at the exercise date.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

21. PROFIT AND LOSS ACCOUNT

	£000
At 1 August 2011	(114,752)
Loss for the financial period	(6,079)
Pension reserve movement	(5,718)
Share based payments	69
	<hr/>
At 30 September 2012	(126,480)
	<hr/>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 September 2012 £000	31 July 2011 £000
Opening shareholders' funds	40,830	23,595
(Loss)/profit for the financial period/year	(6,079)	15,733
Other recognised (losses)/gains during the period/year	(5,718)	1,388
Other movements in profit and loss reserve - share based payments	69	114
	<hr/>	<hr/>
Closing shareholders' funds	29,102	40,830
	<hr/>	<hr/>

23. CAPITAL COMMITMENTS

The Company had no capital commitments as at 30 September 2012 (2011 £nil)

MOUCHEL BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2012

24. PENSION COMMITMENTS

The Company operates a defined benefit pension scheme

The Company's employees are eligible to participate in a number of defined benefit and defined contribution pension schemes. Details of these schemes are disclosed below

Defined contribution schemes

The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £3,748,000 (2011 £2,460,000). Outstanding contributions at the end of the financial period were £nil (2011 £nil).

Some employees who transferred to the Company under the Transfer of Undertakings (Protection of Employment) Regulations (1981) as amended (TUPE) remain members of their previous schemes, which are pre-funded defined benefit schemes. Where under the terms of the contracts, the defined benefit liability effectively remains with the transferor, the Company financial statements for these schemes as defined contribution schemes. Cash contributions are recognised as pension costs in the profit and loss account and no asset or liability is shown on the balance sheet.

During the previous year, as part of its pension review, the Company looked at the number of defined contribution pension arrangements it had in place to see how these could be streamlined. The majority of defined contribution members were on an age related structure where the Company paid contributions at twice the member rate. From 1 January 2011, a new defined contribution arrangement was launched which provided matching contributions on a grade related basis. This resulted in a reduction in both the number of defined contribution schemes and the amount of employer contributions.

Defined benefit schemes

The Company operates, or participates in, defined benefit schemes for the benefit of its employees. Contributions to the Company's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method. The details of these schemes are as follows:

Mouchel Business Services Limited Pension Scheme (Defined Benefit Section)

The Mouchel Business Services Limited Pension Scheme is a funded defined benefit scheme. For this defined benefit scheme the future liabilities for benefits are provided for by the accumulation of assets held externally to the Company in separate, trustee-administered funds. The cost of this scheme is determined in accordance with the advice of independent, professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit credit method. In line with normal business practice these valuations are undertaken on a triennial basis.

The scheme is closed to new entrants except for employees transferring to the Company under TUPE, where the Company is required to provide benefits which are broadly comparable to those provided under the Local Government Pension Scheme or another defined benefit scheme provided by the transferring employer. The Company scheme was closed to future accrual of benefit on 31 December 2010 for all non-public sector members with these members being offered entry to the Company's defined contribution schemes from 1 January 2011.

Given the membership of the schemes, under the projected unit credit method the current service cost would be expected to increase as the members of the scheme approach retirement.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

24. PENSION COMMITMENTS (continued)

The date of the last full actuarial valuation for the scheme was March 2010.

The principal assumptions used in the valuation were as follows

Pre-retirement discount rate	4.6%
Salary increases	2.5%
Inflation rate (RPI)	2.5%
Inflation rate (CPI)	2.0%
Asset values	Market value

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions

Participations as an admitted body to local government pension schemes

The Company has admitted body status in the Teesside pre-funded defined benefit scheme, as employees of MBS who were previously employed by the local council remain members of the Teesside Pension Fund. Up to 31 May 2011, the assets and liabilities of this scheme were identified under retirement benefit obligations on the balance sheet and disclosed below. From 1 June 2011, as part of the renegotiated extension of the associated customer contract, the pension risk now rests with the original customer (transferor) and from this date the Teesside Scheme has been accounted for on a defined contribution basis. The curtailment gain of £1.9m in the prior year, arising from the elimination of the accounting deficit on this scheme at 31 May 2011, has been included within exceptional items, as disclosed in note 4.

The amounts recognised in the balance sheet are as follows

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Present value of funded obligations	(79,483)	(75,917)
Fair value of scheme assets	77,825	78,475
(Deficit)/surplus in scheme	(1,658)	2,558
Related deferred tax asset/(liability) (see note 17)	381	(639)
Net (liability)/asset	(1,277)	1,919

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

24. PENSION COMMITMENTS (continued)

The amounts recognised in profit or loss are as follows

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Current service cost	(1,047)	(1,982)
Interest on obligation	(4,734)	(6,485)
Expected return on scheme assets	5,926	8,072
	<hr/>	<hr/>
Total	145	(395)
	<hr/>	<hr/>

Changes in the present value of the defined benefit obligation are as follows

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Opening defined benefit obligation	75,917	134,809
Current service cost	1,047	1,982
Interest cost	4,734	6,485
Contributions by scheme participants	396	861
Actuarial Losses	316	7,230
Benefits paid	(2,927)	(3,814)
Elimination upon settlement/curtailment of scheme	-	(71,636)
	<hr/>	<hr/>
Closing defined benefit obligation	79,483	75,917
	<hr/>	<hr/>

The actuarial loss in 2011 includes a gain on past service costs recognised on RPI to CPI change of £3,815,000

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

24. PENSION COMMITMENTS (continued)

Changes in the fair value of scheme assets are as follows

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Opening fair value of scheme assets	78,475	128,237
Expected return	5,926	8,072
Actuarial gains/(loss)	(7,110)	9,081
Contributions by employer	3,065	5,949
Contributions by scheme participants	396	861
Benefits paid	(2,927)	(3,814)
Elimination upon settlement/curtailment of scheme	-	(69,911)
	<u>77,825</u>	<u>78,475</u>

Scheme assets do not include any of the Company's own financial instruments or any property occupied by the Company

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses was £1,884,000 loss (2011 £3,834,000 gain)

Based on the existing funding plans, the Company expects to contribute £2,556,000 to its defined benefit pension scheme in 2013

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

24. PENSION COMMITMENTS (continued)

Principal actuarial assumptions at the balance sheet date were (expressed as weighted averages)

	2012	2011
	%	%
Rate of increase in salaries	2.5	3.4
Rate of increase in pensions in payment and deferred pension	1.8	2.4
Discount rate applied to scheme liabilities	4.6	5.4
Inflation assumption (RPI)	2.5	3.4
Inflation assumption (CPI)	2.0	2.9

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables which were as follows to 31 March 2010

- PA92 series projected to calendar year 2004 for the Teesside Pension Scheme
- 105% of PA92 projected in line with short cohort for the MBS Pension Scheme

For 30 September 2012 and 31 July 2011 the PA92 tables with medium cohort projections have been used. These tables give the life expectancy at age 65 as follows

		2012	2011
		Years	Years
Current pensioners	Male	87.4	87.2
	Female	89.8	90.0
Future pensioners	Male	89.1	88.2
	Female	91.8	91.0

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not be borne out in practice

The sensitivity associated with these assumptions is as follows

	Change in assumption	Impact on deficit £000
Discount rate	+/- 0.1%	+/-1,588
Expected rate of price inflation	+/- 0.1%	+/- 1,547
Life expectancy	+/- 1 year	+/-1,470

The expected return for the scheme assets in the forthcoming year is as follows

	30 September 2012	31 July 2011	31 July 2010	31 July 2009	31 July 2008
	%	%	%	%	%
Equities	6.6	8.4	8.1	8.8	8.9
Bonds and gilts	3.2	4.5	4.5	5.0	4.9
Property	5.1	6.4	6.5	6.8	8.4
Cash	0.5	0.5	0.5	0.5	4.9

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

24. PENSION COMMITMENTS (continued)

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting period. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Scheme assets and liabilities under FRS 17, Retirement Benefits are disclosed below:

	30 September 2012 £000	31 July 2011 £000	31 July 2010 £000	31 July 2009 £000	31 July 2008 £000
Equities	49,254	51,586	93,492	80,099	80,364
Bonds and gilts	24,947	22,975	24,198	20,399	14,221
Property	3,273	3,050	4,928	1,785	2,429
Cash	351	864	5,619	5,116	11,760
Total fair value of assets	<u>77,825</u>	<u>78,475</u>	<u>128,237</u>	<u>107,399</u>	<u>108,774</u>
Actuarial value of liability	<u>(79,483)</u>	<u>(75,917)</u>	<u>(134,809)</u>	<u>(120,513)</u>	<u>(118,710)</u>
Net scheme surplus/(deficit)	<u>(1,658)</u>	<u>2,558</u>	<u>(6,572)</u>	<u>(13,114)</u>	<u>(9,936)</u>

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	30 Sept 2012 £000	31 July 2011 £000	31 July 2010 £000	31 July 2009 £000	31 July 2008 £000
Defined benefit obligation	(79,483)	(75,917)	(134,809)	(120,513)	(118,710)
Scheme assets	<u>77,825</u>	<u>78,475</u>	<u>128,237</u>	<u>107,399</u>	<u>108,774</u>
(Deficit)/surplus	<u>(1,658)</u>	<u>2,558</u>	<u>(6,572)</u>	<u>(13,114)</u>	<u>(9,936)</u>
Experience adjustments on scheme assets	<u>(7,110)</u>	<u>9,081</u>	<u>7,787</u>	<u>(14,536)</u>	<u>(16,154)</u>

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

25 OPERATING LEASE COMMITMENTS

At 30 September 2012 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	30 September	31 July	30 September	31 July
	2012	2011	2012	2011
	£000	£000	£000	£000
Annual commitments under non-cancellable operating leases				
Within one year	83	25	19	4
In more than one year but not more than five years	563	1,382	124	14

26. CONTINGENT LIABILITIES

Contingent liabilities at 30 September 2012 in respect of guarantees and indemnities in the normal course of business totalled £3,000,000 (2011 £4,200,000)

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. Provisions are maintained by the Company having regard to the size and nature of the claims and the Directors best estimate of the likely settlement. The Directors do not believe that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a materially adverse effect upon the Company's financial position.

At 30 September 2012, the Group had credit facilities totalling £100 0m with Royal Bank of Scotland plc, Lloyds TSB Bank plc and Barclays Bank PLC and their subsidiary companies. Of the £100 0m, £40 0m was in the form of revolving credit facilities, which mature on 31 July 2016. The balance of £60 0m is in the form of a term loan of which £5 0m will be repaid on 31 July 2014, a further £5 0m on 31 July 2015 and the balance on 31 July 2016.

Also drawn against the facility were bonds and guarantees. Interest under this facility is charged at LIBOR plus a margin that is fixed at 4.5% per annum.

Under this facility the Group is required to meet financial covenants as would be usual for this type of facility and these are tested on a quarterly basis.

The Group has complied with all the covenants during the period to 30 September 2012.

There are no fees payable on these facilities.

There are restrictions in the banking facilities which prevent dividends being paid until the banking facilities have been unconditionally and irrevocably repaid in full.

The term loan and the revolving credit facility are secured against fixed and floating charges over the assets of the Group.

Mouchel Business Services Limited is party to these facilities, along with other group companies, and so is jointly liable.

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

27. POST BALANCE SHEET EVENTS

At 31 December 2012 the majority of services provided to Milton Keynes Council were transferred back with those remaining being extended, in exchange for compensation for loss of contracted profits

28. RELATED-PARTY TRANSACTIONS

During the period, the Company sold £165,000 (2011 £4,000) and purchased £118,000 (2011 £4,000) worth of goods and services to group joint venture entities. These goods and services were in respect of the provision of working capital, systems and offices to the group joint ventures. At the period end, the Company owed £136,000 (2011 £4,000) to group joint ventures and was owed £129,000 (2011 £7,000) by group joint ventures.

The Company has taken advantage of the exemption from disclosure of related party transactions with other group members under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by MRBL Limited, whose financial statements are publicly available.

29. ULTIMATE PARENT COMPANY

The immediate parent company is Mouchel Holdings Limited.

The ultimate parent company and controlling party and the parent of the smallest and largest group for which consolidated financial statements are prepared of which the Company is a member is MRBL Limited, a company incorporated in England and Wales. Copies of the Group financial statements can be found on the Group's website, www.mouchel.com or be obtained by writing to the registered office at Export House, Cawsey Way, Woking, Surrey, GU21 6QX.

30. NET CASH FLOW FROM OPERATING ACTIVITIES

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Operating (loss)/profit	(1,727)	11,534
Depreciation of tangible fixed assets	2,082	1,941
Impairments of fixed assets	153	-
Share Based Payments	69	114
(Increase)/decrease in stocks	(64)	37
Decrease in debtors	2,585	5,886
Decrease/(increase) in amounts owed by group undertakings	587	(9,418)
Decrease in creditors	(6,014)	(778)
Increase in amounts owed to group undertakings	1,275	2,663
Increase/(decrease) in provisions	317	(3,225)
Decrease in net pension assets/liabilities	(2,020)	(5,693)
Net cash (outflow)/inflow from operating activities	(2,757)	3,061

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

31. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Returns on investments and servicing of finance		
Interest received	39	31
Interest paid	(1)	(31)
Hire purchase interest	-	(6)
	<hr/>	<hr/>
Net cash inflow/(outflow) from returns on investments and servicing of finance	38	(6)
	<hr/> <hr/>	<hr/> <hr/>
	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,571)	(973)
Sale of tangible fixed assets	286	215
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(1,285)	(758)
	<hr/> <hr/>	<hr/> <hr/>
	14 months ended 30 September 2012 £000	Year ended 31 July 2011 £000
Financing		
Repayment of other loans	(103)	(736)
Repayment of finance leases	-	(127)
	<hr/>	<hr/>
Net cash outflow from financing	(103)	(863)
	<hr/> <hr/>	<hr/> <hr/>

MOUCHEL BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

32. ANALYSIS OF CHANGES IN NET DEBT

	1 August 2011 £000	Cash flow £000	30 September 2012 £000
Cash at bank and in hand	9,031	(4,106)	4,925
Debt:			
Debts due within one year	(103)	103	-
Net funds	8,928	(4,003)	4,925

33. EBITDA RECONCILIATION

	14 months ended 30 September 2012			Year ended 31 July 2011		
	Underlying business performance £'000	Non- underlying items £'000	Total £'000	Underlying business performance £'000	Non- underlying items £'000	Total £'000
Operating (Loss)/Profit	(435)	(1,292)	(1,727)	9,456	2,078	11,534
Depreciation - owned by the company (Note 3)	2,082	-	2,082	1,891	-	1,891
Depreciation - held under finance leases (Note 3)	-	-	-	50	-	50
Write off of fixed assets (Note 4)	-	153	153	-	-	-
	1,647	(1,139)	508	11,397	2,078	13,475