

Company Registration Number 3787709

MITIE BUSINESS SERVICES LIMITED

Report and Financial Statements

31 March 2007

WEDNESDAY



A129NTHJ

A18

03/10/2007

111

COMPANIES HOUSE

MITIE BUSINESS SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

MITIE BUSINESS SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
C S Hale
R McGregor-Smith
M J Oppenheim

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

National Westminster Bank plc
32 Corn Street
Bristol
BS99 7UG

AUDITORS

Deloitte & Touche LLP
Bristol

MITIE BUSINESS SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and 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 wholly owned subsidiary of MITIE Group PLC (the 'Group'). The company provides reprographic and post room facilities to banking, legal and commercial ventures. 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.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 56% over the prior year and profit after tax has increased by 15%.

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year end has increased in net assets terms and the cash position has increased by 69%.

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 £1.28 (2006: £7.22) per 'A' ordinary share and £1.28 (2006: 8p) per 'B' ordinary share was approved and paid during the year.

MITIE BUSINESS 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 2007 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 38 days (2006: 36 days).

ENVIRONMENT

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

EMPLOYEES

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

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

MITIE BUSINESS SERVICES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the year and subsequently were as follows

C S Hale
R McGregor-Smith
M J Oppenheim
S C Baxter (appointed 8 May 2006)
I R Stewart (resigned 30 March 2007)
M J Smith (resigned 13 November 2006)

No director held an interest in the share capital of the company

S C Baxter, C S Hale, R McGregor-Smith and I R Stewart are directors of MITIE Group PLC, the parent undertaking, and their interests in and options of the share capital of that company and other group companies 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 2007 2.5p Ordinary shares No.	At 1 April 2006 2.5p Ordinary shares No.
M J Oppenheim	950,166	863,942

No other director had an interest in the share capital of MITIE Group PLC or any other group 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 6 February 2006 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



S C Baxter
Director

12 July 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE BUSINESS SERVICES LIMITED

We have audited the financial statements of MITIE Business Services Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 2007 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

16 July 2007

MITIE BUSINESS SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2007

	Note	Continuing operations	
		2007	2006
		£	£
TURNOVER	1	33,740,495	21,656,752
Cost of sales		(29,521,462)	(18,240,961)
GROSS PROFIT		4,219,033	3,415,791
Administrative expenses		(2,108,176)	(1,629,123)
OPERATING PROFIT	2	2,110,857	1,786,668
Interest receivable and similar income	3	40,425	58,744
Interest payable and similar charges	3	(49,751)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,101,531	1,845,412
Tax charge on profit on ordinary activities	4	(630,888)	(567,549)
PROFIT FOR THE FINANCIAL YEAR	14	1,470,643	1,277,863

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 BUSINESS SERVICES LIMITED

BALANCE SHEET
At 31 March 2007

	Note	2007		2006	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		1,734,199		23,368
CURRENT ASSETS					
Stocks	7	2,007		2,516	
Debtors	8	6,439,369		4,361,532	
Cash at bank and in hand		1,984,436		1,172,019	
		8,425,812		5,536,067	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(5,420,424)		(2,831,715)	
NET CURRENT ASSETS			3,005,388		2,704,352
TOTAL ASSETS LESS CURRENT LIABILITIES			4,739,587		2,727,720
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10		(1,127,899)		-
NET ASSETS			3,611,688		2,727,720
CAPITAL AND RESERVES					
Called up share capital	12		325,000		325,000
Share premium account	13		184,669		184,669
Profit and loss account	13		3,049,762		2,218,051
Capital contribution reserve	13		52,257		-
SHAREHOLDERS' FUNDS	14		3,611,688		2,727,720

These financial statements were approved by the Board of Directors on 12 July 2007

Signed on behalf of the Board of Directors



S C Baxter
Director

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year with the exception of FRS 20 'Share-Based Payments', are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied net of recoverable expenses. All turnover arises within the United Kingdom, from the company's principal activity.

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

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:

Motor vehicles	up to 5 years
Plant and machinery	3 to 5 years
Office equipment	3 to 5 years
Fixtures and fittings	4 years

Stocks

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

Leasing commitments

Assets held under finance leases and hire purchase contracts and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the conception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

1. ACCOUNTING POLICIES (continued)

Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement

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

Pension costs

The company participates in the MITIE Group PLC Pension Schemes. One 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.

For defined contributions schemes the amount charged to the profit and loss account is the contributions payable in the year.

Share-based payments

The company participates in a number of MITIE Group PLC executive and employee share option schemes. For all grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the company's estimate of shares that will actually vest.

On 1 April 2006, the company applied the requirement of FRS 20 'Share-Based Payment'. In accordance with the transitional provision, FRS 20 has been applied to all grants after 7 November 2002 that had not vested before 1 April 2005.

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

1. ACCOUNTING POLICIES (continued)

Change in accounting policy

The financial statements for the year ended 31 March 2007 have been drawn up using the same accounting policies as for the year ended 31 March 2006 subject to the adoption of FRS 20 'Share-Based Payment' this year. The effect of adopting FRS 20 has decreased the retained profit at 31 March 2007 by £36,703, increased deferred tax assets by £15,554 and given rise to a capital contribution from MITIE Group PLC of £52,257. The impact on prior year is not material, therefore a prior year adjustment has not been made.

2. OPERATING PROFIT

	2007 £	2006 £
Operating profit is stated after charging		
Depreciation		
- owned assets	37,742	30,241
- leased assets	314,077	-
Auditors' remuneration - audit services	7,980	5,395
Operating lease rentals - plant and machinery	500,372	765,140

Included within turnover is £14,467,962 (2006 £6,903,880) in respect of costs incurred on behalf of customers, for goods and services on which no margin is allowed but for which a management fee is received.

3. INTEREST

	2007 £	2006 £
Interest receivable and similar income		
Bank interest	40,425	58,744
Interest payable and similar charges		
Finance lease interest	49,751	-

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2006 30%)	609,938	551,087
Adjustment in respect of prior years	38,639	24,440
Total current tax (note 4(b))	648,577	575,527
Deferred taxation		
Timing differences - origination and reversal	20,949	7,935
Adjustment in respect of prior years	(38,638)	(15,913)
Tax on profit on ordinary activities	630,888	567,549

(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% (2006 30%) The differences are as follows

	£	£
Profit on ordinary activities before tax	2,101,531	1,845,412
	£	£
Tax at 30% (2006 30%) thereon	630,459	553,624
Expenses not deductible for tax purposes	428	5,398
Depreciation in excess of/(less than) capital allowances	(4,434)	5,293
Other timing differences	(16,515)	(13,228)
Adjustment in respect of prior years	38,639	24,440
Current tax charge for the year (note 4(a))	648,577	575,527

(c) Factors affecting future tax charges

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

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

5.	DIVIDENDS	2007 £	2006 £
	£1 28 (2006 £7 22) per share on 1p 'A' ordinary shares	325,855	1,842,149
	£1 28 (2006 8p) per share on 1p 'B' ordinary shares	313,077	19,600
		<u>638,932</u>	<u>1,861,749</u>

6.	TANGIBLE FIXED ASSETS	Motor vehicles £	Plant and machinery £	Office equipment £	Fixtures and fittings £	Total £
	Cost					
	At 1 April 2006	-	-	75,898	67,237	143,135
	Additions	21,687	1,881,869	159,094	-	2,062,650
	At 31 March 2007	<u>21,687</u>	<u>1,881,869</u>	<u>234,992</u>	<u>67,237</u>	<u>2,205,785</u>
	Depreciation					
	At 1 April 2006	-	-	62,142	57,625	119,767
	Charge for the year	-	314,077	29,715	8,027	351,819
	At 31 March 2007	<u>-</u>	<u>314,077</u>	<u>91,857</u>	<u>65,652</u>	<u>471,586</u>
	Net book value					
	At 31 March 2007	<u>21,687</u>	<u>1,567,792</u>	<u>143,135</u>	<u>1,585</u>	<u>1,734,199</u>
	At 31 March 2006	<u>-</u>	<u>-</u>	<u>13,756</u>	<u>9,612</u>	<u>23,368</u>

Included in the net book value of plant and machinery is £1,567,792 (2006 nil) of assets held under finance leases. The depreciation charge on these assets for the year was £314,077 (2006 nil).

7.	STOCKS	2007 £	2006 £
	Stocks and work in progress	<u>2,007</u>	<u>2,516</u>

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

8. DEBTORS	2007	2006
	£	£
Trade debtors	3,933,042	2,600,450
Amounts owed by group undertakings	856,872	989,911
Other debtors	126,785	100,524
Prepayments and accrued income	1,522,670	670,647
	<u>6,439,369</u>	<u>4,361,532</u>

Included within other debtors is a deferred tax asset of £22,018, which has been recognised at 31 March 2007 (2006 £4,329)

An amount of £463,611 has also been reclassified in 2006 from trade debtors to prepayments and accrued income

9. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR	2007	2006
	£	£
Obligations under finance leases	439,893	-
Trade creditors	1,352,364	681,906
Amounts owed to group undertakings	311,518	346,165
Corporation tax	281,916	383,225
Other taxes and social security costs	783,992	705,650
Other creditors	21,526	39,714
Accruals and deferred income	2,229,215	675,055
	<u>5,420,424</u>	<u>2,831,715</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2007	2006
	£	£
Obligations under finance leases	<u>1,127,899</u>	<u>-</u>

The following is an analysis of finance lease obligations

Minimum lease payments payable	£	£
Amounts due in less than one year	509,575	-
Between two and five years	1,306,563	-
	<u>1,816,138</u>	<u>-</u>
Less finance charges allocated to future periods	(248,346)	-
	<u>1,567,792</u>	<u>-</u>

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

11. DEFERRED TAX ASSET

	£
At 1 April 2006	4,329
Movement for the year	17,689
At 31 March 2007	22,018

Deferred taxation recognised in the financial statements is analysed as follows

	2007 £	2006 £
Capital allowances less than depreciation	254	4,329
Short-term timing differences	6,210	-
Share-based payments	15,554	-
	22,018	4,329

12. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
500,000 £1 Deferred shares	500,000	500,000
255,000 1p 'A' ordinary shares	2,550	2,550
245,000 1p 'B' ordinary shares	2,450	2,450
	505,000	505,000

	£	£
Allotted and fully paid		
320,000 £1 Deferred shares	320,000	320,000
255,000 1p 'A' ordinary shares	2,550	2,550
245,000 1p 'B' ordinary shares	2,450	2,450
	325,000	325,000

The deferred shares carry no rights except on a return of capital where after payment of all the company's liabilities, the holders of the deferred shares would be entitled to the par value (together with any premium paid on subscription)

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

12. CALLED UP SHARE CAPITAL (continued)

The rights attaching to the 'A' and 'B' 1p ordinary shares are as follows

Income

- (a) Subject to the approval of the board, save as set out below, the profits of the company available for distribution in respect of any financial year shall be applied
 - (i) first, in paying to the holders of the 'A' shares and 'B' shares a dividend of such amount as the board shall decide,
 - (ii) second, in paying as a cumulative dividend to the holders together of the 'A' shares one-half of the profits of the company available for distribution (net of any tax that is actually payable) in each financial year less the amount(s) already paid in respect of the 'A' shares and 'B' shares under clause (i) together with any arrears of such cumulative dividend unpaid from any previous financial year insofar as there is sufficient profit remaining after the payment in clause (i), and
 - (iii) third, the balance of the profits available for distribution which are resolved to be distributed shall be distributed among the holders of the 'A' share and 'B' shares pari passu as if they constituted one class of share
- (b) The deferred shares are not entitled to a dividend
- (c) Every dividend shall be distributed to the appropriate shareholders pro rata according to the nominal value of the shares held by them respectively

Capital

On a return of capital, the assets of the company will be distributed equally to all 1p ordinary shareholders

Voting

Each 'A' and 'B' share will carry one vote

13. RESERVES

	Share capital £	Share premium account £	Profit and loss account £	Capital contribution reserve £	2007 Total £	2006 Total £
At 1 April 2006	325,000	184,669	2,218,051	-	2,727,720	3,311,606
Profit for the financial year	-	-	1,470,643	-	1,470,643	1,277,863
Dividends	-	-	(638,932)	-	(638,932)	(1,861,749)
Increase for the financial year	-	-	-	52,257	52,257	-
At 31 March 2007	325,000	184,669	3,049,762	52,257	3,611,688	2,727,720

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

14.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2007 £	2006 £
	Profit for the financial year	1,470,643	1,277,863
	Dividends (note 5)	(638,932)	(1,861,749)
	Capital contribution reserve	52,257	-
	Net addition to shareholders' funds	883,968	(583,886)
	Opening shareholders' funds	2,727,720	3,311,606
	Closing shareholders' funds	3,611,688	2,727,720

15. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2007 the company had annual commitments under non-cancellable operating leases as follows

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date				
- within one year	-	146,631	-	105,846
- between two and five years	-	108,661	-	588,592
- in over five years	-	-	-	-
	-	255,292	-	694,438

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 2007, the overall commitment was £20 million (2006 £33 million)

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

16. DIRECTORS

	2007 £	2006 £
The emoluments of directors of the company were		
Fees and other emoluments (including benefits-in-kind)	257,250	381,963
Compensation for loss of office	133,574	-
	<u>390,824</u>	<u>381,963</u>
	£	£
The highest paid director	<u>255,074</u>	<u>191,148</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>1</u>	<u>1</u>

The amount of the accrued pension of the highest paid director at 31 March 2007 was £nil (2006 £nil)

C S Hale, R McGregor-Smith and I R Stewart are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts

Where the directors are remunerated by other group companies for their services to the group as a whole, it is not practicable to allocate their remuneration between their services as directors of MITIE Business Services Limited and their services as directors of other group companies

No directors exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the period (2006 nil)

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

17. EMPLOYEES

Number of employees

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

	2007 No.	2006 No.
Operatives	511	397
Administration and management	24	15
	<u>535</u>	<u>412</u>

Employment costs

	£	£
Wages and salaries	11,973,370	9,249,832
Social security costs	1,176,248	926,955
Pension costs	187,332	166,316
Share-based payments (see note 18)	52,257	-
	<u>13,389,207</u>	<u>10,343,103</u>

18. SHARE-BASED PAYMENTS

The company participates in the following MITIE Group PLC share option schemes

The MITIE Group PLC 2001 Executive share option scheme

The Executive share option scheme is open to qualifying senior employees. The exercise price is equal to the market value of the shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group. Before options can be exercised, the performance condition that must be satisfied is that the percentage growth in the earnings per share over a three year period must be equal or greater than 10.0% per annum compound.

The MITIE Group PLC 2001 Savings Related share option scheme

The Savings Related share option scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares on the day preceding the date on which invitations to participate in the Scheme are issued. The vesting period is five years. If the options remain unexercised after a period of five years and nine months from the date of grant, the options expire. Options may be forfeited if the employee leaves the Group.

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

18. SHARE-BASED PAYMENTS (continued)

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

	Number of share options	2007 Weighted average exercise price (in p)	Number of share options	2006 Weighted average exercise price (in p)
Outstanding at beginning of period ⁽¹⁾	224,079	137	132,339	122
Granted during the period	82,805	180	116,001	152
Forfeited during the period	(36,323)	149	(21,717)	128
Exercised during the period	(13,512)	128	(2,544)	115
Outstanding at the end of the period	257,049	150	224,079	137
Exercisable at the end of the period	5,000	132	-	-

⁽¹⁾ Included within this balance are 19,528 (2006 23,810) options that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20. Their exercise prices range from 57p to 174p (2006 57p to 174p)

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

	2007 £	2006 £
2001 Executive share options	35,152	-
2001 Saving Related share options	17,105	-
	52,257	-

The weighted average share price at the date of exercise for share options exercised during the period was 209p (2006 198p)

The options outstanding at 31 March 2007 had a weighted average exercise price of 150p (2006 137p) and a weighted average remaining contractual life of 6.00 years (2006 6.46 years)

In the year ended 31 March 2007, options were granted on 22 June 2006 and 24 July 2006 in respect of the Executive and Savings Related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £31,492

MITIE BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

18. SHARE-BASED PAYMENTS (continued)

In the year ended 31 March 2006, options were granted on 23 June 2005 and 20 July 2005 in respect of the Executive and Savings Related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £38,759.

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

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

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

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 30 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £0.5 million (2006: £1.8 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% (2006: 10%) and 7.5% (2006: 7.5%) for the group and employees respectively.

20. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Business 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.

21. 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.