

**Company Registration Number 3787709**

**MITIE BUSINESS SERVICES LIMITED**

**Report and Financial Statements**

**31 March 2008**

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## **MITIE BUSINESS SERVICES LIMITED**

### **REPORT AND FINANCIAL STATEMENTS 2008**

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## **MITIE BUSINESS SERVICES LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

L D Barnet  
S C Baxter  
R McGregor-Smith

#### **SECRETARY**

MITIE Company Secretarial Services Limited

#### **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 2008

### **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 Facilities Services Limited which is in turn a wholly owned subsidiary of MITIE Group PLC (the 'Group'). The company provides a comprehensive suite of outsourced document management and business support services 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 15.7% over the prior year and profit after tax has decreased by 4%.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end has increased in net assets terms has increased by 18%.

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.

## **MITIE BUSINESS SERVICES LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **DIVIDENDS**

A dividend of £1 52 (2007 £1 28) per 'A' ordinary share and £1 52 (2007 £1 28) per 'B' ordinary share was approved and paid during the year

#### **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 2008 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 43 days (2007 38 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**

The directors during the year and subsequently were as follows

L D Barnet	(appointed 18 October 2007)
S C Baxter	
C S Hale	(resigned 14 January 2008)
R McGregor-Smith	
M J Oppenheim	(resigned 23 January 2008)

#### **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

17 July 2008

## **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 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

#### **Respective responsibilities of directors and auditors**

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 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

*Deloitte & Touche LLP*

#### **DELOITTE & TOUCHE LLP**

Chartered Accountants and Registered Auditors  
Bristol, United Kingdom

17 July 2008

**MITIE BUSINESS SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2008**

	Note	Continuing operations 2008 £	2007 (restated - see Note 1) £
<b>TURNOVER</b>	1	22,296,375	19,272,533
Cost of sales		(17,413,846)	(15,053,500)
<b>GROSS PROFIT</b>		4,882,529	4,219,033
Administrative expenses		(2,812,498)	(2,108,176)
<b>OPERATING PROFIT</b>	2	2,070,031	2,110,857
Interest receivable and similar income	3	51,878	40,425
Interest payable and similar charges	3	(99,611)	(49,751)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,022,298	2,101,531
Tax charge on profit on ordinary activities	4	(616,637)	(630,888)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	13	1,405,661	1,470,643

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 2008

	Note	2008		2007	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	6		2,282,154		1,734,199
<b>CURRENT ASSETS</b>					
Stocks	7	5,927		2,007	
Debtors	8	10,215,870		6,439,369	
Cash at bank and in hand		33,344		1,984,436	
		10,255,141		8,425,812	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	(6,956,371)		(5,420,424)	
<b>NET CURRENT ASSETS</b>			3,298,770		3,005,388
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			5,580,924		4,739,587
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	10		(1,309,222)		(1,127,899)
<b>NET ASSETS</b>			4,271,702		3,611,688
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11		325,000		325,000
Share premium account	12		184,669		184,669
Profit and loss account	12		3,693,973		3,049,762
Capital contribution reserve	12		68,060		52,257
<b>SHAREHOLDERS' FUNDS</b>	13		4,271,702		3,611,688

These financial statements were approved by the Board of Directors on 17 July 2008

Signed on behalf of the Board of Directors



**S C Baxter**  
Director

## **MITIE BUSINESS SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2008**

#### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which, except for the presentation of turnover, have been applied consistently throughout the current and the prior financial year 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.

In addition, on certain contracts the company is also responsible for procuring certain additional goods and services supplied to its customers. The direct costs of supplying these goods are invoiced to the company and recharged to the customer in full. As the company receives a pre-determined fee for managing such activity on behalf of its customers and the risks in relation to the provision of these goods and services are primarily borne by the company's customers, turnover for this activity reported by the company comprises the net turnover earned by the company from this activity in each accounting period.

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 inception 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 2008**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Tax**

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, 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.

##### **Restatement of comparatives**

The financial statements for the year ended 31 March 2008 have been drawn up using the same accounting policies as the year ended 31 March 2007 with the exception of the change in presentation in turnover. During the year the directors reviewed the nature of their contracts and assessed that it was appropriate not to recognise turnover in respect of billings to customers for certain costs where the risks and rewards in connection with those arrangements lie with the customer. The effect of reporting turnover and cost of sales net of costs passed-on to the customer is to reduce both captions by £18,406,832 in the current year. There is no impact on profits. As the impact of this change is material, prior year balances have been restated. Prior year turnover and cost of sales balances have both been reduced by £14,467,962.

# MITIE BUSINESS SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

### 2 OPERATING PROFIT

	2008 £	2007 £
Operating profit is stated after charging		
Depreciation		
- owned assets	494,323	37,742
- leased assets	219,947	314,077
Auditors' remuneration - audit services	9,057	7,980
Operating lease rentals - plant and machinery	673,110	500,372

There were no fees payable to Deloitte & Touche LLP and their associates for non audit services during the year

### 3 INTEREST

	2008 £	2007 £
Interest receivable and similar income		
Bank interest	51,878	40,425
Interest payable and similar charges		
Finance lease interest	69,681	49,751
Other interest	29,930	-
	99,611	49,751

# MITIE BUSINESS SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
<b>(a) Analysis of charge in year</b>		
United Kingdom corporation tax at 30% (2007 30%)	737,852	609,938
Adjustment in respect of prior years	55,647	38,639
<b>Total current tax (note 4(b))</b>	<b>793,499</b>	<b>648,577</b>
Deferred taxation		
Timing differences - origination and reversal	(135,422)	20,949
Decrease in tax rate	14,201	-
Adjustment in respect of prior years	(55,641)	(38,638)
<b>Tax on profit on ordinary activities</b>	<b>616,637</b>	<b>630,888</b>

#### (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% (2007 30%) The differences are as follows

	£	£
Profit on ordinary activities before tax	2,022,298	2,101,531
<b>Tax at 30% thereon</b>	<b>606,689</b>	<b>630,459</b>
Expenses not deductible for tax purposes	15,337	428
Capital allowances in excess of depreciation	(1,393)	(4,434)
Relief in respect of employee share options	(19,596)	-
Other timing differences	136,815	(16,515)
Adjustment in respect of prior years	55,647	38,639
<b>Current tax charge for the year (note 4(a))</b>	<b>793,499</b>	<b>648,577</b>

#### (c) Factors affecting future tax charges

The 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 2008

5. DIVIDENDS	2008 £	2007 £
£1 52 (2007 £1 28) per share on 1p 'A' ordinary shares	383,340	325,855
£1 52 (2007 £1 28) per share on 1p 'B' ordinary shares	373,110	313,077
	<u>761,450</u>	<u>638,932</u>

6. TANGIBLE FIXED ASSETS	Motor vehicles £	Plant and machinery £	Office equipment £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 April 2007	21,687	1,881,869	234,992	67,237	2,205,785
Additions	50,926	938,637	272,663	-	1,262,226
At 31 March 2008	<u>72,613</u>	<u>2,820,506</u>	<u>507,655</u>	<u>67,237</u>	<u>3,468,011</u>
<b>Depreciation</b>					
At 1 April 2007	-	314,077	91,857	65,652	471,586
Charge for the year	12,364	599,274	101,048	1,585	714,271
At 31 March 2008	<u>12,364</u>	<u>913,351</u>	<u>192,905</u>	<u>67,237</u>	<u>1,185,857</u>
<b>Net book value</b>					
At 31 March 2008	<u>60,249</u>	<u>1,907,155</u>	<u>314,750</u>	<u>-</u>	<u>2,282,154</u>
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>

Included in the net book value of plant and machinery is £1,865,005 (2007 £1,567,792) of assets held under finance leases. The depreciation charge on these assets for the year was £219,947 (2007 £314,077).

7. STOCKS	2008 £	2007 £
Stocks and work in progress	<u>5,927</u>	<u>2,007</u>

# MITIE BUSINESS SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

8. DEBTORS	2008 £	2007 £
Trade debtors	6,823,645	3,933,042
Amounts owed by group undertakings	449,103	856,872
Other debtors	114,008	104,767
Prepayments and accrued income	2,630,235	1,522,670
Deferred tax asset	198,879	22,018
	<u>10,215,870</u>	<u>6,439,369</u>

A net deferred tax asset of £198,879 has been recognised at 31 March 2008 (2007 £22,018). This asset relates to depreciation in excess of capital allowances and share based payments. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited to the profit and loss account in the year was £176,861 (2007 £17,689).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2008 £	2007 £
Obligations under finance leases	555,783	439,893
Trade creditors	2,636,697	1,352,364
Amounts owed to group undertakings	439,168	311,518
Corporation tax	421,536	281,916
Other taxes and social security costs	1,011,069	783,992
Other creditors	14,833	21,526
Accruals and deferred income	1,877,285	2,229,215
	<u>6,956,371</u>	<u>5,420,424</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2008 £	2007 £
Obligations under finance leases	<u>1,309,222</u>	<u>1,127,899</u>
The following is an analysis of finance lease obligations	£	£
Minimum lease payments payable		
Amounts due in less than one year	643,334	509,575
Between two and five years	1,497,787	1,306,563
	<u>2,141,121</u>	<u>1,816,138</u>
Less finance charges allocated to future periods	<u>(276,116)</u>	<u>(248,346)</u>
	<u>1,865,005</u>	<u>1,567,792</u>

**MITIE BUSINESS SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2008**

<b>11. CALLED UP SHARE CAPITAL</b>					<b>2008</b>	<b>2007</b>
					<b>£</b>	<b>£</b>
<b>Authorised</b>						
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
					<u>505,000</u>	<u>505,000</u>
					<b>£</b>	<b>£</b>
<b>Allotted and fully paid</b>						
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
					<u>325,000</u>	<u>325,000</u>
<b>12. RESERVES</b>						
	<b>Share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Capital contribution reserve</b>	<b>2008 Total</b>	<b>2007 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2007	325,000	184,669	3,049,762	52,257	3,611,688	2,727,720
Profit for the financial year	-	-	1,405,661	-	1,405,661	1,470,643
Dividends	-	-	(761,450)	-	(761,450)	(638,932)
Increase for the financial year	-	-	-	15,803	15,803	52,257
<b>At 31 March 2008</b>	<u>325,000</u>	<u>184,669</u>	<u>3,693,973</u>	<u>68,060</u>	<u>4,271,702</u>	<u>3,611,688</u>
<b>13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>					<b>2008</b>	<b>2007</b>
					<b>£</b>	<b>£</b>
Profit for the financial year					1,405,661	1,470,643
Dividends (note 5)					(761,450)	(638,932)
Capital contribution reserve					15,803	52,257
Net addition to shareholders' funds					<u>660,014</u>	<u>883,968</u>
Opening shareholders' funds					3,611,688	2,727,720
Closing shareholders' funds					<u>4,271,702</u>	<u>3,611,688</u>



# MITIE BUSINESS SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

### 14 FINANCIAL COMMITMENTS

#### Operating leases

At 31 March 2008 the company had annual commitments under non-cancellable operating leases as follows

	2008 Other £	2007 Other £
Expiry date		
- within one year	67,266	146,631
- between two and five years	45,525	108,661
	<u>112,791</u>	<u>255,292</u>

#### Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts and loans. As at 31 March 2008, the overall commitment was £50 million (2007 £20 million)

### 15. DIRECTORS

	2008 £	2007 £
The emoluments of directors of the company were		
Fees and other emoluments (including benefits-in-kind)	202,420	257,250
Compensation for loss of office	-	133,574
	<u>202,420</u>	<u>390,824</u>
	£	£
The highest paid director	<u>127,420</u>	<u>255,074</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>1</u>	<u>1</u>

S C Baxter and R McGregor-Smith are directors of MITIE Group PLC. All disclosures relating to their emoluments, pension details and share options are disclosed in the group accounts. 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 (2007 no directors) excluding those directors who are also directors of MITIE Group PLC in respect of whom disclosures are made in the group accounts.

## MITIE BUSINESS SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

#### 16. EMPLOYEES

##### Number of employees

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

	2008 No.	2007 No.
Operatives	594	511
Administration and management	27	24
	<u>621</u>	<u>535</u>
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	13,919,911	11,973,370
Social security costs	1,355,331	1,176,248
Pension costs	238,794	187,332
Share-based payments (see note 17)	15,803	52,257
	<u>15,529,839</u>	<u>13,389,207</u>

#### 17. 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 in respect of awards prior to 26 July 2007 and 4.0% above the Retail Price per annum thereafter.

##### The MITIE Group PLC 2001 Savings related share option scheme

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

# MITIE BUSINESS SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 17. SHARE-BASED PAYMENTS (continued)

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

	2008		2007	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of the period <sup>(1)</sup>	257,049	150	224,079	137
Granted during the period	74,613	252	82,805	180
Forfeited during the period	(49,171)	159	(36,323)	149
Transferred to/from Group subsidiaries during the period	(68,965)	145	-	-
Exercised during the period	(19,259)	129	(13,512)	128
<b>Outstanding at end of the period</b>	<b>194,267</b>	<b>191</b>	<b>257,049</b>	<b>150</b>
<b>Exercisable at end of the period</b>	<b>12,386</b>	<b>125</b>	<b>5,000</b>	<b>132</b>

<sup>(1)</sup> Included within this balance are 2,986 (2007 19,528) options that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20. Their exercise prices range from 57p to 174p (2007 57p to 174p).

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

	2008 £	2007 £
2001 Executive share options	9,875	35,152
2001 Saving related share options	5,928	17,105
	<b>15,803</b>	<b>52,257</b>

The weighted average share price at the date of exercise for share options exercised during the period was 269p (2007 209p).

The options outstanding at 31 March 2008 had a weighted average exercise price of 269p (2007 150p) and a weighted average remaining contractual life of 6.55 years (2007 6.00 years).

In the year ended 31 March 2008, options were granted in July and August 2007 in respect of the Executive and Savings related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £26,612.

## MITIE BUSINESS SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

#### 17. SHARE-BASED PAYMENTS (continued)

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.

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

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

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.

#### 18. 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 34 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £9.9 million (2007: £0.5 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% (2007: 10%) and 7.5% (2007: 7.5%) for the group and employees respectively.

#### 19. 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.

#### 20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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