

Company registration number: 03787709

Mitie Business Services Limited

Annual Report and Financial Statements

For the year ended 31 March 2015

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Mitie Business Services Limited
Company information

03787709

Directors

M A Freeman
L D Barnet
S C Baxter
R I Cattell
J H J Gilding
R McGregor-Smith
J S Sheridan

Secretary

Mitie Company Secretarial Services Limited

Registered office

1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol
BS16 7FN

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

Review of the business

Mitie Business Services Limited ("the Company"), a subsidiary of Mitie Group plc ("the Group"), 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 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 turnover has increased to £32,112,000 in comparison to £30,716,000 in the previous year due to organic growth of business operations. Profit after taxation is £1,458,000. The balance sheet on page 7 shows that net asset position has increased from £6,930,000 to £7,213,000 in last financial year.

Key performance indicators

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.

Principal risks and uncertainties

The Company is part of the Mitie Group and manages its risks within the Mitie Group Risk Framework. Details of the principal risks and uncertainties are given in the Mitie Group plc annual report. The directors have reviewed the financial risk management objectives and policies of the Company in the light of the Group Risk Framework. The directors do not believe there to be any other significant risks.

Financial risk management

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.

Future developments

The directors expect the general level of activity to increase in the forthcoming year. This is as a result of organic growth via investment and through expansion of sales team.

Post balance sheet events

There have been no significant events since the balance sheet date.

Approved by the Board and signed on its behalf by:



M A Freeman
Director
29 June 2015

The directors present the annual report and audited financial statements of Mitie Business Services Limited ("the Company") for the year ended 31 March 2015.

Dividends

Dividends for each share class were declared as follows:

A Ordinary: £2.46 per share (2014: £3.70 per share)

B Ordinary: £2.46 per share (2014: £0.08 per share)

Going Concern

The directors have considered the forecast results and associated cash flows for the foreseeable future, being the period not less than 12 months from the date of signing of these financial statements. The directors have considered the facilities available to the Company and believe that they can operate within the facilities available for the period of the cash flow forecast. Accordingly, the directors consider it appropriate to adopt the going concern basis in the preparation of the Company's financial statements.

Payment of creditors

The Company manages its procurement and supply chain with increasing consideration of its impact on the Company's profitability, reputation and sustainability objectives and is committed to proactively developing mutually beneficial and sustainable trading relationships with all of our stakeholders, based on a foundation of trust and co-operation.

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 and sustainability reports which do not form part of this report.

Employees

The Company recognises the importance of good communications and employee relationships. 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 and the Share Investment Plan.

Employee diversity and inclusion

The Company remains committed to developing a culture that encourages the inclusion and diversity of all of the Company's employees through respecting and appreciating their differences and promoting the continuous development of employees through skills enhancement and training programmes.

The Company's employment policies are designed to attract, retain, train and motivate the very best people, recognising that this can be achieved only through offering equal opportunities regardless of gender, race, religion, age, disability, sexual orientation or any other aspect of diversity. Applications from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Company that the training, career development and promotion of disabled persons (including those who become disabled whilst employees of the Company) should, as far as reasonably possible, be identical to that of other employees.

Directors

The directors who served during the year are shown on page 1, together with those subsequently appointed were:

J H J Gilding

Date of appointment
27th April 2015

Disclosure of information to the auditor

Each of the directors in office as of the date of approval of this report confirms that:

- so far as he/she is aware, there is no relevant audit information (being information required by the auditor in the preparation of their report) of which the Company's auditor is unaware; and
- he/she has each taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

This confirmation is given, and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Appointment of auditor

Deloitte LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Directors' responsibilities statement

The directors are responsible for preparing the Report and Financial Statements. The directors have elected to prepare financial statements in accordance with UK GAAP. The directors are required to prepare financial statements for each financial year which 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 which disclose with reasonable accuracy at any time the financial position of the Company, safeguarding the assets, taking reasonable steps for the prevention and detection of fraud and other irregularities, and the preparation of a Strategic report and Directors' report which complies with the relevant requirements of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



M A Freeman
Director
29 June 2015

Independent auditor's report to the member of Mitie Business Services Limited

We have audited the financial statements of Mitie Business Services Limited for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. 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).

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, 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.

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 March 2015 and of its profit for the year 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.

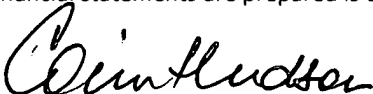
Matters on which we are required to report by exception

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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Colin Hudson (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

29 June 2015

Mitie Business Services Limited
Profit and loss account
For the year ended 31 March 2015

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	Note	2015 £'000	2014 £'000
Turnover	1	32,112	30,716
Cost of sales		(28,389)	(26,326)
		<hr/>	<hr/>
Gross profit		3,723	4,390
Administration expense		(1,919)	(1,111)
		<hr/>	<hr/>
Operating profit	2	1,804	3,279
		<hr/>	<hr/>
Profit on ordinary activities before interest and taxation		1,804	3,279
Interest receivable and similar income	5	222	118
Interest payable and similar charges	5	(170)	(201)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,856	3,196
Tax on profit on ordinary activities	6	(398)	(757)
		<hr/>	<hr/>
Profit for the financial year	15	1,458	2,439
		<hr/> <hr/>	<hr/> <hr/>

The results for the period are wholly attributable to the continuing operations of the Company.

There were no recognised gains or losses other than those 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
As at 31 March 2015

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	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	8	52	71
Tangible assets	9	2,675	3,854
		<u>2,727</u>	<u>3,925</u>
Current assets			
Debtors	10		
- due within one year		6,238	7,033
Cash at bank and in hand		5,650	4,696
		<u>11,888</u>	<u>11,729</u>
Creditors: amounts falling due within one year	11	(6,230)	(7,381)
		<u>5,658</u>	<u>4,348</u>
Net current assets			
Total assets less current liabilities		<u>8,385</u>	<u>8,273</u>
Creditors: amounts falling due after more than one year	12	(1,172)	(1,343)
		<u>7,213</u>	<u>6,930</u>
Net assets			
Share capital and reserves			
Called up share capital	14	325	325
Share premium account	15	185	185
Profit and loss account	15	6,703	6,420
		<u>7,213</u>	<u>6,930</u>
Shareholder's funds	16	<u>7,213</u>	<u>6,930</u>

The financial statements were approved by the board of directors and authorised for issue on 29 June 2015
Signed on its behalf by:



M A Freeman
Director

1. Accounting policies

The financial statements of the Company have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding year.

Going Concern

As more fully detailed in the Directors' report, the Company's financial statements have been prepared on a going concern basis.

Turnover

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

Turnover is recognised as services are delivered.

Operating leases

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

Pension costs

The Company participates in the Mitie Group plc Pension Schemes. One of which is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. For the purposes of FRS 17 ('Retirement Benefits'), the 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 contribution schemes the amount charged to the profit and loss account is the contributions payable in the year.

Taxation

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 upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in tax 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.

1. Accounting policies (continued)

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 appropriate valuation 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. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit, being between 3 and 10 years. Provision is made for any impairment identified as necessary.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of the assets over their estimated useful lives and is calculated on a straight-line basis as follows:

Plant, office equipment and motor vehicles	3 to 5 years
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Finance leases

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

Long-term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts receivable as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long term contract balances in stock.

Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

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.

Mitie Business Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

2. Operating profit

	2015	2014
	£'000	£'000
Operating profit is stated after charging		
Depreciation of tangible fixed assets:		
owned	977	1,349
held under finance leases and hire purchase contracts	527	340
Amortisation of intangible assets	19	-
Operating lease rentals:		
other	-	166

Audit fees of £9,000 (2014: £9,000) were borne by Mitie Facilities Services Limited and not recharged.

The Company has taken the exemption available to it not to disclose separately information about fees for non-audit services. provided to the Company as this information is available in the consolidated financial statements of Mitie Group plc.

3. Employees

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

	2015	2014
	No.	No.
Operations	376	382
Administration	14	14
	390	396

Employment cost

	£'000	£'000
Wages and salaries	9,833	10,042
Social security costs	996	967
Termination and redundancy costs	91	145
Other pension costs	319	308
Share-based payments	56	22
	11,295	11,484

Mitie Business Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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4. Directors

	2015	2014
	£'000	£'000
The emoluments of the directors of the Company were:		
- Aggregate emoluments	75	125
- Aggregate value of contributions paid to a money purchase pension scheme	-	20
	<u>75</u>	<u>145</u>

	2015	2014
	No.	No.
The number of directors who:		
- Were members of a defined benefit pension scheme	1	1

	2015	2014
	£'000	£'000
Highest paid director:		
- Aggregate emoluments	75	125
- Aggregate value of contributions paid to a money purchase pension scheme	-	20
	<u>75</u>	<u>145</u>

The highest paid director did not exercise any share options in the year.

The following directors are also directors or employees of another group company. They are remunerated by the company shown. It is not practicable to allocate their remuneration between their services as directors of this company and as directors or employees of other group companies.

Director	Remunerated by
M A Freeman	Mitie Facilities Services Limited
L D Barnet	Mitie Shared Services Limited
S C Baxter	Mitie Group plc
R I Cattell	Mitie Facilities Services Limited
R McGregor-Smith	Mitie Group plc
J S Sheridan	Mitie Facilities Services Limited

Mitie Business Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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5. Interest

	2015	2014
	£'000	£'000
<i>Interest receivable and similar income</i>		
Bank interest	222	118
	<u>222</u>	<u>118</u>
	<u>222</u>	<u>118</u>
<i>Interest payable and similar charges</i>		
Finance leases	170	201
	<u>170</u>	<u>201</u>
	<u>170</u>	<u>201</u>

6. Tax on profit on ordinary activities

	2015 £'000	2014 £'000
(a) Analysis of charge in the year		
United Kingdom corporation tax 21% (2014: 23%)	523	894
Adjustment in respect of prior years	(30)	(21)
	<hr/>	<hr/>
Total current tax (Note 6(b))	493	873
Deferred taxation:		
Timing differences - origination and reversal	(120)	(136)
Adjustment in respect of prior years	25	20
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>398</u>	<u>757</u>

(b) Factors affecting tax charge in the year

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	<u>1,856</u>	<u>3,196</u>
Tax at 21% (2014: 23%) thereon:	390	735
Expenses not deductible for tax purposes	1	2
Differences between capital allowances and depreciation	123	162
Relief in respect of employee share options	(3)	(10)
Other timing differences	12	5
Adjustments to tax charge in respect of prior periods	(30)	(21)
	<hr/>	<hr/>
Current tax charge for the year (Note 6(a))	<u>493</u>	<u>873</u>

Mitie Business Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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6. Tax on profit on ordinary activities (continued)

	2015	2014
	£'000	£'000
<i>The deferred tax balance comprises the following:</i>		
Depreciation in excess of capital allowances	311	223
Share-based payment timing difference	27	24
Other timing differences	7	3
	<hr/>	<hr/>
Total deferred tax asset	345	250
	<hr/>	<hr/>
Amount credited to the profit and loss account in the year in relation to deferred tax	(95)	(116)
	<hr/>	<hr/>

From 1st of April the main rate of corporation tax was reduced to 20%. This rate has been used to calculate the deferred tax balance as it was substantively enacted at the balance sheet date. There are no further announced changes to the main rate of corporation tax.

7. Dividends

	2015	2014
	£'000	£'000
The dividends approved and paid in the year were:		
A Ordinary shares	628	944
B Ordinary shares	603	20
	<hr/>	<hr/>
	1,231	964
	<hr/>	<hr/>

8. Intangible fixed assets

	£'000
Cost	
At start of year	111
	<hr/>
At end of year	111
	<hr/>
Amortisation	
At start of year	40
Charge for the year	19
	<hr/>
At end of year	59
	<hr/>
Net book value	
At 31 March 2015	52
	<hr/>
At 31 March 2014	71
	<hr/>

Mitie Business Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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9. Tangible fixed assets

	Plant and office equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost or valuation</i>			
At start of year	13,463	8	13,471
Additions	325	-	325
	<hr/>	<hr/>	<hr/>
At end of year	13,788	8	13,796
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At start of year	9,611	6	9,617
Charge for the year	1,504	-	1,504
	<hr/>	<hr/>	<hr/>
At end of year	11,115	6	11,121
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2015	2,673	2	2,675
	<hr/>	<hr/>	<hr/>
At 31 March 2014	3,852	2	3,854
	<hr/>	<hr/>	<hr/>
<i>Leased assets included above:</i>			
<i>Net book value</i>			
At 31 March 2015	1,613	-	1,613
	<hr/>	<hr/>	<hr/>
At 31 March 2014	1,824	-	1,824
	<hr/>	<hr/>	<hr/>

Mitie Business Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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10. Debtors

	2015	2014
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Trade debtors	1,715	2,804
Amounts recoverable on contracts	1,493	1,095
Amounts owed by Group undertakings	211	650
Other debtors	409	604
Prepayments and accrued income	2,065	1,630
Deferred tax asset	345	250
	<hr/>	<hr/>
	6,238	7,033
	<hr/>	<hr/>

11. Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Obligations under finance leases and hire purchase contracts	1,033	1,914
Trade creditors	1,952	1,139
Amounts owed to Group undertakings	332	331
Corporation tax	228	330
Other taxation and social security	1,189	985
Other creditors	33	28
Accruals and deferred income	1,463	2,654
	<hr/>	<hr/>
	6,230	7,381
	<hr/>	<hr/>

12. Creditors: amounts falling due after more than one year

	2015	2014
	£'000	£'000
Obligations under finance leases	1,172	1,343
	<hr/>	<hr/>
	1,172	1,343
	<hr/>	<hr/>

Mitie Business Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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13. Finance leases

	2015	2014
	£'000	£'000
Amounts payable under finance leases		
- within one year	1,033	1,914
- within two to five years	1,172	1,343
	<u>2,205</u>	<u>3,257</u>

All obligations under finance leases are secured against the assets to which they relate.

14. Called up share capital

	2015	2014
	£'000	£'000
Allotted and called up share capital		
320,000 £1 Deferred shares	320	320
255,000 £0.01 A Ordinary	3	3
245,000 £0.01 B Ordinary	2	2
	<u>325</u>	<u>325</u>

15. Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At start of year	185	6,420
Profit for the financial year	-	1,458
Dividends paid	-	(1,231)
Capital contribution relating to share-based payments	-	56
	<u>185</u>	<u>6,703</u>

Mitie Business Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2015

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16. Reconciliation of movement in shareholder's funds

	2015	2014
	£'000	£'000
Profit for the financial year	1,458	2,439
Dividends paid on equity shares	(1,231)	(964)
Capital contribution relating to share-based payments	56	22
	<hr/>	<hr/>
Net addition to shareholder's funds	283	1,497
Opening shareholder's funds	6,930	5,433
	<hr/>	<hr/>
Closing shareholder's funds	7,213	6,930
	<hr/> <hr/>	<hr/> <hr/>

17. Financial commitments

Operating leases

The Company has annual lease commitments under non-cancellable operating leases as detailed below:

	2015		2014	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
- between two and five years	-	-	-	166
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	166
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Capital commitments

The Company had the following capital commitments which were contracted at the year end but not provided for:

	2015	2014
	£'000	£'000
- Capital expenditure	400	263
	<hr/>	<hr/>
	400	263
	<hr/> <hr/>	<hr/> <hr/>

17. Financial Commitments (continued)

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.

	2015	2014
	£'000	£'000
Overall commitment	277,447	262,805

Please note the financial commitments disclosed in PY accounts were misstated. The companies share of financial commitments at the end of the prior accounting period was in fact £263m as stated above.

18. Share-based payments

The Company participates in the following Mitie Group plc share option schemes:

The Mitie Group plc 2011 Executive share option scheme

The Executive Share Option Scheme exercise price is equal to the average market value of the shares on the business day preceding grant or, if the Remuneration Committee decided, the average market value of share over a number of preceding business days (not to exceed 20). 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, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three-year period.

The Mitie Group plc 2001 Savings Related share option scheme

The SAYE 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. For options granted prior to September 2008, the vesting period is five years. For options granted in September 2008 and thereafter, the vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

The Mitie Group plc 2011 SAYE Scheme

The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares determined using either: the share price preceding the date on which invitations to participate in the scheme are issued; or an average share price over five days preceding the invitation date. The vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

The Mitie Group plc Long Term Incentive Plan (LTIP)

The LTIP was introduced in 2007. The awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management. Where offered as options the exercise price is nil. The vesting period is three years. If the awards remain unexercised after a period of four years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the group. Before the awards can be exercised, a performance condition must be satisfied which are based on movements in a range of market and non-market measures over a three year period.

The Share Incentive Plan (SIP)

The SIP was introduced in 2011 and is a non-discretionary scheme open to all eligible UK resident employees. Under the scheme, eligible employees are invited to invest in Partnership Shares which are purchased in the market on their behalf and held in a UK employee benefit trust. One Matching Share is awarded for every ten Partnership Shares purchased and has a holding period of three years. Matching Shares are funded by way of market purchases.

The Conditional Share Plan (CSP)

The CSP was introduced in 2014 and is a discretionary scheme. The awards of shares or the rights to acquire shares (the awards) are offered to a small number of key senior management. Where offered as options, the exercise price is nil. The vesting period is determined at the discretion of the Remuneration Committee and, for the 2014 scheme, is three years. If the awards remain unexercised after a period of ten years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the group.

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18. Share-based payments (continued)

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

	2015		2014	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at beginning of the year	224,697	214	312,683	211
Granted	134,728	254	82,385	196
Forfeited	(18,338)	177	(56,357)	223
Transferred from/(to) group companies	52,137	219	(64,396)	211
Exercised	(17,290)	221	(49,618)	215
	<u>375,934</u>	<u>231</u>	<u>224,697</u>	<u>214</u>
Outstanding at end of the year				
	<u>375,934</u>	<u>231</u>	<u>224,697</u>	<u>214</u>
Exercisable at end of year	<u>87,500</u>	<u>223</u>	<u>49,702</u>	<u>217</u>

The Company recognised the following expense related to share-based payments:

	2015 £'000	2014 £'000
Discretionary share plans	26	7
Non-discretionary share plans	30	15
	<u>56</u>	<u>22</u>
	<u>56</u>	<u>22</u>
	2015	2014
The weighted average share price at the date of exercise for share options exercised during the year was : (p)	313	300
The options outstanding at the year-end had a weighted average price of: (p)	231	214
The options outstanding at the year-end had a weighted average remaining contractual life of: (years)	<u>4</u>	<u>3</u>

The Company granted options under the following schemes in the year:

	2015 £'000	2014 £'000
Fair value		
Discretionary share plans	30	31
Non-discretionary share plans	<u>27</u>	<u>-</u>

18. Share-based payments (continued)

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

	2015	2014
Black-Scholes		
Share price (p)	219 - 313	219 - 274
Exercise price (p)	0 - 319	0 - 254
Expected volatility (%)	30 - 32	30 - 32
Expected life (years)	3 - 5	3 - 5
Risk-free rate (%)	0.55 - 1.48	0.55 - 1.48
Expected dividends (%)	3.5 - 4.1	3.5 - 4.1
Monte-Carlo		
Share price (p)	251 - 319	251
Average correlation with TSR benchmark (%)	29 - 32	32
Expected volatility (%)	21 - 24	24
Expected life (years)	3	3
Risk-free rate (%)	0.64 - 1.29	0.64
Expected dividends (%)	3.5 - 4.1	4.1

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 36 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £34.9 million (2014: deficit of £17 million).

Employer contributions to the scheme for the period are shown in note 3. The agreed contribution rate for employee and employer contributions for the next 12 months is 22.3% (2014: 18.5%).

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20. Related party transactions

Set out below are the related party transactions. The company has taken the exemption available under FRS8 not to disclose transactions with other wholly-owned subsidiaries of Mitie Group plc. There were no transactions with entities other than members of Mitie Group plc which require disclosure under FRS8.

Key related party transactions are as follows:

Related Party	Nature of transaction	Transaction amount		Year end balance	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Mitie Care & Custody Limited	Sales	3	-	-	-
Mitie Catering Services Limited	Sales	2	-	2	-
Mitie Events & Leisure Limited	Sales	4	1	4	-
Mitie Technical Facilities Management Limited	Sales	59	2,024	56	412
Mitie Work Wise Limited	Sales	26	12	3	12
Mitie Technical Facilities Management Limited	Purchases	(11)	(2)	-	-
Mitie Waste & Environmental Services Limited	Purchases	(21)	(5)	-	-
Mitie Work Wise Limited	Purchases	(1,611)	(1,279)	(48)	(11)

21. Ultimate parent undertaking and controlling party

Mitie Facilities Services Limited is the immediate controlling party and the directors regard Mitie Group plc, a company registered in Scotland, as the ultimate parent company and controlling party.

Mitie Group plc is the largest and smallest group for which group financial statements are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.