

Company Registration Number 4957227

MITIE CATERING SERVICES (LONDON) LIMITED

Report and Financial Statements

31 March 2007

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MITIE CATERING SERVICES (LONDON) LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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MITIE CATERING SERVICES (LONDON) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
A D J Bennett
J R C Hay
R McGregor-Smith
J S Sheridan

SECRETARY

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

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche LLP
Bristol

MITIE CATERING SERVICES (LONDON) LIMITED

DIRECTORS' REPORT

The directors present their 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 majority owned subsidiary of MITIE Group PLC (the 'Group'). The company provides catering services to industrial and commercial clients. 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 230% over the prior year. Over the same period there has been a significant decrease in the loss after tax.

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

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

DIVIDENDS

The directors do not recommend a dividend payment for the year ended 31 March 2007 (2006: nil).

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.

MITIE CATERING SERVICES (LONDON) LIMITED

DIRECTORS' REPORT (continued)

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 55 days (2006: 65 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.

DIRECTORS AND THEIR INTERESTS

The directors during the year and subsequently were as follows:

A D J Bennett	
J R C Hay	
R McGregor-Smith	
J S Sheridan	
S C Baxter	(appointed 8 May 2006)
I R Stewart	(resigned 30 March 2007)

MITIE CATERING SERVICES (LONDON) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

The beneficial interests of the directors and their families in the share capital of the company during the financial year were as follows

	At 31 March 2007 £1 'B' ordinary shares No.	At 31 March 2006 £1 'B' ordinary shares No
A D J Bennett	50,000	50,000
J R C Hay	50,000	50,000
R McGregor-Smith	5,000	5,000
J Sheridan	7,500	-

No other director had a beneficial interest in the share capital of the company or any other group company except as disclosed below

S C Baxter, 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. The interests in share capital and share options of J R C Hay and J S Sheridan are disclosed within the financial statements of MITIE Catering Services Limited

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

A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

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 CATERING SERVICES (LONDON) LIMITED

We have audited the financial statements of MITIE Catering Services (London) Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement 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 judgments 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 loss 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 CATERING SERVICES (LONDON) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2007

	Note	Continuing operations 2007 £	2006 £
TURNOVER	1	4,884,812	1,477,023
Cost of sales		(4,362,628)	(1,246,071)
GROSS PROFIT		522,184	230,952
Administrative expenses		(591,032)	(376,275)
OPERATING LOSS	2	(68,848)	(145,323)
Interest received and similar income	3	-	5,276
Interest paid and similar charges	3	(71)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(68,919)	(140,047)
Tax credit on loss on ordinary activities	4	25,972	2,845
LOSS FOR THE FINANCIAL YEAR	10	(42,947)	(137,202)

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 is presented.

MITIE CATERING SERVICES (LONDON) LIMITED

BALANCE SHEET
At 31 March 2007

	Note	2007		2006	
		£	£	£	£
FIXED ASSETS					
Tangible assets	5		75,014		86,130
CURRENT ASSETS					
Stocks	6	65,011		16,696	
Debtors	7	1,160,391		338,412	
Cash at bank and in hand		2,416		105,106	
		1,227,818		460,214	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(1,178,036)		(379,560)	
NET CURRENT ASSETS			49,782		80,654
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS			124,796		166,784
SHARE CAPITAL AND RESERVES					
Called up share capital	9		500,000		500,000
Profit and loss account	10		(376,163)		(333,216)
Capital contribution reserve	10		959		-
TOTAL SHAREHOLDERS' FUNDS	11		124,796		166,784

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 CATERING SERVICES (LONDON) LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2007

	Note	2007		2006	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	12		(255,309)		36,353
Returns on investments and servicing of finance					
Interest received		1,149		5,451	
Interest paid		(1,220)		-	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(71)		5,451
Taxation					
UK corporation tax repaid			21,823		-
Capital expenditure					
Payments to acquire tangible fixed assets			(11,337)		(95,614)
Decrease in cash in the year	14		(244,894)		(53,810)

MITIE CATERING SERVICES (LONDON) 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. 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 based upon the point at which the individual services are provided.

Stocks

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

Leases

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

Tax

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

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.

MITIE CATERING SERVICES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

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 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.

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 increased the retained loss at 31 March 2007 by £671, increased deferred tax assets by £288 and given rise to a capital contribution of £959. The impact on prior year is not material, therefore a prior year adjustment has not been made.

2. OPERATING LOSS

	2007 £	2006 £
Operating loss is stated after charging		
Depreciation	21,934	9,484
Operating lease rentals - plant and machinery	42,233	23,328
Auditors' remuneration - audit services	3,840	2,700
Loss on disposal of tangible fixed assets	519	-
	<u> </u>	<u> </u>

3. INTEREST RECEIVABLE AND PAYABLE

	2007 £	2006 £
Interest receivable and similar income	<u>1,149</u>	<u>5,276</u>
	£	£
Interest payable and similar charges	<u>1,220</u>	<u>-</u>

MITIE CATERING SERVICES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2007 £	2006 £
(a) Analysis of credit in year		
United Kingdom corporation tax at 30% (2006 30%)	-	-
Adjustment in respect of prior years	(21,823)	-
Total current tax (note 4(b))	(21,823)	-
Deferred taxation:		
Timing differences - origination and reversal	(6,808)	(2,845)
Adjustment in respect of prior years	2,659	-
Tax credit on loss on ordinary activities	(25,972)	(2,845)

(b) Factors affecting tax credit 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

	£	£
Loss on ordinary activities before tax	(68,919)	(140,047)
	£	£
Tax at 30% (2006 30%) thereon	(20,676)	(42,014)
Other timing differences	72	-
Depreciation in excess of capital allowances	6,736	2,845
Expenses not deductible for tax purposes	1,010	2,009
Generation of tax losses	12,858	37,160
Adjustments in respect of previous periods	(21,823)	-
Current tax credit for the year (note 4(a))	(21,823)	-

(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 CATERING SERVICES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

5. TANGIBLE FIXED ASSETS

	Office equipment £	Plant £	Total £
Cost			
At 1 April 2006	-	95,614	95,614
Additions	4,832	-	4,832
Disposals	(779)	-	(779)
Transfers in	-	6,847	6,847
	<hr/>	<hr/>	<hr/>
At 31 March 2007	4,053	102,461	106,514
Depreciation			
At 1 April 2006	-	9,484	9,484
Charge for the financial year	1,442	20,492	21,934
Disposals	(260)	-	(260)
Transfers in	-	342	342
	<hr/>	<hr/>	<hr/>
At 31 March 2007	1,182	30,318	31,500
Net book value			
At 31 March 2007	<hr/> 2,871 <hr/>	<hr/> 72,143 <hr/>	<hr/> 75,014 <hr/>
At 31 March 2006	<hr/> - <hr/>	<hr/> 86,130 <hr/>	<hr/> 86,130 <hr/>

Capital commitments

At 31 March 2007 the directors had authorised capital expenditure of nil (2006 nil)

6. STOCKS

	2007 £	2006 £
Goods for resale	<hr/> 65,011 <hr/>	<hr/> 16,696 <hr/>

MITIE CATERING SERVICES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

7. DEBTORS	2007 £	2006 £
Trade debtors	717,497	220,454
Amounts owed by group undertakings	123,356	36,615
Deferred tax asset	6,994	2,845
Called up share capital not paid	49,500	49,500
Prepayments and accrued income	263,044	28,998
	<u>1,160,391</u>	<u>338,412</u>

The deferred tax asset recognised in the financial statements is made up entirely of short-term timing differences

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 period was £4,149 (2006 £2,845)

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2007 £	2006 £
Bank overdraft	142,204	-
Trade creditors	766,753	206,894
Amounts owed to group undertakings	70,074	113,931
Other taxation and social security	194,225	53,110
Accruals and deferred income	4,780	5,625
	<u>1,178,036</u>	<u>379,560</u>

9. CALLED UP SHARE CAPITAL	2007 £	2006 £
Authorised		
510,000 £1 'A' ordinary shares	510,000	510,000
490,000 £1 'B' ordinary shares	490,000	490,000
	<u>1,000,000</u>	<u>1,000,000</u>
	£	£
Allotted, called up and fully paid		
255,000 £1 'A' ordinary shares	255,000	255,000
195,000 £1 'B' ordinary shares	195,000	195,000
	<u>450,000</u>	<u>450,000</u>
Allotted, called up and partly paid		
50,000 £1 'B' ordinary shares	50,000	50,000
	<u>500,000</u>	<u>500,000</u>

MITIE CATERING SERVICES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

9. CALLED UP SHARE CAPITAL (continued)

Rights attaching to shares

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

Income

Subject to the approval of the board, the profits of the company available for distribution in respect of any financial year shall be applied

- (i) first, in paying to the shareholders of 'A' 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 in each financial year less the amounts already paid in respect of the 'A' 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' and 'B' shares pari passu as if they constituted one class of share

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 ordinary shareholders

Voting

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

10. RESERVES

	Share capital £	Capital contribution reserve £	Profit and loss account £	2007 Total £	2006 Total £
Opening shareholders' funds	500,000	-	(333,216)	166,784	303,986
Loss for the financial year	-	-	(42,947)	(42,947)	(137,202)
Increase for the financial year	-	959	-	959	-
Closing shareholders' funds	500,000	959	(376,163)	124,796	166,784

MITIE CATERING SERVICES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

11.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2007	2006
		£	£
	Loss for the financial year	(42,947)	(137,202)
	Capital contribution reserve	959	-
	Net reduction to shareholders' funds	(41,988)	(137,202)
	Opening shareholders' funds	166,784	303,986
	Closing shareholders' funds	<u>124,796</u>	<u>166,784</u>
12.	RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	2007	2006
		£	£
	Operating loss	(68,848)	(145,323)
	Depreciation	21,934	9,484
	Loss on disposal of tangible fixed assets	519	-
	(Increase)/decrease in debtors	(817,830)	37,093
	Increase in stock	(48,315)	(5,502)
	Increase in creditors	656,272	140,601
	Share-based payment expense	959	-
	Net cash (outflow)/inflow from operating activities	<u>(255,309)</u>	<u>36,353</u>
13.	ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS	At 1 April 2006	At 31 March 2007
		£	£
	Cash at bank and in hand	105,106	2,416
	Overdraft	-	(142,204)
		<u>105,106</u>	<u>(139,788)</u>
14.	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS	2007	2006
		£	£
	Decrease in cash in the year	(244,894)	(53,810)
	Net funds at beginning of year	105,106	158,916
	Net (debt)/funds at end of year	<u>(139,788)</u>	<u>105,106</u>

MITIE CATERING SERVICES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

15. FINANCIAL COMMITMENTS

Operating leases

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

Other	2007 £	2006 £
Expiry date within one year	<u>2,870</u>	<u>-</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 2007, the overall commitment was £20 million (2006 £33 million)

16. DIRECTORS

The emoluments of directors of the company were	2007 £	2006 £
Fees and other emoluments (including benefits-in-kind)	<u>78,367</u>	<u>76,328</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, R McGregor-Smith and I R Stewart are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the financial statements of that company. J R C Hay and J S Sheridan are paid for their services by MITIE Catering Services Limited.

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 Catering Services (London) Limited and their services as directors of other group companies.

MITIE CATERING SERVICES (LONDON) 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	75	21
Administration and management	5	4
	<u>80</u>	<u>25</u>

Employment costs

	£	£
Wages and salaries	2,110,520	761,265
Social security costs	156,851	68,187
Pension costs	12,178	11,857
Share-based payments (see note 18)	959	-
	<u>2,280,508</u>	<u>841,309</u>

MITIE CATERING SERVICES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

18. SHARE-BASED PAYMENTS

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

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.

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

	2007		2006	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of period	7,759	138	-	-
Granted during the period	-	-	7,759	138
Outstanding at the end of the period	7,759	138	7,759	138
Exercisable at the end of the period	-	-	-	-

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

	2007 £	2006 £
2001 Saving Related share options	959	-

The options outstanding at 31 March 2007 had a weighted average exercise price of 138p (2006: 138p) and a weighted average remaining contractual life of 4.09 years (2006: 4.92 years).

In the year ended 31 March 2006, options were granted on 20 July 2005 in respect of the Savings Related share option scheme. The aggregate of the estimated fair values of the options granted on those dates is £2,876.

MITIE CATERING SERVICES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

18. SHARE-BASED PAYMENTS (continued)

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

	2007	2006
Share price (p)	134 to 193	134 to 161
Exercise price (p)	120 to 138	120 to 138
Expected volatility (%)	28 to 29	28 to 29
Expected life (years)	5 to 6	5 to 6
Risk-free rate (%)	4.24 to 5.12	4.24 to 5.12
Expected dividends (%)	1.43 to 2.23	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. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 61.2% shareholder of the company. The following represents the transactions and outstanding balances with fellow group companies:

Related party transactions for the year ended 2007

	Goods and services provided by £	Goods and services provided to £	Management charges payable to £	Debtor/ (creditor) at year end £
MITIE Managed Services Limited	64	399,198	-	122,791
MITIE Security Limited	-	431	-	565
MITIE Business Services Limited	168,000	-	-	(31,615)
MITIE PFI Limited	913	-	-	-
MITIE Document Solutions Limited	6,628	-	-	(6,398)
MITIE Catering Services Limited	-	-	69,546	(31,460)
MITIE Catering Services (Northern) Limited	138	-	-	(162)
MITIE Cleaning & Support Services Limited	2,600	-	-	(439)
	<u>178,343</u>	<u>399,629</u>	<u>69,546</u>	<u>53,282</u>

MITIE CATERING SERVICES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

19. RELATED PARTY TRANSACTIONS (continued)

Related party transactions for the year ended 2006

	Goods and services provided by £	Goods and services provided to £	Management charges payable to £	Debtor/ (creditor) at year end £
MITIE Group PLC	-	720	8,292	-
MITIE Business Services Limited	145,098	-	-	(88,051)
MITIE Catering Services Limited	-	-	21,000	(25,410)
MITIE Cleaning Limited	1,538	-	-	-
MITIE Document Solutions Limited	1,529	-	-	(470)
MITIE Interiors Limited	-	1,177	-	1,383
MITIE Managed Services Limited	6,000	268,855	-	35,232
	<u>154,165</u>	<u>270,752</u>	<u>29,292</u>	<u>(77,316)</u>

20. 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.

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.