

**Company Registration Number 1013210**

**MITIE SECURITY LIMITED**

**Report and Financial Statements**

**31 March 2008**

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# **MITIE SECURITY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

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## **MITIE SECURITY LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

S C Baxter  
J P Flanagan  
N R Goodman  
R McGregor-Smith  
J S Tomlin

#### **SECRETARY**

MITIE Company Secretarial Services Limited

#### **REGISTERED OFFICE**

8 Monarch Court  
The Brooms  
Emersons Green  
Bristol  
BS16 7FH

#### **BANKERS**

Barclays Bank PLC  
PO Box 119  
Park House  
New Brick Road  
Stoke Gifford  
BS34 8TN

#### **AUDITORS**

Deloitte & Touche LLP  
Bristol

## **MITIE SECURITY 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 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 provides security services.

On 1 November 2007 the company acquired the net assets and trade of MITIE Security (South West) Limited for a total consideration of £447,228 as part of a strategic review of the operations of the security companies within the MITIE Group. Other than this, there have not been any significant changes in the company's principal activities in the period 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 retained profit for the year is £2,887,000 (2007: loss of £1,304,000).

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 final dividend for the year ended 31 March 2008 (2007: nil).

## **MITIE SECURITY LIMITED**

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

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Loss of key customers is a key risk to the business. The company manages this risk by developing and maintaining strong relationships with these customers.

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 period, represented 28 days (2007: 41 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 SECURITY LIMITED**

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

#### **DIRECTORS**

The directors during the financial year and subsequently were as follows

S C Baxter  
J P Flanagan  
N R Goodman  
R McGregor-Smith  
J S Tomlin (appointed 27 September 2007)

#### **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

17 July 2008

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **MITIE SECURITY LIMITED**

We have audited the financial statements of MITIE Security Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. 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 SECURITY LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 2008

		Continuing operations	
		Year ended	461 day
	Note	31 March	period ended
		2008	31 March
		£'000	2007
			£'000
<b>TURNOVER</b>	2	159,399	176,280
Cost of sales		(142,017)	(150,428)
<b>GROSS PROFIT</b>		17,382	25,852
Administrative expenses		(12,589)	(25,693)
<b>OPERATING PROFIT</b>	3	4,793	159
Income from shares in group undertakings		400	250
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		5,193	409
Interest paid and similar charges	4	(668)	(1,395)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		4,525	(986)
Tax on profit/(loss) on ordinary activities	5	(1,638)	(318)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		2,887	(1,304)

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

There are no recognised gains and losses for the current and preceding financial period other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.



**MITIE SECURITY LIMITED**

**BALANCE SHEET**  
**At 31 March 2008**

	Note	2008		2007	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Investments	6		1,029		1,029
Intangible assets	7		8,002		9,058
Tangible assets	8		3,045		2,539
			<u>12,076</u>		<u>12,626</u>
<b>CURRENT ASSETS</b>					
Debtors	10	34,212		28,256	
Cash at bank and in hand		551		-	
		<u>34,763</u>		<u>28,256</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	(39,674)		(36,523)	
<b>NET CURRENT LIABILITIES</b>			<u>(4,911)</u>		<u>(8,267)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			7,165		4,359
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12		(258)		(375)
<b>NET ASSETS</b>			<u>6,907</u>		<u>3,984</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		19		19
Share premium account			1		1
Capital contribution reserve	14		66		30
Profit and loss account	14		6,821		3,934
<b>SHAREHOLDERS' FUNDS</b>	15		<u>6,907</u>		<u>3,984</u>

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 SECURITY 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 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.

##### **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 life, as follows:

Short leasehold property	10 years
Vehicles, furniture and fittings	3 to 10 years
Plant	4 years

##### **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.

## **MITIE SECURITY LIMITED**

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

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

##### **Operating leases and finance leases**

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

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.

##### **Share-based payment**

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.

##### **Intangible assets - goodwill**

Goodwill arising on the acquisition of businesses representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life, which is not more than 20 years. Provision is made for any impairment.

In the current period MITIE Security Limited implemented a change of accounting estimate relating to its goodwill balance. In accordance with UITF 27 'Revisions to Estimates of the Useful Economic Life of Goodwill and Intangible Assets' the company has opted to assign finite useful economic lives to all goodwill balances. This constitutes a change of accounting estimate and so no prior period restatement is required. Amortisation will be charged on a straight line basis from 8 March 2006 (the date the Group acquired the company) at rates set to ensure that the balance is written off in the same period had amortisation been charged from the point of acquisition.

#### **2. TURNOVER**

Turnover represents the invoiced value of goods sold and services rendered during the year exclusive of value added tax, substantially all of which is derived from the United Kingdom. Revenue is recognised as services are delivered.

## MITIE SECURITY LIMITED

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

#### 3. OPERATING PROFIT

	Year ended 31 March 2008 £'000	461 day period ended 31 March 2007 £'000
Operating profit is stated after charging		
Depreciation of owned assets	832	805
Depreciation of assets held under finance leases	302	433
Operating lease rentals – land & buildings	636	603
Operating lease rentals – other	52	59
Auditors' remuneration - audit services	98	87
Amortisation of goodwill	1,056	1,126

The auditors' remuneration figure above included audit fees borne on behalf of MITIE Security (South West) Limited and MITIE Aviation Security Limited. It is impractical to apportion the fee attributable to MITIE Security (South West) Limited and MITIE Aviation Security Limited.

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

#### 4. INTEREST PAID AND SIMILAR CHARGES

	Year ended 31 March 2008 £'000	461 day period ended 31 March 2007 £'000
Bank overdrafts	642	1,320
Finance leases	26	75
	<u>668</u>	<u>1,395</u>

# MITIE SECURITY LIMITED

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

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 March 2008 £'000	461 day period ended 31 March 2007 £'000
<b>(a) Analysis of charge in year</b>		
United Kingdom corporation tax at 30% (2007 30%)	1,487	298
Adjustment in respect of prior periods	133	3
<b>Total current tax (note 4(b))</b>	<b>1,620</b>	<b>301</b>
Deferred taxation		
Timing differences - origination and reversal	143	23
Decrease in tax rate	9	-
Adjustment in respect of prior period	(134)	(6)
<b>Tax on profit/(loss) on ordinary activities</b>	<b>1,638</b>	<b>318</b>

#### (b) Factors affecting tax charge in year

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2008 30%) The differences are as follows

	£'000	£'000
Profit/(loss) on ordinary activities before tax	4,525	(986)
	<b>£'000</b>	<b>£'000</b>
Tax charge/(credit) at 30% thereon	1,358	(296)
Expenses not deductible for tax purposes	387	668
Non-taxable income from shares in group undertakings	(120)	(75)
Depreciation (less than)/in excess of capital allowances	(18)	26
Relief in respect of employee share options	1	-
Other timing differences	(121)	(25)
Adjustments in respect of prior years	133	3
<b>Current tax charge for the year (note 4(a))</b>	<b>1,620</b>	<b>301</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 SECURITY LIMITED

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

6. INVESTMENTS	2008 £'000	2007 £'000
Investments	<u>1,029</u>	<u>1,029</u>

The investments balance at 31 March 2008 represented interests in the following companies, all of which are incorporated in Great Britain

Name of subsidiary	Principal activity	Class of shares held	Percentage of shares and voting rights held
Sigma Group Limited	Dormant	Ordinary	100%
Guardrite plc	Dormant	Ordinary	100%
MITIE Aviation Security Limited	Manned Guarding	Ordinary	99.99%
MITIE Dormant (No. 1) Limited	Dormant	Ordinary	99.90%
MITIE Security Services Limited	Dormant	Ordinary	50%
MITIE Security Training Academy Limited	Dormant	Ordinary	100%
Securiguard Scotland Limited	Dormant	Ordinary	50%
Securiguard Services (Eastern) Limited	Dormant	Ordinary	99.60%
Securiguard Services (London) Limited	Dormant	Ordinary	50%
Securiguard Services (Northern) Limited	Dormant	Ordinary	99%
Securiguard Technical Systems Limited	Dormant	Ordinary	50%

The company has taken advantage of Section 228 of the Companies Act 1985 and therefore no consolidated financial statements have been prepared

The financial statements therefore present information about the company alone. Consolidated group accounts have been prepared by the ultimate parent company, MITIE Group PLC

### 7. INTANGIBLE FIXED ASSETS

	Goodwill £'000
<b>Cost</b>	
At 1 April 2007 and at 31 March 2008	<u>10,184</u>
<b>Amortisation</b>	
At 1 April 2007	(1,126)
Charge for the year	<u>(1,056)</u>
At 31 March 2008	<u>(2,182)</u>
<b>Net book value</b>	
At 31 March 2008	<u>8,002</u>
At 31 March 2007	<u>9,058</u>

**MITIE SECURITY LIMITED**

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

**8. TANGIBLE FIXED ASSETS**

	<b>Short leasehold property £'000</b>	<b>Vehicles, furniture and fittings £'000</b>	<b>Plant £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2007	503	4,207	460	5,170
Additions	167	1,321	129	1,617
Transfers in	-	169	-	169
Disposals	(19)	(678)	-	(697)
At 31 March 2008	<u>651</u>	<u>5,019</u>	<u>589</u>	<u>6,259</u>
<b>Depreciation</b>				
At 1 April 2007	172	2,164	295	2,631
Charge for the year	63	974	97	1,134
Transfers in	-	59	-	59
Disposals	(1)	(609)	-	(610)
At 31 March 2008	<u>234</u>	<u>2,588</u>	<u>392</u>	<u>3,214</u>
<b>Net book value</b>				
At 31 March 2008	<u>417</u>	<u>2,431</u>	<u>197</u>	<u>3,045</u>
At 31 March 2007	<u>331</u>	<u>2,043</u>	<u>165</u>	<u>2,539</u>

The net book value of vehicles acquired under finance leases included in the above amounts is £378,000 (2007 £522,000). This is made up of cost of £1,098,000 (2007 £1,125,000) less aggregate depreciation of £720,000 (2007 £603,000).

# MITIE SECURITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 9. ACQUISITIONS

On 1 November 2007, the company acquired the trade and assets of MITIE Security (South West) Limited. The fair value of the consideration was £447,228.

The following table sets out the book value of the identifiable assets and liabilities acquired.

	MITIE Security (South West) Limited £
<b>Net assets acquired</b>	
Fixed assets	109,854
Stock	30,153
Debtors	1,945,767
Creditors	(1,638,546)
	<u>447,228</u>
<b>Satisfied by:</b>	<b>£</b>
Intercompany creditor	<u>447,228</u>

10. DEBTORS	2008 £'000	2007 £'000
Trade debtors	23,068	20,752
Amounts owed by group undertakings	6,480	3,102
Other debtors	254	130
Corporation tax recoverable	-	116
Deferred tax asset	126	144
Prepayments	4,284	4,012
	<u>34,212</u>	<u>28,256</u>

A net deferred tax asset of £126,000 has been recognised at 31 March 2008 (2007 £144,000). This asset relates to depreciation in excess of capital allowances, timing differences relating to share-based payments and other 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 charged to the profit and loss account in the year was £18,000 (2007 charge of £17,000).



# MITIE SECURITY LIMITED

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

<b>11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance lease and hire purchase contracts	284	317
Bank overdraft	-	3,656
Trade creditors	575	1,965
Amounts owed to group undertakings	20,358	15,730
Corporation tax	761	-
Other taxes and social security costs	11,024	7,744
Other creditors	1,335	1,995
Accruals and deferred income	5,337	5,116
	<u>39,674</u>	<u>36,523</u>
<b>12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases and hire purchase contracts	<u>258</u>	<u>375</u>
All obligations under finance leases are secured on the assets to which they relate		
<b>13. CALLED UP SHARE CAPITAL</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised</b>		
20,000 £1 Ordinary shares	<u>20</u>	<u>20</u>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted and fully paid</b>		
19,000 £1 Ordinary shares	<u>19</u>	<u>19</u>
<b>14. RESERVES</b>	<b>Profit and loss account</b>	<b>Capital contribution reserve</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2007	3,934	30
Profit for the financial year	2,887	-
Increase for the financial year	-	36
<b>At 31 March 2008</b>	<u>6,821</u>	<u>66</u>

# MITIE SECURITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

<b>15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(loss) for the financial year	2,887	(1,304)
Capital contribution reserve	36	30
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	2,923	(1,274)
Opening shareholders' funds	3,984	5,258
	<hr/>	<hr/>
Closing shareholders' funds	6,907	3,984
	<hr/>	<hr/>
<b>16. FINANCIAL COMMITMENTS</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Amounts payable under finance lease (notes 11 and 12)		
- within one year	309	339
- within two to five years	287	385
- after more than five years	4	-
Less finance charges allocated to future periods	(58)	(32)
	<hr/>	<hr/>
	542	692
	<hr/>	<hr/>

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

	2008		2007	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date in less than one year	30	19	105	19
Expiry date between two and five years	324	-	207	-
Expiry date after five years	77	-	250	-
	<hr/>	<hr/>	<hr/>	<hr/>
	431	19	562	19
	<hr/>	<hr/>	<hr/>	<hr/>

### Commitments on behalf of the 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)

# MITIE SECURITY LIMITED

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

### 17. DIRECTORS

	Year ended 31 March 2008 £'000	461 day period ended 31 March 2007 £'000
Aggregate emoluments (in respect of qualifying services to the company)	336	613
Aggregate value of contributions paid to a money purchase pension scheme (in respect of qualifying services to the company)	22	34
	<hr/>	<hr/>
	No	No.
The number of directors to whom retirement benefits are accruing under a		
- money purchase pension scheme (in respect of qualifying services)	2	3
- defined benefit scheme (in respect of qualifying services)	-	-
	<hr/>	<hr/>
	£'000	£'000
Highest paid director (in respect of qualifying services to the company)		
- total amount of emoluments	223	235
- accrued pension benefits under the defined benefit scheme	15	-
	<hr/>	<hr/>

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

S C Baxter, N R Goodman 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 Security 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 SECURITY LIMITED

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

### 18 EMPLOYEES

#### Number of employees

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

	Year ended 31 March 2008 No	461 day period ended 31 March 2007 No.
Operations	8,154	7,161
Administration	128	269
	<u>8,282</u>	<u>7,430</u>
<b>Employment costs</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	129,846	145,336
Social security costs	11,926	13,619
Other pension costs	348	246
Share-based payment (see note 19)	36	30
	<u>142,156</u>	<u>159,231</u>

### 19 SHARE-BASED PAYMENT

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 SECURITY LIMITED

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

### 19. SHARE-BASED PAYMENT (continued)

Details of the share options outstanding during the period 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	205,047	154	-	-
Acquired at date of acquisition by MITIE Group PLC <sup>(1)</sup>	-	-	33,751	134
Granted during the period 8 March 2006 to 31 March 2006	-	-	38,434	151
Granted during the period 1 April 2006 to 31 March 2007	-	-	97,186	180
Granted during the year	354,451	236	-	-
Forfeited during the period	(31,686)	198	(22,308)	133
Transferred (to)/from Group subsidiaries during the period	(29,276)	147	66,067	119
Exercised during the period	(4,778)	110	(8,083)	137
<b>Outstanding at end of the period</b>	<b>493,848</b>	<b>211</b>	<b>205,047</b>	<b>154</b>
<b>Exercisable at end of the period</b>	<b>3,583</b>	<b>110</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> Included within this balance are 3,583 (2007 8,361) 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 payment

	2008 £'000	2007 £'000
2001 Executive share options	20	10
2001 Saving Related share options	16	20
	<u>36</u>	<u>30</u>

The weighted average share price at the date of exercise for share options exercised during the period was 264p (2007 192p)

The options outstanding at 31 March 2008 had a weighted average exercise price of 211p (2007 154p) and a weighted average remaining contractual life of 6.48 years (2007 5.64 years)

## MITIE SECURITY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

#### 19. SHARE-BASED PAYMENT (continued)

In the period 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 £132,682.

In the period 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 £36,948.

The fair value of options is measured by use of the Black-Scholes models. 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.

#### 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 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 18 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.

As part of the agreement for the acquisition of the company by MITIE Group PLC, the company's obligations under the defined benefit pension arrangements of Rentokil Initial plc were ring-fenced and arrangements put in place by Rentokil Initial plc to support any current and future on-going liabilities of those pension schemes.

## **MITIE SECURITY LIMITED**

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

**Year ended 31 March 2008**

#### **21. RELATED PARTY TRANSACTIONS**

As a wholly owned subsidiary of MITIE Group PLC, MITIE Security Limited has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group

#### **22. 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 Security Holdings 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.