

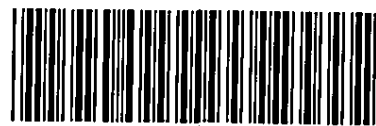
Company Registration Number 1761468

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

Report and Financial Statements

31 March 2008

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MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
A R Cotton
D Freeman
E A Harris
R McGregor-Smith
C J Williams

SECRETARY

MITIE Company Secretarial Services Limited

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 ENGINEERING SERVICES (SOUTH WEST) 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 is a wholly owned subsidiary of MITIE Group PLC (the 'Group'). The company provides installation of electrical and mechanical services in commercial, industrial and domestic premises. 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 turnover has decreased by 4% over the prior year whereas profit after tax has increased.

The balance sheet on page 7 shows a 24% reduction in net assets compared to 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.

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

DIRECTORS' REPORT (continued)

DIVIDENDS

A dividend of £13.66 (2007: £4.11) per £1 ordinary share was approved and paid during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Group risks are discussed in the Group's annual report which does not form part of this report.

FINANCIAL RISK MANAGEMENT

The directors have reviewed the financial risk management objectives and policies of the company. The directors do not believe there to be significant risks in this area. The company does not enter into any hedging instruments, as there are not believed to be any material exposures. It does not enter into any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall MITIE Group PLC financing arrangements.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere to the supplier's standard terms. As at 31 March 2008, trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 96 days (2007: 78 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 ENGINEERING SERVICES (SOUTH WEST) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The directors during the year and subsequently were as follows

C S Acheson (resigned 2 October 2007)
S C Baxter
A R Cotton
D Freeman
E A Harris
R McGregor-Smith
C J Williams

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Pursuant to Section 386 Companies Act 1985, an elective resolution was passed on 14 March 2005 dispensing with the requirement to appoint auditors annually Therefore Deloitte & Touche LLP are deemed to continue as auditors

Approved by the Board of Directors
and signed on behalf of the Board



S C Baxter
Director

7 July 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

We have audited the financial statements of MITIE Engineering Services (South West) Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

17 July 2008

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2008

	Note	Continuing operations	
		2008	2007
		£	£
TURNOVER	1	13,973,140	14,083,496
Cost of sales		(11,454,443)	(11,770,755)
GROSS PROFIT		2,518,697	2,312,741
Administrative expenses		(2,120,346)	(2,025,287)
OPERATING PROFIT	2	398,351	287,454
Interest received and similar income	3	24,725	20,240
Interest paid and similar charges	3	(450)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		422,626	307,694
Tax on profit on ordinary activities	4	(133,823)	(76,736)
PROFIT FOR THE FINANCIAL YEAR	12	288,803	230,958

There are no recognised gains and losses for the current or 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 ENGINEERING SERVICES (SOUTH WEST) LIMITED

BALANCE SHEET At 31 March 2008

	Note	2008		2007	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		291,769		149,016
CURRENT ASSETS					
Stocks	7	9,754		3,288	
Debtors	8	3,372,779		3,024,786	
Cash at bank and in hand		209,321		655,943	
		<u>3,591,854</u>		<u>3,684,017</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(3,052,018)</u>		<u>(2,748,914)</u>	
NET CURRENT ASSETS			539,836		935,103
NET ASSETS			<u>831,605</u>		<u>1,084,119</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	10		40,000		40,000
Capital contribution reserve	11		68,658		63,497
Profit and loss account	12		722,947		980,622
TOTAL SHAREHOLDERS' FUNDS	13		<u>831,605</u>		<u>1,084,119</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 ENGINEERING SERVICES (SOUTH WEST) 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.

Turnover

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Motor vehicles	4 years
Plant and office equipment	3 to 10 years
Short leasehold property	5 years

Leasing and hire purchase commitments

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

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.

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES (continued)

Tax

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

Pension costs

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.

For the defined contribution scheme, the amount charged to the profit and loss account is the contribution, payable in the year.

Share-based payments

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

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 ENGINEERING SERVICES (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

2 OPERATING PROFIT

	2008	2007
	£	£
Operating profit is stated after charging/(crediting)		
Depreciation on owned assets	82,048	76,758
Depreciation on leased assets	8,355	-
Operating lease rentals - land and buildings	30,980	56,689
Auditors' remuneration - audit services	6,050	6,050
Profit on disposal of tangible fixed assets	(7,745)	(2,612)

Fees payable to Deloitte & Touche LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis

3 INTEREST

	2008	2007
	£	£
Interest received and similar income		
Bank interest	24,725	20,240
Interest paid and similar charges		
Bank interest	450	-

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2007 30%)	123,425	102,257
Adjustment in respect of prior years	972	(6,209)
Total current tax (note 4(b))	124,397	96,048
Deferred taxation		
Timing differences - origination and reversal	7,313	(22,022)
Increase in tax rate	3,006	-
Adjustment in respect of prior years	(893)	2,710
Tax on profit on ordinary activities	133,823	76,736

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

	£	£
Profit on ordinary activities before tax	422,626	307,694
Tax at 30% thereon	126,788	92,308
Expenses not deductible/(deductible) for tax purposes	11,270	(12,093)
Difference between capital allowances and depreciation	(5,438)	2,702
Relief in respect of employee share options	(7,320)	-
Other timing differences	(1,875)	19,340
Adjustment in respect of prior years	972	(6,209)
Current tax charge for the year (note 4(a))	124,397	96,048

(c) Factors affecting future tax charges

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

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

5 DIVIDENDS

The dividends approved and paid in the year are as follows	2008 £	2007 £
£13.66 (2007: £4.11) per share on £1 ordinary shares	<u>546,478</u>	<u>164,501</u>

6. TANGIBLE FIXED ASSETS

	Short leasehold property £	Plant £	Office equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2007	-	59,799	167,196	287,417	514,412
Additions	149,334	3,243	70,307	14,173	237,057
Disposals	-	-	-	(40,979)	(40,979)
At 31 March 2008	<u>149,334</u>	<u>63,042</u>	<u>237,503</u>	<u>260,611</u>	<u>710,490</u>
Depreciation					
At 1 April 2007	-	56,510	139,695	169,191	365,396
Charge for the year	8,355	2,702	22,635	56,711	90,403
Disposals	-	-	-	(37,078)	(37,078)
At 31 March 2008	<u>8,355</u>	<u>59,212</u>	<u>162,330</u>	<u>188,824</u>	<u>418,721</u>
Net book value					
At 31 March 2008	<u>140,979</u>	<u>3,830</u>	<u>75,173</u>	<u>71,787</u>	<u>291,769</u>
At 31 March 2007	<u>-</u>	<u>3,289</u>	<u>27,501</u>	<u>118,226</u>	<u>149,016</u>

Capital commitments

At 31 March 2008 the directors had no authorised capital expenditure (2007: £nil)

7. STOCKS

	2008 £	2007 £
Work in progress	<u>9,754</u>	<u>3,288</u>

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

8.	DEBTORS	2008 £	2007 £
	Trade debtors	2,840,711	2,541,144
	Amounts recoverable on contracts	103,578	169,804
	Amounts owed by group undertakings	306,197	232,254
	Other debtors	9,298	-
	Prepayments and accrued income	70,905	30,068
	Deferred tax asset	42,090	51,516
		<u>3,372,779</u>	<u>3,024,786</u>

A net deferred tax asset of £42,090 has been recognised at 31 March 2008 (2007 £51,516). This asset relates to negative accelerated capital allowances and other 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 £9,426 (2007 £19,332 credit).

9	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2008 £	2007 £
	Payments on account	52,505	32,282
	Trade creditors	2,320,708	2,015,666
	Amounts owed to group undertakings	212,796	79,514
	Corporation tax	63,981	38,193
	Other taxes and social security costs	205,396	361,765
	Other creditors	25,454	25,378
	Accruals and deferred income	171,178	196,116
		<u>3,052,018</u>	<u>2,748,914</u>

10	CALLED UP SHARE CAPITAL	2008 £	2007 £
	Authorised		
	40,000 £1 Ordinary shares	<u>40,000</u>	<u>40,000</u>
		£	£
	Allotted, called up and fully paid		
	40,000 £1 Ordinary shares	<u>40,000</u>	<u>40,000</u>

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

11 CAPITAL CONTRIBUTION RESERVE

	£
At 1 April 2007	63,497
Increase for the financial year	5,161
At 31 March 2008	68,658

12 PROFIT AND LOSS ACCOUNT

	£
At 1 April 2007	980,622
Profit for the financial year	288,803
Dividends (note 5)	(546,478)
At 31 March 2008	722,947

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the financial year	288,803	230,958
Dividends (note 5)	(546,478)	(164,501)
Change in capital contribution reserve	5,161	63,497
Net (reduction in)/addition to shareholders' funds	(252,514)	129,954
Opening shareholders' funds	1,084,119	954,165
Closing shareholders' funds	831,605	1,084,119

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

14. FINANCIAL COMMITMENTS

Operating leases

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

Land and buildings	2008 £	2007 £
Expiry date		
- within one year	-	5,000
- between two and five years	27,000	-
- over five years	87,032	-
	<u> </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 2008, the overall commitment was £50 million (2007 £20 million)

15. DIRECTORS

	2008 £	2007 £
The emoluments of directors of the company were		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	189,022	179,472
	<u> </u>	<u> </u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	2	2
	<u> </u>	<u> </u>

S C Baxter and R McGregor-Smith are directors of MITIE Group PLC. All disclosures relating to their emoluments, pension details and share options are disclosed in the group accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Services (South West) Limited and their services as directors of other group companies. S C Baxter and R McGregor-Smith are remunerated by MITIE Group PLC and D Freeman and C J Williams are remunerated by MITIE Engineering Services Limited for their services to the group as a whole.

No other director exercised options in the shares of the ultimate group company, MITIE Group PLC during the year (2007 two directors)

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

16. EMPLOYEES

Number of employees

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

	2008 No	2007 No
Site labour	104	97
Administration and management	38	37
	<u>142</u>	<u>134</u>

Employment costs

	£	£
Wages and salaries	4,849,286	4,310,333
Social security costs	461,362	430,126
Other pension costs	90,797	89,661
Share based payments (see note 17)	5,161	63,497
	<u>5,406,606</u>	<u>4,893,617</u>

17 SHARE-BASED PAYMENTS

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

The MITIE Group PLC 2001 Executive share option scheme

The Executive share option scheme is open to all 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 ENGINEERING SERVICES (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

17. SHARE-BASED PAYMENTS (continued)

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

	2008		2007	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of the period ⁽¹⁾	514,844	134	490,432	125
Granted during the period	47,858	220	107,228	169
Forfeited during the period	(21,719)	152	(17,548)	134
Transferred to group subsidiaries during the period	(292,365)	134	(1,500)	162
Exercised during the period	(17,917)	110	(63,768)	116
Outstanding at end of the period	230,701	153	514,844	134
Exercisable at end of the period	17,389	127	60,392	126

⁽¹⁾ Included within this balance are 2,389 (2007 118,000) options that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20. Their exercise prices range from 57p to 174p (2007 57p to 174p)

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

	2008 £	2007 £
2001 Executive share options	(3,910)	14,226
2001 Saving related share options	9,071	49,271
	5,161	63,497

The weighted average share price at the date of exercise for share options exercised during the period was 267p (2007 224p)

The options outstanding at 31 March 2008 had a weighted average exercise price of 153p (2007 134p) and a weighted average remaining contractual life of 3.41 years (2007 3.86 years)

In the year ended 31 March 2008, options were granted in July and August 2007 in respect of the Executive and Savings related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £18,789

MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

17 SHARE-BASED PAYMENTS (continued)

In the year ended 31 March 2007, options were granted on 22 June 2006 and 24 July 2006 in respect of the Executive and Savings related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £41,478.

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

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

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

18. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. For the purposes of Financial Reporting Standard 17 ('Retirement Benefits'), the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 34 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £9.9 million (2007: £0.5 million).

Contributions to the scheme for the period are shown in note 16 and the agreed contribution rate for the next 12 months is 10% (2007: 10%) and 7.5% (2007: 7.5%) for the group and employees respectively.

19 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, in both the current and preceding years, MITIE Engineering Services (South West) Limited has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

20 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. MITIE Group PLC is 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.