

**Company Registration Number 1761468**

**MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED**

**Report and Financial Statements**

**31 March 2009**



# **MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2009**

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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  
62 George White Street  
Cabot Circus  
Bristol  
BS1 3BA

#### **AUDITORS**

Deloitte 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 2009.

### **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'). On 31 March 2009 the Company transferred its trade and assets to MITIE Engineering Services (SW Region) Limited for a consideration of £2.575 million. Up to this date the company provided installation of electrical and mechanical services in commercial, industrial and domestic premises.

As a result of this transaction the company has ceased trading and as a result, its financial statements have been prepared on the basis other than that of a going concern (note 1).

As shown in the Company's profit and loss account on page 6, the Company's turnover has increased by 6% over the prior year. Over the same period the Company has made an operating profit of £583,290 compared to £398,351 in the previous year.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end has, in net asset terms, increased significantly from 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 £3.67 (2008: £13.66) per £1 ordinary share was approved and paid during the year.

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

Prior to the transfer of trade the loss of key customers was a key risk to the business. The company managed 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.

Prior to the transfer of trade appropriate trade terms were negotiated with suppliers and customers. Management reviewed these terms and the relationships with suppliers and customers and managed any exposure on normal trade terms. The company prepared regular forecasts of cash flow and liquidity and any requirement for additional funding was 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 2009, trade creditors were transferred to MITIE Engineering Services (SW Region) Limited, and therefore, in this company as a proportion of amounts invoiced from suppliers for the financial year, represented nil days (2008: 96 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:

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.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP.

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 LLP are deemed to continue as auditors.

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



**S C Baxter**  
Director

17 July 2009

**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 2009 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 2009 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.

**Emphasis of matter - financial statements prepared on a basis other than that of a going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

*DeLoitte LLP*

**DELOITTE LLP**  
Chartered Accountants and Registered Auditors  
Bristol, United Kingdom

17 July 2009

# MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 March 2009

	Note	Discontinued operations	
		2009	2008
		£	£
<b>TURNOVER</b>	1	14,745,707	13,973,140
Cost of sales		(12,207,238)	(11,454,443)
<b>GROSS PROFIT</b>		2,538,469	2,518,697
Administrative expenses		(1,955,179)	(2,120,346)
<b>OPERATING PROFIT</b>	2	583,290	398,351
Profit on disposal of net assets	3	1,462,914	-
Interest receivable and similar income	4	16,587	24,725
Interest payable and similar charges	4	(1,451)	(450)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,061,340	422,626
Tax on profit on ordinary activities	5	(200,615)	(133,823)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	12	1,860,725	288,803

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 2009

	Note	2009	2008
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	7	-	291,769
<b>CURRENT ASSETS</b>			
Stocks	8	-	9,754
Debtors	9	2,575,000	3,372,779
Cash at bank and in hand		-	209,321
		<u>2,575,000</u>	<u>3,591,854</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	10	-	(3,052,018)
<b>NET CURRENT ASSETS</b>		<u>2,575,000</u>	<u>539,836</u>
<b>NET ASSETS</b>		<u>2,575,000</u>	<u>831,605</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	11	40,000	40,000
Profit and loss account	12	2,535,000	791,605
<b>SHAREHOLDERS' FUNDS</b>	13	<u>2,575,000</u>	<u>831,605</u>

These financial statements were approved by the Board of Directors on

17 July 2009

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 2009**

#### **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.

As explained in the directors' report, the company transferred its trade, assets and liabilities to a fellow subsidiary company on 31 March 2009 and has ceased trading. As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to the fellow subsidiary at fair value.

##### **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:

Short leasehold property	period of lease
Plant and office equipment	3 to 10 years
Motor vehicles	4 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 2009**

#### **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 2009

### 2. OPERATING PROFIT

	2009 £	2008 £
Operating profit is stated after charging/(crediting):		
Depreciation on owned assets	78,347	82,048
Depreciation on leased assets	21,166	8,355
Operating lease rentals - land and buildings	114,032	30,980
Auditors' remuneration - audit services	7,500	6,050
Profit on disposal of tangible fixed assets	(15,788)	(7,745)

### 3. PROFIT ON DISPOSAL OF NET ASSETS

	2009 £	2008 £
Profit on disposal of net assets	1,462,914	-

The profit on disposal of net assets arose on the sale of the company's operations to MITIE Engineering Services (SW Region) Limited.

### 4. INTEREST

Interest receivable and similar income	2009 £	2008 £
Bank interest	16,345	24,725
Other interest	242	-
	<u>16,587</u>	<u>24,725</u>
 Interest payable and similar charges	 £	 £
Bank interest	1,069	450
Other interest	382	-
	<u>1,451</u>	<u>450</u>

# MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £	2008 £
<b>(a) Analysis of charge in year</b>		
United Kingdom corporation tax at 28% (2008: 30%)	179,134	123,425
Adjustment in respect of prior years	(1,018)	972
<b>Total current tax (note 5(b))</b>	<u>178,116</u>	<u>124,397</u>
Deferred taxation:		
Timing differences - origination and reversal	15,606	7,313
Increase in tax rate	-	3,006
Adjustment in respect of prior years	6,893	(893)
<b>Tax on profit on ordinary activities</b>	<u>200,615</u>	<u>133,823</u>

### (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 28% (2008: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	<u>2,061,340</u>	<u>422,626</u>
	£	£
Tax at 28% (2008: 30%) thereon	577,175	126,788
Profit on disposal of net assets not taxable	(409,616)	-
Expenses not deductible for tax purposes	8,251	11,270
Difference between capital allowances and depreciation	974	(5,438)
Relief in respect of employee share options	2,167	(7,320)
Other timing differences	183	(1,875)
Adjustment in respect of prior years	(1,018)	972
<b>Current tax charge for the year (note 5(a))</b>	<u>178,116</u>	<u>124,397</u>

# MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

### 6. DIVIDENDS

The dividends approved and paid in the year are as follows:

	2009 £	2008 £
£3.67 (2008: £13.66) per share on £1 ordinary shares	146,982	546,478

### 7. TANGIBLE FIXED ASSETS

	Short leasehold property £	Plant £	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 April 2008	149,334	63,042	237,503	260,611	710,490
Additions	-	1,914	23,457	117,741	143,112
Disposals	-	(55,911)	(138,379)	(122,717)	(317,007)
Transfers in	-	-	-	14,126	14,126
Transfers out	(149,334)	(9,045)	(122,581)	(269,761)	(550,721)
At 31 March 2009	-	-	-	-	-
<b>Depreciation</b>					
At 1 April 2008	8,355	59,212	162,330	188,824	418,721
Charge for the year	15,220	1,603	29,756	52,934	99,513
Disposals	-	(55,911)	(138,379)	(112,810)	(307,100)
Transfers in	-	-	-	5,343	5,343
Transfers out	(23,575)	(4,904)	(53,707)	(134,291)	(216,477)
At 31 March 2009	-	-	-	-	-
<b>Net book value</b>					
At 31 March 2009	-	-	-	-	-
At 31 March 2008	140,979	3,830	75,173	71,787	291,769

### 8. STOCKS

	2009 £	2008 £
Work in progress	-	9,754

**MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2009**

<b>9. DEBTORS</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Trade debtors	-	2,840,711
Amounts recoverable on contracts	-	103,578
Amounts owed by group undertakings	2,575,000	306,197
Other debtors	-	9,298
Prepayments and accrued income	-	70,905
Deferred tax asset	-	42,090
	<u>2,575,000</u>	<u>3,372,779</u>

A net deferred tax asset of £19,591 was transferred to MITIE Engineering Services (SW Region) Limited at 31 March 2009. This asset relates to negative accelerated capital allowances and other timing differences. The amount charged to the profit and loss account in the year was £22,499 (2008: charge of £9,426).

<b>10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Payments on account	-	52,505
Trade creditors	-	2,320,708
Amounts owed to group undertakings	-	212,796
Corporation tax	-	63,981
Other taxes and social security costs	-	205,396
Other creditors	-	25,454
Accruals and deferred income	-	171,178
	<u>-</u>	<u>3,052,018</u>

<b>11. CALLED UP SHARE CAPITAL</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
40,000 £1 Ordinary shares	<u>40,000</u>	<u>40,000</u>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
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 2009

### 12. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2008	791,605
Profit for the financial year	1,860,725
Dividends (note 6)	(146,982)
Capital contribution	29,652
<b>At 31 March 2009</b>	<b>2,535,000</b>

In the prior year the capital contribution from MITIE Group PLC was presented in a separate reserve; in the current year it is presented as part of the profit and loss account reserve.

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Profit for the financial year	1,860,725	288,803
Dividends (note 6)	(146,982)	(546,478)
Capital contribution	29,652	5,161
Net addition/(reduction) to shareholders' funds	1,743,395	(252,514)
Opening shareholders' funds	831,605	1,084,119
<b>Closing shareholders' funds</b>	<b>2,575,000</b>	<b>831,605</b>

### 14. FINANCIAL COMMITMENTS

#### Operating leases

At 31 March 2009, the company's annual commitments under non-cancellable operating leases were transferred to MITIE Engineering Services (SW Region) Limited (formerly MITIE Engineering Services (Peninsula) Limited).

#### 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 2009, the overall commitment was £10 million (2008: £50 million).



# MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

### 15. DIRECTORS

	2009 £	2008 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	216,619	189,022
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest paid director	114,606	102,256

The accrued pension benefit of the highest paid director was £ 21,049 (2008: £18,988).

	No.	No.
The number of directors who were members of a defined benefit pension scheme	2	2

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. D Freeman and C J Williams are remunerated by MITIE Engineering Services Limited for their services to the group as a whole. All disclosures relating to their emoluments, pension details and share options are disclosed in the MITIE Engineering Services Limited 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.

### 16. EMPLOYEES

#### Number of employees

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

	2009 No.	2008 No.
Site labour	104	104
Administration and management	41	38
	145	142
Employment costs	£	£
Wages and salaries	4,914,894	4,849,286
Social security costs	477,329	461,362
Other pension costs	114,618	90,797
Share-based payments (see note 17)	29,652	5,161
	5,536,493	5,406,606

# MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

### 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 average market value of the shares over the five day period immediately preceding 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.

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

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

	2009		2008	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of the period <sup>(1)</sup>	230,701	153	514,844	134
Granted during the period	84,573	190	47,858	220
Forfeited during the period	(16,795)	190	(21,719)	152
Transferred to group subsidiaries during the period	(270,932)	165	(292,365)	134
Exercised during the period	(27,547)	119	(17,917)	110
<b>Outstanding at end of the period</b>	<b>-</b>	<b>-</b>	<b>230,701</b>	<b>153</b>
<b>Exercisable at end of the period</b>	<b>-</b>	<b>-</b>	<b>17,389</b>	<b>127</b>

<sup>(1)</sup> There are no options included within this balance (2008: 2,389) 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. In the prior year their exercise prices ranged from 57p to 174p.

# MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

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

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

	2009 £	2008 £
2001 Executive share options	(4,553)	(3,910)
2001 Saving related share options	34,205	9,071
	<u>29,652</u>	<u>5,161</u>

The weighted average share price at the date of exercise for share options exercised during the period was 199p (2008: 267p).

There were no options outstanding at 31 March 2009. The options outstanding at 31 March 2008 had a weighted average exercise price of 153p and a weighted average remaining contractual life of 3.41 years.

In the year ended 31 March 2009, options were granted in July and September 2008 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 £27,768.

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.

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

	2009	2008
Share price (p)	133 to 230	133 to 230
Exercise price (p)	120 to 254	120 to 254
Expected volatility (%)	27 to 30	27 to 30
Expected life (years)	3 to 6	4 to 5
Risk-free rate (%)	4.17 to 5.25	4.17 to 5.25
Expected dividends (%)	1.43 to 3.15	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.

## **MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED**

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

**Year ended 31 March 2009**

#### **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 £3 million (2008: £9.9 million).

Total employer and employee contributions to the scheme for the period are shown in note 16 and the agreed contribution rate for the next 12 months is 17.5% (2008:17.5%)

#### **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 Asset Management Limited (formerly MITIE Engineering Holdings Limited) is the smallest group and MITIE Group PLC the 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.