

Company Registration Number 1402606

MITIE ENGINEERING SERVICES (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

Report and Financial Statements

31 March 2009



MITIE ENGINEERING SERVICES (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

REPORT AND FINANCIAL STATEMENTS 2009

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MITIE ENGINEERING SERVICES (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
M T Bloomfield
B R Edwards
J J W Green
D E Jones
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 (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) 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'). The company provides the installation and maintenance of electrical and mechanical services in domestic, commercial and industrial premises.

On 30 June 2009, the company purchased the trade and assets of MITIE Engineering Services (Swansea) Limited for a total cash consideration based on net assets that is subject to the finalisation of completion accounts. At 31 March 2009 MITIE Engineering Services (Swansea) Limited had net assets of £1,217,148.

As shown in the company's profit and loss account on page 6, the company's sales have decreased by 17% over the prior year. Over the same period, the company has made a profit after tax of £334,529 compared to a profit after tax of £431,664 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 assets terms, increased since the previous 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 (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

DIRECTORS' REPORT (continued)

GOING CONCERN REVIEW

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the company is set out in the attached financial statements. In addition, the principal risks and uncertainties section below summarises the policies and processes in place to manage financial and operational risk. These are covered in more detail within the MITIE Group Plc financial statements.

The company made a profit in the year and has long term relationships with a number of customers and suppliers across the UK. It can also call on the support of its parent company - MITIE Group Plc - which has access to considerable financial resources should the need arise. As a consequence of the above and having reviewed the 5 year forecasts of the business, the directors believe that the company is well placed to manage its business risks successfully and have a reasonable expectation that the company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DIVIDENDS

Dividends of £12.51 (2008: £10.67) per ordinary share were 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 2009 trade creditors as a proportion of amounts invoiced from suppliers for the financial year, represented 129 days (2008: 100 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.

CHANGE OF NAME

The company changed its name to MITIE Engineering Services (Wales) Limited from MITIE Engineering Services (Cardiff) Limited on 3 July 2009.

MITIE ENGINEERING SERVICES (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

DIRECTORS' REPORT (continued)

EMPLOYEES

The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their aptitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical or the employee unable to conform to the stringent regulations which apply to the operations of the company.

The company recognises the importance of good communications and employee relationships. In each company, there is a relationship between the Chief Executive of MITIE Group PLC and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

DIRECTORS

The directors during the year and subsequently were as follows:

S C Baxter
M T Bloomfield
B R Edwards
J J W Green
D E Jones
R McGregor-Smith
M J Parry (resigned 19 June 2008)
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 (WALES) LIMITED (formerly MITIE Engineering Services (Cardiff) Limited)

We have audited the financial statements of MITIE Engineering Services (Wales) Limited (formerly MITIE Engineering Services (Cardiff)) for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 25. 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.

DeLoitte LLP

DELOITTE LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom

17 July 2009

MITIE ENGINEERING SERVICES (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2009

	Note	Continuing operations	
		2009	2008
		£	£
TURNOVER	1	12,005,193	14,441,477
Cost of sales		(9,739,287)	(12,002,007)
GROSS PROFIT		2,265,906	2,439,470
Administrative expenses		(1,838,929)	(1,928,702)
OPERATING PROFIT	2	426,977	510,768
Interest receivable and similar income	3	52,255	102,233
Interest payable and similar charges	3	(138)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		479,094	613,001
Tax on profit on ordinary activities	4	(144,565)	(181,337)
PROFIT FOR THE FINANCIAL YEAR	13	334,529	431,664

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


MITIE ENGINEERING SERVICES (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

BALANCE SHEET
At 31 March 2009

	Note	2009		2008	
		£	£	£	£
FIXED ASSETS					
Intangible assets	6		524,722		552,343
Tangible assets	7		74,032		87,522
			<u>598,754</u>		<u>639,865</u>
CURRENT ASSETS					
Stocks	8	926		516	
Debtors	9	4,227,187		3,099,081	
Cash at bank and in hand		1,445,742		2,506,597	
		<u>5,673,855</u>		<u>5,606,194</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(4,396,686)</u>		<u>(4,466,201)</u>	
NET CURRENT ASSETS			<u>1,277,169</u>		<u>1,139,993</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,875,923</u>		<u>1,779,858</u>
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	11		<u>(544)</u>		<u>-</u>
NET ASSETS			<u><u>1,875,379</u></u>		<u><u>1,779,858</u></u>
SHARE CAPITAL AND RESERVES					
Called up share capital	12		20,000		20,000
Profit and loss account	13		1,855,379		1,759,858
SHAREHOLDERS' FUNDS	14		<u><u>1,875,379</u></u>		<u><u>1,779,858</u></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 (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

CASH FLOW STATEMENT
Year ended 31 March 2009

	Note	2009		2008	
		£	£	£	£
Net cash outflow from operating activities	15		(740,926)		(823,780)
Returns on investments and servicing of finance					
Interest received		58,507		103,045	
Interest element of finance lease payments		(138)		-	
		<u>58,369</u>		<u>103,045</u>	
Net cash inflow from returns on investments and servicing of finance			58,369		103,045
Taxation					
UK corporation tax paid			(112,009)		(167,079)
Capital expenditure					
Payments to acquire tangible fixed assets		(13,243)		(16,832)	
Receipts from disposal of tangible fixed assets		17,911		8,610	
		<u>4,668</u>		<u>(8,222)</u>	
Net cash inflow/(outflow) from capital expenditure			4,668		(8,222)
Acquisition and disposals					
Cash held by acquired trade and assets			-		286,829
Equity dividends paid			(250,161)		(213,499)
Capital element of finance lease payments			(20,796)		-
			<u>(1,060,855)</u>		<u>(822,706)</u>
Decrease in cash in the year	17		(1,060,855)		(822,706)

MITIE ENGINEERING SERVICES (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) 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.

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:

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.

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.

MITIE ENGINEERING SERVICES (WALES) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

1. ACCOUNTING POLICIES (continued)

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

Goodwill

Goodwill represent the excess of the cost of acquisition being the open market value in accordance with the intra group assets acquisition agreement over the fair value of the identifiable assets and liabilities. Goodwill is initially recognised as an asset at cost and is subsequently amortised over 20 years on a straight-line basis.

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.

2. OPERATING PROFIT

	2009	2008
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation on owned assets	38,513	42,678
Depreciation on leased assets	3,710	-
Amortisation of goodwill	27,621	76
Operating lease rentals - land and buildings	45,000	45,000
Auditors' remuneration - audit services	6,290	6,050
Profit on disposal of tangible fixed assets	(12,061)	(4,000)

3. INTEREST

	2009	2008
	£	£
Interest receivable and similar income		
Bank interest	52,255	102,233
Interest payable and similar charges	£	£
Other interest	138	-

MITIE ENGINEERING SERVICES (WALES) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009	2008
	£	£
(a) Analysis of charge in year		
United Kingdom corporation tax at 28% (2008: 30%)	142,932	177,642
Adjustment in respect of prior years	(241)	(135)
Total current tax note 4(b))	142,691	177,507
Deferred taxation:		
Timing differences - origination and reversal	3,030	3,695
Adjustment in respect of prior years	(1,156)	135
Tax on profit on ordinary activities	144,565	181,337

(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	479,094	613,001
Tax at 28% (2008: 30%) thereon	134,146	183,900
Expenses allowable for tax purposes	12,740	5,387
Depreciation in excess of capital allowances	789	2,409
Relief in respect of employee share options	(924)	(7,657)
Movement in short-term timing differences	(3,819)	(6,397)
Adjustments in respect of prior years	(241)	(135)
Current tax charge for the year (note 4(a))	142,691	177,507

5. DIVIDENDS

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

	2009	2008
	£	£
£12.51 (2008: £10.67) per share on £1 ordinary shares	250,161	213,499

MITIE ENGINEERING SERVICES (WALES) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

6. INTANGIBLE FIXED ASSETS

	Goodwill
	£
Cost	
At 1 April 2008 and 31 March 2009	552,419
Amortisation	
At 1 April 2008	76
Charge for the period	27,621
At 31 March 2009	27,697
Net book value	
At 31 March 2009	524,722
At 31 March 2008	552,343

7. TANGIBLE FIXED ASSETS

	Leasehold property	Plant	Office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2008	3,000	37,442	90,996	197,266	328,704
Additions	-	-	3,281	31,302	34,583
Disposals	(3,000)	(35,692)	(55,054)	(71,136)	(164,882)
Transfers out	-	-	-	(12,800)	(12,800)
At 31 March 2009	-	1,750	39,223	144,632	185,605
Depreciation					
At 1 April 2008	3,000	36,538	68,615	133,029	241,182
Charge for the year	-	350	11,191	30,682	42,223
Disposals	(3,000)	(35,692)	(55,054)	(71,136)	(164,882)
Transfers out	-	-	-	(6,950)	(6,950)
At 31 March 2009	-	1,196	24,752	85,625	111,573
Net book value					
At 31 March 2009	-	554	14,471	59,007	74,032
At 31 March 2008	-	904	22,381	64,237	87,522

Net book value at 31 March 2009 includes £17,630 in respect of assets acquired under finance leases (2008: nil).

MITIE ENGINEERING SERVICES (WALES) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

8. STOCKS	2009	2008
	£	£
Work in progress	<u>926</u>	<u>516</u>

9. DEBTORS	2009	2008
	£	£
Trade debtors	3,603,057	2,559,024
Amounts recoverable on contracts	534,485	271,518
Amounts owed by group undertakings	3,984	223,326
Other debtors	24,637	331
Deferred tax asset	24,248	26,122
Prepayments and accrued income	36,776	18,760
	<u>4,227,187</u>	<u>3,099,081</u>

A net deferred tax asset of £24,248 has been recognised at 31 March 2009 (2008: £26,122). This asset relates to negative accelerated capital allowances, share-based payments 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 £1,874 (2008: £3,830).

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2009	2008
	£	£
Payments received on account	17,968	25,866
Trade creditors	3,094,285	3,047,811
Amounts owed to group undertakings	961,037	987,253
Corporation tax	123,447	92,765
Other taxes and social security costs	82,132	172,710
Other creditors	2,089	7,764
Accruals and deferred income	115,728	132,032
	<u>4,396,686</u>	<u>4,466,201</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	2009	2008
	£	£
Obligations under finance leases - due later than one year and not later than five years	<u>544</u>	<u>-</u>

MITIE ENGINEERING SERVICES (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

12. CALLED UP SHARE CAPITAL	2009	2008
	£	£
Authorised		
20,000 £1 Ordinary shares	<u>20,000</u>	<u>20,000</u>
	£	£
Allotted, called up and fully paid		
20,000 £1 Ordinary shares	<u>20,000</u>	<u>20,000</u>
13. PROFIT AND LOSS ACCOUNT	£	
At 1 April 2008	1,759,858	
Profit for the financial year	334,529	
Dividends (note 5)	(250,161)	
Capital contribution	<u>11,153</u>	
At 31 March 2009	<u>1,855,379</u>	
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.		
14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2009	2008
	£	£
Profit for the financial year	334,529	431,664
Dividends (note 5)	(250,161)	(213,499)
Capital contribution	<u>11,153</u>	<u>1,849</u>
Net addition to shareholders' funds	95,521	220,014
Opening shareholders' funds	<u>1,779,858</u>	<u>1,559,844</u>
Closing shareholders' funds	<u>1,875,379</u>	<u>1,779,858</u>

MITIE ENGINEERING SERVICES (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2009 £	2008 £
Operating profit	426,977	510,768
Depreciation	42,223	42,678
Amortisation of goodwill	27,621	76
Profit on disposal of tangible fixed assets	(12,061)	(4,000)
(Increase)/decrease in work in progress	(410)	42,975
Increase in debtors	(1,136,232)	(195,362)
Decrease in creditors	(100,197)	(1,222,764)
Share-based payment expense	11,153	1,849
Net cash outflow from operating activities	(740,926)	(823,780)

16. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2008 £	Cash flow £	At 31 March 2009 £
Obligations under finance leases	-	(544)	(544)
Cash at bank and in hand	2,506,597	(1,060,855)	1,445,742
Total	2,506,597	(1,061,399)	1,445,198

17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2009 £	2008 £
Decrease in cash in the year	(1,060,855)	(822,706)
Net funds at beginning of year	2,506,597	3,329,303
	1,445,742	2,506,597
Obligations under finance leases	(544)	-
Net funds at end of year	1,445,198	2,506,597

18. FINANCIAL COMMITMENTS

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 (WALES) LIMITED
(formerly MITIE Engineering Services (Cardiff) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

19. DIRECTORS

	2009	2008
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>244,723</u>	<u>256,793</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest paid director	<u>83,046</u>	<u>88,362</u>

The accrued pension for the highest paid director at 31 March 2009 was £17,918 (2008: £15,478).

	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>3</u>	<u>3</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. S C Baxter and R McGregor-Smith are remunerated by MITIE Group PLC and B R Edwards and C J Williams are remunerated by MITIE Engineering Services Limited for their services to the group as a whole. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Services (Wales) Limited (formerly MITIE Engineering Services (Cardiff)) and their services as directors of other group companies.

20. EMPLOYEES

Number of employees

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

	2009	2008
	No.	No.
Site labour	89	89
Administration and management	<u>36</u>	<u>32</u>
	<u>125</u>	<u>121</u>
Employment costs	£	£
Wages and salaries	4,131,347	3,779,614
Social security costs	427,738	385,996
Pension costs	93,930	65,716
Share-based payments (see note 21)	<u>11,153</u>	<u>1,849</u>
	<u>4,664,168</u>	<u>4,233,175</u>

MITIE ENGINEERING SERVICES (WALES) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

21. 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 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 ⁽¹⁾	180,891	153	392,299	138
Granted during the period	33,215	190	38,157	220
Forfeited during the period	(16,586)	188	(17,025)	139
Transferred from/(to) Group subsidiaries during the period	6,398	145	(202,454)	145
Exercised during the period	(35,243)	120	(30,086)	110
Outstanding at end of the period	168,675	163	180,891	153
Exercisable at end of the period	2,654	120	-	-

⁽¹⁾ There are no options included within this balance (2008: nil) 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.

MITIE ENGINEERING SERVICES (WALES) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

21. SHARE-BASED PAYMENTS (continued)

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

	2009	2008
	£	£
2001 Executive share options	(10,661)	(6,534)
2001 Savings related share options	21,814	8,383
	<u>11,153</u>	<u>1,849</u>

The weighted average share price at the date of exercise for share options exercised during the period was 200p (2008: 264p).

The options outstanding at 31 March 2009 had a weighted average exercise price of 163p (2008: 153p) and a weighted average remaining contractual life of 2.56 years (2008: 3.06 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 £10,906.

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 £14,981.

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 (WALES) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

22. 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 20 and the agreed contribution rate for the next 12 months is 17.5% (2008: 17.5%)

23. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Engineering Services (Wales) Limited (formerly MITIE Engineering Services (Cardiff)), has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

24. 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.

25. SUBSEQUENT EVENTS

On 30 June 2009, the company purchased the trade and assets of MITIE Engineering Services (Swansea) Limited for a total cash consideration based on net assets that is subject to the finalisation of completion accounts. At 31 March 2009 MITIE Engineering Services (Swansea) Limited had net assets of £1,217,148.