

**Company Registration Number 02010534**

**MITIE SECURITY (LONDON) LIMITED**

**Report and Financial Statements**

**31 March 2010**

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# **MITIE SECURITY (LONDON) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2010**

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## **MITIE SECURITY (LONDON) LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

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

#### **SECRETARY**

MITIE Company Secretarial Services Limited

#### **REGISTERED OFFICE**

8 Monarch Court  
The Brooms  
Emersons Green  
Bristol  
BS16 7FH

#### **BANKERS**

Barclays Bank plc  
Park House  
New Brick Road  
Stoke Gifford  
Bristol  
BS34 8TN

#### **AUDITORS**

Deloitte LLP  
Bristol

## **MITIE SECURITY (LONDON) LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the financial year ended 31 March 2010

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 subsidiary of MITIE Group PLC (the 'Group'). The company provides security solutions. There have not been any significant changes in the company's principal activities in the year under review and the directors are not aware of any likely major changes.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 4% despite the global downturn in the economy. A profit of £2,310,000 was achieved in the year.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end has improved, with net assets increasing by 5% over 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 SECURITY (LONDON) LIMITED**

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

#### **DIVIDENDS**

The directors do not recommend a final dividend for the year ended 31 March 2010 (2009 £nil). The dividend paid in the year was £2,039,000 (2009 £1,543,000).

#### **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 with the supplier's standard terms. As at 31 March 2010 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 13 days (2009 12 days).

#### **ENVIRONMENT**

MITIE Group PLC and its subsidiaries endeavour to identify, monitor and manage the impact of their activities on the environment and are fully committed to environmental accountability and protection. The company operates in accordance with Group policies, which are described in the Group's annual report which does not form part of this report.

#### **EMPLOYEES**

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

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

## **MITIE SECURITY (LONDON) LIMITED**

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

#### **GOING CONCERN**

The company was profitable in the year. The directors have considered the forecast/budgeted profit and associated cash flows for the coming five years. The directors have considered the facilities available to the entity (through the Group) and believe that they can operate within the facilities available for the period of the cash flow forecast.

#### **DIRECTORS**

The directors during the year and subsequently were as follows:

S C Baxter  
J P Flanagan  
N R Goodman  
R McGregor-Smith  
B Smead (resigned 18 March 2010)  
J S Tomlin

#### **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 s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

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



**S C Baxter**  
Director

9 July 2010

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE SECURITY (LONDON) LIMITED**

We have audited the financial statements of MITIE Security (London) Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account and the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Nigel Thomas*

**Nigel Thomas (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Bristol, United Kingdom

*9 July 2010*

# MITIE SECURITY (LONDON) LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 2010

	Note	2010 £'000	2009 £'000
<b>TURNOVER</b>	1	82,015	78,656
Cost of sales		(73,655)	(69,827)
<b>GROSS PROFIT</b>		8,360	8,829
Administrative expenses		(5,100)	(5,873)
<b>OPERATING PROFIT</b>	2	3,260	2,956
Interest paid and similar charges	3	(21)	(218)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,239	2,738
Tax on profit on ordinary activities	4	(929)	(744)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		2,310	1,994

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

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



# MITIE SECURITY (LONDON) LIMITED

## BALANCE SHEET At 31 March 2010

	Note	2010 £'000	2009 £'000
<b>FIXED ASSETS</b>			
Intangible assets	6	462	526
Tangible assets	7	203	362
		<u>665</u>	<u>888</u>
<b>CURRENT ASSETS</b>			
Debtors	8	15,239	14,438
Cash at bank		1	1,249
		<u>15,240</u>	<u>15,687</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	<u>(9,270)</u>	<u>(10,261)</u>
<b>NET CURRENT ASSETS</b>		<u>5,970</u>	<u>5,426</u>
<b>NET ASSETS</b>		<u>6,635</u>	<u>6,314</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	221	221
Share premium account		188	188
Profit and loss account	11	6,226	5,905
<b>SHAREHOLDERS' FUNDS</b>	12	<u>6,635</u>	<u>6,314</u>

The financial statements of MITIE Security (London) Limited company registration number 02010534 were approved by the Board on 9 July 2010

Signed on behalf of the Board of Directors



**S C Baxter**  
Director

## **MITIE SECURITY (LONDON) LIMITED**

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

**Year ended 31 March 2010**

#### **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.

##### **Going concern**

The financial statements have been prepared under the going concern basis as discussed in the directors' report on page 4.

##### **Turnover**

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied. All turnover arises within the United Kingdom, from the company's principal activity. Revenue is recognised as services are delivered.

##### **Tangible fixed assets and depreciation**

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

Leasehold improvements	10 years
Motor vehicles	4 years
Fixtures, fittings, tools and equipment	5 years

##### **Leases**

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

##### **Tax**

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax 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 SECURITY (LONDON) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

#### 1. ACCOUNTING POLICIES (continued)

##### Pension costs

The company participates in the MITIE Group PLC Pension Schemes. One is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. For the purposes of Financial Reporting Standard 17 (Retirement Benefits'), the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme.

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

##### Intangible assets - goodwill

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

##### Share-based payment

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

##### 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.

#### 2. OPERATING PROFIT

	2010 £'000	2009 £'000
Operating profit is stated after charging/(crediting)		
Depreciation of tangible fixed assets - owned	93	211
Amortisation of intangible fixed assets	64	64
Profit on disposal of tangible fixed assets	(20)	(7)
Auditors' remuneration - audit services	-	11
Operating lease rentals		
- land and buildings	328	470
- other	72	183

Audit fees for the current period of £10,000 were borne by MITIE Security Limited and not recharged.

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

# MITIE SECURITY (LONDON) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

<b>3.</b>	<b>INTEREST PAID AND SIMILAR CHARGES</b>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>
	Bank loans and overdrafts	21	218
		<u>          </u>	<u>          </u>
<b>4.</b>	<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2010</b>	<b>2009</b>
	<b>(a) Analysis of charge in year</b>	<b>£'000</b>	<b>£'000</b>
	United Kingdom corporation tax at 28% (2009 28%)	944	826
	Adjustment in respect of prior years	(5)	(74)
	<b>Total current tax (note 4(b))</b>	<u>939</u>	<u>752</u>
	Deferred taxation		
	Timing differences origination and reversal	(13)	(8)
	Adjustment in respect of prior years	3	-
	<b>Tax on profit on ordinary activities</b>	<u>929</u>	<u>744</u>
	<b>(b) Factors affecting tax charge in year</b>		
	The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are as follows		
		<b>£'000</b>	<b>£'000</b>
	Profit on ordinary activities before tax	3,239	2,738
		<u>          </u>	<u>          </u>
		<b>£'000</b>	<b>£'000</b>
	Tax at 28% (2009 28%) thereon	907	767
	Expenses not deductible for tax purposes	30	31
	Capital allowances (in excess of)/less than depreciation	(3)	21
	Other timing differences	-	(4)
	Adjustment in respect of prior years	(5)	(74)
	Relief in respect of employee share option charges	10	11
	<b>Current tax charge for the year (note 4(a))</b>	<u>939</u>	<u>752</u>

### (c) Factors affecting future tax charges

The company is not aware of any factors that will materially affect the future tax charge apart from the proposed, phased reduction in corporation tax rates to 24% by 2015 which has not yet been enacted

## MITIE SECURITY (LONDON) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

#### 5. DIVIDENDS

	2010 £'000	2009 £'000
The dividends approved and paid in the year are as follows		
£9 23 (2009 £6 99) per ordinary share	2,039	1,543

#### 6. INTANGIBLE FIXED ASSETS

	Goodwill £'000
<b>Cost</b>	
At 1 April 2009	814
Additions	-
At 31 March 2010	814
<b>Amortisation</b>	
At 1 April 2009	288
Amortised in year	64
At 31 March 2010	352
<b>Net book value</b>	
At 31 March 2010	462
At 31 March 2009	526

# MITIE SECURITY (LONDON) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

### 7. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2009	211	453	727	1,391
Additions	-	-	30	30
Transfers from other group companies	-	10	-	10
Transfers to other group companies	-	(66)	(239)	(305)
Disposals	-	(195)	-	(195)
At 31 March 2010	211	202	518	931
<b>Depreciation</b>				
At 1 April 2009	174	288	567	1,029
Charge for the year	12	39	42	93
Transfers from other group companies	-	5	-	5
Transfers to other group companies	-	(28)	(205)	(233)
Disposals	-	(166)	-	(166)
At 31 March 2010	186	138	404	728
<b>Net book value</b>				
At 31 March 2010	25	64	114	203
At 31 March 2009	37	165	160	362

### 8. DEBTORS

	2010 £'000	2009 £'000
Trade debtors	9,269	10,148
Amounts owed by group undertakings	3,607	1,432
Other debtors	108	88
Prepayments and accrued income	2,170	2,696
Deferred tax asset	85	74
	15,239	14,438

A net deferred tax asset of £85,000 has been recognised at 31 March 2010 (2009 £74,000). This asset relates to negative accelerated capital allowances, short-term and other timing differences including share based payment timing differences. The amount credited to the profit and loss account in the year was £10,000 (2009 £9,000).

**MITIE SECURITY (LONDON) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2010**

<b>9.</b>	<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>
	Bank overdraft	216	-
	Trade creditors	490	1,344
	Amounts due to group undertakings	93	-
	Corporation tax	483	247
	Other taxes and social security costs	5,195	4,733
	Other creditors	198	208
	Accruals and deferred income	2,595	3,729
		<u>9 270</u>	<u>10,261</u>
<b>10.</b>	<b>CALLED UP SHARE CAPITAL</b>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>
	<b>Allotted, called up and fully paid</b>		
	220,832 Ordinary shares of £1 each	<u>221</u>	<u>221</u>
<b>11</b>	<b>RESERVES</b>	<b>Profit and loss account</b>	
		<b>£'000</b>	
	At 1 April 2009	5,905	
	Profit for the financial year	2,310	
	Dividends	(2,039)	
	Capital contribution regarding share based payments	50	
	<b>At 31 March 2010</b>	<u>6 226</u>	

# MITIE SECURITY (LONDON) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

<b>12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Profit for the financial year	2,310	1,994
Dividends (note 5)	(2 039)	(1,543)
Capital contribution	50	45
Net addition to shareholders' funds	321	496
Opening shareholders' funds	6,314	5,818
<b>Closing shareholders' funds</b>	<b>6 635</b>	<b>6,314</b>

## 13. FINANCIAL COMMITMENTS

### Operating leases

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as follows

	<b>2010</b>		<b>2009</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Expiry date in less than one year	-	49	334	64
Expiry date between two and five years	235	-	-	-

### 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 2010 the overall commitment was £109 million (2009 £10 million)

### Capital commitments

At 31 March 2010 the directors had authorised capital expenditure of £nil (2009 £nil)



# MITIE SECURITY (LONDON) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

### 14. DIRECTORS

	2010 £'000	2009 £'000
The emoluments of directors of the company were		
Fees and other emoluments (including benefits-in-kind)	176	168

S C Baxter, N R Goodman and R McGregor-Smith are directors of MITIE Group PLC. All disclosures relating to their emoluments, pension details and share options are disclosed in the group accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE Security (London) Limited and their services as directors of other group companies.

J P Flanagan and J S Tomlin are directors of MITIE Security Limited and their emoluments and pension details are disclosed in the accounts of that company. It is not practicable to allocate their remuneration between their services as directors of MITIE Security (London) Limited and their services as directors of other group companies.

No other directors exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the period (2009: no directors).

### 15. EMPLOYEES

#### Number of employees

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

	2010 No.	2009 No.
Site labour	2,965	2,844
Administration and management	85	92
	3,050	2,936

	£'000	£'000
<b>Employment costs</b>		
Wages and salaries	65,995	63,604
Social security costs	5,957	5,362
Pension costs	133	142
Share-based payment (see note 16)	50	45
	72,135	69,153

# MITIE SECURITY (LONDON) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

### 16. SHARE-BASED PAYMENT

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

#### The MITIE Group PLC 2001 Executive share option scheme

The Executive share option scheme is open to qualifying senior employees. The exercise price is equal to the market value of the shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group. Before options can be exercised, the performance condition that must be satisfied is that the percentage growth in the earnings per share over a three year period must be equal or greater than 10.0% per annum compound in respect of awards prior to 26 July 2007 and 4.0% above the Retail Price per annum thereafter.

#### The MITIE Group PLC 2001 Savings related share option scheme

The Savings related share option scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares on the day preceding the date on which invitations to participate in the Scheme are issued. The vesting period is five years. If the options remain unexercised after a period of five years and six months from the date of grant, the options expire. Options may be forfeited if the employee leaves the Group.

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

	2010		2009	
	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	318,990	191	279,082	179
Granted during the period	127,689	195	185,557	197
Forfeited during the period	(75,922)	201	(122,912)	174
Transferred to Group subsidiaries during the period	2,146	184	(13,178)	207
Exercised during the period	(17,343)	153	(9,559)	132
<b>Outstanding at end of the period<sup>(1)</sup></b>	<b>355,560</b>	<b>192</b>	<b>318,990</b>	<b>191</b>
<b>Exercisable at end of the period</b>	<b>18,725</b>	<b>168</b>	<b>8,530</b>	<b>159</b>

<sup>(1)</sup> Included within this balance there are nil (2008: nil) 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. The exercise prices range from 117p to 174p (2009: 95p to 174p).

## MITIE SECURITY (LONDON) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

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

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

	2010 £'000	2009 £'000
2001 Executive share options	13	6
2001 Saving Related share options	37	39
	<u>50</u>	<u>45</u>

The weighted average share price at the date of exercise for share options exercised during the period was 236p (2009 234p)

The options outstanding at 31 March 2010 had a weighted average exercise price of 192p (2009 191p) and a weighted average remaining contractual life of 4.05 years (2009 4.66 years)

In the year ended 31 March 2010, options were granted in July and August 2009 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 £48,462.

In the year ended 31 March 2009, options were granted in July and August 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 £57,695.

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

	2010	2009
Share price (p)	133 to 230	133 to 230
Exercise price (p)	120 to 254	120 to 254
Expected volatility (%)	27 to 36	27 to 30
Expected life (years)	3 to 6	3 to 6
Risk-free rate (%)	2.42 to 5.25	4.17 to 5.25
Expected dividends (%)	1.43 to 3.30	1.43 to 3.15

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 SECURITY (LONDON) LIMITED**

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

**Year ended 31 March 2009**

#### **17. 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 33 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 Employee Benefits: net pension deficit of £6.8 million (2009: surplus of £3 million).

Employer contributions to the scheme for the period are shown in note 15. The agreed contribution rate for employee and employer contributions for the next 12 months is 17.5% (2009: 17.5%).

#### **18. RELATED PARTY TRANSACTIONS**

The company is not 100% owned by MITIE Group PLC and hence is required to disclose its transactions with all other entities within the group.

During the year management charges of £2,123,445 (2009: £2,197,198) were payable to companies within MITIE Group PLC. An amount of £nil remains outstanding at the end of the year in respect of these transactions (2009: £nil).

During the year the company paid rent of £267,290 (2009: £316,242) to companies within MITIE Group PLC. An amount of £nil remains outstanding at the end of the year in respect of these transactions (2009: £nil).

During the year the company purchased goods and services amounting to £1,040,507 (2009: £400,124) on normal commercial terms from companies within MITIE Group PLC. An amount of £93,168 (2009: £96,370) remained outstanding at the end of the year in respect of these transactions.

During the year the company sold goods and services amounting to £3,441,344 (2009: £2,378,930) on normal commercial terms to companies within MITIE Group PLC. An amount of £2,530,556 (2009: £1,145,502) remained outstanding at the end of the year in respect of these transactions.

During the year fixed assets were transferred out to companies within MITIE Group PLC at net book value of £71,469 (2009: £27,966) and fixed assets were transferred in from companies within MITIE Group PLC at net book value of £4,792 (2009: £nil). An amount of £nil remains outstanding at the end of the year in respect of these transactions (2009: £nil).

There were no transactions with entities other than members of MITIE Group PLC which require disclosure under FRS 8.

No dividends were paid to directors (2009: £nil), no amounts were owing at the year end.

#### **19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. The immediate controlling party is MITIE Security Holdings Limited. MITIE Facilities Services Limited is the smallest group and MITIE Group PLC the largest group for which group accounts are prepared. Copies of these financial statements can be obtained from the company secretary at the registered office.