

Company Registration Number 2049476

MITIE ENGINEERING SERVICES LIMITED

Report and Financial Statements

31 March 2009

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MITIE ENGINEERING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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MITIE ENGINEERING SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Allen
S C Baxter
D Freeman
K A McEntaggart
R McGregor-Smith
C P Pugh
M A Tivey
D J Underwood
D R Mackey
A T White

SECRETARY

MITIE Company Secretarial Services Limited

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte LLP
Bristol

MITIE ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the financial 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 ultimately a wholly owned subsidiary of MITIE Group PLC (the 'Group'). The company provides administrative services to other group undertakings. 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.

MITIE Engineering Services Limited manages the activities of those businesses that form the Engineering Services Division of MITIE Group PLC. Its turnover reflects the recharge of costs associated with providing these services each year. Turnover and profitability has increased due to an exceptional divisional insurance savings 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, in net assets terms, risen relative to the prior year.

The Group manages its operations on a divisional basis. For this reason, the company's directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the Group's annual report which does not form part of this report.

GOING CONCERN REVIEW

The company was profitable in the year. As the company is not a formal trading entity, it normally seeks to recover its operating costs in the form of a management charge from its associated companies. Future budgets and forecasts have these costs/revenues identified. The directors have considered these and believe that the company can continue to operate within these parameters and the facilities available to it (as offered through MITIE Group).

MITIE ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT (continued)

DIVIDENDS

The directors do not recommend a dividend for the year ended 31 March 2009 (2008: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

As this company is purely a management company, it does not, in itself, face normal commercial risks. Its role is to provide commercial, financial, IT and health and safety support to those companies within its Division in return for those businesses contributing towards its operating costs.

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. Management reviews these terms and the relationships with suppliers 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 2009, trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 29 days (2008: 30 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 LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The directors during the year and subsequently were as follows:

G Allen
S C Baxter
P K Burnett (resigned 11 August 2008)
D Freeman
K A McEntaggart
R McGregor-Smith
D R Mackey
S G Newman (resigned 11 August 2008)
C P Pugh
M A Tivey
D J Underwood
A T White

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 LIMITED

We have audited the financial statements of MITIE Engineering Services Limited for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. 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 LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2009

	Note	Continuing operations	
		2009	2008
		£	£
TURNOVER	1	7,320,181	6,896,586
Cost of sales		(6,681,151)	(7,961,084)
GROSS PROFIT / (LOSS)		639,030	(1,064,498)
Other operating income		343,759	234,718
OPERATING PROFIT / (LOSS)	2	982,789	(829,780)
Interest receivable and similar income	3	231,481	36,068
Interest payable and similar charges	3	(669)	(2,499)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,213,601	(796,211)
Tax (charge) / credit on profit / (loss) on ordinary activities	4	(346,814)	381,413
PROFIT / (LOSS) FOR THE FINANCIAL YEAR	9	866,787	(414,798)

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 LIMITED

BALANCE SHEET At 31 March 2009

	Notes	2009		2008	
		£	£	£	£
FIXED ASSETS					
Tangible assets	5		780,541		878,256
CURRENT ASSETS					
Debtors	6	1,394,119		1,711,554	
Cash at bank and in hand		2,860,333		1,959,934	
		4,254,452		3,671,488	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(3,839,649)		(4,417,247)	
NET CURRENT ASSETS / (LIABILITIES)			414,803		(745,759)
NET ASSETS			1,195,344		132,497
CAPITAL AND RESERVES					
Called up share capital	8		277,722		277,722
Profit and loss account	9		917,622		(145,225)
SHAREHOLDERS' FUNDS	10		1,195,344		132,497

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 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.

Basis of preparation

The going concern basis has been used in the preparation of the accounts as discussed in the directors' report on page 2.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of administrative services supplied 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:

Office equipment	3 to 10 years
Motor vehicles	4 years
Short leasehold	Term of lease

Leasing commitments

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

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

1. ACCOUNTING POLICIES (continued)

For defined contributions schemes, the amount charged to the profit and loss account is the contributions 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.

2. OPERATING PROFIT/(LOSS)

	2009 £	2008 £
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation on owned assets	249,732	174,643
Operating lease rentals - land and buildings	256,000	350,597
Auditors' remuneration charge - audit services	200	1,060
Profit on disposal of tangible fixed assets	(2,006)	(3,035)

3. INTEREST

	2009 £	2008 £
Interest receivable and similar income		
Bank interest	231,481	36,068
Interest payable and similar charges		
Other interest	(669)	(2,499)

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

4. TAX CHARGE/(CREDIT) ON LOSS ON ORDINARY ACTIVITIES

	2009 £	2008 £
(a) Analysis of charge/(credit) in year		
United Kingdom corporation tax at 28% (2008: 30%)	401,925	(284,838)
Adjustment in respect of prior periods	(55,294)	5,606
Total current tax (note 4(b))	346,631	(279,232)
Deferred taxation:		
Timing differences - origination and reversal	(51,725)	(103,137)
Adjustment in respect of prior periods	51,908	(6,688)
Increase in tax rate	-	7,644
Tax charge/(credit) on profit/(loss) on ordinary activities	346,814	(381,413)

(b) Factors affecting tax charge/(credit) in year

The tax assessed for the year 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/(loss) on ordinary activities before tax	1,213,601	(796,211)
Tax at 28% (2008:30%) thereon	339,808	(238,863)
Expenses not deductible for tax purposes	9,089	25,865
Differences between capital allowances and depreciation	37,006	(12,361)
Relief in respect of employee share options	1,303	(174,977)
Other timing differences	14,719	115,498
Adjustments in respect of prior periods	(55,294)	5,606
Current tax charge/(credit) for the year (note 4(a))	346,631	(279,232)

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

5. TANGIBLE FIXED ASSETS

	Short leasehold £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2008	479,055	709,860	183,858	1,372,773
Additions	18,037	64,590	78,336	160,963
Disposals	-	-	(53,883)	(53,883)
Transfers in	-	-	25,897	25,897
At 31 March 2009	497,092	774,450	234,208	1,505,750
Depreciation				
At 1 April 2008	37,278	368,806	88,433	494,517
Charge for the year	49,299	156,557	47,500	253,356
Disposals	-	-	(34,839)	(34,839)
Transfers in	-	-	12,175	12,175
At 31 March 2009	86,577	525,363	113,269	725,209
Net book value				
At 31 March 2009	410,515	249,087	120,939	780,541
At 31 March 2008	441,777	341,054	95,425	878,256

Capital commitments

At 31 March 2009 the directors had authorised capital expenditure of £nil (2008: £nil).

6. DEBTORS

	2009 £	2008 £
Trade debtors	8,667	-
Amounts owed by group undertakings	818,640	843,402
Other debtors	459,984	485,235
Corporation tax recoverable	-	275,906
Deferred tax asset	106,828	107,011
	1,394,119	1,711,554

A net deferred tax asset of £106,828 has been recognised at 31 March 2009 (2008: £107,011). This asset related to negative accelerated capital allowances, unutilised trading losses and other timing differences. The directors are of the opinion that suitable profits will be available in the future periods in which these differences will reverse. The amount debited to the profit and loss account in the year was £183 (2008: £102,181 credit).

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2009	2008
	£	£
Trade creditors	325,697	1,170,396
Amounts owed to group undertakings	90,383	98,856
Corporation tax	176,059	-
Other taxes and social security costs	2,525,710	2,462,047
Other creditors	1,519	58,949
Accruals and deferred income	720,281	626,999
	<u>3,839,649</u>	<u>4,417,247</u>
8. CALLED UP SHARE CAPITAL	2009	2008
	£	£
Authorised		
500,000 £1 ordinary shares	<u>500,000</u>	<u>500,000</u>
	£	£
Allotted, called up and fully paid		
277,722 £1 ordinary shares	<u>277,722</u>	<u>277,722</u>
9. PROFIT AND LOSS ACCOUNT	£	
At 1 April 2008	(145,225)	
Profit for the financial year	866,787	
Capital contribution	196,060	
At 31 March 2009	<u>917,622</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.

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2009	2008
	£	£
Profit / (loss) for the financial year	866,787	(414,798)
Capital contribution	196,060	367,415
Net addition/(reduction) to shareholders' funds	1,062,847	(47,383)
Opening shareholders' funds	132,497	179,880
Closing shareholders' funds	1,195,344	132,497
11. FINANCIAL COMMITMENTS	2009	2008
Operating leases - land and buildings	£	£
Expiry date:		
- over five years	342,000	342,000
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).		
12. DIRECTORS	2009	2008
The emoluments of directors of the company were:	£	£
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	629,020	1,375,577
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest paid director	165,315	316,880
	No.	No.
The number of directors who were members of:		
- a defined benefit pension scheme	3	8
- a defined contribution pension scheme	1	1

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

12. DIRECTORS (continued)	2009 £	2008 £
Contributions paid to defined contribution pension scheme	<u>7,986</u>	<u>7,866</u>

The accrued pension benefit of the highest paid director disclosed is £29,419 (2008: £11,144).

S C Baxter and R McGregor-Smith are directors of MITIE Group PLC. M A Tivey, A White and D R Mackey are employed by MITIE Asset Management Limited (formerly MITIE Engineering Holdings Limited). P K Burnett and S G Newman are directors of MITIE Energy Limited. All disclosures relating to their emoluments, pension details and share options are disclosed in the respective accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Services Limited and their services as directors of other Group companies.

No director exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the period (2008: one director).

13. EMPLOYEES

Number of employees

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

	2009 No.	2008 No.
Administration and management	<u>38</u>	<u>43</u>
Employment costs	£	£
Wages and salaries	2,502,971	3,023,763
Social security costs	280,326	366,385
Pension costs	168,164	152,505
Share-based payments (see note 14)	196,060	367,415
	<u>3,147,521</u>	<u>3,910,068</u>

In addition to those employees included in the table above, during the year the company employed a further 758 employees (2008: 733) whose wages and salary costs were recharged to the individual company they worked for. All disclosures relating to the costs of employment together with the number of employees, are disclosed in the individual company accounts to which they relate.

Total employment costs recharged to other group companies for these individuals were £38,450,473 (2008: £20,227,241).

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

14. SHARE-BASED PAYMENTS

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

The MITIE Group PLC Long Term Incentive Plan (LTIP)

The LTIP was introduced in July 2007 following shareholder approval at the AGM. The awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management. Where offered as options the exercise price is nil. The vesting period is three years. If the awards remain unexercised after a period of four years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the Group. Before the awards can be exercised, a performance condition must be satisfied; the number of awards that vest is determined by a sliding scale of between 5.0% and 14.0% above the Retail Price Index per annum compound growth in earnings per share over a three year period.

The MITIE Group PLC 2001 Executive share option scheme

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

The MITIE Group PLC 2001 Savings related share option scheme

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

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

14. SHARE-BASED PAYMENTS (continued)

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⁾	2,402,807	165	115,860	138
Granted during the period	864,974	161	699,395	213
Forfeited during the period	(190,679)	188	(99,629)	171
Transferred from Group subsidiaries during the period	72,308	130	2,150,973	140
Exercised during the period	(297,744)	128	(463,792)	112
Outstanding at end of the period	2,851,666	166	2,402,807	165
Exercisable at end of the period	489,289	141	337,982	134

⁽¹⁾ Included within this balance are 126,000 (2008: 146,882) options that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20. Their exercise prices range from 95p to 174p (2008: 57p to 174p).

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

	2009 £	2008 £
2001 Executive share options	141,950	121,643
2001 Savings related share options	(54,219)	220,440
Long Term Investment Plan (LTIP)	108,329	25,332
	<u>196,060</u>	<u>367,415</u>

The weighted average share price at the date of exercise for share options exercised during the period was 201p (2008: 262p).

The options outstanding at 31 March 2009 had a weighted average exercise price of 166p (2008: 165p) and a weighted average remaining contractual life of 4.59 years (2008: 4.97 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. Options were granted in June 2008 in respect of the Long Term Incentive Plan Scheme. The aggregate of the estimated fair values of the options granted on those dates is £471,781.

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

14. SHARE-BASED PAYMENTS (continued)

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 £367,706.

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

	2009	2008
Share price (p)	133 to 230	133 to 230
Exercise price (p)	0 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	1.42 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.

15. 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 £3.0 million (2008: £9.9 million).

Contributions to the scheme for the period are shown in note 13 and the agreed contribution rate for the next 12 months is 17.5% (2008: 10%).

16. RELATED PARTY TRANSACTIONS

As a greater than 90% subsidiary of MITIE Group PLC, MITIE Engineering Services Limited has taken advantage of the exemption under FRS 8 from the requirement to disclose related party transactions with MITIE Group PLC and companies within the Group.

17. 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 Asset Management Limited (formerly MITIE Engineering Holdings Limited). MITIE Group PLC is the smallest and largest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.