

Company Registration Number 2564586

**MITIE ENGINEERING SERVICES
(NORTHERN REGION) LIMITED**

Report and Financial Statements

Year ended 31 March 2012

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MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2012

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MITIE ENGINEERING SERVICES (NORTHERN REGION) LIM

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Ridley
W Robson

MITIE Company Secretarial Services Limited

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

AUDITOR

Deloitte LLP
London

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

DIRECTORS' REPORT

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 United Kingdom 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 ACTIVITIES AND REVIEW OF THE BUSINESS

The company is a wholly owned subsidiary of MITIE Group PLC (the Group). The company provides installation of electrical and mechanical services in commercial and industrial premises. MITIE Engineering Services (Northern Region) Limited was hived up into MITIE Built Environment Limited on 1 December 2011.

As shown in the company's profit and loss account on page 8 the company sales have decreased by 25.5% pro rata during the eight months of trading. The profit after tax for the year was £349,000 compared to a loss after tax of £1,394,546 in the prior year. Financial performance shown is for the eight months to 30 November 2011. Comparative turnover is less than the previous year due to current economic conditions. The previous year's results included losses of MITIE Engineering Services Edinburgh which was hived up into MITIE Engineering Services (Northern Region) Limited in July 2010. MITIE Engineering Services (Northern Region) Limited's net liabilities were transferred to MITIE Built Environment Limited on 1 December 2011 for £1, realising a profit on sale of £584,020 which has been recognised as other operating income in the profit and loss account.

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.

DIVIDENDS

Dividends for each share class were declared as follows:

ordinary shares: No Dividend

"B" Ordinary shares: No Dividend

PRINCIPAL RISKS AND UNCERTAINTIES

Mitie Engineering Services (Northern Region) Limited is now hived up into MITIE Built Environment Limited. Group risks are discussed in the Group's annual report which does not form part of this report.

DIRECTORS' REPORT (continued)

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.

GOING CONCERN

As explained above, the company transferred its trade, assets and liabilities to MITIE Built Environment Limited on 1 December 2011 and has ceased trading. As required by FRS 18 Accounting policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

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 2012, due to the transfer of going concern, this entity is no longer trading and as a result creditor days are nil in the current year (2011: 131 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 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:

J Ridley (Appointed 20 March 2012)

W Robson (Appointed 20 March 2012)

N C Watkins (Resigned 20 March 2012)

R McGregor-Smith (Resigned 31 January 2012)

S Baxter (Resigned 31 January 2012)

DIRECTORS' REPORT (continued)

G Doxey (Resigned 20 March 2012)
S B Rogers (Resigned 20 March 2012)
MITIE Company Secretarial Services Limited

AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- 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 auditor is 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 has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting

Approved by the Board and signed on its behalf by



W Robson
Director

29 June 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

We have audited the financial statements of MITIE Engineering Services (Northern Region) Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, 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 auditor's 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 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 auditor

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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

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

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.


Colin Hudson FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

2 July 2012

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
TURNOVER	1	10,749	21,645
Cost of sales		<u>(9,004)</u>	<u>(18,830)</u>
GROSS PROFIT		1,745	2,815
Other operating income		584	-
Administration expense		<u>(1,700)</u>	<u>(4,460)</u>
OPERATING PROFIT/(LOSS)	2	629	(1,645)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>629</u>	<u>(1,645)</u>
Interest payable and similar charges	3	<u>(173)</u>	<u>(93)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		456	(1,738)
Tax (charge)/credit on profit/(loss) on ordinary activities	4	(107)	344
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	11	<u>349</u>	<u>(1,394)</u>

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

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

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

BALANCE SHEET

As at 31 March 2012

	Note	2012		2011	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets			-		3,211
Tangible assets	6		-		41
			-		3,252
CURRENT ASSETS					
Stocks	7	-		45	
Debtors					
- due within one year	8	-		12,687	
		-		12,732	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	9	-		(16,383)	
NET CURRENT ASSETS/(LIABILITIES)			-		(3,651)
TOTAL ASSETS LESS CURRENT LIABILITIES			-		(399)
NET ASSETS			-		(399)
SHARE CAPITAL AND RESERVES					
Called up share capital	10		150		150
Share premium account	11		-		-
Profit and loss account	11		(217)		(549)
SHAREHOLDERS' DEFICIT	12		(67)		(399)

The financial statements of MITIE Engineering Services (Northern Region) Limited, company registered number 02564586, were approved by the board and authorised for issue on

W Robson
Director



29 June 2012

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

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 accounts are prepared under the historical cost convention.

Going concern

Details regarding the directors' consideration of going concern are given in the going concern section of the directors' report.

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.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and 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 20 years. Provision is made for any impairment.

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:

Fixtures and Fittings 3 to 10 years

Motor Vehicles 3 years

Short Leasehold Improvements 3 to 10 years

Operating leases

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

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts receivable as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

ACCOUNTING POLICIES (continued)

Taxation

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.

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

Share-based payments

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

Cash flow statement

The company has taken the exemption from the requirement to prepare a cash flow statement, as it is included within the consolidated financial statements of MITIE Group PLC and greater than 90% of the voting rights of the company are held by MITIE Group PLC.

Operating income

Operating income represents profit recognised on the sale of the business to MITIE Built Environment Limited.

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

2 OPERATING PROFIT/(LOSS)

	2012 £'000	2011 £'000
Operating Profit/(Loss) is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
owned	10	39
Research and development		
Amortisation of goodwill	-	179
Operating lease rentals		
plant and machinery	-	2
other	46	47
Fees payable to the company's auditor for the audit of the company's annual accounts	9	14
	<u>9</u>	<u>14</u>

The company has taken the exemption available to it not to disclose separately information about fees for non-audit services provided to the company as this information is available in the consolidated financial statements of MITIE Group PLC

3 INTEREST

	2012 £'000	2011 £'000
Interest payable and similar charges		
Bank interest	173	93
	<u>173</u>	<u>93</u>

4 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
(a) Analysis of charge/(credit) in the year		
United Kingdom corporation tax at 26% (2011 28%)	150	(428)
Adjustment in respect of prior years	-	3
Total current tax (Note 4(b))	<u>150</u>	<u>(425)</u>
Deferred taxation		
Timing differences - origination and reversal	(3)	(1)
Adjustment in respect of prior years	(40)	82
Tax on profit/(loss) on ordinary activities	<u>107</u>	<u>(344)</u>

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge in the year

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 26% (2011 28%) The differences are as follows

	2012 £'000	2011 £'000
Profit/(loss) on ordinary activities before tax	456	(1,738)
	£'000	£'000
Tax at 26% (2011 28%) thereon	119	(487)
Expenses not deductible for tax purposes	34	55
Differences between capital allowances and depreciation	(3)	(1)
Utilisation of tax losses	-	-
Relief in respect of employee share options	-	(3)
Other timing differences	-	8
Adjustments to tax charge in respect of prior periods	-	3
Current tax charge/(credit) for the year (Note 4(a))	150	(425)

The deferred tax balance comprises the following

	£'000	£'000
Depreciation in excess of capital allowances	-	33
Share-based payment timing difference	-	1
Other timing differences	-	999
	-	1,033
	£'000	£'000
Amount (credited)/charged to the profit and loss account in the year in relation to deferred tax	(43)	81

5 GOODWILL

	£'000
Cost	
At 1 April 2011	3,569
Disposals	(3,569)
At 31 March 2012	-
Amortisation	
At 1 April 2011	358
Charge for the year	(358)
At 31 March 2012	-
Net book value	
At 31 March 2012	-
At 1 April 2011	3,211

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

6 TANGIBLE FIXED ASSETS

	Fixtures and Fittings £'000	Motor Vehicles £'000	Short Leasehold Improvements £'000	Total £'000
Cost or valuation				
At 1 April 2011	400	94	-	494
Disposals	-	(30)	-	(30)
Transfers out to group companies	(400)	(57)	-	(457)
At 31 March 2012	-	7	-	7
Depreciation				
At 1 April 2011	385	68	-	453
Charge for the year	5	5	-	10
Disposals	-	(26)	-	(26)
Transfers out to group companies	(390)	(40)	-	(430)
At 31 March 2012	-	7	-	7
Net book value				
At 31 March 2012	-	-	-	-
At 31 March 2011	15	26	-	41

There are no leased assets included above

7 STOCKS

	2012 £'000	2011 £'000
Work in progress	-	45
	-	45

8 DEBTORS

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade debtors	-	6,841
Amounts recoverable on contracts	-	1,512
Amounts owed by Group undertakings	-	2,760
Prepayments and accrued income	-	43
Corporation tax	-	498
Deferred tax asset	-	1,033
	-	12,687

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£'000	£'000
Bank loans and overdrafts	-	3,972
Trade creditors	-	8,097
Amounts owed to Group undertakings	-	4,150
Other taxation and social security	-	101
Other creditors	-	22
Accruals and deferred income	-	41
	<u>-</u>	<u>16,383</u>

10 CALLED UP SHARE CAPITAL

	2012	2011
	£'000	£'000
Allotted, called up and fully paid share capital		
95,000 £1 ordinary shares	95	95
55,000 £1 "B" Ordinary shares	55	55
	<u>150</u>	<u>150</u>

11 RESERVES

	Profit and loss account £'000
At 1 April 2011	(549)
Profit for the financial year	349
Capital reduction relating to share-based payments	(17)
At 31 March 2012	<u>(217)</u>

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2012	2011
	£'000	£'000
Profit/(Loss) for the financial year	349	(1,394)
Capital (reduction)/contribution relating to share-based payments	(17)	19
Net addition to/(reduction in) shareholders' funds	<u>332</u>	<u>(1,375)</u>
Opening shareholders' (deficit)/funds	(399)	976
Closing shareholders' deficit	<u>(67)</u>	<u>(399)</u>

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

13 FINANCIAL COMMITMENTS

The company had no commitments in respect of operating leases at the end of the current year

	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- in less than one year	-	-	47	-
- between two and five years	-	-	-	2

Capital commitments

The company did not have any outstanding capital commitments that were not provided for at the end of the current or prior year

Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each others' bank overdrafts and loans

	2012 £'000	2011 £'000
Overall commitment	157,300	195,300

14 DIRECTORS

	2012 £'000	2011 £'000
- Aggregate emoluments	120	239
- Aggregate value of contributions paid to a money purchase pension scheme	11	21
	131	260

	2012 £'000 No	2011 £'000 No
The number of directors who were members of a defined benefit pension scheme	3	3

	2012 £'000	2011 £'000
- Aggregate emoluments	56	84
- Aggregate value of contributions paid to a money purchase pension scheme	5	8
	61	92

The following directors are also directors or employees of another group company. They are remunerated by the company shown. It is not practicable to allocate their remuneration between their services as directors of this company and as directors or employees of other group companies.

Director

J Ridley
W Robson
R McGregor-Smith
S Baxter

Remunerated by

MITIE Property Management Ltd
MITIE Property Management Ltd
MITIE Group PLC
MITIE Group PLC

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

15 EMPLOYEES

Average employee numbers

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

	2012 No	2011 No
Operations	29	-
Salaries	8	52
	<u>37</u>	<u>52</u>
Employment cost	£'000	£'000
Wages and salaries	1,186	2,231
Social security costs	94	219
Other pension costs	79	163
Share-based payments	(17)	19
	<u>1,342</u>	<u>2,632</u>

16 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. Before options can be exercised, a performance condition must be satisfied, the performance condition is linked to the percentage growth in earnings per share over a three-year period.

The MITIE Group PLC 2001 SAYE scheme

The SAYE 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.

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

SHARE-BASED PAYMENTS (continued)

The MITIE Group PLC Long-Term Incentive Plan (LTIP)

The LTIP was introduced in 2007. 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 based on growth in earnings per share over a three-year period.

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

	2012		2011	
	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 year	201,987	206	36,872	164
Granted during the year	-	-	59,467	220
Forfeited during the year	(62,778)	181	(18,572)	192
Transferred (to)/from Group subsidiaries during the year	(139,209)	217	138,456	203
Exercised during the year	-	-	(14,236)	149
Outstanding at end of the year	-	-	201,987	206
Exercisable at end of year	-	-	34,053	192

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

	2012 £'000	2011 £'000
2001 Executive share options	-	11
2001 Savings Related share options	-	9
Long-term incentive plan scheme (LTIP)	-	-
	-	20
	2012	2011

The weighted average share price at the date of exercise for share options exercised during the year was (p)

- 213

The options outstanding at the year-end had a weighted average price of (p)

- 206

The options outstanding at the year-end had a weighted average remaining contractual life of (years)

- 6

MITIE ENGINEERING SERVICES (NORTHERN REGION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

SHARE-BASED PAYMENTS (continued)

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

	2012	2011
Share price (p)	191-243	191-230
Exercise price (p)	0-254	0-254
Expected volatility (%)	28-36	28-36
Expected life (years)	3-6	3-6
Risk-free rate (%)	1.48-5.25	1.49-5.25
Expected dividends (%)	2.22-4.10	2.22-3.93

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 37 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £17.2 million (2011: deficit 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 18.5% (2011: 17.5%).

18 RELATED PARTY TRANSACTIONS

The company has taken the exemption available under FRS 8 not to disclose transactions with other wholly owned subsidiaries of MITIE Group PLC. There were no transactions with entities other than members of MITIE Group PLC which require disclosure under FRS 8.

19 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

MITIE Group PLC is the smallest group and 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.