

Company Registration Number 4005660

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

Report and Financial Statements

31 March 2008

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MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
A B Horwood
R McGregor-Smith
P F Mosley
D A Needs
N A Quintin
S W Skinner

SECRETARY

MITIE Company Secretarial Services Limited

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

National Westminster Bank plc
32 Corn Street
Bristol
BS99 7UG

AUDITORS

Deloitte & Touche LLP
Bristol

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2008

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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company is a wholly owned subsidiary of MITIE Group PLC (the 'Group'). On 1 April 2007, the company transferred its trade and assets to MITIE Engineering Maintenance Ltd for a cash consideration of £1.3 million. Up to this date, the company provided management and engineering maintenance services.

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

A dividend of 75p (2007: 198p) per 'A' ordinary share and 75p (2007: 8p) per 'B' ordinary share for the year ended 31 March 2008 were paid during the year.

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Prior to the transfer of trade, the loss of key customers was a key risk to the business. The company managed this risk by developing and maintaining strong relationships with these customers.

Group risks are discussed in the Group's annual report which does not form part of this report.

FINANCIAL RISK MANAGEMENT

The directors have reviewed the financial risk management objectives and policies of the company. The directors do not believe there to be significant risks in this area. The company does not enter into any hedging instruments, as there are not believed to be any material exposures. It does not enter into any financial instruments for speculative purposes.

Prior to the transfer of trade, appropriate trade terms were negotiated with suppliers and customers. Management reviewed these terms and the relationships with suppliers and customers and managed any exposure on normal trade terms. The company prepared regular forecasts of cash flow and liquidity and any requirement for additional funding was managed as part of the overall MITIE Group PLC financing arrangements.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2008 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented nil days (2007: 64 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 MAINTENANCE (SOUTH WEST) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The directors during the year and subsequently were as follows

S C Baxter
A B Horwood
R McGregor-Smith
P F Mosley
D A Needs
N A Quintin
S W Skinner

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

A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

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



S C Baxter
Director

10 SEPTEMBER 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

We have audited the financial statements of MITIE Engineering Maintenance (South West) Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 23. 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 2008 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

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

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



DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom

12/9/08

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2008

	Note	Discontinued operations	
		2008 £	2007 £
TURNOVER	1	-	10,843,358
Cost of sales		-	(8,832,296)
GROSS PROFIT		-	2,011,062
Administrative expenses		-	(1,284,639)
OPERATING PROFIT	2	-	726,423
Interest received and similar income	3	-	45,924
Interest paid and similar charges	3	-	(22,413)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	749,934
Tax on profit on ordinary activities	4	-	(228,368)
PROFIT FOR THE FINANCIAL YEAR	12	-	521,566

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 presented.

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

BALANCE SHEET At 31 March 2008

	Note	2008		2007	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		-		322,405
CURRENT ASSETS					
Stock	7	-		118,036	
Debtors	8	1,322,867		2,750,373	
Cash at bank and in hand		-		1,256,075	
		<u>1,322,867</u>		<u>4,124,484</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(331,132)</u>		<u>(2,652,898)</u>	
NET CURRENT ASSETS			<u>991,735</u>		<u>1,471,586</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>991,735</u>		<u>1,793,991</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10		-		(500,906)
NET ASSETS			<u>991,735</u>		<u>1,293,085</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	11		400,000		400,000
Capital contribution reserve	12		21,732		21,732
Profit and loss account	12		570,003		871,353
TOTAL SHAREHOLDERS' FUNDS	13		<u>991,735</u>		<u>1,293,085</u>

These financial statements were approved by the Board of Directors on 6 SEPTEMBER 2008

Signed on behalf of the Board of Directors



S C Baxter
Director

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

CASH FLOW STATEMENT Year ended 31 March 2008

	Note	2008		2007	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	14		(1,277,130)		1,210,100
Returns on investments and servicing of finance					
Interest received		-		45,924	
Interest paid		-		(29,079)	
Net cash inflow from returns on investments and servicing of finance			-		16,845
Taxation					
UK corporation tax paid			-		(331,837)
Capital expenditure					
Payments to acquire tangible fixed assets		-		(287,564)	
Proceeds from disposal of tangible fixed assets		322,405		66,129	
Net cash inflow/(outflow) from capital expenditure			322,405		(221,435)
Dividends paid			(301,350)		(420,883)
(Decrease)/increase in cash in the year	16		<u>(1,256,075)</u>		<u>252,790</u>

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

As explained in the directors' report, the company transferred its trade, assets and liabilities to a fellow subsidiary company on 1 April 2007 and has ceased trading. As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to the fellow subsidiary company at their book value.

Turnover

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

Turnover from bundled contracts consists of various components which operate independently of each other and for which reliable fair values can be established. Accordingly, each component is accounted for separately as if it were an individual contractual arrangement.

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:

Plant and office equipment	2 to 10 years
Motor vehicles	4 years

Operating leases

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

Stock

Stock is stated at the lower of cost (including appropriate overheads) and net realisable value. Provision is made for foreseeable losses.

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES (continued)

Tax

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

2. OPERATING PROFIT

	2008	2007
	£	£
Operating profit is stated after charging/(crediting)		
Depreciation	-	161,519
Rentals under operating leases		
- hire of plant and machinery	-	103,960
- other operating leases	-	33,163
Auditors' remuneration - audit services	-	4,150
Profit on disposal of tangible fixed assets	-	(52,942)
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The company's audit fee for the year was borne by MITIE Group PLC

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

3. INTEREST

	2008 £	2007 £
Interest received and similar income		
Bank interest	-	45,924
	<u>-</u>	<u>45,924</u>
Interest paid and similar charges	£	£
Interest paid to MITIE Group PLC	-	22,413
	<u>-</u>	<u>22,413</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2007 30%)	-	230,630
Adjustment in respect of prior years	-	(3,203)
	<u>-</u>	<u>227,427</u>
Total current tax (note 4(b))	-	227,427
Deferred taxation		
Timing differences - origination and reversal	-	598
Adjustment in respect of prior years	-	343
	<u>-</u>	<u>941</u>
Tax on profit on ordinary activities	-	228,368

(b) Factors affecting tax charge in year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of nil% (2007 30%) The differences are as follows

	£	£
Profit on ordinary activities before tax	-	749,934
	<u>-</u>	<u>749,934</u>
	£	£
Tax at 30% thereon	-	224,980
Expenses not deductible for tax purposes	-	6,248
Capital allowances in excess of depreciation	-	(6,669)
Movement in short-term timing differences	-	6,071
Adjustment in respect of prior years	-	(3,203)
	<u>-</u>	<u>2,447</u>
Current tax charge for the year (note 4(a))	-	227,427

(c) Factors affecting future tax charges

The reduction in the corporation tax rate to 28% is not anticipated to materially affect the future tax charge

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

5. DIVIDENDS

	2008 £	2007 £
The dividends approved and paid in the year are as follows		
75p (2007 198p) per share on £1 'A' ordinary shares	153,689	405,203
75p (2007 8p) per share on £1 'B' ordinary shares	147,661	15,680
	<u>301,350</u>	<u>420,883</u>

6. TANGIBLE FIXED ASSETS

	Plant and office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 2007	69,054	582,747	651,801
Transfers out	(69,054)	(582,747)	(651,801)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2008	-	-	-
Depreciation			
At 1 April 2007	51,200	278,196	329,396
Transfers out	(51,200)	(278,196)	(329,396)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2008	-	-	-
Net book value			
At 31 March 2008	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2007	<u>17,854</u>	<u>304,551</u>	<u>322,405</u>

7. STOCK

	2008 £	2007 £
Work in progress	<u>-</u>	<u>118,036</u>

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

8	DEBTORS	2008 £	2007 £
	Trade debtors	-	986,139
	Amounts owed by group undertakings	1,322,867	1,690,429
	Other debtors	-	51,169
	Prepayments and accrued income	-	22,636
		<u>1,322,867</u>	<u>2,750,373</u>

A deferred tax asset of £37,027 was transferred to MITIE Engineering Maintenance Limited As with the prior year, the assets relate to negative accelerated capital allowances and share-based payments

9.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2008 £	2007 £
	Trade creditors	-	1,673,188
	Amounts owed to group undertakings	331,132	545,904
	Corporation tax	-	118,209
	Other taxes and social security costs	-	227,098
	Other creditors	-	9,826
	Accruals and deferred income	-	78,673
		<u>331,132</u>	<u>2,652,898</u>

10.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2008 £	2007 £
	Amounts owed to group undertakings	<u>-</u>	<u>500,906</u>

Amounts owed to group undertakings bear interest at 1% above the base rate, are unsecured and are repayable between two and five years

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

11. CALLED UP SHARE CAPITAL				2008	2007
				£	£
Authorised					
300,000 £1 'A' ordinary shares				300,000	300,000
300,000 £1 'B' ordinary shares				300,000	300,000
				<u>600,000</u>	<u>600,000</u>
				£	£
Allotted and fully paid					
204,000 £1 'A' ordinary shares				204,000	204,000
196,000 £1 'B' ordinary shares				196,000	196,000
				<u>400,000</u>	<u>400,000</u>
12. RESERVES					
	Share capital	Capital contribution reserve	Profit and loss account	2008 Total	2007 Total
	£	£	£	£	£
At 1 April 2007	400,000	21,732	871,353	1,293,085	1,170,670
Profit for the financial year	-	-	-	-	521,566
Dividends paid	-	-	(301,350)	(301,350)	(420,883)
Movement	-	-	-	-	21,732
At 31 March 2008	<u>400,000</u>	<u>21,732</u>	<u>570,003</u>	<u>991,735</u>	<u>1,293,085</u>
13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS				2008	2007
				£	£
Profit for the financial year				-	521,566
Dividends (note 5)				(301,350)	(420,883)
Capital contribution reserve				-	21,732
Net (reduction)/addition to shareholders' funds				<u>(301,350)</u>	<u>122,415</u>
Opening shareholders' funds				1,293,085	1,170,670
Closing shareholders' funds				<u>991,735</u>	<u>1,293,085</u>

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

14 RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM DISCONTINUED OPERATING ACTIVITIES

	2008 £	2007 £
Operating profit	-	726,423
Depreciation	-	161,519
Profit on disposal of tangible fixed assets	-	(52,942)
Decrease in work in progress	118,036	163,408
Decrease in debtors	1,427,506	1,118,794
Decrease in creditors	(2,822,672)	(928,834)
Share-based payment expense	-	21,732
Net cash (outflow)/inflow from discontinued operating activities	(1,277,130)	1,210,100

15 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2007 £	Cash flow £	At 31 March 2008 £
Cash at bank and in hand	1,256,075	(1,256,075)	-

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2008 £	2007 £
(Decrease)/increase in cash in the year	(1,256,075)	252,790
Net funds at beginning of year	1,256,075	1,003,285
Net funds at end of year	-	1,256,075

17 FINANCIAL COMMITMENTS

Operating leases

At 31 March 2008 the company had no annual commitments under non-cancellable operating leases (2007 nil)

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

18. DIRECTORS

	2008 £	2007 £
The emoluments of directors of the company were		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	-	351,584
	£	£
Highest paid director	-	118,775
The accrued pension of the highest paid director at 31 March 2008 amounted to £nil (2007 £5,934)		
	No.	No.
The number of directors who were members of a defined benefit pension scheme	-	4

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

All other directors are remunerated by MITIE Engineering Maintenance Limited for their services to the group as a whole. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Maintenance (South West) 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 (2007 No directors).

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

19. EMPLOYEES

Number of employees

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

	2008 No.	2007 No
Site labour	-	68
Administration and management	-	12
	<hr/>	<hr/>
	-	80

Employment costs

	£	£
Wages and salaries	-	2,217,425
Social security costs	-	233,816
Pension costs	-	60,070
Share-based payments (see note 20)	-	21,732
	<hr/>	<hr/>
	-	2,533,043

20. SHARE-BASED PAYMENTS

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

The MITIE Group PLC 2001 Executive share option scheme

The Executive share option scheme is open to all employees. The exercise price is equal to the 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.

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 MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

20. SHARE-BASED PAYMENTS (continued)

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

	2008		2007	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of period ⁽¹⁾	138,382	137	132,015	124
Granted during the period	-	-	42,316	174
Forfeited during the period	(5,854)	119	(23,702)	140
Transferred to/from Group subsidiaries during the period	(128,828)	138	(6,523)	122
Exercised during the period	(3,700)	115	(5,724)	125
Outstanding at the end of the period	-	-	138,382	137
Exercisable at the end of the period	-	-	-	-

⁽¹⁾ Included within this balance are nil (2007 22,934) 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 57p to 174p (2007 57p to 174p)

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

	2008 £	2007 £
2001 Executive share options	-	2,321
2001 Saving Related share options	-	19,411
	-	21,732

The weighted average share price at the date of exercise for share options exercised during the period was 271p (2007 215p)

There were no options outstanding at 31 March 2008 as opposed to prior year where they had a weighted average exercise price of nil 137p and a weighted average remaining contractual life of 3.67 years

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

20. SHARE-BASED PAYMENTS (continued)

In the year ended 31 March 2007, options were granted on 22 June 2006 and 24 July 2006 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 £16,232.

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

	2008	2007
Share price (p)	133 to 230	130 to 193
Exercise price (p)	120 to 254	120 to 191
Expected volatility (%)	27 to 30	28 to 30
Expected life (years)	4 to 5	4 to 6
Risk-free rate (%)	4.17 to 5.25	4.17 to 5.12
Expected dividends (%)	1.43 to 2.29	1.43 to 2.29

Expected volatility was based on historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

21. 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 £9.9 million (2007: £0.5 million).

Contributions to the scheme for the period are shown in note 19 and the agreed contribution rate for the next 12 months is 10% (2007: 10%) and 7.5% (2007: 7.5%) for the group and employees respectively.

22. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 100% shareholder of MITIE Engineering Maintenance (South West) Limited.

During the year the company did not sell goods and services to any subsidiary company of MITIE Group PLC or was owed any balance as at 31 March 2008.

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

22. RELATED PARTY TRANSACTIONS (continued)

During the prior year the company sold goods and services to the following subsidiary companies of MITIE Group PLC and was owed balances as at 31 March 2007 of

	Sales £	Balance £
MITIE Engineering Maintenance Limited	93,896	9,238
MITIE Engineering Maintenance (North) Limited	10,877	5,835
Cole Motors Limited	68,148	2,761
MITIE Services (Retail) Limited	3,433	-
MITIE Engineering Services (Retail) Limited	661,316	290,212
MITIE Air Conditioning (South West) Limited	6,773	2,798
MITIE Security (South West) Limited	24,852	10,235
MITIE Cleaning & Support Services Limited	8,187	4,800
MITIE PFI Limited	54,206	13,447
MITIE Property Services (UK) Limited	3,879	-
MITIE Group PLC	8,278	2,055
MITIE Managed Services Limited	4,386,860	1,273,497
MITIE Engineering Services (Cardiff) Limited	(220)	-
MITIE Engineering Services (Peninsular) Limited	400	-
MITIE Catering Services Limited	162,824	74,014

During the year the company did not purchase goods and services from any subsidiary company of MITIE Group PLC or owed any balance as at 31 March 2008

During the prior year the company purchased goods and services from the following subsidiary companies of MITIE Group PLC and owed balances as at 31 March 2007 of

	Purchases £	Balance £
MITIE Engineering Maintenance Limited	946,823	134,914
MITIE Engineering Maintenance (North) Limited	146,257	14,903
MITIE Engineering Maintenance (Caledonia) Limited	87,987	1,586
Cole Motors Limited	17,029	1,045
MITIE Cleaning & Support Services Limited	58,628	14,349
MITIE Security (South West) Limited	43,264	13,524
MITIE Engineering Services (Cardiff) Limited	4,682	-
MITIE Managed Services (South West and Wales) Limited	52,694	21,430
MITIE Pest Control Services Limited	1,615	173
MITIE Air Conditioning (Midlands) Limited	259	-
MITIE Air Conditioning (South West) Limited	1,291	1,060
MITIE Industrial Cleaning (North) Limited	437	-
MITIE Landscape (Southern) Limited	9,482	-
MITIE Lyndhurst Services Limited	14,403	8,622
MITIE Property Services (UK) Limited	30,762	3,167

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

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Year ended 31 March 2008

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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