

Company Registration Number 04052003

MITIE SECURITY SYSTEMS LIMITED

Report and Financial Statements

31 March 2007



MITIE SECURITY SYSTEMS LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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MITIE SECURITY SYSTEMS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
N R Goodman
J P Flanagan
R McGregor-Smith
S J Trimmer
B E H Hiscock

SECRETARY

MITIE Company Secretarial Services Limited (appointed 30 June 2006)
C K Ross (resigned 30 June 2006)

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

Barclays Bank plc
PO Box 12
Harlow
Essex
CM20 1ET

AUDITORS

Deloitte & Touche LLP
Bristol

MITIE SECURITY SYSTEMS LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 March 2007

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'). The company's principal activity is the installation of electronic security systems and the provision of service and maintenance packages for electronic security systems. 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 in the immediate future.

On 30 October 2006, the company acquired the security systems business from the Watch Systems Limited. The transaction was funded by a loan from Watch Security. These financial statements include the results of Watch Systems since the date of acquisition.

As shown in the company's profit and loss account on page 6, the company's sales have decreased from the prior 17 month period. When the trading for the prior period is pro-rated for a 12 month period, there has been a decrease in turnover of 17%. The company has experienced a loss before tax which was also a loss in the prior period.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end is, in both net assets and cash terms, worsened since the prior period.

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

MITIE SECURITY SYSTEMS LIMITED

DIRECTORS' REPORT (continued)

DIVIDENDS

No dividends were approved or paid during the period (2006 nil)

PRINCIPAL RISKS AND UNCERTAINTIES

Loss of key customers is a key risk to the business. The company manages this risk by developing and maintaining strong relationships with these customers.

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

FINANCIAL RISK MANAGEMENT

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

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall MITIE Group PLC financing arrangements.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2007 trade creditors, as a proportion of amounts invoiced from suppliers for the financial period, represented 73 days (2006 66 days).

ENVIRONMENT

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

EMPLOYEES

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

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

MITIE SECURITY SYSTEMS LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the period and subsequently were as follows

J P Flanagan	
R McGregor-Smith	
S J Trimmer	
S C Baxter	(appointed 8 May 2006)
N R Goodman	(appointed 24 November 2006)
I R Stewart	(resigned 30 March 2007)
L Abraham	(resigned 5 January 2007)
B E H Hiscock	(appointed 30 March 2007)

S C Baxter, N R Goodman, R McGregor-Smith, and I R Stewart are directors of MITIE Group PLC, the parent undertaking, and their interests in and options of the share capital of that company and other group companies are shown in the financial statements of MITIE Group PLC

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

Pursuant to Section 386 of the Companies Act 1985, an elective resolution was passed on 14 March 2005, dispensing with the requirement to appoint auditors annually. Therefore Deloitte & Touche LLP are deemed to continue as auditors

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



S C Baxter
Director

29 January 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE SECURITY SYSTEMS LIMITED

We have audited the financial statements of MITIE Security Systems Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. 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

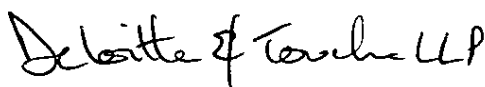
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 and of its loss 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 & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

30 January 2008

MITIE SECURITY SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2007

		Year ended 31 March 2007 £	Continuing operations Period from 1 November 2004 to 31 March 2006 £
	Note		
TURNOVER	2	3,535,129	6,009,266
Cost of sales		(2,707,353)	(3,731,194)
GROSS PROFIT		827,776	2,278,072
Administrative expenses		(1,717,515)	(3,074,615)
OPERATING LOSS	3	(889,739)	(796,543)
Interest received and similar income	4	-	2,692
Interest paid and similar charges	4	(25,935)	(33,673)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(915,674)	(827,524)
Tax credit on loss on ordinary activities	5	245,933	197,228
LOSS FOR THE FINANCIAL YEAR	15	(669,741)	(630,296)

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

MITIE SECURITY SYSTEMS LIMITED

BALANCE SHEET
At 31 March 2007

	Note	2007	2006
		£	£
FIXED ASSETS			
Tangible assets	6	354,120	312,955
Investments	7	200	200
		<u>354,320</u>	<u>313,155</u>
CURRENT ASSETS			
Stocks	8	68,426	44,820
Debtors	9	1,908,563	1,266,833
		<u>1,976,989</u>	<u>1,311,653</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(2,625,466)</u>	<u>(1,240,166)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(648,477)</u>	<u>71,487</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(294,157)</u>	<u>384,642</u>
CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	<u>-</u>	<u>(9,139)</u>
NET (LIABILITIES)/ASSETS		<u>(294,157)</u>	<u>375,503</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	13	102,040	102,040
Profit and loss account	14	(396,278)	273,463
Capital contribution reserve	15	81	-
SHAREHOLDERS' (DEFICIT)/FUNDS	15	<u>(294,157)</u>	<u>375,503</u>

These financial statements were approved by the Board of Directors on 29 January 2008

Signed on behalf of the Board of Directors



S C Baxter
Director

MITIE SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

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 with the exception of FRS 20 'Share-based Payment', are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

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

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is estimated selling price less further costs expected to be incurred to completion and disposal.

Tangible fixed assets and depreciation

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

Plant and machinery	5 years
Motor vehicles	4 years
Office equipment	3 to 5 years
Computer equipment	3 years

Leases

Assets held under finance leases are capitalised at their fair value on the inception of the lease and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

MITIE SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

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

Pension costs represent amounts paid to one of the Group's pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC

Share-based Payment

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

On 1 April 2006, the company applied the requirement of FRS 20 'Share-based Payment'. In accordance with the transitional provision, FRS 20 has been applied to all grants after 7 November 2002 that had not vested before 1 April 2005

Change in accounting policy

The financial statements for the year ended 31 March 2007 have been drawn up using the same accounting policies as for the year ended 31 March 2006 subject to the adoption of FRS 20 'Share-based Payment' this year. The effect of adopting FRS 20 has increased the loss for the year ended 31 March 2007 by £57, increased deferred tax assets by £24 and given rise to a capital contribution from MITIE Group PLC of £81

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

MITIE SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

2. TURNOVER

Turnover is wholly attributable to the principal activity of the company and arises within the United Kingdom.

3. OPERATING LOSS

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Operating loss is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
- owned assets	180,077	248,528
- leased assets	13,850	21,570
Profit on disposal of tangible fixed assets	(13,215)	(11,832)
Auditors' remuneration		
- audit services	6,900	11,000
- non-audit services	-	13,859
Exceptional impairment of goodwill	-	179,820

4. INTEREST

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Interest received and similar income		
Bank interest	-	2,692
Interest paid and similar charges		
Bank overdrafts	23,820	26,885
Finance leases and hire purchase contracts	2,115	6,788
	25,935	33,673

MITIE SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2006 30%)	(241,036)	(165,549)
Adjustment in respect of prior periods	4,677	(2,212)
Total current tax (note 4(b))	(236,359)	(167,761)
Deferred taxation		
Timing differences - origination and reversal	(18,600)	(34,141)
Adjustment in respect of prior years	9,026	4,674
Tax credit on loss on ordinary activities	(245,933)	(197,228)

(b) Factors affecting tax charge in period

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are as follows

	£	£
Loss on ordinary activities before tax	(915,674)	(827,524)
	£	£
Tax at 30% (2006 30%) thereon	(274,702)	(248,257)
Expenses not deductible for tax purposes	15,066	12,535
Depreciation in excess of capital allowances	17,862	34,079
Goodwill amortisation	-	53,947
Adjustment in respect of prior periods	4,677	(2,212)
Marginal relief	-	(16,722)
Other timing differences	738	(1,131)
Current tax credit for the year (note 4(a))	(236,359)	(167,761)

(c) Factors affecting future tax charges

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

MITIE SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

6. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Computer equipment £	Office equipment £	Total £
Cost					
At 1 April 2006	37,067	368,504	135,430	137,765	678,766
Transfers in	-	127,408	19,508	46,608	193,524
Additions	698	127,225	9,315	21,950	159,188
Disposals	(5,147)	(168,133)	(26,881)	(5,135)	(205,296)
At 31 March 2007	32,618	455,004	137,372	201,188	826,182
Depreciation					
At 1 April 2006	25,580	178,562	87,693	73,976	365,811
Transfers in	-	24,693	10,039	31,692	66,424
Charge for the year	4,923	114,909	25,453	48,642	193,927
Disposals	(4,757)	(133,893)	(10,750)	(4,700)	(154,100)
At 31 March 2007	25,746	184,271	112,435	149,610	472,062
Net book value					
At 31 March 2007	6,872	270,733	24,937	51,578	354,120
At 31 March 2006	11,487	189,942	47,737	63,789	312,955

The net book value of tangible fixed assets includes amounts of £4,406 (2006 £21,425) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £13,850 (2006 £21,570).

7. FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings £
Cost or valuation	
At 1 April 2006 and 31 March 2007	200

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

Subsidiary undertaking	Proportion of voting rights and ordinary share capital held	Nature of business
C-Tech Associated Limited	100%	Dormant

MITIE SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

8. STOCKS	2007 £	2006 £
Work in progress	-	34,903
Finished goods and goods for resale	68,426	9,917
	<u>68,426</u>	<u>44,820</u>

9. DEBTORS	2007 £	2006 £
Trade debtors	1,416,291	794,279
Amounts owed by group undertakings	227,594	264,115
Corporation tax	180,611	166,655
Other debtors	26,901	15,327
Prepayments and accrued income	34,609	18,190
Deferred tax asset (note 12)	22,557	8,267
	<u>1,908,563</u>	<u>1,266,833</u>

Included within other debtors is a deferred tax asset of £22,557 has been recognised at 31 March 2007 (2006 £8,267) This asset relates to accelerated capital allowances The amount credited to the profit and loss account in the period was £9,574 (2006 £29,467)

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2007 £	2006 £
Bank overdrafts	837,505	211,615
Obligations under finance lease and hire purchase contracts	9,139	16,408
Trade creditors	253,069	502,287
Amounts owed to group undertakings	948,190	152,057
Other taxes and social security costs	127,115	82,231
Accruals and deferred income	450,448	275,568
	<u>2,625,466</u>	<u>1,240,166</u>

Obligations under finance lease and hire purchase contracts are secured on the assets to which they relate

MITIE SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

11. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £	2006 £
Obligations under finance lease and hire purchase contracts	-	9,139

Maturity analysis

	2007 £	2006 £
		Finance leases
In one year or less, or on demand	9,139	16,408
	£	£
In more than one year but not more than two years	-	9,139

12. DEFERRED TAXATION ASSET

	£	
At 1 April 2006	(8,267)	
Credit to profit and loss during the year	(9,574)	
Transferred in from The Watch Limited	(4,716)	
At 31 March 2007	(22,557)	
	£	2006 £
The amount of deferred tax provided for is as follows		
Negative accelerated capital allowances	(21,818)	(8,267)
Short-term timing differences	(715)	-
Share-based Payment	(24)	-
Deferred tax asset	(22,557)	(8,267)

MITIE SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

13	CALLED UP SHARE CAPITAL	2007	2006
		£	£
	Authorised		
	102,040 £1 Ordinary shares	102,040	102,040
		<u> </u>	<u> </u>
		£	£
	Allotted and fully paid		
	102,040 £1 Ordinary shares	102,040	102,040
		<u> </u>	<u> </u>
 14	 RESERVES		
		Profit	Capital
		loss and	contribution
		account	reserve
		£	£
	At 1 April 2006	273,463	-
	Loss for the financial year	(669,741)	-
	Increase for the financial year	-	81
		<u> </u>	<u> </u>
	At 31 March 2007	(396,278)	81
		<u> </u>	<u> </u>
 15	 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/ FUNDS		
		2007	2006
		£	£
	Loss for the financial year	(669,741)	(630,296)
	Capital contribution reserve	81	-
		<u> </u>	<u> </u>
	Net reduction to shareholders' funds	(669,660)	(630,296)
	Opening shareholders' funds	375,503	1,005,799
		<u> </u>	<u> </u>
	Closing shareholders' (deficit)/ funds	(294,157)	375,503
		<u> </u>	<u> </u>

MITIE SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

16. FINANCIAL COMMITMENTS

Commitments on behalf of the 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 2007, the overall commitment was £20 million (2006 £33 million)

17. DIRECTORS

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Directors' emoluments	<u>253,848</u>	<u>514,761</u>
	£	£
Emoluments of the highest paid director	<u>95,576</u>	<u>233,307</u>

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

J P Flanagan is a director of MITIE Security Limited and his emoluments and pension details are disclosed in the accounts of that company. It is not practicable to allocate his remuneration between his services as a director of MITIE Security (South West) Limited and his services as a director of other Group companies.

No directors exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the period (2006 nil)

MITIE SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

18 EMPLOYEES

Number of employees

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

	Year ended 31 March 2007 No.	Period ended 31 March 2006 No.
Technical support	32	33
Administration and management	12	8
	<u>44</u>	<u>41</u>
Employment costs	£	£
Wages and salaries	1,551,347	1,968,864
Social security costs	167,384	242,780
Pension costs	3,399	4,473
Share-based Payment	81	-
	<u>1,722,211</u>	<u>2,216,117</u>

19 SHARE-BASED PAYMENT

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

The MITIE Group PLC 2001 Executive share option scheme

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

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 SECURITY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

19. SHARE-BASED PAYMENT (Continued)

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

	2007		2006	
	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⁾	-	-	-	-
Granted during the period	1,561	165	-	-
Outstanding at the end of the period	<u>1,561</u>	<u>165</u>	<u>-</u>	<u>-</u>
Exercisable at the end of the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

⁽¹⁾ There are no options (2006 Nil) that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002

Their exercise prices range from 57p to 174p (2006 57p to 174p)

The company recognised the following expenses related to Share-based Payment

	2007 £
2001 Executive share options	-
2001 Savings Related share options	<u>81</u>
	<u>81</u>

The options outstanding at 31 March 2007 had a weighted average exercise price of 165p (2006 nil) and a weighted average remaining contractual life of 5.09 years (2006 nil)

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 £608.

In the year ended 31 March 2006, no options were granted

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

19. SHARE-BASED PAYMENT (continued)

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

	2007	2006
Share price (p)	134 to 193	-
Exercise price (p)	120 to 138	-
Expected volatility (%)	28 to 29	-
Expected life (years)	5 to 6	-
Risk-free rate (%)	4.24 to 5.12	-
Expected dividends (%)	1.43 to 2.23	-

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.

20. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Security Systems Limited has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

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 30 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £0.5 million (2006: £1.8 million).

Contributions to the scheme for the period are shown in note 18 and the agreed contribution rate for the next 12 months is 10% (2006: 10%) and 7.5% (2006: 7.5%) for the Group and employees respectively.

22. 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 Group PLC is both 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.