

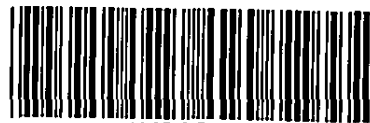
**Company Registration Number 4957244**

**MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

**Report and Financial Statements**

**31 March 2008**

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# **MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

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## **MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

S C Baxter  
D Freeman  
J J Kavanagh  
R McGregor-Smith  
K Mills  
G A Morgans  
I J Thompson

#### **SECRETARY**

MITIE Company Secretarial Services Limited

#### **REGISTERED OFFICE**

8 Monarch Court  
The Brooms  
Emersons Green  
Bristol  
BS16 7FH

#### **BANKERS**

HSBC Bank plc  
49 Corn Street  
Bristol  
BS99 7PP

#### **AUDITORS**

Deloitte & Touche LLP  
Bristol

## **MITIE ENGINEERING SERVICES (WEST MIDLANDS) 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 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 majority owned subsidiary of MITIE Group PLC (the 'Group'). The company provides installation of electrical and mechanical services in commercial, industrial and domestic premises. There have not been any significant changes in the company's principal activities in the year under review and the directors are not aware of any likely major changes.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 2% over the prior period. Despite improved profit margins, a loss after tax was sustained which was 1% less than the loss reported in the prior period. The loss was primarily attributable to higher overheads and interest charges.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end has, in net assets terms, deteriorated relative to the prior year.

The directors expect an improved performance in the forthcoming year.

On 15 January 2008 the authorised share capital was increased to £300,100 via the creation of 100 £1 'C' shares.

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 ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

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

#### **DIVIDENDS**

No final dividend was approved and paid (2007: 90.52p) per 'A' ordinary share and (2007: 8p) per 'B' ordinary share.

#### **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 2008 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 82 days (2007: 92 days).

#### **ENVIRONMENT**

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

#### **EMPLOYEES**

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

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

**MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

**DIRECTORS' REPORT (continued)**

**DIRECTORS**

The directors during the year and subsequently were as follows:

C S Acheson (resigned 2 October 2007)  
S C Baxter  
D Freeman  
J J Kavanagh  
R McGregor-Smith  
K Mills  
G A Morgans  
I J Thompson

**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 in the forthcoming Annual General Meeting.

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



**S C Baxter**  
Director

20 November 2008

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

We have audited the financial statements of MITIE Engineering Services (West Midlands) 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 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*

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

*20 November 2008*





# MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 2008

	Note	Continuing operations	
		2008	2007
		£	£
<b>TURNOVER</b>	1	4,290,002	4,200,747
Cost of sales		(3,551,800)	(3,739,890)
<b>GROSS PROFIT</b>		738,202	460,857
Administrative expenses		(911,287)	(785,941)
<b>OPERATING LOSS</b>	2	(173,085)	(325,084)
Interest received and similar income	3	4,072	4,851
Interest paid and similar charges	3	(37,707)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(206,720)	(320,233)
Tax (charge)/credit on loss on ordinary activities	4	(15,606)	96,400
<b>LOSS FOR THE FINANCIAL YEAR</b>	12	(222,326)	(223,833)

There are no recognised gains and losses for the current and preceding financial period 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 (WEST MIDLANDS) LIMITED**

**BALANCE SHEET**  
**At 31 March 2008**

	Note	2008		2007	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	6		69,607		77,096
<b>CURRENT ASSETS</b>					
Stocks	7	-		270	
Debtors	8	1,745,176		1,107,840	
Cash at bank and in hand		5		-	
		<u>1,745,181</u>		<u>1,108,110</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	<u>(2,037,996)</u>		<u>(1,186,190)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(292,815)</u>		<u>(78,080)</u>
<b>NET LIABILITIES</b>			<u>(223,208)</u>		<u>(984)</u>
<b>SHARE CAPITAL AND RESERVES</b>					
Called up share capital	10		150,001		150,000
Capital contribution reserve	11		7,084		6,983
Profit and loss account	12		<u>(380,293)</u>		<u>(157,967)</u>
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	13		<u>(223,208)</u>		<u>(984)</u>

These financial statements were approved by the Board of Directors on 20 November 2008

Signed on behalf of the Board of Directors



**S C Baxter**  
Director



**MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

**CASH FLOW STATEMENT**

**Year ended 31 March 2008**

	Note	2008		2007	
		£	£	£	£
<b>Net cash (outflow)/inflow from operating activities</b>	14		(874,822)		61,004
<b>Returns on investments and servicing of finance</b>					
Interest received		4,505		4,690	
Interest paid		(33,606)		-	
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>			(29,101)		4,690
<b>Taxation</b>					
UK corporation tax paid		-		(32,735)	
UK corporation tax received		57,742		-	
<b>Tax received/(paid)</b>			57,742		(32,735)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(32,073)		(29,551)	
Receipts from disposal of tangible fixed assets		23,280		8,561	
<b>Net cash outflow from capital expenditure</b>			(8,793)		(20,990)
<b>Equity dividends paid</b>			-		(75,132)
<b>Decrease in cash in the year</b>	16		(854,974)		(63,163)

## **MITIE ENGINEERING SERVICES (WEST MIDLANDS) 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.

##### **Turnover**

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

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

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

Plant and office equipment	3 to 10 years
Motor vehicles	4 years

##### **Leasing and hire purchase commitments**

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.

##### **Tax**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.



# MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

### 1. ACCOUNTING POLICIES (continued)

#### Pension costs

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

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

#### Shared-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 LOSS

	2008	2007
	£	£
Operating loss is stated after charging/(crediting):		
Depreciation on owned assets	31,854	31,304
Depreciation on leased assets	301	-
Auditors' remuneration - audit services	3,960	3,960
Profit on disposal of tangible fixed assets	(1,435)	(1,181)

### 3. INTEREST

	2008	2007
	£	£
Interest received and similar income		
Bank interest	361	4,851
Other	3,711	-
	<u>4,072</u>	<u>4,851</u>
Interest paid and similar charges	£	£
Bank interest	<u>37,707</u>	<u>-</u>



# MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

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

	2008 £	2007 £
<b>(a) Analysis of charge/(credit) in year</b>		
United Kingdom corporation tax at 30% (2007: 30%)	-	-
Adjustment in respect of prior years	-	(57,530)
<b>Total current tax (note 4(b))</b>	-	(57,530)
Deferred taxation:		
Timing differences - origination and reversal	14,011	(38,824)
Adjustment in respect of prior years	1,595	(46)
<b>Tax charge/(credit) on loss on ordinary activities</b>	<b>15,606</b>	<b>(96,400)</b>

#### (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 30% (2007: 30%). The differences are as follows:

	£	£
Loss on ordinary activities before tax	(206,720)	(320,233)
	£	£
Tax at 30% thereon	(62,016)	(96,070)
Expenses not deductible/(allowable) for tax purposes	8,664	(496)
Capital allowances less than depreciation	9,216	9,037
Relief in respect of employee share options	2,142	-
Other timing differences	(2,216)	2,184
Generation of tax losses	44,210	85,345
Adjustment in respect of prior years	-	(57,530)
<b>Current tax credit for the year (note 4(a))</b>	<b>-</b>	<b>(57,530)</b>

#### (c) Factors affecting future tax charges

The company has unutilised tax losses of £211,922 (2007: £64,557) that are available for offset against future taxable profits.

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

# MITIE ENGINEERING SERVICES (WEST MIDLANDS) 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:		
	Nil (2007: 90.52p) per share on £1 'A' ordinary shares	-	69,252
	Nil (2007: 8p) per share on £1 'B' ordinary shares	-	5,880
		<u>-</u>	<u>75,132</u>

6.	TANGIBLE FIXED ASSETS	Plant and office equipment £	Motor vehicles £	Total £
	<b>Cost</b>			
	At 1 April 2007	39,616	106,010	145,626
	Additions	6,499	27,761	34,260
	Disposals	(337)	(27,052)	(27,389)
	Transfers In	-	19,462	19,462
	Transfers Out	-	(12,800)	(12,800)
	At 31 March 2008	<u>45,778</u>	<u>113,381</u>	<u>159,159</u>
	<b>Depreciation</b>			
	At 1 April 2007	14,669	53,861	68,530
	Charge for the year	8,991	23,164	32,155
	Disposals	(337)	(14,007)	(14,344)
	Transfers In	-	7,211	7,211
	Transfers Out	-	(4,000)	(4,000)
	At 31 March 2008	<u>23,323</u>	<u>66,229</u>	<u>89,552</u>
	<b>Net book value</b>			
	At 31 March 2008	<u>22,455</u>	<u>47,152</u>	<u>69,607</u>
	At 31 March 2007	<u>24,947</u>	<u>52,149</u>	<u>77,096</u>

Net book value at 31 March 2008 includes leased assets with a net book value of £14,137 (2007: nil)

7.	STOCKS	2008 £	2007 £
	Work in progress	<u>-</u>	<u>270</u>

**MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2008**

<b>8. DEBTORS</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,547,285	913,457
Amounts recoverable on contracts	121,286	61,029
Amounts owed by group undertakings	7,157	10,878
Other debtors	45,996	16,396
Corporation tax	-	57,742
Called up share capital not paid	1	-
Deferred tax asset	23,012	38,618
Prepayments	439	9,720
	<u>1,745,176</u>	<u>1,107,840</u>

A net deferred tax asset of £23,012 has been recognised at 31 March 2008 (2007: £38,618). This asset relates to negative accelerated capital allowances and share based payments. The amount charged to the profit and loss account in the year was £15,606 (2007: credited £38,870). The directors are of the opinion that suitable profits will be available in the periods when these differences will reverse.

<b>9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Bank overdraft	882,711	27,732
Payments on account	24,565	-
Trade creditors	988,438	1,074,760
Amounts owed to group undertakings	28,296	40,662
Other taxes and social security costs	4,130	22,489
Accruals and deferred income	30,274	19,966
Other creditors	79,582	581
	<u>2,037,996</u>	<u>1,186,190</u>

**MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2008**

<b>10. CALLED UP SHARE CAPITAL</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
153,000 £1 'A' ordinary shares	153,000	153,000
147,000 £1 'B' ordinary shares	147,000	147,000
100 £1 'C' ordinary shares	100	-
	<u>300,100</u>	<u>300,000</u>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and issued</b>		
76,500 £1 'A' ordinary shares	76,500	76,500
73,500 £1 'B' ordinary shares	73,500	73,500
1 £1 'C' ordinary share	1	-
	<u>150,001</u>	<u>150,000</u>

On the 15 January 2008, 1 £1 'C' ordinary share was allotted for a total cash consideration of £1.

<b>11. CAPITAL CONTRIBUTION RESERVE</b>	<b>£</b>
At 1 April 2007	6,983
Increase for the financial year	<u>101</u>
<b>At 31 March 2008</b>	<u><b>7,084</b></u>

<b>12. PROFIT AND LOSS ACCOUNT</b>	<b>£</b>
At 1 April 2007	(157,967)
Loss for the financial year	<u>(222,326)</u>
<b>At 31 March 2008</b>	<u><b>(380,293)</b></u>



**MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2008**

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	(222,326)	(223,833)
Dividends (note 5)	-	(75,132)
Issue of ordinary share capital	1	-
Capital contribution reserve (note 11)	101	6,983
Net addition to shareholders' deficit	(222,224)	(291,982)
Opening shareholders' (deficit)/funds	(984)	290,998
<b>Closing shareholders' deficit</b>	<b>(223,208)</b>	<b>(984)</b>

**14. RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Operating loss	(173,085)	(325,084)
Depreciation	32,155	31,304
Profit on disposal of tangible fixed assets	(1,435)	(1,181)
Decrease/(increase) in stocks	270	(270)
(Increase)/decrease in debtors	(711,116)	17,467
(Decrease)/increase in creditors	(21,712)	331,785
Share-based payment expense	101	6,983
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(874,822)</b>	<b>61,004</b>

**15. ANALYSIS OF CHANGES IN NET DEBT**

	<b>At 1 April 2007</b>	<b>Cash flow</b>	<b>At 31 March 2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	-	5	5
Overdraft	(27,732)	(854,979)	(882,711)
	<b>(27,732)</b>	<b>(854,974)</b>	<b>(882,706)</b>

**16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Decrease in cash in the year	(854,974)	(63,163)
Net (debt)/funds at beginning of year	(27,732)	35,431
<b>Net debt at end of year</b>	<b>(882,706)</b>	<b>(27,732)</b>

# MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 17. FINANCIAL COMMITMENTS

#### Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts and loans. As at 31 March 2008, the overall commitment was nil (2007: £nil).

### 18. DIRECTORS

2008

2007

£

£

The emoluments of the directors of the company were:

Fees and other emoluments (excluding pension contributions but including benefits-in-kind)

168,820

158,011

No.

No.

The number of directors paid by the company who were members of a defined benefit pension scheme

1

1

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. D Freeman is remunerated by MITIE Engineering Services Limited and J J Kavanagh is remunerated by MITIE Engineering Services (Midlands) Limited. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Services (West Midlands) Limited and their services to other group companies.

### 19. EMPLOYEES

#### Number of employees

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

2008

2007

No.

No.

Administration and management

14

13

#### Employment costs

£

£

Wages and salaries

492,466

403,476

Social security costs

61,192

49,632

Pension costs

8,140

7,607

Share-based payments expense (see note 20)

101

6,983

561,899

467,698

# MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

### 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 in respect of awards prior to 26 July 2007 and 4% above the retail price per annum thereafter.

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

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

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 the period <sup>(1)</sup>	50,041	134	50,211	129
Granted during the period	-	-	6,830	165
Transferred to Group subsidiaries during the period	(50,041)	134	-	-
Exercised during the period	-	-	(7,000)	132
<b>Outstanding at end of the period</b>	<b>-</b>	<b>-</b>	<b>50,041</b>	<b>134</b>
<b>Exercisable at end of the period</b>	<b>-</b>	<b>-</b>	<b>27,000</b>	<b>129</b>

<sup>(1)</sup> There are no options included within this balance (2007: 23,882) 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 in the prior year ranged from 57p to 174 p.



# MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 20. SHARE-BASED PAYMENTS (continued)

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

	2008 £	2007 £
2001 Executive share options	-	4,967
2001 Savings Related share options	101	2,016
	<u>101</u>	<u>6,983</u>

There were no shares exercised during the period. The weighted average share price at the date of exercise for share options exercised during the prior period was 239p.

There were no options outstanding at 31 March 2008. The options outstanding at 31 March 2007 had a weighted average exercise price of 134p and a weighted average remaining contractual life of 4.54 years.

In the year ended 31 March 2008, no options were granted in respect of the Executive and Savings Related share option schemes.

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 £2,659.

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.

## **MITIE ENGINEERING SERVICES (WEST MIDLANDS) LIMITED**

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

**Year ended 31 March 2008**

#### **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**

At 31 March 2008 MITIE Group PLC is a 56% shareholder of MITIE Engineering Services (West Midlands) Limited. (2007: 64%)

MITIE Engineering Services (West Midlands) Limited paid management charges of £153,282 (2007: £171,909) to companies within MITIE Group PLC. An amount of £881 (2007: nil) remained outstanding in respect of these charges at the year end.

MITIE Engineering Services (West Midlands) Limited received management charges of nil (2007: £1,750) from companies within MITIE Group PLC. An amount of £nil (2007: £1,750) is included in debtors in respect of this income at the year end.

During the year, MITIE Engineering Services (West Midlands) Limited provided goods and services amounting to £18,872 (2007: £9,703) to companies within the MITIE Group PLC on normal commercial terms. An amount of £7,157 (2007: £9,703) is included in debtors in respect of these services at the year end.

During the year, MITIE Engineering Services (West Midlands) Limited purchased goods and services amounting to £255,155 (2007: £86,736) from companies within the MITIE Group PLC on normal commercial terms. An amount of £27,415 (2007: £40,662) is included in creditors in respect of these charges at the year end.

During the year, MITIE Engineering Services (West Midlands) Limited purchased vehicles from MITIE Engineering Services (Cardiff) Limited and MITIE Engineering Services (Swansea) Limited at net book value of £12,251. The company also sold a vehicle to MITIE Engineering Services (Cardiff) Limited at net book value of £8,800. No amounts remained outstanding at the year end in respect of these transactions.

#### **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 Group PLC is the smallest and largest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.