

Company Registration Number 1006742

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

Report and Financial Statements

31 March 2007

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MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C S Acheson
S C Baxter
J Beardsley
J F Davis
D Freeman
K Loveridge
R McGregor-Smith
A R Moyes
P B C Williams

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

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche LLP
Bristol

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

DIRECTORS' REPORT

The directors present their annual 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 provides the design and installation of electrical and mechanical services in domestic, commercial and industrial 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 profit and loss account on page 7 turnover has decreased by 12% on the prior year but the profit after tax has increased.

The balance sheet on page 8 of the financial statements shows that the company's financial position in net asset terms has improved on the prior year.

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

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

DIRECTORS' REPORT (continued)

DIVIDENDS

A dividend of £1,917 63 (2006 £3,696 97) per ordinary share was approved and paid during the year

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 year, represented 69 days (2006 60 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 (BRISTOL) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the year and subsequently were as follows

C S Acheson
J F Davis
D Freeman
K Loveridge
R McGregor-Smith
A R Moyes
P B C Williams
J Beardsley
S C Baxter (appointed 8 May 2006)
I R Stewart (resigned 30 March 2007)

No director had an interest in the share capital of the company

C S Acheson, S C Baxter, 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

Other directors' interests in the share capital of MITIE Group PLC are as follows

	At 31 March 2007 2.5p Ordinary shares No.	At 1 April 2006 2.5p Ordinary shares No.
J Beardsley	33,038	31,412
J F Davis	367,284	411,284
D Freeman	761,336	821,336
K Loveridge	42,690	41,394
A R Moyes	56,476	56,476
P B C Williams	35,427	35,427

No other director had an interest in any other group company

Share Options

		At 1 April 2006	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2007
J Beardsley	(ii)	3,000	-	-	2006	2013	3,000	1 32	-
	(ii)	-	2,500	1 91	2009	2016	-	-	2,500
K Loveridge	(i)	1,296	-	-	2006	2007	1,296	1 25	-
	(i)	2,725	-	-	2009	2010	-	-	2,725
	(i)	-	1,951	1 65	2011	2012	-	-	1,951
	(ii)	7,000	-	-	2003	2010	-	-	7,000
	(ii)	-	2,500	1 91	2009	2016	-	-	2,500

- (i) Options under the Savings Related Option Scheme
(ii) Options under the Executive Share Option Scheme

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

Share Options (continued)

		At 1 April 2006	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2007
A R Moyes	(ii)	10,000	-	-	2001	2008	10,000	0 58	-
	(ii)	10,000	-	-	2003	2010	-	-	10,000
	(ii)	-	2,000	1 91	2009	2016	-	-	2,000
P B C Williams	(i)	2,970	-	-	2005	2006	Lapsed	1 50	-
	(ii)	15,000	-	-	2002	2009	15,000	0 95	-
	(ii)	-	7,000	1 91	2009	2016	-	-	7,000

(i) Options under the Savings Related Option Scheme

(ii) Options under the Executive Share Option Scheme

No other directors held share options in MITIE Group PLC at the beginning or end of the year

Further details of the MITIE Group PLC Share Schemes are given in the accounts of that company

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 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

12 July 2007

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

We have audited the financial statements of MITIE Engineering Services (Bristol) Limited for the year ended 31 March 2007 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

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

16 July 2007

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2007

	Note	Continuing operations 2007 £	2006 £
TURNOVER	1	13,566,736	15,460,599
Cost of sales		(10,779,005)	(12,971,305)
GROSS PROFIT		2,787,731	2,489,294
Administrative expenses		(2,303,879)	(2,111,817)
OPERATING PROFIT	2	483,852	377,477
Interest received and similar income	3	25,744	1,506
Interest paid and similar charges	3	(83)	(8,298)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		509,513	370,685
Tax on profit on ordinary activities	4	(130,221)	(117,558)
PROFIT FOR THE FINANCIAL YEAR	12	379,292	253,127

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

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

BALANCE SHEET At 31 March 2007

	Note	2007		2006	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		142,581		124,113
CURRENT ASSETS					
Stocks	7	25,897		2,950	
Debtors	8	4,127,763		3,762,762	
Cash at bank and in hand		185		185	
		4,153,845		3,765,897	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(2,587,736)		(2,498,028)	
NET CURRENT ASSETS			1,566,109		1,267,869
NET ASSETS			1,708,690		1,391,982
SHARE CAPITAL AND RESERVES					
Called up share capital	10		66		66
Capital contribution reserve	11		63,980		-
Profit and loss account	12		1,644,644		1,391,916
TOTAL SHAREHOLDERS' FUNDS	13		1,708,690		1,391,982

These financial statements were approved by the Board of Directors on 12 July 2007

Signed on behalf of the Board of Directors



S C Baxter
Director

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

CASH FLOW STATEMENT
Year ended 31 March 2007

	Note	2007		2006	
		£	£	£	£
Net cash inflow from operating activities	14		96,813		1,343,211
Returns on investments and servicing of finance					
Interest received		25,744		1,506	
Interest paid		(800)		(10,915)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			24,944		(9,409)
Taxation					
UK corporation tax paid			(151,990)		(138,709)
Capital expenditure					
Payments to acquire tangible fixed assets		(98,383)		(55,929)	
Receipts from disposal of tangible fixed assets		10,927		3,500	
Net cash outflow from capital expenditure			(87,456)		(52,429)
Equity dividends paid			(126,564)		(244,000)
(Decrease)/increase in cash in the year	16		<u>(244,253)</u>		<u>898,664</u>

MITIE ENGINEERING SERVICES (BRISTOL) 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 Payments', 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.

MITIE ENGINEERING SERVICES (BRISTOL) 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 by the balance sheet date

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

Pension costs

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

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.

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 decreased the retained profit at 31 March 2007 by £44,786, increased deferred tax assets by £19,194 and given rise to a capital contribution from MITIE Group PLC of £63,980. The impact on prior year is not material and therefore a prior year adjustment has not been made.

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

2 OPERATING PROFIT

	2007	2006
	£	£
Operating profit is stated after charging/(crediting)		
Depreciation on owned assets	79,915	86,869
Operating lease rentals - land and buildings	54,000	54,000
Auditors' remuneration - audit services	6,050	5,000
Profit on disposal of tangible fixed assets	(10,927)	(1,781)

Fees payable to Deloitte & Touche LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis

3. INTEREST

	2007	2006
	£	£
Interest received and similar income		
Bank interest	25,744	461
Other interest	-	1,045
	<u>25,744</u>	<u>1,506</u>
Interest paid and similar charges	£	£
Bank interest	<u>83</u>	<u>8,298</u>

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2006 30%)	152,584	123,599
Adjustment in respect of prior years	(1,023)	10,663
Total current tax (note 4(b))	151,561	134,262
Deferred taxation		
Timing differences - origination and reversal	(19,796)	(10,840)
Adjustment in respect of prior years	(1,544)	(5,864)
Tax on profit on ordinary activities	130,221	117,558

(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% (2006 30%) The differences are as follows

	£	£
Profit on ordinary activities before tax	509,513	370,685
	£	£
Tax at 30% (2006 30%) thereon	152,854	111,206
Expenses not allowable for tax purposes	(20,066)	5,375
Capital allowances less than depreciation	897	7,523
Movement in short-term timing differences	18,899	(514)
Adjustment in respect of prior years	(1,023)	10,663
Current tax charge for the year (note 4(a))	151,561	134,262

(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 ENGINEERING SERVICES (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

5. DIVIDENDS

The dividends approved and paid in the year are as follows	2007 £	2006 £
£1,917 63 (2006 £3,696 97) per share on £1 ordinary shares	<u>126,564</u>	<u>244,000</u>

6. TANGIBLE FIXED ASSETS

	Plant £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2006	820	77,993	323,858	402,671
Additions	-	20,987	38,439	59,426
Disposals	-	-	(52,041)	(52,041)
Transfers in	1,583	-	47,834	49,417
At 31 March 2007	<u>2,403</u>	<u>98,980</u>	<u>358,090</u>	<u>459,473</u>
Depreciation				
At 1 April 2006	820	63,903	213,835	278,558
Charge for the year	106	10,066	69,743	79,915
Disposals	-	-	(52,041)	(52,041)
Transfers in	1,083	-	9,377	10,460
At 31 March 2007	<u>2,009</u>	<u>73,969</u>	<u>240,914</u>	<u>316,892</u>
Net book value				
At 31 March 2007	<u>394</u>	<u>25,011</u>	<u>117,176</u>	<u>142,581</u>
At 31 March 2006	<u>-</u>	<u>14,090</u>	<u>110,023</u>	<u>124,113</u>

Capital commitments

At 31 March 2007 the directors had authorised capital expenditure of nil (2006 nil)

7. STOCKS

	2007 £	2006 £
Work in progress	<u>25,897</u>	<u>2,950</u>

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

8. DEBTORS	2007 £	2006 £
Trade debtors	3,933,687	3,612,068
Amounts recoverable on contracts	41,614	47,280
Amounts owed by group undertakings	86,885	59,551
Prepayments and accrued income	14,107	18,105
Other debtors	4,500	128
Deferred tax asset	46,970	25,630
	<u>4,127,763</u>	<u>3,762,762</u>

A deferred tax asset of £46,970 has been recognised at 31 March 2007 (2006 £25,630). This asset relates to negative accelerated capital allowances, share based payments and other timing differences. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited to the profit and loss account in the year was £21,340 (2006 charge of £16,704).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2007 £	2006 £
Bank overdraft	252,768	8,515
Payments on account	2,183	-
Trade creditors	1,915,536	1,980,949
Amounts owed to group undertakings	60,589	31,891
Corporation tax	87,750	88,179
Other taxes and social security costs	78,460	251,802
Other creditors	4,172	2,927
Accruals and deferred income	186,278	133,765
	<u>2,587,736</u>	<u>2,498,028</u>

10. CALLED UP SHARE CAPITAL	2007 £	2006 £
Authorised		
100 £1 Ordinary shares	<u>100</u>	<u>100</u>
	£	£
Allotted, called up and fully paid		
66 £1 Ordinary shares	<u>66</u>	<u>66</u>

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

11 CAPITAL CONTRIBUTION RESERVE

	£
At 1 April 2006	-
Increase for the financial year	63,980
At 31 March 2007	63,980

12. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2006	1,391,916
Profit for the financial year	379,292
Dividends	(126,564)
At 31 March 2007	1,644,644

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit for the financial year	379,292	253,127
Dividends (note 5)	(126,564)	(244,000)
Capital contribution reserve	63,980	-
Net addition to shareholders' funds	316,708	9,127
Opening shareholders' funds	1,391,982	1,382,855
Closing shareholders' funds	1,708,690	1,391,982

14 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating profit	483,852	377,477
Depreciation	79,915	86,869
Profit on disposal of tangible fixed assets	(10,927)	(1,781)
Increase in work in progress	(22,947)	(1,950)
(Increase)/decrease in debtors	(343,661)	1,776,050
Decrease in creditors	(153,399)	(893,454)
Share-based payment expense	63,980	-
Net cash inflow from operating activities	96,813	1,343,211

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

15. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2006 £	Cash flow £	At 31 March 2007 £
Cash at bank and in hand	185	-	185
Bank overdraft	(8,515)	(244,253)	(252,768)
	<u>(8,330)</u>	<u>(244,253)</u>	<u>(252,583)</u>

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

	2007 £	2006 £
(Decrease)/increase in cash in the year	(244,253)	898,664
Net debt at beginning of year	(8,330)	(906,994)
Net debt at end of year	<u>(252,583)</u>	<u>(8,330)</u>

17. FINANCIAL COMMITMENTS

Performance commitments

The company had no outstanding performance bonds at 31 March 2007 (2006 £74,491)

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 2007, the overall commitment was £20 million (2006 £33 million)

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

18. DIRECTORS

	2007	2006
The emoluments of directors of the company were	£	£
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>388,848</u>	<u>319,623</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to	£	£
The highest paid director	<u>99,191</u>	<u>88,098</u>
The accrued pension benefit of the highest paid director was £12,434 (2006 £10,773)		
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>5</u>	<u>5</u>

C S Acheson, S C Baxter, R McGregor-Smith and I R Stewart are remunerated by MITIE Group PLC and D Freeman is remunerated by MITIE Engineering Services 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 Services (Bristol) Limited and their services as directors of other group companies.

C S Acheson, S C Baxter, R McGregor-Smith and I R Stewart are directors of MITIE Group PLC, their emoluments and pension details are disclosed in the group financial statements.

Four of the directors exercised options in the shares of the ultimate group company, MITIE Group PLC, during the year (2006 one director).

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

19. EMPLOYEES

Number of employees

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

	2007 No.	2006 No.
Site labour	52	66
Administration and management	36	37
	<u>88</u>	<u>103</u>

Employment costs

	£	£
Wages and salaries	2,977,693	3,381,402
Social security costs	315,108	358,829
Pension costs	89,312	87,839
Share-based payments (see note 20)	63,980	-
	<u>3,446,093</u>	<u>3,828,070</u>

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 SERVICES (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

20. SHARE-BASED PAYMENTS (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 the beginning of the period ⁽¹⁾	471,276	123	473,390	124
Granted during the period	102,621	173	66,656	138
Forfeited during the period	(37,509)	139	(35,792)	127
Exercised during the period	(88,363)	114	(32,978)	150
Outstanding at the end of the period	448,025	135	471,276	123
Exercisable at the end of the period	42,080	146	79,424	128

⁽¹⁾ Included within this balance are 99,179 (2006 190,147) 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 (2006 57p to 174p).

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

	2007 £
2001 Executive share options	15,892
2001 Saving Related share options	48,088
	63,980

The weighted average share price at the date of exercise for share options exercised during the period was 214p (2006 180p)

The options outstanding at 31 March 2007 had a weighted average exercise price of 135p (2006 123p) and a weighted average remaining contractual life of 3.70 years (2006 3.50 years)

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 £39,467.

MITIE ENGINEERING SERVICES (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

20. SHARE-BASED PAYMENTS (continued)

In the year ended 31 March 2006, options were granted on 23 June 2005 and 20 July 2005 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 £24,707.

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)	130 to 193	98 to 161
Exercise price (p)	120 to 191	99 to 162
Expected volatility (%)	28 to 30	28 to 30
Expected life (years)	4 to 6	5 to 6
Risk-free rate (%)	4.17 to 5.12	4.17 to 5.12
Expected dividends (%)	1.43 to 2.29	1.43 to 2.12

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. RELATED PARTY TRANSACTIONS

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

22. 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 19 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.

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 both the smallest and largest group for which group financial statements are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.