

Mico Services Limited
Annual Report
for the year ended 31 May 2007

Registered Number 3038388

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Mico Services Limited
Annual Report
for the year ended 31 May 2007
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Mico Services Limited

Directors and Advisors

Directors

W J H Cox

J A Hickton

R J Cox

M K Hodgson

I C Hopkinson

S J Clarke

I D McLeod (appointed 29 November 2006)

J A Johnson (appointed 29 November 2006, resigned 26 September 2007)

P R Varley (appointed 20 September 2007)

Company Secretary and registered office

C F Judd

Partnership House

City West Business Park

Scotswood Road

Newcastle upon Tyne

NE4 7DF

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

89 Sandyford Road

Newcastle upon Tyne

NE1 8HW

Solicitors

Blackett, Hart & Pratt

Eldon Chambers

23 The Quayside

Newcastle upon Tyne

NE1 3DE

Bankers

HSBC Bank plc

City Branch

110 Grey Street

Newcastle upon Tyne

NE1 6JG

Mico Services Limited

Directors' report for the year ended 31 May 2007

The directors present their report and the audited financial statements of the company for the year ended 31 May 2007

Principal activity

The principal activity of the company is the provision of energy efficiency services including loft and cavity wall insulation to housebuilders and private individuals

Business review

The results for the company shows a loss before taxation of £85,197 (2006 profit £736,810) for the year and turnover of £7,507,136 (2006 £6,206,264)

The company had net assets of £1,673,152 at 31 May 2007 (31 May 2006 £827,856)

The directors are satisfied with the company's trading performance during the year and with the financial position at the year end

Research and development

Although the company is not actively involved in research, it continues to monitor development across its market. It does this in order to be able to offer its customers the best value proposition for both old and new technologies

Future outlook

The external commercial environment is likely to remain competitive during 2008, however, the directors remain confident that income and profitability will be satisfactory, as will the company's balance sheet position

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks

The company's operations expose it to a variety of risks that include competition from national and independent installers, employee retention and product availability. Further discussion of these risks and uncertainties, in the context of the eaga group (eaga plc (formerly Eaga Partnership Limited) and its subsidiaries) as a whole, is provided on pages 4 to 9 of the group's annual report which does not form part of this report

Key performance indicators

The directors of eaga plc manage the group's operations on a segmental basis. For this reason, the company's directors believe that analysis in this report using key performance indicators for the business is not necessary or appropriate for an understanding of the development, performance or position of the business of this company. The development, performance and position of the Installation services segment of eaga plc, which includes the company, is discussed on pages 4 to 9 of the group's annual report which does not form part of this report

Directors

The directors of the company who held office during the year, and up to the date of signing the financial statements are disclosed on page 1

Mico Services Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2007 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

Independent auditors and disclosure of information to auditors

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board


C F Juda
Company secretary

10 December 2007

Mico Services Limited

Independent auditors' report to the members of Mico Services Limited

We have audited the financial statements of Mico Services Limited for the year ended 31 May 2007, which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 also 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 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.

Mico Services Limited

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 May 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

10 December 2007

Mico Services Limited

Profit and loss account for the year ended 31 May 2007

	Note	Year ended 31 May 2007 £	Year ended 31 May 2006 £
Turnover		7,507,136	6,206,264
Cost of sales		(4,562,986)	(3,951,479)
Gross profit		2,944,150	2,254,785
Administrative expenses before exceptional items		(2,513,267)	(1,504,579)
Exceptional items	4	(509,895)	-
Administrative expenses		(3,023,162)	(1,504,579)
Operating (loss)/profit	1	(79,012)	750,206
Interest payable and similar charges	3	(6,185)	(13,396)
(Loss)/profit on ordinary activities before taxation		(85,197)	736,810
Taxation	5	420,598	-
Profit for the financial year	14	335,401	736,810

All of the above amounts relate to continuing operations

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

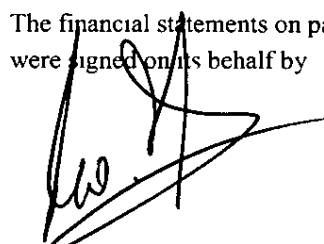
There are no material differences between the (loss)/profit on ordinary activities before taxation and profit for the financial year stated above and their historical cost equivalents

Mico Services Limited

Balance sheet as at 31 May 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	6	257,351	279,637
Current assets			
Stocks	7	267,295	275,537
Debtors due within one year	8	973,340	1,748,789
Debtors due after more than one year	8	420,598	-
Cash at bank and in hand		788,416	23,814
		2,449,649	2,048,140
Creditors: amounts falling due within one year	9	(1,033,848)	(1,445,177)
Net current assets		1,415,801	602,963
Total assets less current liabilities		1,673,152	882,600
Creditors: amounts falling due after more than one year	10	-	(54,744)
Net assets		1,673,152	827,856
Capital and reserves			
Called up share capital	13	500,000	500,000
Profit and loss account	14	1,173,152	327,856
Total shareholders' funds	15	1,673,152	827,856

The financial statements on pages 6 to 17 were approved by the Board of directors on December 2007 and were signed on its behalf by



P R Varley
Director

Mico Services Limited

Statement of accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and with the requirements of the Companies Act 1985. A summary of the accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and on the going concern basis.

Turnover

Turnover represents invoiced value of goods and services supplied by the company, excluding value added tax and trade discounts. All turnover arose within the United Kingdom.

Tangible fixed assets

Tangible fixed assets are stated at cost, including incidental expenses incurred on acquisition, less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements	10-33% straight line
Motor vehicles	20% reducing balance
Plant and machinery	20-50% straight line
Fixtures and fittings	20-33% straight line

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Assets acquired under finance leases and hire purchase agreements are capitalised and are depreciated over the shorter of the lease term and the assets' useful lives, with the corresponding obligation to the lessor shown as a liability. The finance charges within the lease payments are accounted for in the year in which they arise.

Stocks and work in progress

Stocks and works in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that they are considered recoverable in the future. Deferred tax balances are not discounted.

Pensions

The company operates a defined contribution pension scheme. The company's contributions to the scheme, which are based on employee earnings, are recognised in the year in which the related payroll costs are incurred.

Mico Services Limited

Cash flow statement

The company has taken advantage of the exemption allowed under Financial Reporting Standard 1 'Cash flow statements (revised 1996)' due to the fact that its cash flows are included in the consolidated financial statements of its ultimate parent company, which are publicly available. Accordingly, no cash flow statement has been prepared.

Share based payments

The company allows employees to acquire shares in the ultimate parent, eaga plc, through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Mico Services Limited

Notes to the financial statements for the year ended 31 May 2007

1 Operating (loss)/profit

The operating (loss)/profit is stated after charging

	Year ended 31 May 2007	Year ended 31 May 2006
	£	£
Depreciation of tangible fixed assets		
Owned by the company	34,534	33,334
Held under finance lease or hire purchase contracts	40,051	51,409
Audit fees	8,000	8,199
Operating lease rentals		
Plant and machinery	80,410	123,930
Land and buildings	70,637	77,823

2 Staff costs

Staff costs were as follows

	Year ended 31 May 2007	Year ended 31 May 2006
	£	£
Wages and salaries	2,635,399	2,308,420
Social security costs	257,117	205,843
Other pension costs	26,188	22,109
	2,918,704	2,536,372

There were no directors' emoluments paid during the year or during the prior year

The average monthly number of employees was as follows

	Year ended 31 May 2007	Year ended 31 May 2006
By activity	Number	Number
Installation and ancillary staff	79	71
Office and management	40	42
	119	113

Mico Services Limited

3 Interest payable and similar charges

	Year ended 31 May 2007	Year ended 31 May 2006
	£	£
Hire purchase interest	6,185	13,396

4 Exceptional items

eaga plc's IPO Option Plan granted nil-cost options to certain employees over shares in that company, conditional on listing. Options were granted in February and March 2007 and became exercisable on listing. Options would have lapsed on 31 July 2007 had listing not been achieved.

The total number of options outstanding at 31 May 2007 was 281,710 which were all exercised immediately on the listing of eaga plc on 7 June 2007. No further options will be issued under the IPO Option Plan. A share based charge of £509,895 arising in respect of these options is recognised in the Profit and Loss account. The listing price of £1.81 per share, set in a pricing meeting on 22 May 2007, is deemed to be the market value and therefore fair value used in determining the charge.

There was no cash cost to the company as a result of these awards. The company expects to receive a statutory corporation tax deduction in connection with the charge and accordingly, a deferred tax asset of £152,969 and a corresponding increase in net assets has been recognised in the balance sheet at 31 May 2007.

5 Taxation

(a) Analysis of credit in the year

	Year ended 31 May 2007	Year ended 31 May 2006
	£	£
Current tax		
Current tax on income for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences (note 11)	(420,598)	-
Tax on profit on ordinary activities	(420,598)	-

Mico Services Limited

5 Taxation (continued)

(b) Factors affecting the tax charge for the year

The current tax assessed for the year represents an effective rate of 0% (2006 0%) which is different to the standard rate of corporation tax in the UK (30%) The differences are explained below

	Year ended 31 May 2007	Year ended 31 May 2006
	£	£
(Loss)/profit on ordinary activities before taxation	(85,197)	736,810
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2006 30%)	(25,559)	221,043
Effects of		
Expenses not deductible for tax purposes	992	2,142
Share based payment	152,969	-
Other short term timing differences	600	-
Utilisation of losses	(117,262)	-
Accelerated capital allowances	(11,740)	(223,185)
Current tax charge for the year	-	-

(c) Factors that may affect the future tax charge

A number of changes to the UK corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts The changes had not been substantively enacted at the balance sheet date and, therefore are not included in these financial statements

There are no further factors that are expected to materially affect future tax charges

Mico Services Limited

6 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 June 2006	-	97,976	107,673	405,900	611,549
Additions	23,367	28,932	-	-	52,299
At 31 May 2007	23,367	126,908	107,673	405,900	663,848
Accumulated depreciation					
At 1 June 2006	-	87,602	84,459	159,851	331,912
Charge for the year	977	15,967	8,282	49,359	74,585
At 31 May 2007	977	103,569	92,741	209,210	406,497
Net book amount					
At 31 May 2007	22,390	23,339	14,932	196,690	257,351
At 31 May 2006	-	10,374	23,214	246,049	279,637

The net book value of amounts held under finance lease or hire purchase contracts included above were

	2007	2006
	£	£
Motor vehicles	160,737	200,788

7 Stocks

	2007	2006
	£	£
Raw materials	135,809	132,018
Work in progress	131,486	143,519
	267,295	275,537

Mico Services Limited

8 Debtors

	2007	2006
	£	£
Due within one year		
Trade debtors	271,216	240,514
Amounts due from group undertakings	443,590	1,291,389
Other debtors	172,201	134,575
Prepayments and accrued income	86,333	82,311
	973,340	1,748,789
Due after more than one year		
Deferred taxation (note 11)	420,598	-

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

9 Creditors: amounts falling due within one year

	2007	2006
	£	£
Trade creditors	485,523	477,046
Amounts owed to group undertakings	307,944	629,286
Other tax and social security	26,117	71,820
Net obligations under finance lease and hire purchase contracts (note 12)	47,954	77,936
Other creditors	-	3,085
Accruals and deferred income	166,310	186,004
	1,033,848	1,445,177

Amounts due to group undertakings are unsecured, interest free and repayable on demand

10 Creditors: amounts falling due after more than one year

	2007	2006
	£	£
Net obligations under finance lease and hire purchase contracts (note 12)	-	54,744

Mico Services Limited

11 Deferred taxation

	£
At 1 st June 2006	-
Credited to profit and loss account (note 5)	420,598
At 31st May 2007	420,598

Deferred tax is analysed as follows

	Amounts recognised		Amounts not recognised	
	2007 £	2006 £	2007 £	2006 £
Share based payments	152,969	-	-	-
Accelerated capital allowances	25,142	-	-	37,226
Pension provision	600	-	-	512
Losses	241,887	-	-	198,236
	420,598	-	-	235,974

Deferred tax assets are included in debtors (note 8)

12 Finance leases

Net obligations under finance lease and hire purchase agreements fall due as follows

	2007 £	2006 £
Within one year	47,954	77,936
Between one and five years	-	54,744
	47,954	132,680

Finance lease and hire purchase creditors are secured on the related assets

13 Called up share capital

	2007 £	2006 £
Authorised		
500,000 ordinary shares of £1 each	500,000	500,000
Allotted, called-up and fully paid		
500,000 ordinary shares of £1 each	500,000	500,000

Mico Services Limited

14 Reserves

	Profit and loss account £
At 1 June 2006	327,856
Profit for the financial year	335,401
Share based payment (note 4)	509,895
At 31 May 2007	1,173,152

15 Reconciliation of movement in shareholders' funds

	Year ended 2007 £	Year ended 2006 £
Opening shareholders' funds	827,856	91,046
Profit for the financial year	335,401	736,810
Share based payments	509,895	-
Closing shareholders' funds	1,673,152	827,856

16 Financial commitments

Annual financial commitment under non-cancellable operating leases at the balance sheet date were

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Expiry date				
Within one year	-	-	4,253	4,361
Between one and five years	55,740	74,841	101,971	55,157
After five years	42,374	-	-	-
	98,114	74,841	106,224	59,518

17 Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 'Related Party Transactions' not to disclose intra-group transactions. There are no other transactions to be disclosed under Financial Reporting Standard 8.

Mico Services Limited

18 Parent undertakings and controlling parties

The immediate parent company is eaga Home Services Limited

The ultimate parent company is eaga plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the group accounts can be obtained from eaga House, Archbold Terrace, Jesmond, Newcastle upon Tyne, NE2 1DB