

Company Registration Number 3528302

**MITIE AIR CONDITIONING (WALES) LIMITED**

**Report and Financial Statements**

**31 March 2007**

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# **MITIE AIR CONDITIONING (WALES) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2007**

### **CONTENTS**

|                                    | <b>Page</b> |
|------------------------------------|-------------|
| Officers and professional advisers | 1           |
| Directors' report                  | 2           |
| Independent auditors' report       | 6           |
| Profit and loss account            | 7           |
| Balance sheet                      | 8           |
| Cash flow statement                | 9           |
| Notes to the financial statements  | 10          |

## **MITIE AIR CONDITIONING (WALES) LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

C S Acheson  
S C Baxter  
B R Edwards  
R McGregor-Smith  
I L Montgomery  
C J Williams

#### **SECRETARY**

C K Ross (resigned 30 June 2006)  
MITIE Company Secretarial Services Limited (appointed 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 AIR CONDITIONING (WALES) 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 installation and maintenance of air conditioning systems and associated mechanical and electrical systems 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 7, the company's sales have increased by 15% over the prior year while profit after tax has decreased by 17%.

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year end has in both net assets and cash terms, increased since 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.

### **DIVIDENDS**

A dividend of £2.77 (2006: £7.85) per 'A' ordinary share and 8p (2006: 8p) per 'B' ordinary share were approved and paid during the year.

## **MITIE AIR CONDITIONING (WALES) LIMITED**

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

#### **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 88 days (2006: 117 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 AIR CONDITIONING (WALES) LIMITED

### DIRECTORS' REPORT (continued)

#### DIRECTORS AND THEIR INTERESTS

The directors during the year and subsequently were as follows

C S Acheson  
B R Edwards  
R McGregor-Smith  
I L Montgomery  
C J Williams  
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 on 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<br>2.5p Ordinary shares<br>No. | At 1 April 2006<br>2.5p Ordinary shares<br>No. |
|----------------|---|--|
| B R Edwards    | 167,434   | 188,934  |
| I L Montgomery | 127,964   | 126,668  |
| C J Williams   | 152,312   | 152,312  |

C J Williams has an interest in the share capital of MITIE Engineering Services (Midlands) Limited, details of which are disclosed in the financial statements of that company

#### Share Options

|                |     | At 1 April<br>2006 | Granted<br>during the period<br>Options | Price | Exercise period<br>From | To   | Exercised<br>during the period<br>Options | Price | At 31 March<br>2007 |
|----------------|-----|--------------------|---|-------|-------------------------|------|---|-------|---------------------|
| I L Montgomery | (i) | 1,296              | -                                       | -     | 2006                    | 2007 | 1,296                                     | 1.25  | -                   |
|                | (i) | 2,389              | -                                       | -     | 2007                    | 2008 | -   | -     | 2,389               |
|                | (i) | 1,592              | -                                       | -     | 2008                    | 2009 | -   | -     | 1,592               |
|                | (i) | 1,362              | -                                       | -     | 2009                    | 2010 | -   | -     | 1,362               |
|                | (i) | 1,245              | -                                       | -     | 2010                    | 2011 | -   | -     | 1,245               |
|                | (i) | -                  | 1,170                                   | 1.65  | 2011                    | 2012 | -   | -     | 1,170               |

(i) Options under the Savings Related Share Option Scheme

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

## **MITIE AIR CONDITIONING (WALES) LIMITED**

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

#### **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 appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

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

A handwritten signature in black ink, appearing to be 'S C Baxter', with a long horizontal stroke extending to the right.

**S C Baxter**  
Director

18 July 2007

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MITIE AIR CONDITIONING (WALES) LIMITED**

We have audited the financial statements of MITIE Air Conditioning (Wales) 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

20 July 2007



# MITIE AIR CONDITIONING (WALES) LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 2007

|  | Note | Continuing operations |             |
|--|------|-----------------------|-------------|
|  |      | 2007                  | 2006        |
|  |      | £                     | £           |
| <b>TURNOVER</b>  | 1    | 1,684,420             | 1,464,132   |
| Cost of sales  |      | (1,326,142)           | (1,086,275) |
| <b>GROSS PROFIT</b>                                      |      | 358,278               | 377,857     |
| Administrative expenses                                  |      | (272,675)             | (270,624)   |
| <b>OPERATING PROFIT</b>                                  | 2    | 85,603                | 107,233     |
| Interest received and similar income                     | 3    | 12,543                | 12,050      |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |      | 98,146                | 119,283     |
| Tax on profit on ordinary activities                     | 4    | (29,166)              | (35,764)    |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                     | 12   | 68,980                | 83,519      |

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 AIR CONDITIONING (WALES) LIMITED

## BALANCE SHEET At 31 March 2007

|   | Note | 2007             |                | 2006             |                |
|---|------|------------------|----------------|------------------|----------------|
|   |      | £                | £              | £                | £              |
| <b>FIXED ASSETS</b>                                       |      |                  |                |                  |                |
| Tangible assets   | 6    |                  | 20,960         |                  | 18,123         |
| <b>CURRENT ASSETS</b>                                     |      |                  |                |                  |                |
| Stocks  | 7    | 1,139            |                | -                |                |
| Debtors   | 8    | 418,454          |                | 465,377          |                |
| Cash at bank and in hand                                  |      | 299,172          |                | 211,403          |                |
|   |      | <u>718,765</u>   |                | <u>676,780</u>   |                |
| <b>CREDITORS: AMOUNTS FALLING DUE<br/>WITHIN ONE YEAR</b> | 9    | <u>(382,290)</u> |                | <u>(369,243)</u> |                |
| <b>NET CURRENT ASSETS</b>                                 |      |                  | <u>336,475</u> |                  | <u>307,537</u> |
| <b>NET ASSETS</b>   |      |                  | <u>357,435</u> |                  | <u>325,660</u> |
| <b>SHARE CAPITAL AND RESERVES</b>                         |      |                  |                |                  |                |
| Called up share capital                                   | 10   |                  | 30,000         |                  | 30,000         |
| Capital contribution reserve                              | 11   |                  | 6,343          |                  | -              |
| Profit and loss account                                   | 12   |                  | 321,092        |                  | 295,660        |
| <b>TOTAL SHAREHOLDERS' FUNDS</b>                          | 13   |                  | <u>357,435</u> |                  | <u>325,660</u> |

These financial statements were approved by the Board of Directors on 18 July 2007

Signed on behalf of the Board of Directors



**S C Baxter**  
Director

# MITIE AIR CONDITIONING (WALES) LIMITED

## CASH FLOW STATEMENT

Year ended 31 March 2007

|  | Note | 2007     |          | 2006    |           |
|--|------|----------|----------|---------|-----------|
|  |      | £        | £        | £       | £         |
| <b>Net cash inflow from operating activities</b>       | 14   |          | 163,326  |         | 84,382    |
| <b>Returns on investments and servicing of finance</b> |      |          |          |         |           |
| Interest received                                      |      |          | 12,184   |         | 12,167    |
| <b>Taxation</b>  |      |          |          |         |           |
| UK corporation tax paid                                |      |          | (36,009) |         | (88,172)  |
| <b>Capital expenditure</b>                             |      |          |          |         |           |
| Payments to acquire tangible fixed assets              |      | (10,834) |          | (9,870) |           |
| Receipts from disposal of tangible fixed assets        |      | 2,650    |          | 3,800   |           |
| <b>Net cash outflow from capital expenditure</b>       |      |          | (8,184)  |         | (6,070)   |
| <b>Equity dividends paid</b>                           |      |          | (43,548) |         | (121,275) |
| <b>Increase/(decrease) in cash in the year</b>         | 16   |          | 87,769   |         | (118,968) |

## MITIE AIR CONDITIONING (WALES) 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 period. 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:

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

##### Leasing commitments

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

##### 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 AIR CONDITIONING (WALES) 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 £4,440, increased the deferred tax asset by £1,903 and given rise to a capital contribution of £6,343. The impact on the prior year is not material, therefore a prior year adjustment has not been made.

## MITIE AIR CONDITIONING (WALES) 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                          | 7,997   | 11,126  |
| Auditors' remuneration - audit services               | 1,650   | 3,350   |
| Profit on disposal of tangible fixed assets           | (2,650) | (1,193) |

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 RECEIVED AND SIMILAR INCOME

|               | 2007   | 2006   |
|---------------|--------|--------|
|               | £      | £      |
| Bank interest | 12,543 | 12,050 |

# MITIE AIR CONDITIONING (WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

|  | 2007<br>£     | 2006<br>£     |
|--|---------------|---------------|
| <b>(a) Analysis of charge in year</b>            |               |               |
| United Kingdom corporation tax at 30% (2006 30%) | 29,588        | 35,700        |
| Adjustment in respect of prior years             | 309           | (300)         |
| <b>Total current tax (note 4(b))</b>             | <b>29,897</b> | <b>35,400</b> |
| <b>Deferred taxation</b>                         |               |               |
| Timing differences - origination and reversal    | (422)         | (28)          |
| Adjustment in respect of prior years             | (309)         | 392           |
| <b>Tax on profit on ordinary activities</b>      | <b>29,166</b> | <b>35,764</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% (2006 30%) The differences are as follows

|  | £             | £             |
|--|---------------|---------------|
| Profit on ordinary activities before tax           | 98,146        | 119,283       |
| <b>Tax at 30% (2006 30%) thereon</b>               | <b>29,444</b> | <b>35,785</b> |
| Expenses not deductible for tax purposes           | (278)         | (113)         |
| Capital allowances more than depreciation          | (971)         | 298           |
| Other timing differences                           | 1,393         | (270)         |
| Adjustment in respect of prior years               | 309           | (300)         |
| <b>Current tax charge for the year (note 4(a))</b> | <b>29,897</b> | <b>35,400</b> |

### (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 AIR CONDITIONING (WALES) 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<br>£     | 2006<br>£      |
|--|---------------|----------------|
| £2 77 (2006 £7 85) per share on £1 'A' ordinary shares | 42,372        | 120,099        |
| 8p (2006 8p) per share on £1 'B' ordinary shares       | 1,176         | 1,176          |
|  | <u>43,548</u> | <u>121,275</u> |

### 6. TANGIBLE FIXED ASSETS

|                       | Plant<br>and office<br>equipment<br>£ | Motor<br>vehicles<br>£ | Total<br>£    |
|-----------------------|---------------------------------------|------------------------|---------------|
| <b>Cost</b>           |                                       |                        |               |
| At 1 April 2006       | 6,100                                 | 51,898                 | 57,998        |
| Additions             | -                                     | 10,834                 | 10,834        |
| Disposals             | -                                     | (10,332)               | (10,332)      |
| Transfers out         | -                                     | (6,267)                | (6,267)       |
|                       | <u>6,100</u>                          | <u>46,133</u>          | <u>52,233</u> |
| At 31 March 2007      | 6,100                                 | 46,133                 | 52,233        |
| <b>Depreciation</b>   |                                       |                        |               |
| At 1 April 2006       | 5,986                                 | 33,889                 | 39,875        |
| Charge for the year   | 57                                    | 7,940                  | 7,997         |
| Disposals             | -                                     | (10,332)               | (10,332)      |
| Transfers out         | -                                     | (6,267)                | (6,267)       |
|                       | <u>6,043</u>                          | <u>25,230</u>          | <u>31,273</u> |
| At 31 March 2007      | 6,043                                 | 25,230                 | 31,273        |
| <b>Net book value</b> |                                       |                        |               |
| At 31 March 2007      | <u>57</u>                             | <u>20,903</u>          | <u>20,960</u> |
| At 31 March 2006      | <u>114</u>                            | <u>18,009</u>          | <u>18,123</u> |

#### Capital commitments

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



# MITIE AIR CONDITIONING (WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

|                                    |                |                |
|------------------------------------|----------------|----------------|
| <b>7. STOCKS</b>                   | <b>2007</b>    | <b>2006</b>    |
|                                    | <b>£</b>       | <b>£</b>       |
| Work in progress                   | <u>1,139</u>   | <u>-</u>       |
| <b>8. DEBTORS</b>                  | <b>2007</b>    | <b>2006</b>    |
|                                    | <b>£</b>       | <b>£</b>       |
| Trade debtors                      | 259,107        | 221,753        |
| Amounts recoverable on contracts   | -              | 2,313          |
| Amounts owed by group undertakings | 154,707        | 237,892        |
| Prepayments and accrued income     | 1,301          | 811            |
| Deferred tax                       | <u>3,339</u>   | <u>2,608</u>   |
|                                    | <u>418,454</u> | <u>465,377</u> |

A deferred tax asset of £3,339 has been recognised at 31 March 2007 (2006 £2,608). This asset relates to negative accelerated capital allowances and short term 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 £731 (2006 charge of £364).

|  |                |                |
|--|----------------|----------------|
| <b>9. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR</b> | <b>2007</b>    | <b>2006</b>    |
|  | <b>£</b>       | <b>£</b>       |
| Trade creditors  | 220,770        | 313,668        |
| Amounts owed to group undertakings                       | 103,877        | 10,715         |
| Corporation tax  | 14,188         | 20,300         |
| Other taxes and social security costs                    | 28,994         | 13,680         |
| Other creditors  | 417            | 106            |
| Accruals and deferred income                             | <u>14,044</u>  | <u>10,774</u>  |
|  | <u>382,290</u> | <u>369,243</u> |

# MITIE AIR CONDITIONING (WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

| 10. CALLED UP SHARE CAPITAL               | 2007<br>£      | 2006<br>£      |
|---|----------------|----------------|
| <b>Authorised</b>                         |                |                |
| 55,900 £1 'A' ordinary shares             | 55,900         | 55,900         |
| 44,100 £1 'B' ordinary shares             | 44,100         | 44,100         |
|   | <u>100,000</u> | <u>100,000</u> |
|   | £              | £              |
| <b>Allotted, called up and fully paid</b> |                |                |
| 15,300 £1 'A' ordinary shares             | 15,300         | 15,300         |
| 14,700 £1 'B' ordinary shares             | 14,700         | 14,700         |
|   | <u>30,000</u>  | <u>30,000</u>  |

### Rights attaching to shares

The rights attaching to the 'A' and 'B' £1 ordinary shares are as follows

### Income

Subject to the approval of the board, the profits of the company available for distribution in respect of any financial year shall be applied

- (i) first, in paying to the shareholders of 'A' shares and 'B' shares a dividend of such amount as the board shall decide,
- (ii) second, in paying as a cumulative dividend to the holders together of the 'A' shares one half of the profits of the company available for distribution in each financial year less the amounts already paid in respect of the 'A' shares under clause (i) together with any arrears of such cumulative dividend unpaid from any previous financial year insofar as there is sufficient profit remaining after the payment in clause (i), and
- (iii) third, the balance of the profits available for distribution which are resolved to be distributed shall be distributed among the holders of the 'A' shares and 'B' shares pari passu as if they constituted one class of share

Every dividend shall be distributed to the appropriate shareholders pro rata according to the nominal value of the shares held by them respectively

### Capital

On a return of capital, the assets of the company will be distributed equally to all ordinary shareholders

### Voting

Each 'A' share and 'B' share will carry one vote

# MITIE AIR CONDITIONING (WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

### 11. CAPITAL CONTRIBUTION RESERVE

|                                 | £            |
|---------------------------------|--------------|
| At 1 April 2006                 | -            |
| Increase for the financial year | 6,343        |
| <b>At 31 March 2007</b>         | <b>6,343</b> |

### 12. PROFIT AND LOSS ACCOUNT

|                               | £              |
|-------------------------------|----------------|
| At 1 April 2006               | 295,660        |
| Profit for the financial year | 68,980         |
| Dividends                     | (43,548)       |
| <b>At 31 March 2007</b>       | <b>321,092</b> |

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|   | 2007<br>£      | 2006<br>£      |
|---|----------------|----------------|
| Profit for the financial year                   | 68,980         | 83,519         |
| Dividends (note 5)                              | (43,548)       | (121,275)      |
| Capital contribution reserve                    | 6,343          | -              |
| Net addition/(reduction) to shareholders' funds | 31,775         | (37,756)       |
| Opening shareholders' funds                     | 325,660        | 363,416        |
| <b>Closing shareholders' funds</b>              | <b>357,435</b> | <b>325,660</b> |

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

|  | 2007<br>£      | 2006<br>£     |
|--|----------------|---------------|
| Operating profit                                 | 85,603         | 107,233       |
| Depreciation                                     | 7,997          | 11,126        |
| Profit on disposal of tangible fixed assets      | (2,650)        | (1,193)       |
| (Increase)/decrease in work in progress          | (1,139)        | 4,892         |
| Decrease in debtors                              | 48,013         | 58,360        |
| Increase/(decrease) in creditors                 | 19,159         | (96,036)      |
| Share-based payment expense                      | 6,343          | -             |
| <b>Net cash inflow from operating activities</b> | <b>163,326</b> | <b>84,382</b> |

# MITIE AIR CONDITIONING (WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

### 15. ANALYSIS OF CHANGES IN NET FUNDS

|                          | At 1 April<br>2006<br>£ | Cash flow<br>£ | At 31 March<br>2007<br>£ |
|--------------------------|-------------------------|----------------|--------------------------|
| Cash at bank and in hand | 211,403                 | 87,769         | 299,172                  |

### 16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

|   | 2007<br>£ | 2006<br>£ |
|---|-----------|-----------|
| Increase/(decrease) in cash in the year | 87,769    | (118,968) |
| Net funds at beginning of year          | 211,403   | 330,371   |
| Net funds at end of year                | 299,172   | 211,403   |

### 17. FINANCIAL COMMITMENTS

#### Operating leases

At 31 March 2007 the company had no annual commitments under non-cancellable operating leases (2006 nil)

#### 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 AIR CONDITIONING (WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

### 18. DIRECTORS

|  | 2007<br>£ | 2006<br>£ |
|--|-----------|-----------|
| The emoluments of directors of the company were                              |           |           |
| Fees and other emoluments (excluding pension contributions)                  | 55,348    | 51,308    |
|  | No.       | No.       |
| The number of directors who were members of a defined benefit pension scheme | 1         | 1         |

C S Acheson, S C Baxter, R McGregor-Smith and I R Stewart are remunerated by MITIE Group PLC, B R Edwards was remunerated by MITIE Engineering Services (Cardiff) Limited and C J Williams was 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 Air Conditioning (Wales) 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 and their emoluments and pension details are disclosed in the group accounts.

One of the directors exercised options in the shares of the ultimate group company, MITIE Group PLC, during the year (2006: none).

### 19. EMPLOYEES

#### Number of employees

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

|  | 2007<br>No. | 2006<br>No. |
|--|-------------|-------------|
| Administration and management              | 3           | 3           |
| Site                                       | 8           | 7           |
|  | 11          | 10          |
| <b>Employment costs</b>                    | <b>£</b>    | <b>£</b>    |
| Wages and salaries                         | 302,131     | 284,091     |
| Social security costs                      | 32,153      | 30,828      |
| Pension costs                              | 7,280       | 5,200       |
| Share-based payments expense (see note 20) | 6,343       | -           |
|  | 347,907     | 320,119     |

## MITIE AIR CONDITIONING (WALES) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

#### 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.

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

|   | 2007                          |  | 2006                          |  |
|---|-------------------------------|--|-------------------------------|--|
|   | Number<br>of share<br>options | Weighted<br>average<br>exercise<br>price<br>(in p) | Number<br>of share<br>options | Weighted<br>average<br>exercise<br>price<br>(in p) |
| Outstanding at beginning of period <sup>(1)</sup> | 41,849                        | 135  | 31,287                        | 128  |
| Granted during the period                         | 11,243                        | 177  | 14,476                        | 148  |
| Forfeited during the period                       | -                             | -  | (2,654)                       | 120  |
| Exercised during the period                       | (1,296)                       | 125  | (1,260)                       | 150  |
| <b>Outstanding at the end of the period</b>       | <b>51,796</b>                 | <b>144</b>   | <b>41,849</b>                 | <b>135</b>   |
| <b>Exercisable at the end of the period</b>       | <b>8,000</b>                  | <b>145</b>   | <b>8,000</b>                  | <b>145</b>   |

<sup>(1)</sup> Included within this balance are 11,583 (2006: 12,879) 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).

# MITIE AIR CONDITIONING (WALES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

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

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

|                                   | 2007<br>£    |
|-----------------------------------|--------------|
| 2001 Executive share options      | 2,843        |
| 2001 Saving Related share options | 3,500        |
|                                   | <u>6,343</u> |

The weighted average share price at the date of exercise for share options exercised during the period was 215p (2006 180p)

The options outstanding at 31 March 2007 had a weighted average exercise price of 144p (2006 135p) and a weighted average remaining contractual life of 5.10 years (2006 5.41 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 £4,296.

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 £5,000.

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.

## **MITIE AIR CONDITIONING (WALES) LIMITED**

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

**Year ended 31 March 2007**

#### **21. RELATED PARTY TRANSACTIONS**

At 31 March 2006 MITIE Group PLC was a 90% shareholder in MITIE Air Conditioning (Wales) Limited. During the year MITIE Group PLC acquired a further 10% of the share capital of the company. At 31 March 2007 the company is now a wholly owned subsidiary of MITIE Group PLC.

During the year, MITIE Air Conditioning (Wales) Limited paid management charges of £59,333 (2006 £69,486) to companies within MITIE Group PLC. An amount of £19,094 (2006 £nil) remains outstanding at the year end in respect of these transactions.

During the year MITIE Air Conditioning (Wales) Limited purchased goods and services amounting to £130,917 (2006 £58,301) on normal commercial terms from companies within MITIE Group PLC. An amount of £84,783 (2006 £10,715) remained outstanding at the year end in respect of these transactions and those of prior years.

During the year MITIE Air Conditioning (Wales) Limited provided goods and services amounting to £575,438 (2006 £932,913) on normal commercial terms to companies within MITIE Group PLC. At the year end an amount of £154,707 (2006 £237,892) was included in debtors in respect of these transactions.

#### **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.