

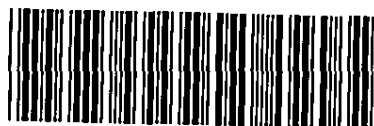
**Company Registration Number 4655076**

**MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**

**Report and Financial Statements**

**31 March 2008**

**TUESDAY**



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# **MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

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# **MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

S C Baxter  
D Freeman  
R McGregor-Smith  
W Mitchell  
I M Strong  
S S Wallace

### **SECRETARY**

MITIE Company Secretarial Services Limited

### **REGISTERED OFFICE**

8 Monarch Court  
The Brooms  
Emersons Green  
Bristol  
BS16 7FH

### **BANKERS**

National Westminster Bank plc  
32 Corn Street  
Bristol  
BS99 7UG

### **AUDITORS**

Deloitte & Touche LLP  
Bristol

## **MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the year ended 31 March 2008

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company is a majority owned subsidiary of MITIE Group PLC (the 'Group'). The company provides installation of electrical services in 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 company's profit and loss account on page 6, the company's sales have increased by 1.7% over the prior year. Profit before tax has increased by 99%.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end has, in net assets terms, 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 (EDINBURGH) LIMITED**

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

#### **DIVIDENDS**

A dividend of 109p (2007 109 9p) per 'A' ordinary share and 8p (2007 8p) per 'B' ordinary share for the year ended 31 March 2008 were 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 2008 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 155 days (2007 71 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 (EDINBURGH) LIMITED**

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

#### **DIRECTORS**

The directors during the year and subsequently were as follows

S C Baxter  
D Freeman  
R McGregor-Smith  
W Mitchell  
I M Strong  
S S Wallace

#### **AUDITORS**

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

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



**S C Baxter**  
Director

10 SEPTEMBER 2008

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**

We have audited the financial statements of MITIE Engineering Services (Edinburgh) Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2008 and of its 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**

Chartered Accountants and Registered Auditors  
Bristol, United Kingdom

*12 September* 2008

**MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2008**

	Note	Continuing operations	
		2008	2007
		£	£
<b>TURNOVER</b>	1	8,608,919	8,463,840
Cost of sales		(6,839,785)	(7,003,315)
<b>GROSS PROFIT</b>		1,769,134	1,460,525
Administrative expenses		(1,161,595)	(1,159,459)
<b>OPERATING PROFIT</b>	2	607,539	301,066
Interest received and similar income	3	3,900	5,629
Interest paid		(1,190)	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		610,249	306,695
Tax on profit on ordinary activities	4	(188,141)	(95,043)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	12	422,108	211,652

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 (EDINBURGH) LIMITED

## BALANCE SHEET At 31 March 2008

	Note	2008	2007
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	6	24,830	41,450
<b>CURRENT ASSETS</b>			
Stocks	7	1,881	-
Debtors	8	3,231,436	2,209,413
Cash at bank and in hand		363,071	-
		<u>3,596,388</u>	<u>2,209,413</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	<u>(2,791,750)</u>	<u>(1,727,171)</u>
<b>NET CURRENT ASSETS</b>		<u>804,638</u>	<u>482,242</u>
<b>NET ASSETS</b>		<u>829,468</u>	<u>523,692</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	10	200,000	200,000
Capital contribution reserve	11	6,922	4,257
Profit and loss account	12	622,546	319,435
<b>TOTAL SHAREHOLDERS' FUNDS</b>	13	<u>829,468</u>	<u>523,692</u>

These financial statements were approved by the Board of Directors on 10 September 2008

Signed on behalf of the Board of Directors

  
S C Baxter  
Director

**MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**

**CASH FLOW STATEMENT**  
**Year ended 31 March 2008**

	Note	2008		2007	
		£	£	£	£
<b>Net cash inflow/(outflow) from operating activities</b>	14	802,505		(102,607)	
<b>Returns on investments and servicing of finance</b>					
Interest received		2,939		10,023	
Interest paid		(1,190)		-	
<b>Net cash inflow from returns on investments and servicing of finance</b>		1,749		10,023	
<b>Taxation</b>					
UK corporation tax paid		(99,192)		(101,186)	
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(4,946)		(25,846)	
Proceeds from disposal of tangible fixed assets		4,369		3,700	
<b>Net cash outflow from capital expenditure</b>		(577)		(22,146)	
<b>Equity dividends paid</b>		(118,997)		(119,891)	
<b>Increase/(decrease) in cash in the year</b>	16	585,488		(335,807)	

## **MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**

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

**Year ended 31 March 2008**

#### **1 ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year are described below.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention.

##### **Turnover**

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

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

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

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

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

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

##### **Long-term contracts**

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts receivable as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

##### **Tax**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, 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.

# MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 1 ACCOUNTING POLICIES (continued)

#### Pension costs

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

### 2. OPERATING PROFIT

	2008	2007
	£	£
Operating profit is stated after charging/(crediting)		
Depreciation on owned assets	19,341	24,327
Auditors' remuneration - audit services	7,920	3,600
Operating lease rentals - land and buildings	46,936	45,905
Hire of plant	97,277	103,311
Profit on disposal of tangible fixed assets	(2,144)	-
	<u>          </u>	<u>          </u>

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

	2008	2007
	£	£
Interest received and similar income		
Bank interest received	3,900	5,629
	<u>          </u>	<u>          </u>
Interest paid		
Bank interest paid	(1,190)	-
	<u>          </u>	<u>          </u>

# MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

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

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
<b>(a) Analysis of charge in year</b>		
United Kingdom corporation tax at 30% (2007 30%)	184,327	98,791
Adjustment in respect of prior years	2,856	(811)
<b>Total current tax (note 4(b))</b>	<b>187,183</b>	<b>97,980</b>
Deferred taxation		
Timing differences - origination and reversal	4,324	(2,949)
Decrease in tax rate	280	-
Adjustment in respect of prior years	(3,646)	12
<b>Tax on profit on ordinary activities</b>	<b>188,141</b>	<b>95,043</b>

### (b) Factors affecting tax charge in year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2007 30%) The differences are as follows

	£	£
Profit on ordinary activities before tax	610,249	306,695
	£	£
Tax at 30% thereon	183,075	92,008
Expenses not deductible for tax purposes	3,500	3,834
Capital allowances less than depreciation	1,222	1,978
Relief in respect of employee share options	2,077	-
Other timing differences	(5,547)	971
Adjustment in respect of prior years	2,856	(811)
<b>Current tax charge for the year (note 4(a))</b>	<b>187,183</b>	<b>97,980</b>

### (c) Factors affecting future tax charges

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

# MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

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

### 5. DIVIDENDS

The dividends approved and paid in the year are as follows

	2008 £	2007 £
109p (2007 109 9p) per share on £1 'A' ordinary shares	111,157	112,051
8p (2007 8p) per share on £1 'B' ordinary shares	7,840	7,840
	<u>118,997</u>	<u>119,891</u>

### 6. TANGIBLE FIXED ASSETS

	Motor vehicles £	Plant and office equipment £	Total £
<b>Cost</b>			
At 1 April 2007	44,818	51,979	96,797
Additions	-	4,946	4,946
Disposals	(13,351)	-	(13,351)
	<u>31,467</u>	<u>56,925</u>	<u>88,392</u>
At 31 March 2008	31,467	56,925	88,392
<b>Depreciation</b>			
At 1 April 2007	31,516	23,831	55,347
Charge for the year	8,701	10,640	19,341
Disposals	(11,126)	-	(11,126)
	<u>29,091</u>	<u>34,471</u>	<u>63,562</u>
At 31 March 2008	29,091	34,471	63,562
<b>Net book value</b>			
At 31 March 2008	<u>2,376</u>	<u>22,454</u>	<u>24,830</u>
At 31 March 2007	<u>13,302</u>	<u>28,148</u>	<u>41,450</u>

#### Capital commitments

At 31 March 2008 the directors had authorised capital expenditure of nil (2007 nil)

### 7. STOCKS

	2008 £	2007 £
Work in progress	<u>1,881</u>	<u>-</u>

# MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

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

8. DEBTORS	2008 £	2007 £
Trade debtors	3,055,711	1,949,285
Amounts recoverable on contracts	14,148	111,655
Amounts owed by group undertakings	156,719	138,704
Other debtors	939	4,891
Deferred tax asset	3,919	4,878
	<u>3,231,436</u>	<u>2,209,413</u>

A net deferred tax asset of £3,919 has been recognised at 31 March 2008 (2007 £4,878). This asset related to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited/(charged) to the profit and loss account in the year was £(959) (2007 £2,937).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2008 £	2007 £
Bank overdraft	-	222,417
Trade creditors	1,748,326	1,251,902
Amounts owed to group undertakings	517,518	22,613
Corporation tax	141,053	53,053
Other taxes and social security costs	237,110	96,757
Accruals and deferred income	147,065	78,039
Other creditors	678	2,390
	<u>2,791,750</u>	<u>1,727,171</u>

10 CALLED UP SHARE CAPITAL	2008 £	2007 £
<b>Authorised</b>		
204,000 £1 A' ordinary shares	204,000	204,000
196,000 £1 'B' ordinary shares	196,000	196,000
	<u>400,000</u>	<u>400,000</u>
	£	£
<b>Allotted and fully paid</b>		
102,000 £1 A' ordinary shares	102,000	102,000
98,000 £1 'B' ordinary shares	98,000	98,000
	<u>200,000</u>	<u>200,000</u>

# MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 11 CAPITAL CONTRIBUTION RESERVE

	£
At 1 April 2007	4,257
Increase in the financial year	2,665
<b>At 31 March 2008</b>	<b>6,922</b>

### 12 PROFIT AND LOSS ACCOUNT

	£
At 1 April 2007	319,435
Profit for the financial year	422,108
Dividends	(118,997)
<b>At 31 March 2008</b>	<b>622,546</b>

### 13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the financial year	422,108	211,652
Dividends (note 5)	(118,997)	(119,891)
Capital contribution reserve	2,665	2,456
Net addition to shareholders' funds	305,776	94,217
Opening shareholders' funds	523,692	429,475
<b>Closing shareholders' funds</b>	<b>829,468</b>	<b>523,692</b>

### 14 RECONCILIATION OF OPERATING PROFIT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES

	2008 £	2007 £
Operating profit	607,539	301,066
Depreciation	19,341	24,327
Profit on disposal of tangible fixed assets	(2,144)	(1,100)
(Increase)/decrease in work in progress	(1,881)	1,616
Increase in debtors	(1,022,354)	(308,334)
Increase/(decrease) in creditors	1,199,339	(122,638)
Share-based payment expense	2,665	2,456
<b>Net cash inflow/(outflow) from operating activities</b>	<b>802,505</b>	<b>(102,607)</b>



**MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**

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

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

	<b>At 1 April 2007 £</b>	<b>Cash flow £</b>	<b>At 31 March 2008 £</b>
Cash at bank and in hand	-	363,071	363,071
Overdraft	(222,417)	222,417	-
	<u>(222,417)</u>	<u>585,488</u>	<u>363,071</u>

**16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT  
IN NET FUNDS/(DEBT)**

	<b>2008 £</b>	<b>2007 £</b>
Increase/(decrease) in cash in the year	585,488	(335,807)
Net (debt)/funds at beginning of year	<u>(222,417)</u>	<u>113,390</u>
<b>Net funds/(debt) at end of year</b>	<u><b>363,071</b></u>	<u><b>(222,417)</b></u>

**17. FINANCIAL COMMITMENTS**

**Operating leases**

At 31 March 2008 the company had annual commitments under non-cancellable operating leases as follows

<b>Land and buildings</b>	<b>2008 £</b>	<b>2007 £</b>
Expiry date between two to five years	<u>46,936</u>	<u>45,905</u>

# MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 18 DIRECTORS

	2008 £	2007 £
The emoluments of directors of the company were		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	281,478	185,388
	<u>No.</u>	<u>No.</u>
The number of directors who were members of a defined benefit pension scheme	2	2

S C Baxter and R McGregor-Smith are directors of MITIE Group PLC. All disclosures relating to their emoluments, pension details and share options are disclosed in the group accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Services (Edinburgh) Limited and their services as directors of other group companies. S C Baxter and R McGregor-Smith are remunerated by MITIE Group PLC for their services to the group as a whole.

### 19. EMPLOYEES

#### Number of employees

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

	2008 No.	2007 No.
Site labour	54	39
Administration and management	20	18
	<u>74</u>	<u>57</u>

Employment costs (including directors)	£	£
Wages and salaries	2,525,571	1,897,531
Social security costs	248,069	200,169
Pension costs	23,402	18,630
Other employment costs	8,012	5,187
Share-based payments (see note 20)	2,665	2,456
	<u>2,807,719</u>	<u>2,123,973</u>

# MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 20. SHARE-BASED PAYMENTS

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

#### The MITIE Group PLC 2001 Executive share option scheme

The Executive share option scheme is open to all employees. The exercise price is equal to the market value of the shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group. Before options can be exercised, the performance condition that must be satisfied is that the percentage growth in the earnings per share over a three year period must be equal or greater than 10.0% per annum compound in respect of awards prior to 26 July 2007 and 4.0% above the Retail Price per annum thereafter.

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

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

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

	2008		2007	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of the period	27,909	154	19,142	137
Granted during the period	12,502	220	16,526	167
Forfeited during the period	(14,950)	191	(7,759)	138
Transferred to Group during the period	(13,039)	-	149	-
<b>Outstanding at end of the period</b>	<b>12,422</b>	<b>220</b>	<b>27,909</b>	<b>154</b>
<b>Exercisable at end of the period</b>	<b>-</b>	<b>-</b>	<b>4,200</b>	<b>132</b>

# MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

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

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

	2008 £	2007 £
2001 Executive share options	93	568
2001 Saving related share options	2,572	1,888
	<u>2,665</u>	<u>2,456</u>

The options outstanding at 31 March 2008 had a weighted average exercise price of 220p (2007 154p) and a weighted average remaining contractual life of 4.26 years (2007 5.24 years)

In the year ended 31 March 2008, options were granted in July and August 2007 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 £4,908.

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 £6,409.

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

	2008	2007
Share price (p)	133 to 230	130 to 193
Exercise price (p)	120 to 254	120 to 191
Expected volatility (%)	27 to 30	28 to 30
Expected life (years)	4 to 5	4 to 6
Risk-free rate (%)	4.17 to 5.25	4.17 to 5.12
Expected dividends (%)	1.43 to 2.29	1.43 to 2.29

Expected volatility was based on historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

### 21. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. For the purposes of Financial Reporting Standard 17 ('Retirement Benefits'), the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 34 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £9.9 million (2007 £0.5 million).

Contributions to the scheme for the period are shown in note 19 and the agreed contribution rate for the next 12 months is 10% (2007 10%) and 7.5% (2007 7.5%) for the group and employees respectively.

## **MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**

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

**Year ended 31 March 2008**

#### **22. RELATED PARTY TRANSACTIONS**

MITIE Group PLC is a 54% shareholder of MITIE Engineering Services (Edinburgh) Limited

MITIE Engineering Services (Edinburgh) Limited paid management charges of £182,792 (2007 £158,376) to companies within MITIE Group PLC. At the end of the year nil (2007 nil) remained outstanding in respect of these charges. MITIE Engineering Services (Edinburgh) Limited raised management charges of £299,398 against other companies within MITIE Group PLC (2007 £74,513) and no monies were outstanding at the year end in respect of this.

During the year, MITIE Engineering Services (Edinburgh) Limited provided services at an amount of £457,055 (2007 £324,642) to companies within the MITIE Group PLC on normal commercial terms. An amount of £159,557 (2007 £64,191) is included in debtors in respect of these services.

During the year, MITIE Engineering Services (Edinburgh) Limited purchased goods and services at an amount of £1,033,666 (2007 £74,588) from companies within the MITIE Group PLC on normal commercial terms. An amount of £517,518 (2007 £22,613) is included in creditors in respect of these charges at the year end.

#### **23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. MITIE Group PLC is the smallest and largest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.