

Company Registration Number 04655076

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

Report and Financial Statements

31 March 2010

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MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
R McGregor-Smith

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 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 2010

DIRECTORS' RESPONSIBILITIES STATEMENT

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 the installation of electrical services in commercial and industrial premises.

As shown in the company's profit and loss account on page 6, the company's sales have decreased by 66% over the prior year. The company recorded a loss before tax in the year of £1,948,226 compared to a loss before tax in the prior year of £1,921,009.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end has deteriorated on the prior year to a net liability position of £2,325,178. With effect from 1 July 2010, the company has transferred its trade and assets to MITIE Engineering (Northern Region) Limited for a consideration of £1. As a result of this, the company is not expected to be actively trading for a period of greater than 12 months from the date of signing these financial statements and as such these financial statements have been prepared on a basis other than that of a going concern (note 1).

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)

GOING CONCERN REVIEW

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the company is set out in the attached financial statements. In addition, the principal risks and uncertainties section below summarises the policies and processes in place to manage financial and operational risk. These are covered in more detail within the MITIE Group PLC financial statements.

With effect from 1 July 2010, the company has transferred its trade and assets to MITIE Engineering (Northern Region) Limited. As a result of this, the company is not expected to be actively trading for a period of greater than 12 months from the date of signing these financial statements and as such these financial statements have been prepared on a basis other than that of a going concern (note 1).

DIVIDENDS

No dividend per ordinary share was declared or paid during the year (2009 £224,307)

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 2010, trade creditors as a proportion of amounts invoiced from suppliers for the financial year represented 91 days (2009 75 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.

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

DIRECTORS' REPORT (continued)

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.

DIRECTORS

The directors during the year and subsequently were as follows

S C Baxter	
D Freeman	(resigned 19 April 2010)
R McGregor-Smith	
S S Wallace	(resigned 29 October 2010)
W Mitchell	(resigned 28 May 2010)
I M Strong	(resigned 5 June 2009)

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 s418 of the Companies Act 2006.

A resolution to reappoint Deloitte 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

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 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

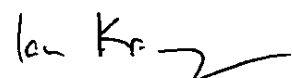
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Ian Krieger (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

28 April 2011

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 March 2010**

	Note	2010 £	2009 £
TURNOVER	1	3,452,433	10,185,635
Cost of sales		(4,163,338)	(9,629,743)
GROSS (LOSS)/PROFIT		(710,905)	555,892
Administrative expenses		(1,163,969)	(2,466,939)
OPERATING LOSS	2	(1,874,874)	(1,911,047)
Interest receivable and similar income	3	-	5,694
Interest payable	3	(73,352)	(15,656)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,948,226)	(1,921,009)
Tax credit on loss on ordinary activities	4	744,659	188,258
LOSS FOR THE FINANCIAL YEAR	11	(1,203,567)	(1,732,751)

The results for the period are wholly attributable to the continuing operations of the company

There are no recognised gains and losses for the current or 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 2010

	Note	2010	2009
		£	£
FIXED ASSETS			
Tangible assets	6	27,030	43,229
CURRENT ASSETS			
Stocks	7	-	1,798
Debtors	8	1,662,002	2,799,395
		<u>1,662,002</u>	<u>2,801,193</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(4,014,210)</u>	<u>(3,968,583)</u>
NET CURRENT LIABILITIES		<u>(2,352,208)</u>	<u>(1,167,390)</u>
NET LIABILITIES		<u>(2,325,178)</u>	<u>(1,124,161)</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	10	200,001	200,001
Profit and loss account	11	<u>(2,525,179)</u>	<u>(1,324,162)</u>
SHAREHOLDERS' DEFICIT	12	<u>(2,325,178)</u>	<u>(1,124,161)</u>

The financial statements of MITIE Engineering Services (Edinburgh) Limited, company registration number 04655076, were approved by the board on **28 APRIL 2011**



S C Baxter
Director

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2010

	Note	2010	2009
		£	£
Net cash outflow from operating activities	13	(977,176)	(2,257,665)
Returns on investments and servicing of finance			
Interest received		-	5,694
Interest paid		(66,998)	(12,262)
Net cash outflow from returns on investments and servicing of finance		(66,998)	(6,568)
Taxation			
UK corporation tax received/(paid)		59,857	(200,785)
Capital expenditure			
Payments to acquire tangible fixed assets		(11,587)	(59,736)
Proceeds from disposal of tangible fixed assets		32,341	7,555
Net cash inflow/(outflow) from capital expenditure		20,754	(52,181)
Financing items			
Equity dividends paid		-	(224,307)
Decrease in cash in the year	15	<u>(963,563)</u>	<u>(2,741,506)</u>

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

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.

Going concern

With effect from 1 July 2010, the company has transferred its trade and assets to MITIE Engineering Services (Northern Region) Limited. As a result of this, the company is not expected to be actively trading for a period of greater than 12 months from the date of signing these financial statements and as such these financial statements have been prepared on a basis other than that of a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

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 2010

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 contribution schemes the amount charged to the profit and loss account is the contribution 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 LOSS

	2010	2009
	£	£
Operating loss is stated after charging/(crediting)		
Depreciation on owned assets	19,382	41,337
Auditors' remuneration - audit services	9,000	7,500
Operating lease rentals - land and buildings	24,125	44,400
Hire of plant	26,591	88,031
Profit on disposal of tangible fixed assets	(23,937)	(7,555)

3. INTEREST

	2010	2009
	£	£
Interest receivable and similar income		
Bank interest received	-	5,694
Interest payable and similar charges		
Bank interest paid	73,352	15,656

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2010 £	2009 £
(a) Analysis of credit in year		
United Kingdom corporation tax at 28% (2009 28%)	-	-
Adjustment in respect of prior years	-	(183,528)
Total current tax (note 4(b))	-	(183,528)
Deferred taxation		
Timing differences - origination and reversal	(802,606)	(3,391)
Adjustment in respect of prior years	-	(1,339)
Adjustment in respect of change in tax rate	57,947	
Tax on loss on ordinary activities	<u>(744,659)</u>	<u>(188,258)</u>

(b) Factors affecting tax credit in year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are as follows

	£	£
Loss on ordinary activities before tax	<u>(1,948,226)</u>	<u>(1,921,009)</u>
	£	£
Tax at 28% (2009 28%) thereon	(545,503)	(537,883)
Expenses not deductible for tax purposes	10,286	92,798
Difference between depreciation and capital allowances	(4,638)	3,885
Relief in respect of employee share options	714	960
Other timing differences	(78)	76
Adjustment in respect of prior years	-	(183,528)
Generation of tax losses	539,219	440,164
Current tax credit for the year (note 4(a))	<u>-</u>	<u>(183,528)</u>

(c) Factors affecting future tax charges

The company is not aware of any factors that will materially affect the future tax charge apart from the proposed, phased reduction in corporation tax rates to 23% by 2014 which has not yet been enacted

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

5. DIVIDENDS

The dividends approved and paid in the year are as follows

	2010 £	2009 £
Nil (2009 109p) per share on £1 'A' ordinary shares	-	216,467
Nil (2009 8p) per share on £1 'B' ordinary shares	-	7,840
	-	224,307

6. TANGIBLE FIXED ASSETS

	Motor vehicles £	Plant and office equipment £	Total £
Cost			
At 1 April 2009	202,961	153,202	356,163
Additions	-	11,587	11,587
Transfers out	-	(25,796)	(25,796)
Disposals	(183,567)	-	(183,567)
At 31 March 2010	19,394	138,993	158,387
Depreciation			
At 1 April 2009	186,752	126,182	312,934
Charge for the year	5,529	13,853	19,382
Transfers out	-	(20,000)	(20,000)
Disposals	(180,959)	-	(180,959)
At 31 March 2010	11,322	120,035	131,357
Net book value			
At 31 March 2010	8,072	18,958	27,030
At 31 March 2009	16,209	27,020	43,229

Capital commitments

At 31 March 2010 the directors had no authorised capital expenditure (2009 £nil)

7. STOCKS

	2010 £	2009 £
Work in progress	-	1,798

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

8. DEBTORS	2010 £	2009 £
Trade debtors	611,765	2,371,217
Amounts recoverable on contracts	44,203	102,446
Amounts owed by group undertakings	48,466	63,603
Other debtors including tax and social security	15,293	-
Corporation tax	183,402	243,259
Deferred tax asset	753,309	8,649
Prepayments and accrued income	5,564	10,221
	<u>1,662,002</u>	<u>2,799,395</u>

A net deferred tax asset of £753,309 has been recognised at 31 March 2010 (2009 £8,649). This asset relates to negative accelerated capital allowances and other short term timing differences. The directors are of the opinion that the company will crystallise full value for this asset in future periods. The amount credited to the profit and loss account in the year was £744,659 (2009 credited £4,730).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2010 £	2009 £
Bank overdraft	3,341,998	2,378,435
Trade creditors	622,336	1,351,530
Amounts owed to group undertakings	25,650	81,139
Other taxes and social security costs	6,098	72,413
Other creditors	100	2,343
Accruals and deferred income	18,028	82,723
	<u>4,014,210</u>	<u>3,968,583</u>

10. CALLED UP SHARE CAPITAL	2010 £	2009 £
Authorised		
204,000 £1 'A' ordinary shares	204,000	204,000
196,000 £1 'B' ordinary shares	196,000	196,000
100 £1 'C' ordinary shares	100	100
	<u>400,100</u>	<u>400,100</u>
	£	£
Allotted and fully paid		
102,000 £1 'A' ordinary shares	102,000	102,000
98,000 £1 'B' ordinary shares	98,000	98,000
1 £1 'C' ordinary share	1	1
	<u>200,001</u>	<u>200,001</u>

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

11. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2009	(1,324,162)
Loss for the financial year	(1,203,567)
Capital contribution	2,550
At 31 March 2010	(2,525,179)

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2010 £	2009 £
Loss for the financial year	(1,203,567)	(1,732,751)
Dividends (note 5)	-	(224,307)
Capital contribution	2,550	3,428
Net increase to shareholders' deficit	(1,201,017)	(1,953,630)
Opening shareholders' (deficit)/funds	(1,124,161)	829,469
Closing shareholders' deficit	(2,325,178)	(1,124,161)

13. RECONCILIATION OF OPERATING LOSS TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating loss	(1,874,874)	(1,911,047)
Depreciation	19,382	41,337
Profit on disposal of tangible fixed assets	(23,937)	(7,555)
Decrease in work in progress	1,798	83
Decrease in debtors	1,819,430	679,405
Decrease in creditors	(921,525)	(1,063,314)
Share-based payment expense	2,550	3,428
Net cash outflow from operating activities	(977,176)	(2,257,665)

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

14 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2009 £	Cash flow £	At 31 March 2010 £
Overdraft	(2,378,435)	(963,563)	(3,341,998)
	<u>(2,378,435)</u>	<u>(963,563)</u>	<u>(3,341,998)</u>

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

	2010 £	2009 £
Decrease in cash in the year	(963,563)	(2,741,506)
Net (debt)/funds at beginning of year	<u>(2,378,435)</u>	<u>363,071</u>
Net debt at end of year	<u>(3,341,998)</u>	<u>(2,378,435)</u>

16. FINANCIAL COMMITMENTS

Operating leases

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

Land and buildings	2010 £	2009 £
Expiry less than one year	<u>24,125</u>	<u>22,200</u>

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

17. DIRECTORS

	2010 £	2009 £
The emoluments of the directors of the company were		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	149,000	254,706
	No.	No.
The number of directors who were members of a defined benefit pension scheme	1	2
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to	£	£
The highest paid director	78,500	89,902

The accrued pension for the highest paid director at 31 March 2010 was £5,544 (2009 £nil)

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.

18. EMPLOYEES

Number of employees

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

	2010 No.	2009 No.
Site labour	41	91
Administration and management	17	36
	58	127
Employment costs (including directors)	£	£
Wages and salaries	2,134,243	4,586,756
Social security costs	181,130	434,873
Pension costs	40,860	52,363
Other employment costs	7,213	9,461
Share-based payments (see note 19)	2,550	3,428
	2,365,996	5,086,881

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

19. 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 to or greater than 10.0% per annum compound in respect of awards prior to 26 July 2008 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 dates 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

	2010		2009	
	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 year	28,796	175	12,422	182
Granted during the year	-	-	13,943	190
Forfeited during the year	-	-	(9,261)	197
Transferred to Group companies during the year	(28,796)	175	14,346	159
Exercised during the year	-	-	(2,654)	120
Outstanding at end of the year	-	-	28,796	175
Exercisable at end of the year	-	-	-	-

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Year ended 31 March 2010

19. SHARE-BASED PAYMENTS (continued)

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

	2010 £	2009 £
2001 Executive share options	80	(15)
2001 Savings Related share options	2,470	3,443
	<u>2,550</u>	<u>3,428</u>

In the year ended 31 March 2010, no options were granted in respect of the Executive and Savings Related share option schemes

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

	2010	2009
Share price (p)	133 to 230	133 to 230
Exercise price (p)	120 to 254	120 to 254
Expected volatility (%)	27 to 36	27 to 30
Expected life (years)	3 to 6	4 to 6
Risk-free rate (%)	2.42 to 5.25	4.17 to 5.25
Expected dividends (%)	1.43 to 3.30	1.43 to 3.15

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.

20. 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 33 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £6.8 million (2009: surplus of £3.0 million).

Employer contributions to the scheme for the period are shown in note 18. The combined contribution rate for employee and employer contributions for the next 12 months is 17.5% (2009: 17.5%).

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21 RELATED PARTY TRANSACTIONS

The company is not 100% owned by MITIE Group PLC and hence is required to disclose its transactions with all other entities within the group

Related party	Nature of transaction	Amount of transaction		Year end balance	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
MITIE Property	Services provided	48	-	48	-
MES (SW Region)	Services received	1	-	1	-
MITIE Energy	Services received	3	-	3	-
MEM Caledonia	Services received	1	-	-	-
MPS Scotland	Services received	4	-	-	-

There were no dividends paid to directors (2009 £Nil), no amounts were owing at either year end

22. 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 accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.