

Company Registration Number 2049476

MITIE ENGINEERING SERVICES LIMITED

Report and Financial Statements

31 March 2005



MITIE ENGINEERING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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MITIE ENGINEERING SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C S Acheson
G Allen
D Freeman
K McEntaggart
R McGregor-Smith
C P Pugh
I R Stewart
M A Tivey
D J Underwood

SECRETARY

C K Ross

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche LLP
Bristol

MITIE ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and financial statements for the financial year ended 31 March 2005.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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 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 to 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's principal activity is the provision of administrative services to other group undertakings.

The company's business has developed satisfactorily and the directors consider that the company is in a good position to continue that development.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £5,850 (2004: profit of £4,232). The directors do not propose the payment of a dividend and recommend that £5,850 be transferred from reserves (2004: profit of £4,232 was transferred to reserves).

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

C S Acheson
G Allen
D Freeman
K McEntaggart
R McGregor-Smith
I R Stewart
M A Tivey
D J Underwood
C P Pugh (appointed 1 May 2005)
A T White (resigned 31 March 2005)

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

MITIE ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

C S Acheson and I R Stewart and Ms R McGregor-Smith 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 2005 2.5p Ordinary shares No.	At 1 April 2004 2.5p Ordinary shares No.
G Allen	166,030	266,030
D Freeman	906,336	1,561,336
M A Tivey	194,318	256,134
D J Underwood	34,292	34,292
A T White	49,874	51,780

No other director had an interest in the share capital of MITIE Group PLC.

Share Options

		At 1 April 2004	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2005
K McEntaggart	(i)	-	2,725	1.2	2009	-	-	-	2,725
	(i)	2,389	-	-	2007	-	-	-	2,389
	(i)	2,654	-	-	2008	-	-	-	2,654
	(ii)	24,000	-	-	2005	2012	-	-	24,000
D J Underwood	(i)	2,389	-	-	2007	-	-	-	2,389
A T White	(i)	2,389	-	-	2007	-	-	-	2,389
	(i)	-	2,507	1.2	2009	-	-	-	2,507
	(i)	4,950	-	-	2005	-	-	-	4,950
	(i)	1,296	-	-	2006	-	-	-	1,296
	(ii)	18,000	-	-	2002	2006	-	-	18,000

(i) Options under the Savings Related Option Scheme

(ii) Options under the Executive Share Option Scheme

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

MITIE ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

The following directors also held shares in the £1 ordinary shares of other group companies as follows:

	At 31 March 2005 No.	At 1 April 2004 No.
G Allen		
- MITIE Engineering Services (Leeds) Limited	220	220
- MITIE Cleanrooms Limited	300	300
- MITIE Engineering Services (Liverpool) Limited	2,000	2,000
K A McEntaggart		
- MITIE Engineering Limited	8,000	-
- MITIE Environmental Limited	10,000	10,000
M A Tivey		
- MITIE Cleanrooms Limited	350	350
- MITIE Engineering Services (Leeds) Limited	384	384
D J Underwood		
- MITIE Engineering Services (Midlands) Limited	4,500	4,500
A T White		
- MITIE Engineering Limited	35,000	-

No director had any other interest in the share capital of any other group company.

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 2005 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 46 days (2004: 23 days).

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 attitudes 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 LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

Pursuant to Section 386 Companies Act 1985, an elective resolution was passed on 14 March 2005 dispensing with the requirement to appoint auditors annually. Therefore Deloitte & Touche LLP are deemed to continue as auditors.

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

A handwritten signature in black ink, appearing to be 'C K Ross', with a horizontal line extending from the end of the signature.

C K Ross
Secretary

19 July 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE ENGINEERING SERVICES LIMITED

We have audited the financial statements of MITIE Engineering Services Limited for the year ended 31 March 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 19. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 of the state of the company's affairs as at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol

19 July 2005

MITIE ENGINEERING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2005

	Notes	Continuing operations	
		2005 £	2004 £
TURNOVER	1	4,483,517	4,007,216
Cost of sales		(4,502,395)	(4,012,397)
OPERATING LOSS	2	(18,878)	(5,181)
Interest receivable	3	23,058	20,087
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,180	14,906
Tax on profit on ordinary activities	4	(10,030)	(10,674)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	10	(5,850)	4,232

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.

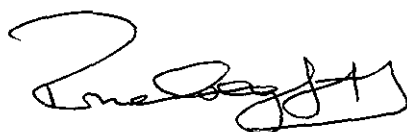
MITIE ENGINEERING SERVICES LIMITED

BALANCE SHEET At 31 March 2005

	Notes	2005	2004
		£	£
FIXED ASSETS			
Tangible assets	5	229,457	321,172
CURRENT ASSETS			
Debtors	6	1,016,001	511,749
Cash at bank and in hand		343,131	947,270
		<u>1,359,132</u>	<u>1,459,019</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	<u>(1,005,381)</u>	<u>(1,191,133)</u>
NET CURRENT ASSETS		<u>353,751</u>	<u>267,886</u>
NET ASSETS		<u>583,208</u>	<u>589,058</u>
CAPITAL AND RESERVES			
Called up share capital	8	277,722	277,722
Profit and loss account	9	305,486	311,336
TOTAL EQUITY SHAREHOLDERS' FUNDS	10	<u>583,208</u>	<u>589,058</u>

These financial statements were approved by the Board of Directors on 19 July 2005.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

MITIE ENGINEERING SERVICES LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2005

	Notes	2005		2004	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	11		(587,009)		1,038,921
Returns on investments and servicing of finance					
Interest received			14,693		17,869
Taxation					
UK corporation tax refunded/(paid)			3,454		(16,400)
Capital expenditure					
Payments to acquire tangible fixed assets		(88,699)		(214,094)	
Receipts from disposal of tangible fixed assets		53,422		39,675	
Net cash outflow from capital expenditure			(35,277)		(174,419)
(Decrease)/increase in cash in the year	13		(604,139)		865,971

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable United Kingdom accounting standards.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of administrative services supplied 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:

Office equipment	3 to 10 years
Motor vehicles	4 years

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

Pension costs represent amounts paid to one of the group's defined benefit pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC.

Leasing commitments

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

2. OPERATING LOSS is stated after charging/(crediting):	2005 £	2004 £
Depreciation on owned assets	131,299	118,054
Operating lease rentals – land and buildings	55,340	-
Auditors' remuneration – audit services	(1,400)	2,500
Profit on disposal of tangible fixed assets	(4,307)	(6,002)

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

3. INTEREST RECEIVABLE	2005	2004
	£	£
Bank interest	13,803	20,087
Other interest	9,255	-
	<u>23,058</u>	<u>20,087</u>
 4. TAX ON PROFIT ON ORDINARY ACTIVITIES	 2005	 2004
	£	£
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2004: 30%)	12,913	15,200
Adjustment in respect of prior years	(5,844)	-
Total current tax (note 4(b))	<u>7,069</u>	<u>15,200</u>
Deferred taxation:		
Timing differences - origination and reversal	(2,552)	(4,526)
Adjustment in respect of prior years	5,513	-
Tax on profit on ordinary activities	<u>10,030</u>	<u>10,674</u>
 (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% (2004: 30%). The differences are as follows:		
	£	£
Profit on ordinary activities before tax	<u>4,180</u>	<u>14,906</u>
	£	£
Tax at 30% thereon	1,254	4,472
Expenses not deductible for tax purposes	9,107	6,202
Capital allowances less than depreciation	2,785	5,899
Profit on disposal of fixed assets	-	(1,801)
Other timing differences	(233)	428
Prior period adjustments	(5,844)	-
Current tax charge for the year (note 4(a))	<u>7,069</u>	<u>15,200</u>

(c) Factors affecting future tax charges

The company is not aware of any matters that will materially affect the future tax charge.

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

5. TANGIBLE FIXED ASSETS

	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 2004	202,584	277,215	479,799
Additions	53,875	34,824	88,699
Disposals	-	(82,093)	(82,093)
Transfers out	-	(26,694)	(26,694)
At 31 March 2005	256,459	203,252	459,711
Depreciation			
At 1 April 2004	72,703	85,924	158,627
Charge for the year	63,840	67,459	131,299
Disposals	-	(56,050)	(56,050)
Transfers out	-	(3,622)	(3,622)
At 31 March 2005	136,543	93,711	230,254
Net book value			
At 31 March 2005	119,916	109,541	229,457
At 31 March 2004	129,881	191,291	321,172

£3,132 (2004: £17,837) of office equipment additions represent assets under development which are not being depreciated.

Capital commitments

At 31 March 2005 the directors had authorised capital expenditure of £nil (2004: £nil).

6. DEBTORS

	2005 £	2004 £
Amounts owed by group undertakings	766,253	485,434
Other debtors and prepayments	249,020	22,626
Deferred tax asset	728	3,689
	1,016,001	511,749

A deferred tax asset of £728 has been recognised at 31 March 2005 (2004: £3,689). This asset related to negative accelerated capital allowances and other timing differences. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount debited to the profit and loss account in the year was £2,961 (2004: £4,526 credit).

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

7.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2005	2004
		£	£
	Trade creditors	157,837	86,515
	Amounts owed to group undertakings	313,040	424,172
	Corporation tax	12,913	2,390
	Other taxes and social security costs	145,674	427,880
	Other creditors	104,438	91,314
	Accruals and deferred income	271,479	158,862
		<u>1,005,381</u>	<u>1,191,133</u>
8.	CALLED UP SHARE CAPITAL	2005	2004
		£	£
	Authorised		
	500,000 £1 Ordinary shares	<u>500,000</u>	<u>500,000</u>
		£	£
	Allotted and fully paid		
	277,722 £1 Ordinary shares	<u>277,722</u>	<u>277,722</u>
9.	PROFIT AND LOSS ACCOUNT	£	
	At 1 April 2004	311,336	
	Retained loss for the financial year	(5,850)	
	At 31 March 2005	<u>305,486</u>	
10.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2005	2004
		£	£
	(Loss)/profit for the financial year	(5,850)	4,232
	Opening shareholders' funds	<u>589,058</u>	<u>584,826</u>
	Closing shareholders' funds	<u>583,208</u>	<u>589,058</u>

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2005

**11. RECONCILIATION OF OPERATING LOSS TO NET CASH
(OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	2005	2004
	£	£
Operating loss	(18,878)	(5,181)
Depreciation charges	131,299	118,054
Profit on disposal of tangible fixed assets	(4,307)	(6,002)
(Increase)/decrease in debtors	(498,848)	202,750
(Decrease)/increase in creditors	(196,275)	729,300
Net cash (outflow)/inflow from operating activities	<u>(587,009)</u>	<u>1,038,921</u>

12. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2004	Cash flow	At 31 March 2005
	£	£	£
Cash at bank and in hand	<u>947,270</u>	<u>(604,139)</u>	<u>343,131</u>

**13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET FUNDS**

	2005	2004
	£	£
Movement in cash in the year	(604,139)	865,971
Net funds at beginning of year	947,270	81,299
Net funds at end of year	<u>343,131</u>	<u>947,270</u>

14. FINANCIAL COMMITMENTS

Operating leases - land and buildings	2005	2004
	£	£
Expiring between two and five years	<u>55,340</u>	<u>-</u>

Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts. As at 31 March 2005, the overall commitment was nil (2004: nil).

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

15. DIRECTORS

	2005 £	2004 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>857,332</u>	<u>862,295</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest paid director	<u>205,500</u>	<u>188,000</u>
	No.	No.
The number of directors who were members of:		
- a defined benefit pension scheme	6	5
- a defined contribution pension scheme	<u>1</u>	<u>1</u>
	£	£
Contributions paid to defined contribution pension scheme	<u>7,866</u>	<u>7,866</u>

The accrued pension benefit of the highest paid director is disclosed in the MITIE Group PLC accounts.

I R Stewart and R McGregor-Smith are directors of MITIE Group PLC and their salaries and pension details are disclosed in the group accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Services Limited and their services as directors of other group companies.

None of the directors exercised options in the shares of the ultimate group company, MITIE Group PLC, during the year (2004: nil directors).

MITIE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

16. EMPLOYEES

Number of employees

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

	2005 No.	2004 No.
Administration and management	26	21
Employment costs	£	£
Wages and salaries	1,613,099	1,303,037
Social security costs	191,232	160,154
Other pension costs	83,171	86,928
	<u>1,887,502</u>	<u>1,550,119</u>

17. RELATED PARTY TRANSACTIONS

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

18. 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. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme for the period are shown in note 16 and the agreed contribution rate for the next 12 months is 10% (2004: 10%) and 7.5% (2004: 7.5%) for the group and employees respectively.

The next actuarial valuation which was due on 6 April 2005 is currently being prepared. The 2002 actuarial valuation, which was performed on 6 April 2002 by a professionally qualified actuary, showed that the actuarial value of the assets represented 87% of the benefits that had accrued to members after allowing for expected future increases in earnings.

19. 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.