

Company Registration Number 972457

MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

Report and Financial Statements

31 March 2006



MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

REPORT AND FINANCIAL STATEMENTS 2006

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MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C S Acheson
S C Baxter
A M Cordrey
J D Cullen
D Leonard
K A McEntaggart
R McGregor-Smith
S J Macey
P A Naret-Barnes
A Pearce
D L Stent
I R Stewart
M A Tivey

SECRETARY

MITIE Company Secretarial Services Limited (appointed 30 June 2006)
C K Ross (resigned 30 June 2006)

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 (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2006.

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, 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

On 31 August 2005, the company changed its name to Mitie Engineering Services (S E Region) Limited.

The company is a 100% owned subsidiary of MITIE Group PLC (the "Group"). The company provides installation of electrical and mechanical services in commercial and industrial premises.

With effect from 1 September 2005, the net assets and operations of MITIE Engineering Services (London) Limited and MITIE Engineering Services (Eastern) Limited were acquired by the company. The consideration for this acquisition was equivalent to the asset net book value of the two companies, a total of £2,761,676. Both of these companies were 100% subsidiaries of the Group, and both operated the same principal activities as the company. The effect of this acquisition was therefore to increase the size of the company and its business.

In large part because of this acquisition, the profit and loss account of the company on page 8 shows that the company's sales have increased by 55% over the prior year, and profit after tax has risen by £1,061,445 to £1,281,103.

The balance sheet on page 9 shows that the company's financial position at the year end shows an increase in net assets of £1,173,249, due to the profit arising in the year. Individual balance sheet items have also increased, due to the assumption of assets and liabilities following the acquisition.

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 (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

DIRECTORS' REPORT (continued)

DIVIDENDS

A dividend of £10.79 (2005: £16.82) per equity ordinary share for the year ended 31 March 2006 was 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 2006 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 99 days (2005: 77 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 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 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 (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the year and subsequently were as follows:

C S Acheson	
J D Cullen	
R McGregor-Smith	
S J Macey	
A Pearce	
D L Stent	
I R Stewart	
M A Tivey	
D Leonard	(appointed 17 October 2005)
K A McEntaggart	(appointed 17 October 2005)
P A Naret-Barnes	(appointed 17 October 2005)
S C Baxter	(appointed 8 May 2006)
A M Cordrey	(appointed 17 October 2005)

No director had a beneficial interest in the share capital of the company.

C S Acheson, I R Stewart and R McGregor-Smith are directors of MITIE Group PLC, the parent undertaking, and their interests in the share capital of that company and other group companies are shown in the financial statements of MITIE Group PLC. Shares held by M A Tivey and K A McEntaggart in other group companies are disclosed in the accounts of MITIE Engineering Services Limited.

Other directors' interests in the share capital of MITIE Group PLC were as follows:

	At 31 March 2006	At 1 April 2005
	2.5p Ordinary shares	2.5p Ordinary shares
	No.	No.
D L Stent	28,098	928
J D Cullen	34,800	84,800
S J Macey	132,000	152,500
M A Tivey	159,318	194,318
A Pearce	10,110	7,140
A M Cordrey	96,129	100,679
D Leonard	61,311	92,260

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

MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

Share Options		At 1 April 2005	Granted during the period		Exercise period		Exercised during the period		At 31 March 2006
			Options	Price	From	To	Options	Price	
A Pearce	(i)	2,970	-	-	2005	2006	2,970	£1.50	-
	(i)	1,296	-	-	2006	2007	-	-	1,296
	(i)	2,389	-	-	2007	2008	-	-	2,389
	(i)	2,654	-	-	2008	2009	-	-	2,654
	(ii)	30,000	-	-	2001	2005	10,000	£0.5775	20,000
	(ii)	7,000	-	-	2002	2006	-	-	7,000
D L Stent	(i)	2,970	-	-	2005	2006	2,970	£1.50	-
	(i)	1,296	-	-	2006	2007	-	-	1,296
	(i)	2,654	-	-	2008	2009	-	-	2,654
	(ii)	40,000	-	-	2001	2005	40,000	£0.5775	-
	(ii)	7,000	-	-	2003	2006	7,000	£0.95	-
P Naret-Barnes	(i)	2,389	-	-	2007	2008	-	-	2,389
	(i)	2,654	-	-	2008	2009	-	-	2,654
	(ii)	20,000	-	-	2004	2011	-	-	20,000
	(ii)	2,800	-	-	2005	2012	-	-	2,800

- (i) Options under the Savings Related Option Scheme
(ii) Options under the Executive Share Option Scheme

Directors had interests in the share capital of MITIE Engineering Limited as follows:-

	At 31 March 2006 £1 'B' Ordinary shares £	At 1 April 2005 £1 'B' Ordinary shares £
D L Stent	8,000	8,000
A Pearce	8,000	8,000
P Naret-Barnes	5,000	5,000

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

MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

DIRECTORS' REPORT (continued)

AUDITORS

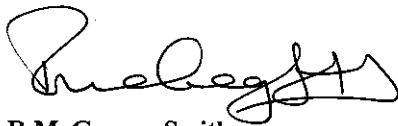
Each of the persons who is a director at the date of approval of this report confirms that:

- (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.

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



R McGregor-Smith
Director

14 August 2006

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)**

We have audited the financial statements of MITIE Engineering Services (S E Region) Limited (formerly MITIE Engineering Services (South East) Limited) for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 21. 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 United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 2006 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

15 August 2006

MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2006

	Notes	Continuing operations 2006 £	2005 (restated) £
TURNOVER	1	41,161,106	18,555,576
Cost of sales		(35,133,636)	(16,727,833)
GROSS PROFIT		6,027,470	1,827,743
Administrative expenses		(4,356,277)	(1,551,086)
OPERATING PROFIT	2	1,671,193	276,657
Interest receivable	3	137,096	43,342
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,808,289	319,999
Tax on profit on ordinary activities	4	(527,186)	(100,341)
PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR	10	1,281,103	219,658

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 has been presented.

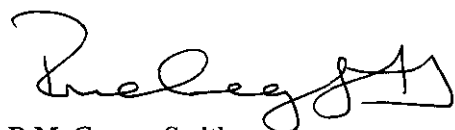
MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

BALANCE SHEET
At 31 March 2006

	Notes	2006		2005 (restated)	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		244,993		105,873
CURRENT ASSETS					
Debtors	7	13,345,648		4,393,015	
Cash at bank and in hand		4,687,696		1,512,112	
		18,033,344		5,905,127	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(14,992,653)		(3,898,565)	
NET CURRENT ASSETS			3,040,691		2,006,562
NET ASSETS			3,285,684		2,112,435
SHARE CAPITAL AND RESERVES					
Called up share capital	9		10,999		10,999
Share premium account			19,700		19,700
Profit and loss account	10		3,254,985		2,081,736
TOTAL SHAREHOLDERS' FUNDS	11		3,285,684		2,112,435
Shareholders' funds are represented by:					
Attributable to equity shareholders			3,275,685		2,102,436
Attributable to non-equity shareholders			9,999		9,999
			3,285,684		2,112,435

These financial statements were approved by the Board of Directors on 14 August 2006.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(bformerly MITIE Engineering Services (South East) Limited)

CASH FLOW STATEMENT
Year ended 31 March 2006

	Notes	2006	2005
		£	£
Net cash inflow from operating activities	12	3,569,876	518,595
Returns on investments and servicing of finance			
Interest received		118,457	44,279
Taxation			
UK corporation tax paid		(180,067)	(153,135)
Capital expenditure			
Payments to acquire tangible fixed assets		(257,408)	(43,063)
Receipts from disposal of tangible fixed assets		32,580	10,690
Net cash outflow from capital expenditure		(224,828)	(32,373)
Equity dividends paid		(107,854)	(168,196)
Increase in cash in the year	14	<u>3,175,584</u>	<u>209,170</u>

MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

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 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:

Short Leasehold	period of lease
Plant and equipment	3 to 10 years
Office equipment	3 to 10 years
Motor vehicles	4 years

Leasing commitments

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

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.

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.

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 ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

1. ACCOUNTING POLICIES (continued)

Pension costs

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

Change in accounting policy

The financial statements for the year ended 31 March 2006 have been drawn up using the same accounting policies as for the year ended 31 March 2005 subject to the adoption of FRS 21 'Events after the balance sheet date', FRS 17 'Retirement Benefits' and FRS 25 'Financial Instruments'.

The adoption of FRS 17 and FRS 25 has had no impact on the financial statements of this company. The company has taken the exemption given in FRS 25 not to restate comparatives, as such the presentation of the non-equity shares held in the prior year has not been amended.

Adoption of FRS 21 - Events after the balance sheet date

The effect of adopting FRS 21, and therefore recognising dividends in the period during which they were approved, is a decrease in the retained profit for the year ended 31 March 2006 and 31 March 2005 by £107,854 and £60,342 respectively. The net assets at 31 March 2006 are unchanged, while the net assets at 31 March 2005 have increased by £107,854.

This change in policy has not impacted recognised gains or losses and no statement of total recognised gains and losses has been presented.

2. OPERATING PROFIT

	2006	2005
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation on owned assets	105,606	74,997
Operating lease rentals:		
- land and buildings	321,539	58,500
- other	1,835	-
Auditors' remuneration - audit services	5,000	5,500
Profit on disposal of tangible fixed assets	(19,898)	(3,407)
	<u> </u>	<u> </u>

3. INTEREST RECEIVABLE

	2006	2005
	£	£
Bank interest	<u>137,096</u>	<u>43,342</u>

MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
	£	£
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2005: 30%)	548,841	91,383
Adjustment in respect of prior years	(6,990)	4,644
	<hr/>	<hr/>
Total current tax (note 4(b))	541,851	96,027
Deferred taxation:		
Timing differences - origination and reversal	(6,364)	9,169
Adjustment in respect of prior years	(8,301)	(4,855)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>527,186</u>	<u>100,341</u>

(b) Factors affecting tax charge in year

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	<u>1,808,289</u>	<u>319,999</u>
	<hr/>	<hr/>
	£	£
Tax at 30% (2005: 30%) thereon	542,486	96,000
Expenses not deductible for tax purposes	7,187	4,553
Depreciation in excess of/(less than) capital allowances	12,760	(4,174)
Other timing differences	995	(4,996)
Deferred tax asset transferred from MITIE Engineering Services (London) Limited and MITIE Engineering Services (Eastern) Limited	(14,587)	-
Adjustment in respect of previous periods	(6,990)	4,644
	<hr/>	<hr/>
Current tax charge for the year (note 4(a))	<u>541,851</u>	<u>96,027</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 (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

5. DIVIDENDS

The dividends approved and paid in the year are as follows:

	2006 £	2005 £
£10.79 (2005: £16.82) per share on £0.10 ordinary shares	<u>107,854</u>	<u>168,196</u>

No dividends are yet proposed or approved in respect of 2006.

6. TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and equipment £	Office equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2005	-	2,801	162,689	235,157	400,647
Additions	-	-	8,631	33,867	42,498
Disposals	-	-	(3,690)	(146,781)	(150,471)
Transfer in	44,902	-	241,494	298,890	585,286
	<u>44,902</u>	<u>-</u>	<u>241,494</u>	<u>298,890</u>	<u>585,286</u>
At 31 March 2006	44,902	2,801	409,124	421,133	877,960
	<u>44,902</u>	<u>2,801</u>	<u>409,124</u>	<u>421,133</u>	<u>877,960</u>
Depreciation					
At 1 April 2005	-	2,768	128,613	163,393	294,774
Charge for the year	4,472	33	28,297	72,804	105,606
Disposals	-	-	(3,690)	(134,099)	(137,789)
Transfer in	13,240	-	204,225	152,911	370,376
	<u>17,712</u>	<u>-</u>	<u>204,225</u>	<u>152,911</u>	<u>370,376</u>
At 31 March 2006	17,712	2,801	357,445	255,009	632,967
	<u>17,712</u>	<u>2,801</u>	<u>357,445</u>	<u>255,009</u>	<u>632,967</u>
Net book value					
At 31 March 2006	27,190	-	51,679	166,124	244,993
	<u>27,190</u>	<u>-</u>	<u>51,679</u>	<u>166,124</u>	<u>244,993</u>
At 31 March 2005	-	33	34,076	71,764	105,873
	<u>-</u>	<u>33</u>	<u>34,076</u>	<u>71,764</u>	<u>105,873</u>

Capital commitments

At 31 March 2006 the directors had authorised capital expenditure of nil (2005: nil).

MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

7. DEBTORS	2006	2005
	£	£
Trade debtors	12,828,374	3,765,332
Amounts recoverable on contracts	283,923	110,772
Amounts owed by group undertakings	111,579	484,522
Prepayments and accrued income	78,248	18,117
Deferred tax asset	43,524	14,272
	<u>13,345,648</u>	<u>4,393,015</u>

A deferred tax asset of £43,524 has been recognised at 31 March 2006 (2005: £14,272). This asset relates to negative accelerated capital allowances. The amount credited to the profit and loss account in the year was £14,665 (2005: charge of £4,314).

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2006	2005
	£	(restated)
		£
Trade creditors	10,143,895	3,120,500
Amounts owed to group undertakings	3,025,038	431,801
Corporation tax	401,534	25,163
Other taxes and social security costs	792,075	222,734
Other creditors	4,015	6,444
Accruals and deferred income	626,096	91,923
	<u>14,992,653</u>	<u>3,898,565</u>

9. CALLED UP SHARE CAPITAL	2006	2005
	£	£
Authorised		
10,000 10p Ordinary shares (equity)	1,000	1,000
10,000 £1 Non-voting preferred ordinary shares (non-equity)	10,000	10,000
	<u>11,000</u>	<u>11,000</u>
	£	£
Allotted and fully paid		
10,000 10p Ordinary shares (equity)	1,000	1,000
9,999 £1 Non-voting preferred ordinary shares (non-equity)	9,999	9,999
	<u>10,999</u>	<u>10,999</u>

MITIE ENGINEERING SERVICES (S E REGION) LIMITED
(formerly MITIE Engineering Services (South East) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

9. CALLED UP SHARE CAPITAL (continued)

Rights attached to shares

The non-voting preferred ordinary shares of £1 do not carry a right to receive a dividend. Limited voting rights also exist in respect of a decision to wind up the company.

On a winding up of the company, the non-voting preferred ordinary shares carry a right to a repayment of capital only. The assets of the company will be distributed to the ordinary shareholders.

10. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2005 (as previously stated)	1,973,882
Prior year adjustment (note 1)	107,854
	<hr/>
At 1 April 2005 (restated)	2,081,736
Profit for the financial year	1,281,103
Dividends	(107,854)
	<hr/>
At 31 March 2006	3,254,985
	<hr/>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	1,281,103	219,658
Dividends (note 5)	(107,854)	(168,196)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,173,249	51,462
	<hr/>	<hr/>
Opening shareholders' funds (as previously stated)	2,004,581	1,892,777
Prior year adjustment	107,854	168,196
	<hr/>	<hr/>
Opening shareholders' funds (restated)	2,112,435	2,060,973
	<hr/>	<hr/>
Closing shareholders' funds	3,285,684	2,112,435
	<hr/>	<hr/>

MITIE ENGINEERING SERVICES (S E REGION) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

12. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	1,671,193	276,657
Depreciation	105,606	74,997
Profit on disposal of tangible fixed assets	(19,898)	(3,407)
Decrease in work in progress	-	10,972
Increase in debtors	(8,904,742)	(445,905)
Increase in creditors	10,717,717	605,281
Net cash inflow from operating activities	<u>3,569,876</u>	<u>518,595</u>

13. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2005 £	Cash flow £	At 31 March 2006 £
Cash at bank and in hand	<u>1,512,112</u>	<u>3,175,584</u>	<u>4,687,696</u>

14. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006 £	2005 £
Increase in cash in the year	3,175,584	209,170
Net funds at beginning of year	<u>1,512,112</u>	<u>1,302,942</u>
Net funds at end of year	<u>4,687,696</u>	<u>1,512,112</u>

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15. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2006 the company had annual commitments under non-cancellable operating leases as follows:

	2006 £	2005 £
Land and buildings		
Expiry date:		
- within one year	15,559	-
- between two and five years	202,480	-
- over five years	103,500	58,500
	<hr/>	<hr/>
	321,539	58,500
Other		
Expiry date:		
- over five years	1,835	-
	<hr/>	<hr/>
Total	<u>323,373</u>	<u>58,500</u>

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 2006, the overall commitment was £33 million (2005: nil).

Performance bonds

The company had outstanding performance bonds at 31 March as follows:

	£	£
Performance bonds	<u>598,784</u>	<u>223,162</u>

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16. DIRECTORS

	2006 £	2005 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions)	<u>655,635</u>	<u>303,648</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
Emoluments of the highest paid director	<u>121,264</u>	<u>90,848</u>
The accrued pension of the highest paid director at 31 March 2006 was £8,958 (2005: £7,692).		
	No.	No.
The number of directors who are members of a defined benefit pension scheme	<u>5</u>	<u>3</u>

C S Acheson, I R Stewart and R McGregor-Smith were remunerated by MITIE Group PLC and M A Tivey 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 Engineering Services (South East) Limited and their services as directors of other group companies.

C S Acheson, I R Stewart and R McGregor-Smith are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts. M A Tivey and K A McEntaggart are directors of MITIE Engineering Services Limited and their emoluments and pension details are disclosed in the accounts of MITIE Engineering Services Limited.

Two of the directors exercised options in the shares of the ultimate group company, MITIE Group PLC, during the year (2005: two directors).

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

17. EMPLOYEES

Number of employees

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

	2006 No.	2005 No.
Administration and management	81	36
Employment costs	£	£
Wages and salaries	3,623,973	1,365,474
Social security costs	441,403	164,704
Pension costs	151,658	99,326
	<u>4,217,034</u>	<u>1,629,504</u>

18. PURCHASE OF BUSINESS AND NET ASSETS

With effect from 1 September 2005, the net assets and operations of MITIE Engineering Services (London) Limited and MITIE Engineering Services (Eastern) Limited were acquired by the company. The consideration for this acquisition was equivalent to the asset net book value of the two companies, a total of £2,761,676. This consideration was given by means of an exchange of intercompany debt, as set out in the table below. Both of these companies were 100% subsidiaries of the Group, and both operated the same principal activities as the company. The effect of this acquisition was therefore to increase the size of the company and its business.

	MITIE Engineering Services (London) Limited £	MITIE Engineering Services (Eastern) Limited £	Total £
Tangible fixed assets	59,706	148,952	208,658
Deferred tax debtor	4,663	9,924	14,587
Other debtors	3,523,449	4,644,140	8,167,589
Cash	475,284	2,636,775	3,112,059
Tax creditor	(55,845)	(83,946)	(139,791)
Dividend creditor	-	(205,500)	(205,500)
Other creditors	(2,872,687)	(5,523,239)	(8,395,926)
Net assets/(liabilities) acquired and consideration	<u>1,134,570</u>	<u>1,627,106</u>	<u>2,761,676</u>

As the operations of the acquired businesses were merged with existing operations from the date of the acquisition, the directors consider it not possible to analyse separately the post-acquisition results of the acquired operations.

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Year ended 31 March 2006

19. RELATED PARTY TRANSACTIONS

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

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 29 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £1.8 million (2005: deficit of £7.6 million).

Contributions to the scheme for the period are shown in note 17 and the agreed contribution rate for the next 12 months is 10% (2005: 10%) and 7.5% (2005: 7.5%) for the group and employees respectively.

21. 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.