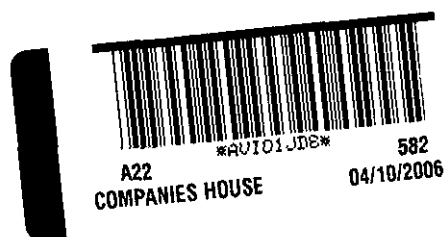


Company Registration Number 4005660

**MITIE ENGINEERING MAINTENANCE
(SOUTH WEST) LIMITED**

Report and Financial Statements

31 March 2006



MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

CONTENTS

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

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
A T Day
A B Horwood
R McGregor-Smith
P F Mosley
D A Needs
N A Quintin
S W Skinner
I R Stewart

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 MAINTENANCE (SOUTH WEST) 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

The company is a majority owned subsidiary of MITIE Group PLC (the "Group"). The company provides management and engineering maintenance services. There have not been any significant changes in the company's principal activities in the year under review and the directors are not aware of any likely major changes.

As shown in the company's profit and loss account on page 7, the company's sales have increased by 22% over the prior year and profit after tax has also improved.

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

The Group manages its operations on a divisional basis. For this reason, the company's directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the Group's Annual Report which does not form part of this report.

DIVIDENDS

A dividend of 18.5p (2005: 25p) per 'A' ordinary share and 15p (2005: nil) per 'B' ordinary share for the year ended 31 March 2006 were 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.

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

DIRECTORS' REPORT (continued)

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 92 days (2005: 98 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.

DIRECTORS AND THEIR INTERESTS

The directors during the year and subsequently were as follows:

A T Day
A B Horwood
R McGregor-Smith
P F Mosley
D A Needs
N A Quintin
S W Skinner
I R Stewart
S C Baxter (appointed 8 May 2006)

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

The interests of the directors and their families in the share capital of the company at the beginning and end of the financial year were:

	At 31 March 2006 £1 'B' ordinary shares No.	At 1 April 2005 £1 'B' ordinary shares No.
A T Day	20,000	20,000
A B Horwood	40,000	40,000
D A Needs	20,000	20,000
N A Quintin	20,000	20,000
S W Skinner	7,830	7,830

No other director had a beneficial interest in the share capital of the company or any other group companies except as disclosed below.

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 are shown in the financial statements of MITIE Group PLC.

Other directors' interests in the shares of the ultimate parent company, MITIE Group PLC, were as follows:

	At 31 March 2006 2.5p Ordinary shares No.	At 1 April 2005 2.5p Ordinary shares No.
D A Needs	49,382	43,374
N A Quintin	58,778	66,281
P F Mosley	114,617	215,813

Share Options

		At 1 April 2005	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2006
A T Day	(i)	5,043	-	-	2007	2009	-	-	5,043
A B Horwood	(i)	2,389	-	-	2007	2008	-	-	2,389
D A Needs	(i)	6,790	-	-	2006	2009	2,430	£0.75	4,360
P F Mosley	(i)	4,364	-	-	2005	2006	4,364	£0.75	-
N A Quintin	(i)	11,019	3,927	£1.38	2006	2010	-	-	14,946

(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 MAINTENANCE (SOUTH WEST) LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

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

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

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

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

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



R McGregor-Smith
Director

14 August 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

We have audited the financial statements of MITIE Engineering Maintenance (South West) 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 22. 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 MAINTENANCE (SOUTH WEST) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2006

	Notes	Continuing operations	
		2006	2005
		£	£
TURNOVER	1	10,298,949	8,439,565
Cost of sales		(8,134,972)	(6,862,579)
GROSS PROFIT		2,163,977	1,576,986
Administrative expenses		(1,130,426)	(1,152,641)
OPERATING PROFIT	2	1,033,551	424,345
Interest receivable	3	25,764	19,170
Interest payable	3	(20,880)	(26,787)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,038,435	416,728
Tax on profit on ordinary activities	4	(316,897)	(120,877)
PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR	12	721,538	295,851

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 statement of total recognised gains and losses has been presented.

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

BALANCE SHEET

At 31 March 2006

	Notes	2006		2005 (restated)	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		209,546		283,773
CURRENT ASSETS					
Stock	7	281,444		451,882	
Debtors	8	3,870,109		2,839,637	
Cash at bank and in hand		1,003,285		505,707	
		<u>5,154,838</u>		<u>3,797,226</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(3,693,714)</u>		<u>(3,063,862)</u>	
NET CURRENT ASSETS			<u>1,461,124</u>		<u>733,364</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,670,670</u>		<u>1,017,137</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10		<u>(500,000)</u>		<u>(500,000)</u>
NET ASSETS			<u><u>1,170,670</u></u>		<u><u>517,137</u></u>
SHARE CAPITAL AND RESERVES					
Called up share capital	11		400,000		400,000
Profit and loss account	12		770,670		117,137
TOTAL SHAREHOLDERS' FUNDS	13		<u><u>1,170,670</u></u>		<u><u>517,137</u></u>
Shareholders' funds are represented by:					
Attributable to equity shareholders			1,170,670		253,397
Attributable to non-equity shareholders			-		263,740
			<u><u>1,170,670</u></u>		<u><u>517,137</u></u>

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 MAINTENANCE (SOUTH WEST) LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2006

	Notes	2006		2005	
		£	£	£	£
Net cash inflow from operating activities	14		1,033,320		256,510
Returns on investments and servicing of finance					
Interest received		25,764		19,170	
Interest paid		(14,214)		(26,787)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			11,550		(7,617)
Taxation					
UK corporation tax paid			(188,828)		(107,190)
Capital expenditure					
Payments to acquire tangible fixed assets		(75,155)		(89,084)	
Proceeds from disposal of tangible fixed assets		14,575		22,260	
Net cash outflow from capital expenditure			(60,580)		(66,824)
Dividends paid			(297,884)		(84,000)
Increase/(decrease) in cash in the year	16		497,578		(9,121)

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) 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 in the United Kingdom, from the company's principal activity.

Turnover from bundled contracts consists of various components which operate independently of each other and for which reliable fair values can be established. Accordingly, each component is accounted for separately as if it were an individual contractual arrangement.

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	2 to 10 years
Motor vehicles	4 years

Operating leases

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

Stock

Stock is stated at the lower of cost (including appropriate overheads) and net realisable value. Provision is made for foreseeable losses.

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 at 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 MAINTENANCE (SOUTH WEST) 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, has decreased the retained profit for the year ended 31 March 2006 by £68,005 and increased the retained profit for the year ended 31 March 2005 by £68,005. The net assets at 31 March 2006 and 31 March 2005 have increased by nil and £68,005 respectively.

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	142,997	156,972
Rentals under operating leases:		
- hire of plant and machinery	73,302	78,990
- other operating leases	44,821	33,708
Auditors' remuneration - audit services	5,500	3,250
Profit on disposal of tangible fixed assets	(8,191)	(15,461)

3. INTEREST

	2006 £	2005 £
Interest receivable		
Bank interest	25,764	19,170
Interest payable		
Interest paid to MITIE Group PLC	20,880	26,787

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) 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%)	326,396	129,730
Adjustment in respect of prior years	283	(4,423)
Total current tax (note 4(b))	326,679	125,307
Deferred taxation:		
Timing differences - origination and reversal	(9,809)	(5,726)
Adjustment in respect of prior years	27	1,296
Tax on profit on ordinary activities	316,897	120,877

(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% (2005: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	1,038,435	416,728
	£	£
Tax at 30% (2005: 30%) thereon	311,531	125,018
Expenses (income)/not deductible for tax purposes	5,056	(1,014)
Capital allowances in excess of depreciation	9,846	6,059
Movement in short-term timing differences	(37)	(333)
Adjustment in respect of prior years	283	(4,423)
Current tax charge for the year (note 4(a))	326,679	125,307

(c) Factors affecting future tax charges

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

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) 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 (restated)
	£	£
18.5p (2005: 25p) per share on £1 'A' ordinary shares	37,765	51,600
15p (2005: nil) per share on £1 'B' ordinary shares	30,240	-
	<u>68,005</u>	<u>51,600</u>

6. TANGIBLE FIXED ASSETS

	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 2005	108,465	614,438	722,903
Additions	1,200	73,955	75,155
Disposals	-	(67,265)	(67,265)
At 31 March 2006	<u>109,665</u>	<u>621,128</u>	<u>730,793</u>
Depreciation			
At 1 April 2005	86,717	352,413	439,130
Charge for the year	9,912	133,085	142,997
Disposals	-	(60,880)	(60,880)
At 31 March 2006	<u>96,629</u>	<u>424,618</u>	<u>521,247</u>
Net book value			
At 31 March 2006	<u>13,036</u>	<u>196,510</u>	<u>209,546</u>
At 31 March 2005	<u>21,748</u>	<u>262,025</u>	<u>283,773</u>

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

7.	STOCK	2006 £	2005 £
	Work in progress	<u>281,444</u>	<u>451,882</u>

8.	DEBTORS	2006 £	2005 £
	Trade debtors	1,764,070	873,641
	Amounts owed by group undertakings	2,058,649	1,919,028
	Other debtors	47,046	44,931
	Prepayments and accrued income	344	2,037
		<u>3,870,109</u>	<u>2,839,637</u>

Included within other debtors is a deferred tax asset of £37,969 which has been recognised at 31 March 2006 (2005: £28,186). This asset relates to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited to the profit and loss account in the year was £9,783 (2005: £4,430).

9.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2006 £	2005 (restated) £
	Trade creditors	2,399,778	1,947,080
	Amounts owed to group undertakings	485,252	446,873
	Corporation tax	221,675	83,824
	Other taxes and social security costs	457,404	266,139
	Other creditors	14,591	9,164
	Accruals and deferred income	115,014	81,064
	Dividends payable	-	229,718
		<u>3,693,714</u>	<u>3,063,862</u>

10.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2006 £	2005 £
	Amounts owed to group undertakings	<u>500,000</u>	<u>500,000</u>

Amounts owed to group undertakings bear interest at 1% above the base rate, are unsecured and are repayable between two and five years.

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

11. CALLED UP SHARE CAPITAL	2006 £	2005 £
Authorised		
300,000 £1 'A' ordinary shares	300,000	300,000
300,000 £1 'B' ordinary shares	300,000	300,000
	<u>600,000</u>	<u>600,000</u>
	£	£
Allotted and fully paid		
204,000 £1 'A' ordinary shares	204,000	204,000
196,000 £1 'B' ordinary shares	196,000	196,000
	<u>400,000</u>	<u>400,000</u>

On 30 March 2006 the rights attached to the shares were amended by Special Resolution and are as follows:

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

- the holders of the £1 'A' ordinary shares are entitled to a fixed cumulative dividend equal to a threshold divided by the number of 'A' shares in issue per annum. The threshold is defined as £50,000, index linked;
- the holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board;
- MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid; and
- thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

In all other respects the shares rank pari passu.

12. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2005 (as previously stated)	49,132
Prior year adjustment (note 1)	68,005
	<u>117,137</u>
At 1 April 2005 (restated)	117,137
Profit for the financial year	721,538
Dividends	(68,005)
	<u>770,670</u>
At 31 March 2006	

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

13.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2006	2005
		£	£
	Profit for the financial year	721,538	295,851
	Dividends (note 5)	(68,005)	(51,600)
	Dividend paid from other reserves	-	(127,114)
	Net addition to shareholders' funds	653,533	117,137
	Opening shareholders' funds (as previously stated)	449,132	400,000
	Prior year adjustment	68,005	-
	Opening shareholders' funds (restated)	517,137	400,000
	Closing shareholders' funds	1,170,670	517,137
14.	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2006	2005
		£	£
	Operating profit	1,033,551	424,345
	Depreciation	142,997	156,972
	Profit on disposal of tangible fixed assets	(8,191)	(15,461)
	Decrease/(increase) in work in progress	170,438	(130,964)
	Increase in debtors	(1,020,690)	(1,372,872)
	Increase in creditors	715,215	1,194,490
	Net cash inflow from operating activities	1,033,320	256,510
15.	ANALYSIS OF CHANGES IN NET FUNDS		
		At 1 April	At 31 March
		2005	2006
		£	£
	Cash at bank and in hand	505,707	1,003,285

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

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

	2006 £	2005 £
Increase/(decrease) in cash in the year	497,578	(9,121)
Net funds at beginning of year	505,707	514,828
Net funds at end of year	<u>1,003,285</u>	<u>505,707</u>

17. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2006 the company had no annual commitments under non-cancellable operating leases (2005: nil).

Commitments on behalf of the group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts and bank loans. As at 31 March 2006, the overall commitment was £33 million (2005: £nil).

18. DIRECTORS

	2006 £	2005 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>324,559</u>	<u>283,405</u>
	£	£
Highest paid director	<u>91,520</u>	<u>80,203</u>

The accrued pension of the highest paid director at 31 March 2006 amounted to £5,005 (2005: £3,804).

	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>4</u>	<u>4</u>

I R Stewart and R McGregor-Smith are remunerated by MITIE Group PLC and P F Mosley is remunerated by MITIE Engineering Maintenance 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 Maintenance (South West) Limited and their services as directors of other group companies.

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

19. EMPLOYEES

Number of employees

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

	2006 No.	2005 No.
Site labour	70	73
Administration and management	10	11
	<u>80</u>	<u>84</u>
Employment costs	£	£
Wages and salaries	2,161,992	2,141,736
Social security costs	223,783	224,321
Pension costs	56,466	64,780
	<u>2,442,241</u>	<u>2,430,837</u>

20. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 53% shareholder of MITIE Engineering Maintenance (South West) Limited.

During the year the company sold goods and services to the following subsidiary companies of MITIE Group PLC and was owed balances as at 31 March 2006 of:

	Sales £	Balance £
Cole Motors Limited	13,066	-
MITIE Air Conditioning (South West) Limited	23,897	6,627
MITIE Cleaning (South West) Limited	56,529	3,607
MITIE Cleaning Limited	92	449
MITIE Engineering (North) Limited	1,498	-
MITIE Engineering Maintenance Limited	57,884	10,222
MITIE Engineering Services (Retail) Limited	809,899	400,250
MITIE Engineering Services (South West) Limited	105	-
MITIE Group PLC	57,555	71
MITIE Managed Services Limited	3,474,338	1,596,538
MITIE PFI Limited	108,921	32,229
MITIE Property Services (UK) Limited	6,415	-
MITIE Security (South West) Limited	19,343	5,073
MITIE Services (Retail) Limited	6,044	-
MITIE Engineering Maintenance (North) Limited	9,678	2,798
MITIE Engineering Services (Cardiff) Limited	668	785

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

20. RELATED PARTY TRANSACTIONS (continued)

During the year the company purchased goods and services from the following subsidiary companies of MITIE Group PLC and owed balances as at 31 March 2006 of:

	Purchases £	Balance £
Cole Motors Limited	11,343	1,544
MITIE Business Services Limited	1,202	-
MITIE Cleaning (South West) Limited	819	858
MITIE Cleaning Limited	15,443	-
MITIE Engineering Maintenance (Caledonia) Limited	88,479	14,418
MITIE Engineering Maintenance Limited	534,871	90,863
MITIE Engineering Maintenance (North) Limited	30,108	16,414
MITIE Property Services (UK) Limited	5,846	5,392
MITIE Air Conditioning (West) Limited	2,245	687
MITIE Engineering Services Limited	325	-
MITIE Engineering Services (Cardiff) Limited	4,783	-
MITIE Services (Retail) Limited	11,167	-
MITIE Managed Services (SW & Wales) Limited	36,713	23,825
MITIE Air Conditioning (Midlands) Limited	518	121
MITIE Engineering Maintenance (West) Limited	-	331,130

During the prior year the company sold goods and services to the following subsidiary companies of MITIE Group PLC and was owed balances as at 31 March 2005 of:

	Sales £	Balance £
Cole Motors Limited	16,801	-
MITIE Air Conditioning (South West) Limited	5,706	3,482
MITIE Air Conditioning (West) Limited	165	-
MITIE Cleaning (South West) Limited	7,545	5,494
MITIE Cleaning Limited	2,768	-
MITIE Engineering (North) Limited	2,764	2,730
MITIE Engineering Maintenance Limited	101,016	8,583
MITIE Engineering Services (Retail) Limited	1,239	-
MITIE Engineering Services (South West) Limited	2,028	2,468
MITIE Group PLC	6,475	2,374
MITIE Managed Services Limited	3,137,802	1,865,223
MITIE PFI Limited	36,599	23,644
MITIE Property Services (London) Limited	843	-
MITIE Property Services (Southern) Limited	5,922	372
MITIE Security (South West) Limited	1,560	1,833
MITIE Services (Retail) Limited	15,840	2,829

MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

20. RELATED PARTY TRANSACTIONS (continued)

During the prior year the company purchased goods and services from the following subsidiary companies of MITIE Group PLC and owed balances as at 31 March 2005 of:

	Purchases £	Balance £
Cole Motors Limited	23,295	818
MITIE Business Services Limited	771	906
MITIE Cleaning (South West) Limited	6,921	703
MITIE Cleaning Limited	5,277	12,377
MITIE Engineering Maintenance (Caledonia) Limited	12,028	2,361
MITIE Engineering Maintenance Limited	366,627	92,927
MITIE Engineering Maintenance (North) Limited	4,139	844
MITIE Engineering Maintenance (West) Limited	-	331,133
MITIE Property Services Limited	6,753	4,805

21. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. For the purposes of Financial Reporting Standard 17 ("Retirement Benefits"), the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 29 to the Report and Accounts of the group set 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 19 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.

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.