

Company Registration Number 4571695

MITIE ENGINEERING PROJECTS LIMITED

Report and Financial Statements

31 March 2006



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MITIE ENGINEERING PROJECTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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MITIE ENGINEERING PROJECTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C S Acheson
G Allen
S C Baxter
P R Kelly
R McGregor-Smith
I R Stewart
J F Tattan

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

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche LLP
Bristol

MITIE ENGINEERING PROJECTS LIMITED

DIRECTORS' REPORT

The directors present their 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 installation of electrical and mechanical services predominantly in the social housing sector. 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 31% over the prior year and profit after tax has improved by 62%.

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 £3.24 (2005: £1.61) per 'A' ordinary share and 8p (2005: 8p) per 'B' ordinary share for the year ended 31 March 2006 was paid during the year.

MITIE ENGINEERING PROJECTS LIMITED

DIRECTORS' REPORT (continued)

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 57 days (2005: 44 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 PROJECTS LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the year and subsequently were as follows:

C S Acheson
G Allen
P R Kelly
R McGregor-Smith
I R Stewart
J F Tattan
S C Baxter (appointed 8 May 2006)

The beneficial interests of the directors and their families in the share capital of the company were as follows:

	At 31 March 2006 £1 'B' ordinary shares No.	At 1 April 2005 £1 'B' ordinary shares No.
P R Kelly	13,500	13,500
J F Tattan	13,500	13,500

No other director had an 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 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 2006 2.5p Ordinary shares No.	At 1 April 2005 2.5p Ordinary shares No.
G Allen	157,030	166,030
P R Kelly	340	340
J F Tattan	80	80

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

No other director held share options in MITIE Group PLC at the beginning or end of the year.

G Allen also held 300 'B' ordinary shares in MITIE Cleanrooms Limited at the beginning and end of the year, 2,000 'B' ordinary shares in MITIE Engineering Services (Liverpool) Limited at the beginning and end of the year, and 210 ordinary shares and 10 deferred shares in MITIE Engineering Services (Leeds) Limited at the beginning and end of the year.

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

MITIE ENGINEERING PROJECTS 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

 October 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE ENGINEERING PROJECTS LIMITED

We have audited the financial statements of MITIE Engineering Projects 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

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

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

We read the directors' report and 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

10 October 2006

MITIE ENGINEERING PROJECTS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2006

	Notes	Continuing operations 2006	2005 (restated) £
TURNOVER	1	8,406,643	6,431,074
Cost of sales		(7,167,778)	(5,472,011)
GROSS PROFIT		1,238,865	959,063
Administrative expenses		(536,942)	(493,705)
OPERATING PROFIT	2	701,923	465,358
Interest receivable	3	41,958	21,833
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		743,881	487,191
Tax on profit on ordinary activities	4	(209,736)	(156,768)
PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR	11	534,145	330,423

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 PROJECTS LIMITED

BALANCE SHEET

At 31 March 2006

	Notes	2006		2005 (restated)	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		44,316		55,201
CURRENT ASSETS					
Stocks	7	153,956		269,642	
Debtors	8	859,188		716,843	
Cash at bank and in hand		1,281,418		492,284	
		2,294,562		1,478,769	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(1,465,678)		(1,025,703)	
NET CURRENT ASSETS			828,884		453,066
NET ASSETS			873,200		508,267
SHARE CAPITAL AND RESERVES					
Called up share capital	10		100,000		100,000
Profit and loss account	11		773,200		408,267
TOTAL SHAREHOLDERS' FUNDS	12		873,200		508,267

These financial statements were approved by the Board of Directors on 7 October 2006.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

MITIE ENGINEERING PROJECTS LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2006

	Notes	2006		2005	
		£	£	£	£
Net cash inflow from operating activities	13		1,195,250		492,908
Returns on investments and servicing of finance					
Interest received			39,672		21,810
Taxation					
UK corporation tax paid			(186,950)		(97,684)
Capital expenditure					
Payments to acquire tangible fixed assets		(11,782)		(28,483)	
Proceeds on disposal of tangible fixed assets		-		1,661	
Net cash outflow from capital expenditure			(11,782)		(26,822)
Cash inflow before financing			1,036,290		390,212
Financing					
Dividends			(247,056)		(8,000)
Increase in cash in the year	15		789,134		382,212

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:

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

Long-term contracts

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

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

Tax

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

MITIE ENGINEERING PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2006

1. ACCOUNTING POLICES (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.

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 £169,212 and increased the retained profit for the year ended 31 March 2005 by £161,212. The net assets at 31 March 2006 and 31 March 2005 have increased by nil and £169,212 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:		
Depreciation on owned assets	22,667	22,309
Auditors' remuneration - audit services	3,610	5,700
Operating lease rentals - plant and machinery	1,250	5,734
Loss on disposal of tangible fixed assets	-	5,069
	<hr/>	<hr/>

3. INTEREST RECEIVABLE

	2006 £	2005 £
Bank interest	41,958	21,833
	<hr/>	<hr/>

MITIE ENGINEERING PROJECTS 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%)	230,476	156,094
Adjustment in respect of prior years	(20,882)	4,132
Total current tax (note 4(b))	209,594	160,226
Deferred taxation:		
Timing differences - origination and reversal	(1,580)	(2,091)
Adjustment in respect of prior years	1,722	(1,367)
Tax on profit on ordinary activities	209,736	156,768

(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	743,881	487,191
	£	£
Tax at 30% (2005: 30%) thereon	223,164	146,157
Expenses not deductible for tax purposes	5,732	7,846
Capital allowances in excess of depreciation	1,897	2,344
Timing differences	(317)	(253)
Adjustments in respect of prior years	(20,882)	4,132
Current tax charge for the year (note 4(a))	209,594	160,226

(c) Factors affecting future tax charges

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

MITIE ENGINEERING PROJECTS 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 £
£3.24 (2005: £1.61) per share on £1 'A' ordinary shares	165,292	81,924
8p (2005: 8p) per share on £1 'B' ordinary shares	3,920	3,920
	<u>169,212</u>	<u>85,844</u>

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

6. TANGIBLE FIXED ASSETS

	Motor vehicles £	Plant and office equipment £	Total £
Cost			
At 1 April 2005	75,081	11,876	86,957
Additions	10,020	1,762	11,782
	<u>85,101</u>	<u>13,638</u>	<u>98,739</u>
At 31 March 2006			
Depreciation			
At 1 April 2005	25,580	6,176	31,756
Charge for the year	19,328	3,339	22,667
	<u>44,908</u>	<u>9,515</u>	<u>54,423</u>
At 31 March 2006			
Net book value			
At 31 March 2006	<u>40,193</u>	<u>4,123</u>	<u>44,316</u>
At 31 March 2005	<u>49,501</u>	<u>5,700</u>	<u>55,201</u>

Capital commitments

At 31 March 2006 the directors had contracted capital expenditure of £1,762 (2005: nil).

MITIE ENGINEERING PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2006

7.	STOCKS	2006 £	2005 £
	Work in progress	<u>153,956</u>	<u>269,642</u>

8.	DEBTORS	2006 £	2005 £
	Trade debtors	817,313	690,058
	Amounts owed by group undertakings	26,694	10,848
	Other debtors	4,489	-
	Deferred tax	1,894	2,036
	Prepayments and accrued income	8,798	13,901
		<u>859,188</u>	<u>716,843</u>

A deferred tax asset of £1,894 has been recognised at 31 March 2006 (2005: £2,036). 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 charged to the profit and loss account in the year was £142 (2005: credit of £3,458).

9.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2006 £	2005 (restated) £
	Trade creditors	1,025,439	582,768
	Amounts owed to group undertakings	23,636	59,113
	Other creditors	1,697	3,304
	Corporation tax	140,694	118,050
	Other taxes and social security costs	157,473	108,602
	Accruals and deferred income	116,739	76,022
	Dividend	-	77,844
		<u>1,465,678</u>	<u>1,025,703</u>

MITIE ENGINEERING PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2006

10. CALLED UP SHARE CAPITAL	2006 £	2005 £
Authorised		
102,000 £1 'A' ordinary shares	102,000	102,000
98,000 £1 'B' ordinary shares	98,000	98,000
	<u>200,000</u>	<u>200,000</u>
	£	£
Allotted and fully paid		
51,000 £1 'A' ordinary shares	51,000	51,000
49,000 £1 'B' ordinary shares	49,000	49,000
	<u>100,000</u>	<u>100,000</u>

Rights attaching to shares

The rights attaching to the 'A' and 'B' £1 ordinary shares are as follows:

Income

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

- (i) first, in paying to the shareholders of "A" and "B" Shares a dividend of such amount as the board shall decide;
- (ii) second, in paying as a cumulative dividend to the holders together of the "A" shares one half of the profits of the Company available for distribution in each financial year less the amounts already paid in respect of the "A" shares under clause (i) together with any arrears of such cumulative dividend unpaid from any previous financial year insofar as there is sufficient profit remaining after the payment in clause (i); and
- (iii) third, the balance of the profits available for distribution which are resolved to be distributed shall be distributed among the holders of the "A" Share and "B" Shares pari passu as if they constituted one class of share.

Every dividend shall be distributed to the appropriate Shareholders pro rata according to the nominal value of the shares held by them respectively.

Capital

On a return of capital, the assets of the company will be distributed equally to all ordinary shareholders.

Voting

Each 'A' and 'B' share will carry one vote.

MITIE ENGINEERING PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2006

11. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2005 (as previously stated)	239,055
Prior year adjustment (note 1)	169,212
At 1 April 2005 (restated)	408,267
Profit for the financial year	534,145
Dividends	(169,212)
At 31 March 2006	<u>773,200</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	534,145	330,423
Dividends (note 5)	(169,212)	(85,844)
Net addition to shareholders' funds	<u>364,933</u>	<u>244,579</u>
Opening shareholders' funds (as previously stated)	339,055	255,688
Prior year adjustment	169,212	8,000
Opening shareholders' funds (restated)	<u>508,267</u>	<u>263,688</u>
Closing shareholders' funds	<u>873,200</u>	<u>508,267</u>

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

	2006 £	2005 £
Operating profit	701,923	465,358
Depreciation	22,667	22,309
Loss on disposal of tangible fixed assets	-	5,069
Decrease/(increase) in work in progress	115,686	(262,753)
(Increase)/decrease in debtors	(138,096)	261,217
Increase in creditors	493,070	1,708
Net cash inflow from operating activities	<u>1,195,250</u>	<u>492,908</u>

14. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2005 £	Cash flow £	At 31 March 2006 £
Cash at bank and in hand	<u>492,284</u>	<u>789,134</u>	<u>1,281,418</u>

MITIE ENGINEERING PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

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

	2006 £	2005 £
Increase in cash in the year	789,134	382,212
Net funds at beginning of year	492,284	110,072
Net funds at end of year	<u>1,281,418</u>	<u>492,284</u>

16. FINANCIAL COMMITMENTS

Operating leases

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

Performance commitments

The company had outstanding performance bonds at 31 March 2006 of £589,432 (2005: 294,157).

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).

17. DIRECTORS

	2006 £	2005 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions)	<u>160,800</u>	<u>249,109</u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest paid director	<u>80,400</u>	<u>106,000</u>

The accrued pension benefit of the highest paid director was £8,820 (2005: nil).

	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>2</u>	<u>3</u>

C S Acheson, I R Stewart and R McGregor-Smith are remunerated by MITIE Group PLC and G Allen is 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 Projects Limited and their services as directors of other group companies.

MITIE ENGINEERING PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

17. DIRECTORS (continued)

None of the directors exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the period (2005: no directors).

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.

18. EMPLOYEES

Number of employees

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

	2006 No.	2005 No.
Site	23	29
Administration and management	15	14
	<u>38</u>	<u>43</u>

Employment costs (including directors)

	£	£
Wages and salaries	1,290,553	1,228,727
Social security costs	137,363	124,759
Pension costs	25,620	19,462
	<u>1,453,536</u>	<u>1,372,948</u>

19. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 63% shareholder of MITIE Engineering Projects Limited.

MITIE Engineering Projects Limited paid management charges of £230,473 (2005: £175,629) to companies within MITIE Group PLC. There was £23,636 outstanding in respect of these management charges at 31 March 2006 (2005: £59,113).

MITIE Engineering Projects Limited purchased goods and services at an amount of £16,467 (2005: £3,500) from companies within the MITIE Group PLC on normal commercial terms.

MITIE Engineering Projects Limited provided services of value £236,630 (2005: £10,848) to companies within the group on normal commercial terms. An amount of £26,694 (2005: £10,848) is included in debtors in respect of these transactions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

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 18 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.