

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

Report and Financial Statements

14 month period from 3 February 2003
to 31 March 2004

Deloitte & Touche LLP
Bristol



MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

REPORT AND FINANCIAL STATEMENTS 2004

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MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C S Acheson
D Freeman
W Mitchell
R McGregor-Smith
I R Stewart
I M Strong
S S Wallace

SECRETARY

C K Ross (appointed 3 February 2003)
Instant Companies Limited (appointed and resigned 3 February 2003)

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

Royal Bank of Scotland plc
1 Moncrieff Street
Paisley
PA3 2AW

AUDITORS

Deloitte & Touche LLP
Bristol

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the 14 month period from 3 February 2003 to 31 March 2004.

On 9 September 2003 the company changed its name from MITIE (29) Limited to MITIE Engineering Services (Edinburgh) Limited.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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's principal activity is the installation of electrical services in commercial and industrial premises.

The results for the period has been disappointing but the directors consider that following remedial action they have taken the company is now positioned to develop its business.

The company was incorporated on 3 February 2003 and commenced trading on 9 September 2003.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £60,351. The directors do not propose the payment of a dividend and recommend that £60,351 be transferred from reserves.

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

I R Stewart	(appointed 3 February 2003)
W Mitchell	(appointed 30 September 2003)
I M Strong	(appointed 30 September 2003)
Ms R McGregor-Smith	(appointed 7 October 2003)
S S Wallace	(appointed 4 February 2004)
C S Acheson	(appointed 11 February 2004)
D Freeman	(appointed 11 February 2004)
D M Telling	(appointed 3 February 2003, resigned 10 October 2003)
Instant Companies Limited	(appointed 3 February 2003, resigned 3 February 2003)

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

	At 31 March 2004 £1 'B' ordinary shares No.	At date of appointment £1 'B' ordinary shares No.
W Mitchell	25,000	25,000
I M Strong	20,000	20,000
S S Wallace	20,000	20,000

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

Messrs C S Acheson and I R Stewart and Ms R McGregor-Smith are directors of MITIE Group PLC, the parent undertaking, and their interests in and options on the share capital of that company are shown in the financial statements of MITIE Group PLC.

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

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

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

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2004 trade creditors, as a proportion of amounts invoiced from suppliers for the period, represented 124 days.

In the industry in which the company operates credit periods are frequently extended by agreement. The company's creditor days are a reflection of this custom.

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

DIRECTORS' REPORT (continued)

EMPLOYEES

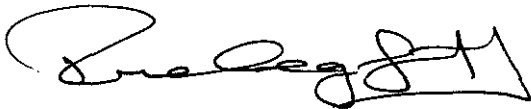
The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their attitudes and abilities in common with all employees, providing the disability 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.

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. 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

29 July 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED (formerly MITIE (29) Limited)

We have audited the financial statements of MITIE Engineering Services (Edinburgh) Limited for the 14 month period from 3 February 2003 to 31 March 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
Bristol

29 July 2004

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

PROFIT AND LOSS ACCOUNT

14 month period from 3 February 2003 to 31 March 2004

	Notes	Continuing operations 2004 £
TURNOVER	1	424,526
Cost of sales		(347,857)
GROSS PROFIT		76,669
Administrative expenses		(136,795)
OPERATING LOSS	2	(60,126)
Interest receivable	3	1,899
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(58,227)
Tax on loss on ordinary activities	4	(2,124)
RETAINED LOSS FOR THE FINANCIAL PERIOD	10	(60,351)

There are no recognised gains and losses for the current financial period other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.

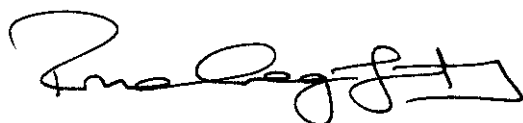
MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

BALANCE SHEET
At 31 March 2004

	Notes	2004
		£ £
FIXED ASSETS		
Tangible assets	5	48,701
CURRENT ASSETS		
Debtors	6	256,122
Cash at bank and in hand		109,564
		<u>365,686</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	<u>(272,614)</u>
NET CURRENT ASSETS		<u>93,072</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		141,773
PROVISIONS FOR LIABILITIES AND CHARGES	8	<u>(2,124)</u>
NET ASSETS		<u><u>139,649</u></u>
SHARE CAPITAL AND RESERVES		
Called up share capital	9	200,000
Profit and loss account	10	<u>(60,351)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	10	<u><u>139,649</u></u>

These financial statements were approved by the Board of Directors on 29 July 2004.

Signed on behalf of the Board of Directors



R McGregor-Smith
Director

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

CASH FLOW STATEMENT

14 month period from 3 February 2003 to 31 March 2004

	Notes	2004
		£ £
Net cash outflow from operating activities	11	(42,066)
Returns on investments and servicing of finance		
Interest received		1,661
Taxation		
UK corporation tax received		3,813
Capital expenditure		
Payments to acquire tangible fixed assets		(53,844)
Financing		
Issue of ordinary capital		200,000
Increase in cash in the period	13	<u>109,564</u>

NOTES TO THE FINANCIAL STATEMENTS

14 month period from 3 February 2003 to 31 March 2004

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:

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

Leasing and hire purchase commitments

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

Long term contracts

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

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

Deferred taxation

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 financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

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

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

NOTES TO THE FINANCIAL STATEMENTS

14 month period from 3 February 2003 to 31 March 2004

2.	OPERATING LOSS is stated after charging:	2004 £
	Depreciation on owned assets	5,143
	Auditors' remuneration - audit services	900
		<u> </u>

3.	INTEREST RECEIVABLE	2004 £
	Bank interest	1,899
		<u> </u>

4.	TAX ON LOSS ON ORDINARY ACTIVITIES	2004 £
	(a) Analysis of charge in period	£
	United Kingdom corporation tax at 30% (note 4(b))	-
	Deferred taxation:	
	Timing differences - origination and reversal	2,124
		<u> </u>
	Tax on loss on ordinary activities	2,124
		<u> </u>

(b) Factors affecting tax charge in period

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

	£
Loss on ordinary activities before tax	(58,227)
	<u> </u>
	£
Tax at 30% thereon	(17,468)
Expenses not deductible for tax purposes	2,061
Capital allowances less than depreciation	(2,124)
Generation of losses	17,531
	<u> </u>
Current tax credit for the period (note 4(a))	-
	<u> </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 (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

NOTES TO THE FINANCIAL STATEMENTS
14 month period from 3 February 2003 to 31 March 2004

5. TANGIBLE FIXED ASSETS

	Motor vehicles £	Plant and office equipment £	Total £
Cost			
Additions	40,958	12,886	53,844
At 31 March 2004	<u>40,958</u>	<u>12,886</u>	<u>53,844</u>
Depreciation			
Charge for the period	3,148	1,995	5,143
At 31 March 2004	<u>3,148</u>	<u>1,995</u>	<u>5,143</u>
Net book value			
At 31 March 2004	<u><u>37,810</u></u>	<u><u>10,891</u></u>	<u><u>48,701</u></u>

Capital commitments

At 31 March 2004 the directors had authorised capital expenditure of nil.

6. DEBTORS	2004 £
Trade debtors	121,988
Amounts recoverable on contracts	132,899
Amounts owed by group undertakings	997
Other debtors	238
	<u>256,122</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2004 £
Trade creditors	249,444
Amounts owed to group undertakings	250
Corporation tax	3,813
Other taxes and social security costs	5,143
Accruals and deferred income	13,964
	<u>272,614</u>

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

NOTES TO THE FINANCIAL STATEMENTS

14 month period from 3 February 2003 to 31 March 2004

8. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
Profit and loss account	2,124
At 31 March 2004	<u>2,124</u>

The amount of deferred taxation provided in the financial statements represents:

	£
Capital allowances in excess of depreciation	<u>2,124</u>

There are no unprovided deferred taxation liabilities.

9. CALLED UP SHARE CAPITAL

2004
£

Authorised	
204,000 £1 'A' ordinary shares	204,000
196,000 £1 'B' ordinary shares	196,000
	<u>400,000</u>

£

Allotted and fully paid	
102,000 £1 'A' ordinary shares	102,000
98,000 £1 'B' ordinary shares	98,000
	<u>200,000</u>

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

Income

Dividends are declared on the following basis:

- (i) the profits available for distribution should be applied first in paying to the holders of the 'A' shares and the 'B' shares a dividend that the board should decide;
- (ii) secondly in paying a cumulative dividend to the holders of the 'A' shares which comprises of one half of the profits available for distribution after the payment of the dividend in (i); and
- (iii) thirdly in paying a dividend pari passu to the holders of the 'A' and 'B' shares.

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

NOTES TO THE FINANCIAL STATEMENTS

14 month period from 3 February 2003 to 31 March 2004

9. CALLED UP SHARE CAPITAL (continued)

Capital

On a return of capital, the assets of the company will be distributed equally to all £1 ordinary shareholders.

Voting

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

**10. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
AND STATEMENT OF MOVEMENTS ON RESERVES**

	Share capital £	Profit and loss account £	2004 Total £
Issue of ordinary shares	200,000	-	200,000
Loss for the financial year	-	(60,351)	(60,351)
At 31 March 2004	<u>200,000</u>	<u>(60,351)</u>	<u>139,649</u>

**11. RECONCILIATION OF OPERATING LOSS TO NET CASH
OUTFLOW FROM OPERATING ACTIVITIES**

	2004 £
Operating loss	(60,126)
Depreciation charges	5,143
Increase in debtors	(255,884)
Decrease in creditors	268,801
Net cash outflow from operating activities	<u>(42,066)</u>

12. ANALYSIS OF CHANGES IN NET FUNDS

	At 3 February 2003 £	Cash flow £	At 31 March 2004 £
Cash at bank and in hand	<u>-</u>	<u>109,564</u>	<u>109,564</u>

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
(formerly MITIE (29) Limited)

NOTES TO THE FINANCIAL STATEMENTS

14 month period from 3 February 2003 to 31 March 2004

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

	2004
	£
Increase in cash in the period	109,564
Net funds at end of period	<u>109,564</u>

14. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2004 the company had no annual commitments under non-cancellable operating leases.

Commitments on behalf of group undertakings

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

15. DIRECTORS

	2004
	£
The emoluments of directors of the company were:	
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>32,898</u>

No.

The number of directors who were members of a defined benefit pension scheme

-

Messrs C S Acheson and I R Stewart and Ms R McGregor-Smith are remunerated by MITIE Group PLC 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 (Edinburgh) Limited and their services as directors of other group companies.

Messrs C S Acheson and I R Stewart and Ms R McGregor-Smith are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts.

MITIE ENGINEERING SERVICES (EDINBURGH) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

14 month period from 3 February 2003 to 31 March 2004

16. EMPLOYEES

Number of employees

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

	2004 No.
Site labour	1
Administration and management	3
	<hr/> 4 <hr/>
Employment costs (including directors)	£
Wages and salaries	93,475
Social security costs	10,624
	<hr/> 104,099 <hr/>

17. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 65% shareholder of MITIE Engineering Services (Edinburgh) Limited.

MITIE Engineering Services (Edinburgh) Limited paid management charges of £12,500 to companies within MITIE Group PLC. No amounts remained outstanding in respect of these charges at the period end.

During the year, MITIE Engineering Services (Edinburgh) Limited provided services at an amount of £11,391 to companies within the MITIE Group PLC on normal commercial terms. An amount of £997 is included in debtors in respect of these services.

During the year, MITIE Engineering Services (Edinburgh) Limited purchased goods and services at an amount of £44,424 from companies within the MITIE Group PLC on normal commercial terms. An amount of £250 is included in creditors in respect of these charges at the period end.

NOTES TO THE FINANCIAL STATEMENTS

14 month period from 3 February 2003 to 31 March 2004

18. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme for the period are shown in note 16 and the agreed contribution rate for the next 12 months is 10% (2003:10%) and 7.5% (2003: 7.5%) for the group and employees respectively.

An updated FRS17 valuation of the scheme as at 31 March 2004 indicated that the scheme was 85% funded.

19. PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. MITIE Group PLC is both the smallest and largest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.