

PARKERSELL LIMITED

Report and Financial Statements

31 December 1996

Deloitte & Touche
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BE



REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D B Mathews (Chairman)
M L Hopkins (Managing Director)
D W Guthrie
T W Parker
D J Harrison

SECRETARY

D W Guthrie

REGISTERED OFFICE

Parkersell House
Cranworth Road
Winchester
Hampshire
SO22 6SQ

BANKERS

National Westminster Bank Plc
1 Princes Street
London
EC2R 8PH

AUDITORS

Deloitte & Touche
Chartered Accountants
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BE

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1996.

REVIEW OF THE BUSINESS

The group's principal activity during the year continued to be the installation and maintenance of lighting and electrical equipment.

RESULTS AND DIVIDENDS

The group profit for the year after taxation amounted to £1,106,860 (1995: £1,882,348) and is dealt with as shown in the profit and loss account on page 6.

The directors propose a final dividend of 79.35 pence (1995: 130.71 pence) per share.

FUTURE PROSPECTS

The directors expect the group to continue trading profitably in the future.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All directors served throughout the year.

Messrs D B Mathews and M L Hopkins are the directors retiring by rotation under article 89 and, being eligible, offer themselves for re-election.

No director had any interest in the share capital of the company or any group undertaking at 31 December 1996.

EMPLOYEE INVOLVEMENT

The group has for many years been fully committed to securing the full co-operation and involvement of its employees in the success of the business.

This is achieved by direct communication and consultation with all employees and with representatives, where appropriate, at the locations in which they work. Employees are regularly informed of the performance and progress of their company by briefing groups and are encouraged to maximise company performance by means of incentive schemes.

DISABLED EMPLOYEES

The group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

DIRECTORS' REPORT (continued)

CREDITORS

It is the company's normal practice to agree terms of transactions, including payments terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the company's policy that payment is made accordingly.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in dark ink, appearing to read 'D W Guthrie', with a long horizontal flourish extending to the right.

D W GUTHRIE

Secretary

Date: 3 March 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and group as at the end of the financial year and of the profit or loss of the group 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chartered Accountants

Deloitte & Touche
Mountbatten House
1 Grosvenor Square
Southampton SO15 2BE

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PARKERSELL LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 22 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 and the group'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 affairs of the company and the group as at 31 December 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

Date: 27 March 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

| | | 1996 £ | 1995 £ |
|--|------|--------------|--------------|
| | Note | | |
| TURNOVER | 2 | 55,192,244 | 50,609,142 |
| Change in stocks and work in progress | | (615,506) | 2,235,461 |
| | | <hr/> | <hr/> |
| | | 54,576,738 | 52,844,603 |
| Raw materials and consumables | | (23,984,356) | (23,492,604) |
| | | <hr/> | <hr/> |
| | | 30,592,382 | 29,351,999 |
| | | <hr/> | <hr/> |
| Staff costs | | (17,207,564) | (15,590,170) |
| Depreciation | | (1,958,280) | (1,904,218) |
| Other operating costs | | (9,423,606) | (8,930,712) |
| | | <hr/> | <hr/> |
| | | (28,589,450) | (26,425,100) |
| | | <hr/> | <hr/> |
| OPERATING PROFIT | 3 | 2,002,932 | 2,926,899 |
| Profit on sale of fixed assets | | 192,281 | 237,969 |
| Interest receivable | 6 | 750 | 247 |
| Interest payable | 7 | (327,572) | (233,182) |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | 1,868,391 | 2,931,933 |
| Tax on profit on ordinary activities | 8 | (761,531) | (1,049,585) |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 1,106,860 | 1,882,348 |
| Minority interests | | 4,097 | (52,352) |
| | | <hr/> | <hr/> |
| PROFIT FOR THE FINANCIAL YEAR | 9 | 1,110,957 | 1,829,996 |
| Dividends | 10 | (555,478) | (914,998) |
| | | <hr/> | <hr/> |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | 20 | 555,479 | 914,998 |
| | | <hr/> | <hr/> |

CONSOLIDATED BALANCE SHEET
31 December 1996

| | Note | 1996 £ | 1995 £ |
|--|------|--------------|--------------|
| FIXED ASSETS | | | |
| Tangible assets | 11 | 4,369,589 | 5,063,803 |
| CURRENT ASSETS | | | |
| Stocks and work in progress | 13 | 6,656,573 | 7,272,078 |
| Debtors | 14 | 13,278,139 | 12,809,685 |
| Amounts due from group undertakings | 15 | 55,222 | 94,808 |
| Cash at bank and in hand | | 494,759 | 462,461 |
| | | 20,484,693 | 20,639,032 |
| CREDITORS: amounts falling due within one year | 16 | (12,993,705) | (14,175,588) |
| NET CURRENT ASSETS | | 7,490,988 | 6,463,444 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 11,860,577 | 11,527,247 |
| CREDITORS: amounts falling due after more than one year | 17 | (22,126) | (26,513) |
| EQUITY MINORITY INTERESTS | | (229,988) | (234,085) |
| TOTAL NET ASSETS | | 11,608,463 | 11,266,649 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 700,000 | 700,000 |
| Share premium account | 20 | 238 | 238 |
| Other reserves | 20 | 26,791 | 26,791 |
| Profit and loss account | 20 | 10,881,434 | 10,539,620 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | 11,608,463 | 11,266,649 |

These financial statements were approved by the Board of Directors on 3 March 1997

Signed on behalf of the Board of Directors


D B MATHEWS

Chairman


M L HOPKINS

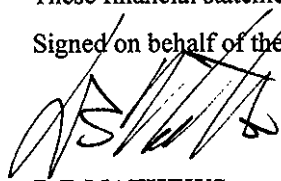
Director

BALANCE SHEET
31 December 1996

| | Notes | 1996 £ | 1995 £ |
|---|-------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible assets | 11 | 433,471 | 436,396 |
| Investments | 12 | 4,161,446 | 5,940,958 |
| | | <u>4,594,917</u> | <u>6,377,354</u> |
| CURRENT ASSETS | | | |
| Debtors | 14 | 230,737 | 73,695 |
| Amounts due from group undertakings | 15 | 1,685,382 | 1,890,873 |
| | | <u>1,916,119</u> | <u>1,964,568</u> |
| CREDITORS: amounts falling due within one year | 16 | <u>(4,967,033)</u> | <u>(5,115,060)</u> |
| NET CURRENT LIABILITIES | | <u>(3,050,914)</u> | <u>(3,150,492)</u> |
| TOTAL NET ASSETS | | <u>1,544,003</u> | <u>3,226,862</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 700,000 | 700,000 |
| Share premium account | 20 | 238 | 238 |
| Other reserves | 20 | 26,791 | 26,791 |
| Profit and loss account | 20 | 816,974 | 2,499,833 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | <u>1,544,003</u> | <u>3,226,862</u> |

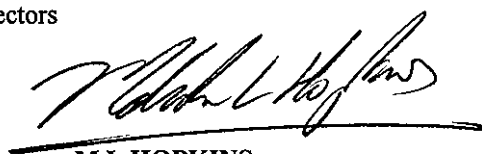
These financial statements were approved by the Board of Directors on 3 March 1997

Signed on behalf of the Board of Directors



D B MATHEWS

Chairman



M L HOPKINS

Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 1996

| | 1996 £ | 1995 £ |
|---|----------------|------------------|
| Profit for the financial year | 1,110,957 | 1,829,996 |
| Currency translation differences on foreign currency net investments | (213,665) | 113,648 |
| Total recognised gains and losses for the year | <u>897,292</u> | <u>1,943,644</u> |

The group has presented its accounts using the historical cost basis and has not included a memorandum statement of the group's historical cost profits and losses as there is no material difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

NOTES TO THE ACCOUNTS

Year ended 31 December 1996

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold properties.

Basis of consolidation

The group accounts consolidate the accounts of Parkersell Limited and all its subsidiary undertakings drawn up for the year ending 31 December 1996 (comparatives: 31 December 1995). No profit and loss account is presented for Parkersell Limited as permitted by section 230 of the Companies Act 1985.

Cash flow statement

The company has taken advantage of the exemption contained in FRS1 not to publish its own cashflow statement as it is a wholly owned subsidiary of Energy and Technical Services Group plc and its cashflows are dealt with in the consolidated cashflow statement of that company.

Related party transactions

The company has taken advantage of the exemption contained in FRS8 not to present details of transactions with other group entities as it is a wholly owned subsidiary of Energy and Technical Services Group plc, and such transactions are eliminated on consolidation.

Goodwill

Depending on the circumstances of each acquisition, purchased goodwill is either written off directly against reserves or amortised through the profit and loss account over the directors' estimate of its useful life.

Tangible fixed assets

Depreciation is provided on cost or valuation in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

| | |
|-------------------------------|--------------------------|
| Freehold properties | 2% per annum |
| Short leasehold improvements | 10% per annum |
| Plant and machinery | 20% per annum |
| Computer and office equipment | 10% to 33 1/3% per annum |
| Private vehicles | 25% to 33 1/3% per annum |
| Commercial vehicles | 25% to 40% per annum |

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Market research

Expenditure on market research is written off in the period in which it is incurred.

NOTES TO THE ACCOUNTS

Year ended 31 December 1996

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of the opening net assets are taken directly to retained profits. All other translation differences are taken to the profit and loss account.

Assets held under hire purchase contracts and operating leases

Assets held under hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Pension

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme operated by the group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Investments

Investments are stated at cost less provision for permanent diminution in value.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

The turnover and pre-tax profit are attributable to one activity, the installation and maintenance of lighting and electrical equipment.

Group turnover and profit before tax by geographical location were as follows:

| | Turnover | | Profit before tax | |
|----------------|-------------------|-------------------|-------------------|------------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £ | £ | £ | £ |
| United Kingdom | 44,577,091 | 41,232,908 | 1,230,319 | 2,426,063 |
| Rest of Europe | 10,615,153 | 9,376,234 | 638,072 | 505,870 |
| | <u>55,192,244</u> | <u>50,609,142</u> | <u>1,868,391</u> | <u>2,931,933</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

3. OPERATING PROFIT

| | 1996 £ | 1995 £ |
|--|-------------------|-------------------|
| Operating profit is stated after charging: | | |
| Depreciation and other amounts written off tangible and intangible fixed assets: | | |
| Owned assets | 1,898,512 | 1,795,215 |
| Leased assets | 59,768 | 109,003 |
| Auditors' remuneration | | |
| Audit fees | 24,000 | 24,000 |
| Other services | 17,939 | 14,890 |
| Operating lease rentals | | |
| Land and buildings | 973,599 | 935,835 |
| Other | 474,267 | - |
| | <u> </u> | <u> </u> |

4. DIRECTORS' REMUNERATION

| | 1996 £ | 1995 £ |
|---|-------------------|-------------------|
| Directors' emoluments | | |
| Fees | - | - |
| Salaries and taxable benefits | 294,303 | 282,779 |
| Performance-related bonus | 48,000 | 29,438 |
| | <u> </u> | <u> </u> |
| | 342,303 | 312,217 |
| Pension scheme contributions | 27,547 | 27,572 |
| | <u> </u> | <u> </u> |
| | 369,850 | 339,789 |
| | <u> </u> | <u> </u> |
| Remuneration of the chairman and highest paid director | | |
| Fees | - | - |
| Salaries and taxable benefits | 125,142 | 111,242 |
| Performance-related bonus | 30,000 | - |
| | <u> </u> | <u> </u> |
| | 155,142 | 111,242 |
| Pension scheme contributions | 12,524 | 12,432 |
| | <u> </u> | <u> </u> |
| | 167,666 | 123,674 |
| | <u> </u> | <u> </u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

4. DIRECTORS' REMUNERATION (continued)

| Scale of directors' remuneration (excluding pension contributions) | | 1996 No. | 1995 No. |
|--|----------|-------------|-------------|
| £ | £ | | |
| Nil - | £ 5,000 | - | 1 |
| 5,001 - | £10,000 | 2 | - |
| 15,001 - | £20,000 | - | 2 |
| 65,001 - | £70,000 | 1 | 1 |
| 95,001 - | £100,000 | - | 1 |
| 100,001 - | £105,000 | 1 | - |
| 110,001 - | £115,000 | - | 1 |
| 155,001 - | £160,000 | 1 | - |
| | | <u>1</u> | <u>-</u> |

5. STAFF COSTS

| | 1996 £ | 1995 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 15,042,990 | 13,653,913 |
| Social security costs | 1,816,974 | 1,619,587 |
| Other pension costs | 347,600 | 316,670 |
| | <u>17,207,564</u> | <u>15,590,170</u> |

The average number of employees during the year, including directors, was as follows:

| | No. | No. |
|----------------|------------|------------|
| Management | 57 | 76 |
| Sales | 70 | 65 |
| Administration | 217 | 198 |
| Operations | 643 | 635 |
| | <u>987</u> | <u>974</u> |

6. INTEREST RECEIVABLE

| | 1996 £ | 1995 £ |
|---------------|------------|------------|
| Bank interest | <u>750</u> | <u>247</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

7. INTEREST PAYABLE

| | 1996 £ | 1995 £ |
|--|----------------|----------------|
| Bank loans and overdrafts wholly repayable within five years | 17,233 | 11,294 |
| Finance charges payable under hire purchase contracts | 8,093 | 16,827 |
| Parent company | 302,246 | 205,061 |
| | <u>327,572</u> | <u>233,182</u> |

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1996 £ | 1995 £ |
|---|----------------|------------------|
| United Kingdom corporation tax at 33% (1995: 33%) | 494,000 | 821,500 |
| Under/(over) provision in prior years | 3,298 | (2,164) |
| Deferred taxation | - | (28,368) |
| Overseas taxation | 264,233 | 258,617 |
| | <u>761,531</u> | <u>1,049,585</u> |

9. LOSS FOR THE FINANCIAL YEAR

The loss, before dividends paid, dealt with in the accounts of the parent company was £1,127,381 (1995: profit of £577,725).

10. DIVIDENDS

| | 1996 £ | 1995 £ |
|---|----------------|----------------|
| Final proposed - 79.35 pence (1995: 130.71 pence) per ordinary share | <u>555,478</u> | <u>914,998</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

11. TANGIBLE FIXED ASSETS

| Group | Freehold properties £ | Short leasehold improve- ments £ | Plant and machinery £ | Computer and office equipment £ | Motor vehicles £ | Total £ |
|--------------------------|-----------------------------|--|-----------------------------|--|------------------------|-------------|
| Cost or valuation | | | | | | |
| At 1 January 1996 | 544,943 | 368,886 | 1,287,559 | 1,422,020 | 6,538,631 | 10,162,039 |
| Exchange adjustments | (3,265) | (2,828) | (22,677) | (14,595) | (55,603) | (98,968) |
| Additions | 105,302 | 189,471 | 194,428 | 423,918 | 603,613 | 1,516,732 |
| Reclassification | - | - | (40,000) | - | 40,000 | - |
| Disposals | - | (32,243) | (59,608) | (57,663) | (1,387,470) | (1,536,984) |
| At 31 December 1996 | 646,980 | 523,286 | 1,359,702 | 1,773,680 | 5,739,171 | 10,042,819 |
| Depreciation | | | | | | |
| At 1 January 1996 | 94,200 | 149,507 | 769,313 | 1,074,868 | 3,010,348 | 5,098,236 |
| Exchange adjustments | (522) | (2,547) | (15,043) | (9,914) | (36,310) | (64,336) |
| Charge for the year | 10,685 | 73,639 | 198,502 | 235,145 | 1,440,309 | 1,958,280 |
| Reclassification | - | - | (18,700) | - | 18,700 | - |
| Disposals | - | (20,665) | (50,752) | (51,341) | (1,196,192) | (1,318,950) |
| At 31 December 1996 | 104,363 | 199,934 | 883,320 | 1,248,758 | 3,236,855 | 5,673,230 |
| Net book value | | | | | | |
| At 31 December 1996 | 542,617 | 323,352 | 476,382 | 524,922 | 2,502,316 | 4,369,589 |
| At 31 December 1995 | 450,743 | 219,379 | 518,246 | 347,152 | 3,528,283 | 5,063,803 |

The net book value of vehicles above includes an amount of £107,920 (31 December 1995: £201,137) in respect of vehicles held under hire purchase contracts.

| Company | Freehold properties £ | Computer and office equipment £ | Motor vehicles £ | Total £ |
|--------------------------|-----------------------------|--|------------------------|------------|
| Cost or valuation | | | | |
| At 1 January 1996 | 463,182 | 43,632 | 70,567 | 577,381 |
| Additions | - | 20,065 | 22,500 | 42,565 |
| Disposals | - | - | (8,572) | (8,572) |
| At 31 December 1996 | 463,182 | 63,697 | 84,495 | 611,374 |
| Depreciation | | | | |
| At 1 January 1996 | 81,130 | 37,502 | 22,353 | 140,985 |
| Charge for the period | 8,413 | 7,156 | 29,921 | 45,490 |
| Disposals | - | - | (8,572) | (8,572) |
| At 31 December 1996 | 89,543 | 44,658 | 43,702 | 177,903 |
| Net book value: | | | | |
| At 31 December 1996 | 373,639 | 19,039 | 40,793 | 433,471 |
| At 31 December 1996 | 382,052 | 6,130 | 48,214 | 436,396 |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

11. TANGIBLE FIXED ASSETS (continued)

The cost or valuation of freehold property at the end of the financial period comprises:

| | Group £ | Company £ |
|--------------|--------------------|----------------------|
| At cost | 593,230 | 409,432 |
| At valuation | 53,750 | 53,750 |
| | <u>646,980</u> | <u>463,182</u> |

Freehold property was revalued in 1973 on an open market value basis. Depreciation provided has been based on the revalued amount and additions at cost. In the opinion of the directors the difference between book value at cost and the revalued amount is not material.

12. FIXED ASSET INVESTMENTS

| Company | Subsidiary undertakings £ |
|--|--|
| Cost | |
| At 1 January 1996 and 31 December 1996 | <u>5,940,958</u> |
| Provision for diminution in value | |
| At 1 January 1996 | - |
| Provision in year | <u>1,779,512</u> |
| At 31 December 1996 | <u>1,779,512</u> |
| Net book value | |
| At 31 December 1996 | <u>4,161,446</u> |
| At 31 December 1995 | <u>5,940,958</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

12. FIXED ASSET INVESTMENTS (continued)

The principal subsidiary undertakings at 31 December 1996 were:

| Company | Country of incorporation or registration | Proportion of ordinary shares held |
|---|--|--|
| Parkersell (Lighting & Electrical) Services Ltd | England | 100% |
| Parkersell Lighting Services (Ireland) Ltd | Ireland | 100% |
| Power and Data Installations Ltd | England | 100% |
| Parkersell GmbH | Germany | 100% |
| Parkersell SA | France | 60.4% |
| Parkersell Highway Lighting Services Ltd | England | 100% |
| Parkersell Forecourt Services Ltd | England | 100% |

All subsidiary undertakings install and maintain lighting and electrical equipment or associated services.

13. STOCKS AND WORK IN PROGRESS

| Group | 1996 £ | 1995 £ |
|---|------------------|------------------|
| Raw materials and finished goods for resale | 4,418,519 | 4,432,511 |
| Work in progress | 2,238,054 | 2,839,567 |
| | <u>6,656,573</u> | <u>7,272,078</u> |

14. DEBTORS

| | Group | | Company | |
|--------------------------------|-------------------|-------------------|----------------|---------------|
| | 1996 £ | 1995 £ | 1996 £ | 1995 £ |
| Trade debtors | 12,660,733 | 12,237,904 | - | - |
| Group relief receivable | - | - | 224,000 | 73,695 |
| Other debtors | 239,882 | 190,309 | 6,737 | - |
| Prepayments and accrued income | 377,524 | 381,472 | - | - |
| | <u>13,278,139</u> | <u>12,809,685</u> | <u>230,737</u> | <u>73,695</u> |

All debtors are due within one year.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

15. GROUP UNDERTAKINGS

Amounts due from:

| | Group | | Company | |
|--------------------------------|---------------|---------------|------------------|------------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £ | £ | £ | £ |
| Parent company | 40,000 | 34,808 | 40,000 | 34,808 |
| Subsidiary undertakings | - | - | 1,645,382 | 1,856,065 |
| Fellow subsidiary undertakings | 15,222 | 60,000 | - | - |
| | <u>55,222</u> | <u>94,808</u> | <u>1,685,382</u> | <u>1,890,873</u> |

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|-------------------|-------------------|------------------|------------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £ | £ | £ | £ |
| Bank loans and overdrafts | 3,919,323 | 3,807,312 | 2,897,116 | 3,162,090 |
| Obligations under hire purchase contracts | 36,849 | 98,708 | - | - |
| Trade creditors | 3,752,350 | 3,883,606 | - | - |
| Amounts due to subsidiary undertakings | - | - | 1,251,329 | 767,099 |
| Current corporation tax | 526,536 | 818,016 | - | - |
| Overseas taxation | 213,124 | 246,323 | - | - |
| Other taxes and social security costs | 2,000,384 | 1,974,158 | 45,926 | 13,864 |
| Other creditors | 1,303,119 | 1,184,724 | 119,328 | 105,000 |
| Accruals and deferred income | 686,542 | 1,247,743 | 97,856 | 152,009 |
| Proposed dividend | 555,478 | 914,998 | 555,478 | 914,998 |
| | <u>12,993,705</u> | <u>14,175,588</u> | <u>4,967,033</u> | <u>5,115,060</u> |

The bank loans and overdrafts are secured by a cross guarantee with its parent company Energy and Technical Services Group plc and fellow subsidiary undertakings.

Obligations under hire purchase contracts are secured by the related assets.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group 1996 £ | Group 1995 £ |
|--|--------------------|--------------------|
| Group | | |
| Obligations under hire purchase contracts expiring in two to five years | 22,126 | 26,513 |
| Instalments payable: | | |
| within one year | 38,328 | 104,847 |
| within 2 - 5 years | 25,130 | 27,159 |
| Future interest | 63,458 (4,483) | 132,006 (6,785) |
| Capital outstanding | 58,975 | 125,221 |
| Capital disclosed as: | | |
| due within one year | 36,849 | 98,708 |
| due after one year | 22,126 | 26,513 |
| | 58,975 | 125,221 |

18. PROVISIONS FOR LIABILITIES AND CHARGES

| | 1996 £ | 1995 £ |
|--|-----------|-----------|
| Group | | |
| Deferred taxation | - | - |
| Deferred taxation provided in the accounts is as follows: | | |
| Capital allowances in excess of depreciation | - | 31,434 |
| Short term timing differences | - | (31,434) |
| | - | - |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

19. SHARE CAPITAL

| | 1996 £ | 1995 £ |
|--|-----------|-----------|
| Authorised: | | |
| 1,000,000 ordinary shares of £1 each | 1,000,000 | 1,000,000 |
| Allotted, called up and fully paid: | | |
| 700,000 ordinary shares of £1 each | 700,000 | 700,000 |

20. RESERVES

| Group | Share premium £ | Other reserves £ | Profit and loss account £ |
|--|-----------------------|------------------------|---------------------------------|
| Balance at 1 January 1996 | 238 | 26,791 | 10,539,620 |
| Retained profit for the financial period | - | - | 555,479 |
| Exchange differences on retranslation | - | - | (213,665) |
| Balance at 31 December 1996 | 238 | 26,791 | 10,881,434 |
| Company | | | |
| Balance at 1 January 1996 | 238 | 26,791 | 2,499,833 |
| Loss for the financial period | - | - | (1,682,859) |
| Balance at 31 December 1996 | 238 | 26,791 | 816,974 |

The cumulative amount of goodwill written off at 31 December 1996 was £278,993.

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Group 1996 £ | 1995 £ | Company 1996 £ | 1995 £ |
|---|--------------------|------------|----------------------|-----------|
| Profit/(loss) for the financial period | 1,110,957 | 1,829,996 | (1,127,381) | 577,725 |
| Dividends | (555,478) | (914,998) | (555,478) | (914,998) |
| | 555,479 | 914,998 | (1,682,859) | (337,273) |
| Other recognised gains and losses relating to the period | (213,665) | 113,648 | - | - |
| Total movements | 341,814 | 1,028,646 | (1,682,859) | (337,273) |
| Opening shareholders' funds | 11,266,649 | 10,238,003 | 3,226,862 | 3,564,135 |
| Closing shareholders' funds | 11,608,463 | 11,266,649 | 1,544,003 | 3,226,862 |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

22. FINANCIAL COMMITMENTS

Authorised future capital expenditure amounted to:

| | Group | | Company | |
|---------------------------------|--------|---------|---------|------|
| | 1996 | 1995 | 1996 | 1995 |
| | £ | £ | £ | £ |
| Contracted for but not provided | 10,607 | 206,525 | - | - |

Commitments under non-cancellable operating leases are as follows:

| | Land and buildings | | Other | |
|--------------------------------|--------------------|----------------|----------------|----------|
| Group | 1996 | 1995 | 1996 | 1995 |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| within one year | 61,003 | 57,519 | 12,500 | - |
| between two and five years | 281,611 | 422,136 | 684,308 | - |
| over five years | 312,825 | 317,328 | - | - |
| | <u>655,439</u> | <u>796,983</u> | <u>696,808</u> | <u>-</u> |
| | Land and buildings | | Other | |
| Company | 1996 | 1995 | 1996 | 1995 |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| between two and five years | - | - | 2,546 | - |
| | <u>-</u> | <u>-</u> | <u>2,546</u> | <u>-</u> |

23. PENSION COMMITMENTS

The company is a participating employer in the ETS Group Pension Scheme; the assets of the scheme are held separately from that of the company. The assets and liabilities of the Parkersell Limited Retirement Benefits Scheme, in which the company was a participating employer, were transferred to the ETS Group Pension Scheme with effect from 1 October 1996. The total cost of retirement benefits for the company was £347,600 (1995: £316,670). The scheme is separately funded and provides defined benefits that are computed based on an employee's years of service and final pensionable salary. Contributions are made to the scheme on the basis of advice from independent actuaries, using actuarial methods, the objective of which is to provide adequate funds to meet pension obligations as they fall due, and are based on pension costs in respect of all members of the fund. Particulars of the most recent actuarial valuation of the scheme as at 1 April 1995 are included within the accounts of Energy and Technical Services Group plc.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

24. CONTINGENT LIABILITIES

Company

On 10 January 1994 the group entered into an agreement with its parent company Energy and Technical Services Group plc and fellow subsidiary undertakings. A cross guarantee exists between all parties to the agreement whereby each company has guaranteed the bank current accounts of the others. The Energy and Technical Services Group plc has an unsecured overdraft facility of £5 million.

Parkersell Limited has issued guarantees in favour of:

Bayerische Hypotheken and Weschel Bank DM 500,000

Credit Agricole FF1,100,000

The company is registered with HM Customs & Excise as a member of a group for VAT purposes and, as a result, is jointly and severally liable on a continuing basis for amounts owing by other members of that group in respect of unpaid VAT.

At the year end the company has issued general performance bonds to various customers amounting to £92,686.

Group and company

At the year end the Group has issued general performance bonds to various customers amounting to £133,307.

Parkersell Limited has issued a guarantee in favour of HM Customs & Excise in the sum of £10,000.

25. ULTIMATE PARENT UNDERTAKING

The parent undertaking is Energy and Technical Services Group plc, a company incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking is Compagnie Generale des Eaux, a company incorporated in France. These are the smallest and largest undertakings for which group accounts are drawn up. Copies of the group accounts are available from:

Energy and Technical Services Group plc
37-41 Old Queen Street
London
SW1H 9JA

Compagnie Generale des Eaux
52 Rue d'Anjou
75384 Paris
France