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DOUGLAS ENVIRONMENTAL ENGINEERING LIMITED

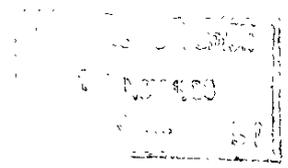
FINANCIAL STATEMENTS

31ST MARCH 1988

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DOUGLAS ENVIRONMENTAL ENGINEERING LIMITED

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DIRECTORS AND OFFICERS

DIRECTORS:

J.R.T. Douglas, B.Sc., F.I.H.T., F.C.I.O.B., C.B.I.M., F.R.S.A. - chairman

R.A. Paine, Ph.D., B.Sc.(Tech.), C.B.I.M.

M.E. Gibbons, B.Sc., C.Eng., M.I.C.E.

H.E. Green, F.C.A., F.C.T.

M.D. Price, B.Sc., A.I.Q.S.

ASSOCIATE DIRECTORS:

W. Smith

C.J. Giles

SECRETARY:

S.J. Pedlar, M.A.(Cantab.)

REGISTERED OFFICE:

395, George Road, Erdington, Birmingham B23 7RZ

REPORT OF THE DIRECTORS

The directors present the audited financial statements for the year to 31st March 1988 .

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW:

The principal activities of the company are mechanical and electrical contracting, plumbing and painting.

Difficulties were encountered during the year on a number of contracts resulting in a substantial loss being recorded.

The company has now ceased to trade except for outstanding commitments on completed contracts, and the activities of the profitable departments of the company have been transferred to Douglas Specialist Contractors Limited. This company will, in future, be responsible for all specialist contracting activities of the group and will enable the benefits of rationalisation to be realised.

RESULTS AND DIVIDEND;

The loss for the year, added to accumulated losses amounted to £759,966. The directors do not recommend payment of a dividend.

TANGIBLE FIXED ASSETS:

A summary of changes is given in the notes.

PENSIONS:

Following an actuarial review, employer contributions to pension schemes have been suspended for 3 years from 1st April 1986. This has resulted in a reduction of company pension costs of £34,769 during the year under review.

EMPLOYEES:

Information to employees about the group and its performance is provided through the annual report to employees. At company level the emphasis is on regular informal discussions between management and other employees. It is company policy that disabled persons ( whether registered or not ) shall be considered for employment and subsequent training, career development and promotion, on the basis of aptitude and ability.

## REPORT OF THE DIRECTORS (CONTINUED)

## DIRECTORS:

The persons who were directors and their interests in the 25p ordinary shares of the holding company were as follows:-

	FULLY PAID		ON OPTION	
	31st March 1988	31st March 1987	31st March 1988	31st March 1987
J R T Douglas				
as beneficial owner	1,185,555	1,317,055	-	-
as trustee	1,774,955	2,069,642	-	-
H E Green	2,206	2,206	14,600	14,600
K E Massey - resigned 31.3.88	-	-	5,150	5,150
M E Gibbons	1,919	4,114	11,200	11,200
M D Price	-	-	8,350	8,350

The directors had no other interest in any group company.

Dr. R.A. Paine was appointed to the board of directors on 19th May 1988.

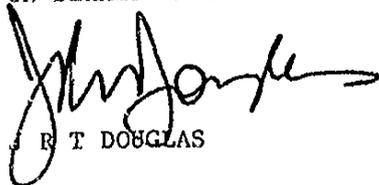
## COMPANY STATUS:

The company is not a close company for taxation purposes.

## AUDITORS:

Touche Ross & Co. have confirmed their willingness to accept re-appointment as auditors of the company for a further term in accordance with the provisions of the Companies Act 1985.

ON BEHALF OF THE BOARD



J R T DOUGLAS

Chairman

8th August 1988

## DOUGLAS ENVIRONMENTAL ENGINEERING LIMITED

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## PROFIT AND LOSS ACCOUNT

YEAR TO 31ST MARCH 1988

	<u>Note</u>	<u>1988</u>	<u>1987</u>
		£	£
TURNOVER	1	4,933,148 =====	4,768,755 =====
OPERATING PROFIT (LOSS)	1	(961,405)	102,390
Interest receivable	4	2,017	-
Interest payable	5	<u>(208,578)</u>	<u>(184,570)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,167,966)	(82,180)
TAXATION CREDIT	6	<u>408,000</u>	<u>17,565</u>
LOSS AFTER TAXATION		<u>(759,966)</u> =====	<u>(64,615)</u> =====

The statement of accumulated loss is shown in note 14.

## DOUGLAS ENVIRONMENTAL ENGINEERING LIMITED

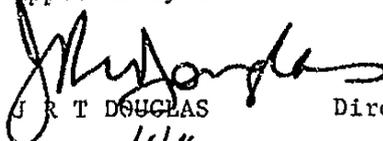
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## BALANCE SHEET

31ST MARCH 1988

	<u>Note</u>	<u>1988</u> £	<u>1987</u> £
FIXED ASSETS:			
Tangible assets	7	<u>15,240</u>	<u>19,152</u>
CURRENT ASSETS:			
Stocks	8	58,376	79,320
Work in progress	9	63,837	335,643
Debtors	10	<u>1,755,344</u>	<u>1,595,917</u>
		<u>1,877,557</u>	<u>2,010,880</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>3,674,370</u>	<u>3,051,639</u>
NET CURRENT LIABILITIES		<u>(1,796,813)</u>	<u>(1,040,759)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,781,573)</u>	<u>(1,021,607)</u>
PROVISION FOR LIABILITIES AND CHARGES	12	<u>1,000</u>	<u>1,000</u>
NET LIABILITIES		<u>(1,782,573)</u> =====	<u>(1,022,607)</u> =====
Financed by:			
CAPITAL AND RESERVES:			
Called up share capital	13	30,000	30,000
Profit and loss account	14	<u>(1,812,573)</u>	<u>(1,052,607)</u>
		<u>(1,782,573)</u> =====	<u>(1,022,607)</u> =====

Approved by the board on 8th August 1988

  
J R T DOUGLAS                      Director

  
M E GIBBONS                      Director

## ACCOUNTING POLICIES

31ST MARCH 1988

## ACCOUNTING CONVENTION:

The financial statements are prepared under the historical cost convention.

## OPERATING RESULT:

This includes residual profits and losses on contracts completed prior to the accounting date, and profits earned to that date on certain contracts at an advanced stage of completion, based on valuations by officials of the company. No credit is taken for claims until cash is received.

## TANGIBLE FIXED ASSETS AND DEPRECIATION:

Depreciation is provided on the original cost or valuation of all fixed assets, on a straight line basis calculated to write off the assets over their expected useful lives as follows:

Plant and vehicles	10 - 25%
--------------------	----------

## LEASED ASSETS:

Rentals payable under operating leases are charged to profit and loss account as incurred.

## STOCKS:

Valuation is at the lower of cost and net realisable value, on bases appropriate to the circumstances of the business.

## WORK IN PROGRESS:

Contract work in progress is valued on the basis of cost of material, labour and direct site expenses, less progress payments received. Full provision is made for losses on unprofitable contracts.

## TRANSLATION OF FOREIGN CURRENCIES:

Assets and liabilities in foreign currencies are converted into sterling at the rates of exchange ruling at the balance sheet date. Adjustments due to currency fluctuations arising in the normal course of business are made in arriving at the operating result.

## DEFERRED TAXATION:

Deferred taxation is provided on differences arising 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 to the extent that it is probable that a liability or asset will crystallise in the future.

## PENSION COSTS:

Retirement benefits to employees are funded by contributions from the company and employees. Payments are made to pension trustees which are financially separate from the group. These payments, which are made in accordance with periodic calculations by consulting actuaries, are charged in arriving at the operating result for the year.

## DOUGLAS ENVIRONMENTAL ENGINEERING LIMITED

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## NOTES TO FINANCIAL STATEMENTS

31ST MARCH 1988

	1988 £	1987 £
1 TURNOVER AND OPERATING PROFIT (LOSS):		
Turnover	4,933,148	4,768,755
Cost of sales	<u>5,405,992</u>	<u>4,264,379</u>
Gross profit (loss)	(472,844)	504,376
Administrative expenses	(494,977)	(410,672)
Other operating income	<u>6,416</u>	<u>8,686</u>
Operating profit (loss) - see below	(961,405) =====	102,390 =====
In the opinion of the directors only one class of business is conducted by the company, within the United Kingdom.		
Operating profit (loss) is stated after charging:	£	£
Operating lease rentals:		
Property	11,004	9,096
Plant	175,058	153,859
Auditors remuneration	2,795	2,377
Staff costs - note 2	1,583,730	1,310,165
Depreciation of tangible fixed assets	<u>5,430</u>	<u>4,695</u>
	=====	=====
Payments due during the next year in respect of operating leases for which the commitment expires:		
Within 1 year:	£	£
Property	11,000	10,000
Plant	14,811	13,598
In 2nd to 5th year:		
Plant	<u>59,245</u>	<u>54,394</u>
	85,056 =====	77,992 =====
2 STAFF COSTS (including directors):	£	£
Wages and salaries	1,482,443	1,223,599
Social security costs	101,287	86,566
Other pension costs	<u>-</u>	<u>-</u>
	1,583,730 =====	1,310,165 =====
	Number	Number
Average number of employees:		
Operatives	111	102
Staff	29	29
	===	===

## DOUGLAS ENVIRONMENTAL ENGINEERING LIMITED

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31ST MARCH 1988

	<u>1988</u>	<u>1987</u>
	£	£
3 DIRECTORS EMOLUMENTS (including pension contributions):	-	-
Fees	-	-
Other emoluments	18,710	19,870
	=====	=====
Total emoluments (excluding pension contributions):	-	-
Chairman	-	-
	=====	=====
Highest paid director	18,710	19,870
	=====	=====
Other directors:	Number	Number
Nil - £5,000	3	3
	==	==
No director had any material interest in any contract or arrangement with the company during the year.		
4 INTEREST RECEIVABLE:	£	£
Interest from banks	-	-
Other interest	2,017	-
	-----	-----
	2,017	-
	=====	=====
5 INTEREST PAYABLE:	£	£
On loans repayable within 5 years:		
Group companies	208,578	184,570
	=====	=====
6 TAXATION CREDIT:	£	£
Group relief	408,000	27,736
Prior year adjustment	-	(10,171)
	-----	-----
	408,000	17,565
	=====	=====

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31ST MARCH 1988

7 TANGIBLE ASSETS:		Plant and vehicles
		£
Cost:		
At 31st March 1987		38,535
Additions		6,412
Group transfers		(12,381)
Disposals		<u>(9,103)</u>
At 31st March 1988		<u>23,463</u>
Depreciation:		
At 31st March 1987		19,383
Charge for year		5,430
Group transfers		(10,785)
On disposals		<u>(5,805)</u>
At 31st March 1988		<u>8,223</u>
Net book amount:		
At 31st March 1988		<u>15,240</u>
At 31st March 1987		<u>19,152</u>
	1988	1987
8 STOCKS:	£	£
Materials	58,376	79,320
	=====	=====
9 WORK IN PROGRESS:	£	£
Contract work in progress	63,837	335,643
Less Progress payments received	-	-
	<u>63,837</u>	<u>335,643</u>
	=====	=====

DOUGLAS ENVIRONMENTAL ENGINEERING LIMITED  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 31ST MARCH 1988

	<u>1988</u> £	<u>1987</u> £
<b>10 DEBTORS:</b>		
Due within one year:		
Trade debtors	1,233,483	1,144,740
Amounts owed by group companies	465,122	366,799
VAT recoverable	55,073	77,134
Prepayments	-	4,787
Other debtors	<u>1,666</u>	<u>2,457</u>
	<u>1,755,344</u>	<u>1,505,917</u>
	=====	=====
<b>11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:</b>		
	£	£
Bank overdraft	2,789,388	1,777,038
Trade creditors	753,367	937,944
Amounts owed to group companies	91,641	299,181
Taxation and social security	<u>39,974</u>	<u>37,476</u>
	<u>3,674,370</u>	<u>3,051,639</u>
	=====	=====
		Deferred taxation £
<b>12 PROVISION FOR LIABILITIES AND CHARGES:</b>		
At beginning of year		1,000
Charge for year		<u>-</u>
At end of year		1,000
		=====
	<u>1988</u> £	<u>1987</u> £
Analysis of deferred taxation:		
Provided in the financial statements:		
Accelerated capital allowances	1,000	1,000
Not provided in the financial statements:		
Accelerated capital allowances	-	-
	<u>1,000</u>	<u>1,000</u>
	=====	=====
Total potential liability		

DOUGLAS ENVIRONMENTAL ENGINEERING LIMITED  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 31ST MARCH 1988

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	<u>1988</u> £	<u>1987</u> £
<b>13 CALLED UP SHARE CAPITAL:</b>		
Authorised: 50,000 ordinary shares of £1 each	50,000 =====	50,000 =====
Allotted: Ordinary shares of £1 each, fully paid	30,000 =====	30,000 =====
<b>14 PROFIT AND LOSS ACCOUNT:</b>		
	£	£
At beginning of year - adverse	1,052,607	987,992
Loss for year	<u>759,966</u>	<u>64,615</u>
At end of year - adverse	<u>1,812,573</u>	<u>1,052,607</u>
<b>15 FINANCIAL COMMITMENTS:</b>		
	£	£
Capital commitments:		
Contracted for	-	6,025
Authorised	-	13,000
	=====	=====
Contingent liabilities:		
The maximum liability under composite joint and several guarantees given by group companies to the groups bankers as at 31st March 1988 amounted to	-	1,884,312
	=====	=====
<b>16 ULTIMATE HOLDING COMPANY:</b>		
Robert M. Douglas Holdings PLC, incorporated in Great Britain, is this company's ultimate holding company.		

DOUGLAS ENVIRONMENTAL ENGINEERING LIMITED  
 STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
 YEAR TO 31ST MARCH 1988

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	<u>1988</u>	<u>1987</u>
	£	£
SOURCE OF FUNDS:		
LOSS BEFORE TAXATION	(1,167,966)	(82,180)
Items not involving movement of funds:		
Depreciation of tangible fixed assets	5,430	4,695
Surplus on disposal of tangible fixed assets	<u>(382)</u>	<u>-</u>
TOTAL ABSORBED BY OPERATIONS	(1,162,918)	(77,485)
Sale of tangible fixed assets	<u>5,276</u>	<u>-</u>
	<u>(1,157,642)</u>	<u>(77,485)</u>
	=====	=====
APPLICATION OF FUNDS:		
Increase (decrease) in working capital:		
Stocks and work in progress	(292,750)	310,593
Debtors	61,104	471,750
Creditors	182,079	(327,310)
Intra-group balances	<u>(102,137)</u>	<u>(360,259)</u>
	(151,704)	94,774
Purchase of tangible fixed assets	<u>6,412</u>	<u>13,352</u>
	(145,292)	108,126
Movement in net liquid funds - cash and bank balances less bank overdrafts	<u>(1,012,350)</u>	<u>(185,611)</u>
	<u>(1,157,642)</u>	<u>(77,485)</u>
	=====	=====

DOUGLAS ENVIRONMENTAL ENGINEERING LIMITED

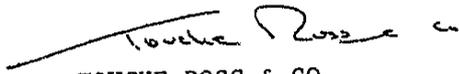
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REPORT OF THE AUDITORS TO THE MEMBERS

31ST MARCH 1988

We have audited the financial statements on pages 4 to 12 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st March 1988 and of its loss and source and application of funds for the year then ended and comply with the Companies Act 1985.



TOUCHE ROSS & CO

Chartered Accountants  
Birmingham

8th August 1988