

**Deloitte &  
Touche**

Deloitte Touche  
Tohmatsu



Company Registration No. 725583

**MAINTENANCE & TECHNICAL  
MANAGEMENT LIMITED**

**Report and Financial Statements**

**31 December 1997**



**Deloitte & Touche  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN**

**REPORT AND FINANCIAL STATEMENTS 1997**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Auditors' report</b>	<b>5</b>
<b>Consolidated profit and loss account</b>	<b>6</b>
<b>Balance sheets</b>	<b>7</b>
<b>Notes to the accounts</b>	<b>8</b>

**REPORT AND FINANCIAL STATEMENTS 1997**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

P D Skett (Chairman)  
D R Gwilliams  
D Summerfield

**SECRETARY**

C S Dixon

**REGISTERED OFFICE**

Intersection House  
Birmingham Road  
West Bromwich  
West Midlands  
B70 6RX

**BANKERS**

Midland Bank plc  
130 New Street  
Birmingham  
B2 4JU

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN



## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

### **ACTIVITIES**

The principal activity of the Group continues to be the care of buildings' technical systems under contract, including provision of planned maintenance and management of facilities services, remote monitoring, heat supply, and total guarantee contracts.

### **BUSINESS REVIEW**

The Group continued to build its contract holdings in mechanical and electrical maintenance and within facilities service markets, whilst raising its profile through increased marketing and business development activity.

The prospects for the Group remain positive as the Group continues to drive down client costs and improve performance through partnership agreements.

### **RESULTS AND DIVIDENDS**

Details of the consolidated profit and appropriations for the year are set out in the profit and loss account on page 6.

An interim dividend of £3,013,000 has been paid (1996 - £245,000 payable) to the parent company in respect of the year. No final dividend is proposed.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were:-

P D Skett (Chairman)  
D Summerfield  
D R Gwilliams (appointed on 25 February 1997)

In accordance with the Articles of Association directors are not required to retire by rotation.

The directors hold no shares of the Company.

P D Skett and D Summerfield are also directors of the ultimate parent undertaking, How Group plc, and their interests are disclosed in that company's financial statements.

D R Gwilliams held the following interests in the 10p ordinary shares of How Group plc:

	At 31 December 1997		At date of appointment	
	Fully paid	Share options	Fully paid	Share options
D R Gwilliams	45,000	155,000	45,000	170,000

### **EMPLOYEES**

The Group follows a policy of investment in employees, backed up by extensive training and development programmes, management succession being achieved largely from within the Group's existing staff.

It is an essential part of the Group's philosophy that employee commitment is strengthened by share ownership. This concept is evidenced by the establishment of share option schemes by How Group plc, the ultimate parent undertaking, in which a significant number of employees participate.

The Group gives sympathetic consideration to applications for employment by disabled persons. Where staff become disabled during employment, opportunities are provided wherever possible to continue employment in positions compatible with their disability.

**DIRECTORS' REPORT****DIRECTORS AND THEIR INTERESTS (continued)**

Particular attention is given to health and safety and the Group has issued detailed policy and organisational statements as required by the relevant legislation.

**PAYMENT OF SUPPLIERS**

It is How Group plc's policy that each Group undertaking should negotiate with suppliers the best available terms appropriate to that Group undertaking. In placing orders, factors to be considered will include quality, delivery, price and settlement terms. Providing suppliers perform in accordance with agreed terms. Group undertakings are expected to honour their proper obligations and pay in accordance with the agreed terms.

**AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

C S Dixon

Secretary

**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 the 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
- 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, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## AUDITORS' REPORT TO THE MEMBERS OF

### MAINTENANCE & TECHNICAL MANAGEMENT LIMITED

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on pages 8 and 9.

#### 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 circumstances of the Company and the Group, 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 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

15 June 1998

Chartered Accountants and Registered Auditors


**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1997**

	Note	1997 £000	1996 £000
<b>TURNOVER</b>	1	34,051	34,087
Cost of sales		(27,661)	(27,796)
Gross profit		6,390	6,291
Administrative expenses		(5,328)	(5,284)
<b>OPERATING PROFIT BEING PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>	3	1,062	1,007
Interest receivable and similar income		2	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,064	1,007
Tax on profit on ordinary activities	4	(345)	(354)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		719	653
Interim dividend paid (1996 payable)		(3,013)	(245)
<b>TRANSFERRED (FROM)/TO RESERVES</b>	14	(2,294)	408

All activities derive from continuing operations.

There are no recognised gains or losses for the current and prior years other than as stated above.



**BALANCE SHEETS**  
**31 December 1997**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>1997 £000</b>	<b>1996 £000</b>	<b>1997 £000</b>	<b>1996 £000</b>
<b>TANGIBLE FIXED ASSETS</b>					
Tangible assets	5	369	334	77	-
Investments	6	-	-	200	-
		<u>369</u>	<u>334</u>	<u>277</u>	<u>-</u>
<b>CURRENT ASSETS</b>					
Stocks	7	1,734	3,108	-	-
Debtors	8	6,513	6,369	78	245
Investments	9	-	73	-	-
Cash at bank and in hand		<u>1,430</u>	<u>3,519</u>	<u>183</u>	<u>2</u>
		9,677	13,069	261	247
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(7,813)</u>	<u>(8,854)</u>	<u>(293)</u>	<u>(245)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>1,864</u>	<u>4,215</u>	<u>(32)</u>	<u>2</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,233	4,549	245	2
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	11	<u>(145)</u>	<u>(216)</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>		<u>2,088</u>	<u>4,333</u>	<u>245</u>	<u>2</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12	50	1	50	1
Profit and loss account	14	<u>2,038</u>	<u>4,332</u>	<u>195</u>	<u>1</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	13	<u>2,088</u>	<u>4,333</u>	<u>245</u>	<u>2</u>

These financial statements were approved by the Board of Directors on 20 March 1998.

Signed on behalf of the Board of Directors

P D Skett

Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997****1. ACCOUNTING POLICIES**

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

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings, all of which are made up to 31 December each year.

A separate profit and loss account of the Company is not presented as part of these financial statements as permitted by Section 230 of the Companies Act 1985.

**Tangible fixed assets**

Expenditure in respect of short term leasehold premises, where the freehold interest is held by a fellow subsidiary undertaking, has been classified as freehold property and depreciated as appropriate.

Depreciation is provided on all tangible fixed assets (other than residential property) and is calculated on cost on a straight line basis over the following years so as to write down the value of the assets to estimated residual value over their anticipated useful lives:-

Freehold property	25 years
Plant and equipment	5 years
Motor vehicles	4 years

No depreciation is provided on long leasehold residential properties as, in the opinion of the directors, the residual values would be sufficiently high to make any depreciation charge immaterial. The directors have based their estimate of residual value on prices prevailing at the time of acquisition. All repairs and any permanent diminution in value are charged to the profit and loss account.

Site equipment and other items of comparatively low value are normally written off in the year of purchase as revenue expenditure on the grounds that the life expectancy of such assets cannot be predicted with reasonable certainty, although it is likely to be less than 3 years in most instances.

Properties which have become surplus to the requirements of the Group's business and which are in the process of being sold are included under current asset investments at the lower of cost and net realisable value.

**Investments**

Investments in subsidiary undertakings are valued at cost less provision for any permanent diminution in value.

**Contracts in progress**

Contracts in progress are valued individually at the lower of cost, including related overheads, and estimated net realisable value, provision being made for anticipated future losses where appropriate.

Payments on account in excess of contract values are separately disclosed within creditors.

**Stocks**

Stocks are valued at the lower of cost (ascertained on first in first out principles) and net realisable value after making due provision in respect of redundant, obsolete and defective stocks.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**1. ACCOUNTING POLICIES (continued)**

**Deferred taxation**

Provision is made for deferred taxation, where appropriate, using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes. However, no provision is made where the directors consider that a liability to taxation is unlikely to crystallise.

**Turnover**

Turnover represents the invoiced value of goods supplied and services rendered as adjusted by the variation between opening and closing valuations of contracts in progress and after making full provision for potential claims and allowances.

**Operating leases**

Operating lease rentals are charged on a straight line basis over the lease terms.

**Pension costs**

The cost of the defined benefits pension arrangements are charged to the profit and loss account as the contributions become payable to the Scheme's principal employer, How Group plc.

**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1997 £000	1996 £
<b>Directors' emoluments</b>		
Remuneration as executives	48,491	36,448
Compensation for loss of office	-	19,000
Pension contributions	4,800	-
	<u>53,291</u>	<u>55,448</u>
 Remuneration of the highest paid director:		
Remuneration	48,491	55,448
Pension contributions	4,800	-
	<u>53,291</u>	<u>55,448</u>
 All of the directors are members of the How Group Staff Pension and Life Assurance Scheme.		
	No	No
<b>Average number of persons employed</b>	<u>655</u>	<u>671</u>
 <b>Staff costs during the year (including directors)</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	11,750	11,587
Social security costs	1,139	1,066
Other pension costs	387	360
	<u>13,276</u>	<u>13,013</u>

**Pension costs**

The Company and its subsidiaries are members of the How Group Staff Pension and Life Assurance Scheme. The Scheme is of the defined benefit type and is funded in advance by contributions at rates assessed by independent professionally qualified actuaries in valuation reports normally every three years. Particulars of the actuarial valuation are contained in the financial statements of the ultimate parent undertaking, How Group plc.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	1997 £000	1996 £000
After charging:		
Depreciation (including adjustments on disposals)	64	63
Auditors' remuneration:		
Audit fees and expenses	25	27
Operating lease charges:		
Land and buildings	160	143
Plant, equipment and vehicles	959	885
	<u>959</u>	<u>885</u>

**4. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1997 £000	1996 £000
UK corporation tax at 31.5% (1996 - 33%)	353	330
Transfer to deferred tax	(3)	25
Adjustments relating to prior periods:		
Corporation tax	(8)	(1)
Deferred tax	3	-
	<u>345</u>	<u>354</u>

**5. TANGIBLE FIXED ASSETS**

GROUP	Freehold property £000	Long term leasehold property £000	Plant and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>					
At 1 January 1997	196	25	412	197	830
Additions	-	-	54	53	107
Disposals	-	-	-	(58)	(58)
At 31 December 1997	<u>196</u>	<u>25</u>	<u>466</u>	<u>192</u>	<u>879</u>
<b>Accumulated depreciation</b>					
At 1 January 1997	12	-	352	132	496
Provided in the year	7	-	28	25	60
Disposals	-	-	-	(46)	(46)
At 31 December 1997	<u>19</u>	<u>-</u>	<u>380</u>	<u>111</u>	<u>510</u>
<b>Net book value</b>					
At 31 December 1997	<u>177</u>	<u>25</u>	<u>86</u>	<u>81</u>	<u>369</u>
At 31 December 1996	<u>184</u>	<u>25</u>	<u>60</u>	<u>65</u>	<u>334</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**5. TANGIBLE FIXED ASSETS (continued)**

<b>Company</b>	<b>Computer equipment £000</b>	<b>Motor vehicles £000</b>	<b>Total £000</b>
<b>Cost</b>			
Additions during year	34	21	55
Intra group transfers	112	-	112
	<hr/>	<hr/>	<hr/>
At 31 December 1997	146	21	167
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
Provided in the year	17	1	18
Intra group transfers	72	-	72
	<hr/>	<hr/>	<hr/>
At 31 December 1997	89	1	90
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 1997	57	20	77
	<hr/>	<hr/>	<hr/>
At 31 December 1996	-	-	-
	<hr/>	<hr/>	<hr/>

**6. FIXED ASSET INVESTMENTS**

<b>Shares in subsidiary undertakings</b>	<b>£000</b>
<b>Cost</b>	
At 1 January 1997	-
Additions to the share capital of existing subsidiaries	200
	<hr/>
At 31 December 1997	200
	<hr/>

At 31 December 1997 the Company's subsidiary undertakings, all of which are wholly owned were:-

Maintenance and Technical Management (London) Limited  
Maintenance and Technical Management (Midlands) Limited  
Maintenance and Technical Management (Northern) Limited  
Maintenance and Technical Management (Scotland) Limited

All the above subsidiaries are engaged in the maintenance of services to buildings



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**7. STOCKS**

	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Work in progress	1,875	4,607
Payments received on account	(163)	(1,521)
	<u>1,712</u>	<u>3,086</u>
Stock of raw materials	22	22
	<u>1,734</u>	<u>3,108</u>

**8. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade debtors	6,209	5,987	-	-
Amounts owed by subsidiary undertakings	-	-	54	245
Amounts owed by group undertakings	97	139	13	-
Other debtors	5	2	-	-
Prepayments and accrued income	202	241	11	-
	<u>6,513</u>	<u>6,369</u>	<u>78</u>	<u>245</u>

**9. INVESTMENTS**

	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Properties held for disposal at cost	-	73

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade creditors	4,317	4,611	43	-
Contract completion costs	170	186	-	-
Amounts owed to subsidiary undertakings	-	-	52	-
Amounts owed to group undertakings	370	480	30	-
Corporation tax	327	767	5	-
Other taxes and social security	1,762	1,724	9	-
Other creditors	193	133	145	-
Accruals and deferred income	674	708	9	-
Dividend payable	-	245	-	245
	<u>7,813</u>	<u>8,854</u>	<u>293</u>	<u>245</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**11. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Contract provisions £000</b>	<b>Related deferred taxation £000</b>	<b>Total £000</b>
At 1 January 1997	265	(49)	216
Transfers to profit and loss account	(71)	-	(71)
At 31 December 1997	<u>194</u>	<u>(49)</u>	<u>145</u>

**12. CALLED UP SHARE CAPITAL**

	<b>1997 £000</b>	<b>1996 £000</b>
Authorised 50,000 (1996 - 500) ordinary shares of £1 each	<u>50</u>	<u>1</u>
Allotted and fully paid 50,000 (1996 - 420) ordinary shares of £1 each	<u>50</u>	<u>1</u>
During the year the company allotted 49,580 ordinary shares of £1 each at par.		

**13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	<b>1997 £000</b>	<b>1996 £000</b>
Profit for the financial year	719	653
Dividends	(3,013)	(245)
	<u>(2,294)</u>	<u>408</u>
New share capital subscribed	49	-
Net (decrease)/increase in shareholders' funds	<u>(2,245)</u>	<u>408</u>
Opening shareholders' funds	4,333	3,925
Closing equity shareholders' funds	<u>2,088</u>	<u>4,333</u>

**14. PROFIT AND LOSS ACCOUNT**

	<b>1997 £000</b>	<b>1996 £000</b>
At 1 January 1997	4,332	3,924
(Loss)/profit for the year retained	(2,294)	408
At 31 December 1997	<u>2,038</u>	<u>4,332</u>

The consolidated profit on ordinary activities after taxation includes £719,000 (1996 - £245,000) which is dealt with in the financial statements of the Company.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**15. FINANCIAL COMMITMENTS**

**Operating lease commitments**

At 31 December 1997, the Company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	1997	1996	1997	1996
	£000	£000	£000	£000
Leases which expire:				
Within one year	16	21	130	70
Within two to five years	16	14	719	464
After five years	89	78	-	-
	<u>121</u>	<u>113</u>	<u>849</u>	<u>534</u>

**16. CONTINGENT LIABILITIES**

The Company and its subsidiary undertakings have entered into an unlimited multilateral guarantee in respect of the bank borrowings of How Group plc and its subsidiary undertakings under which the Company had a contingent liability at 31 December 1997 of £20,717,728 (1996 - £17,285,000) relating to the overdrafts of certain companies.

The consolidated accounts of How Group plc reflect net cash and bank deposit balances of £9,472,000 at 31 December 1997 (1996 - £7,759,000).

**17. ULTIMATE PARENT COMPANY**

The Company's ultimate parent undertaking is How Group plc.

How Group plc is the immediate holding company for which group accounts have been drawn up.

Accounts have been delivered and are available from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ.

The Company has taken advantage of the exemption within Financial Reporting Standard 8 from reporting transactions with other group companies.