

**PARKERSELL HIGHWAY LIGHTING
SERVICES LIMITED**

Report and Financial Statements

31 December 1996



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

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 1996

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PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D B Mathews
M L Hopkins

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

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £946,377 (1995: £316,860) as set out on page 5.

The directors do not propose to pay a dividend.

FUTURE PROSPECTS

Market conditions are projected to remain very competitive. The company incurred significant losses in 1996, but remedial actions have been initiated in early 1997.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. Both directors served throughout the year. Messrs S Lain and P A Goldsbrough resigned as directors of the company on 31 January 1997.

Mr M L Hopkins is the director retiring by rotation in accordance with Article 89 and, being eligible, offers himself for re-election.

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

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



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 as at the end of the financial year and of the profit or loss 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 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chartered Accountants

Deloitte & Touche
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Southampton SO15 2BE

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PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 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 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 December 1996 and of its loss 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: 14 March 1997

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 1996

	Note	Continuing operations 1996 £	Continuing operations 1995 £
TURNOVER	2	7,548,450	6,797,632
Change in stocks and work in progress		(226,626)	647,466
		<hr/>	<hr/>
Raw materials and consumables		7,321,824	7,445,098
		(4,840,735)	(3,820,911)
		<hr/>	<hr/>
		2,481,089	3,624,187
		<hr/>	<hr/>
Staff costs	5	(2,290,149)	(1,988,202)
Depreciation		(437,810)	(416,045)
Other operating charges		(1,185,844)	(1,693,114)
		<hr/>	<hr/>
		(3,913,803)	(4,097,361)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(1,432,714)	(473,174)
Tax on loss on ordinary activities	6	486,337	156,314
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR	13	(946,377)	(316,860)
		<hr/>	<hr/>

There are no recognised gains or losses for the current financial year and the preceding financial period other than as stated in the profit and loss account. Accordingly a statement of total recognised gains and losses is not presented.

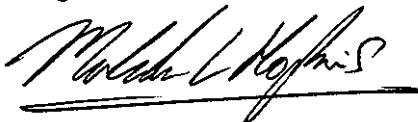
PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

BALANCE SHEET 31 December 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	7	1,019,860	1,178,975
CURRENT ASSETS			
Stocks and work in progress	8	1,886,084	2,112,710
Debtors	9	3,192,082	2,124,067
Cash at bank and in hand		10,439	11,222
		5,088,605	4,247,999
CREDITORS: amounts falling due within one year	10	(3,386,977)	(1,727,675)
NET CURRENT ASSETS		1,701,628	2,520,324
TOTAL ASSETS LESS CURRENT LIABILITIES		2,721,488	3,699,299
PROVISIONS FOR LIABILITIES AND CHARGES	11	-	(31,434)
TOTAL NET ASSETS		2,721,488	3,667,865
CAPITAL AND RESERVES			
Called up share capital	12	500	500
Capital contribution	13	4,500,000	4,500,000
Profit and loss account	13	(1,779,012)	(832,635)
TOTAL EQUITY SHAREHOLDERS' FUNDS		2,721,488	3,667,865

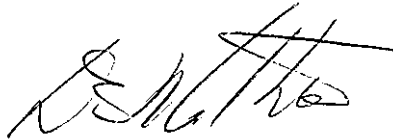
These financial statements were approved by the Board of Directors on 3 March 1997

Signed on behalf of the Board of Directors



M L HOPKINS

Director



D B MATHEWS

Director

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1996

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

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.

Cash flow statement

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

Related Party Transactions

The company has taken advantage of the exemption contained in FRS 8 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.

Tangible fixed assets

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

Leasehold improvements	10% per annum
Plant and equipment	20% per annum
Computer and office equipment	10% to 33 1/3% per annum
Private vehicles	33 1/3% per annum
Commercial vehicles	20% 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.

Deferred taxation

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

Leases

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

Pensions

The expected costs 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 schemes operated by the company in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1996

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. The turnover and losses are attributable to one activity, the installation and maintenance of lighting and electrical equipment, and are derived entirely within the United Kingdom.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):

	1996	1995
	£	£
Auditors' remuneration		
Audit fees	3,350	3,350
Other services	650	650
Operating lease rentals - land and buildings	132,633	129,171
- other	35,162	-
Loss/(profit) on sale of fixed assets	11,617	(1,253)

4. DIRECTORS' REMUNERATION

	1996 £	1995 £
Directors' emoluments		
Fees	-	-
Salaries and taxable benefits	100,095	97,032
Pension scheme contributions	10,188	10,396
	<u>110,283</u>	<u>107,428</u>

Remuneration of chairman

Remuneration of highest paid director

Fees	-	-
Salaries and taxable benefits	50,133	48,653
Pension scheme contributions	5,107	5,186
	<u>55,240</u>	<u>53,839</u>

Scale of directors' remuneration, excluding pension contributions:

Scale of directors' remuneration, excluding pension contributions:	No.	No.
£Nil - £ 5,000	2	2
£45,001 - £50,000	1	2
£50,001 - £55,000	1	-

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1996

5. STAFF COSTS

	1996 £	1995 £
Wages and salaries	2,075,309	1,781,925
Social security costs	183,455	175,177
Other pension costs	31,385	31,100
	<u>2,290,149</u>	<u>1,988,202</u>

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

	No.	No.
Management	23	20
Administration	11	13
Operations	69	84
	<u>103</u>	<u>117</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit is made up as follows:

	1996 £	1995 £
Group relief receivable at 33% (1995: 33%)	443,000	133,000
Deferred taxation	27,275	21,684
Adjustments in respect of prior years:		
Corporation tax	11,903	1,630
Deferred taxation	4,159	-
	<u>486,337</u>	<u>156,314</u>

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1996

7. TANGIBLE FIXED ASSETS

	Short leasehold improve- ments £	Plant and machinery £	Computer and office equipment £	Motor vehicles £	Total £
Cost					
At 1 January 1996	54,153	136,988	159,288	1,705,093	2,055,522
Additions	-	15,950	11,907	303,641	331,498
Disposals	(8,458)	(2,606)	-	(184,572)	(195,636)
Reclassification	-	(40,000)	-	40,000	-
At 31 December 1996	45,695	110,332	171,195	1,864,162	2,191,384
Depreciation					
At 1 January 1996	13,377	54,061	88,242	720,867	876,547
Charge for the year	4,802	23,998	34,500	374,510	437,810
Disposals	(3,331)	(1,007)	-	(138,495)	(142,833)
Reclassification	-	(18,700)	-	18,700	-
At 31 December 1996	14,848	58,352	122,742	975,582	1,171,524
Net book value					
At 31 December 1996	30,847	51,980	48,453	888,580	1,019,860
At 31 December 1995	40,776	82,927	71,046	984,226	1,178,975

8. STOCKS AND WORK IN PROGRESS

	1996 £	1995 £
Raw materials	696,545	753,316
Work in progress	1,189,539	1,359,394
	<u>1,886,084</u>	<u>2,112,710</u>

9. DEBTORS

	1996 £	1995 £
Trade debtors	1,444,685	1,238,155
Amounts owed by parent company	1,244,064	747,814
Amounts owed by fellow subsidiary undertaking	8,794	3,880
Taxation - group relief	455,074	133,000
Other debtors	4,000	-
Prepayments	35,465	1,218
	<u>3,192,082</u>	<u>2,124,067</u>

Other debtors in 1996 consist of a quasi-loan to Mr S Lain, a director of the company. The maximum amount outstanding during the year was £4,000.

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1996

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank overdraft	2,213,501	1,114,624
Trade creditors	804,094	422,702
Amounts owed to fellow subsidiary undertakings	3,886	-
Tax and social security	295,596	154,758
Other creditors	16,085	27,893
Accruals and deferred income	53,815	7,698
	<u>3,386,977</u>	<u>1,727,675</u>

11. PROVISION FOR LIABILITIES AND CHARGES

	1996 £	1995 £
Deferred taxation	-	31,434
Deferred taxation provided in the accounts is reconciled as follows:		
Opening balance	31,434	53,118
Current period credit	(27,275)	(21,684)
Adjustment in respect of prior periods	(4,159)	-
Closing balance	<u>-</u>	<u>31,434</u>

There were no amounts of deferred taxation unprovided at year end.

12. SHARE CAPITAL

	1996 £	1995 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
500 ordinary shares of £1 each	<u>500</u>	<u>500</u>

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1996

13. RESERVES

	Capital contribution £	Profit and loss account £	Total £
Balance at 1 January 1996	4,500,000	(832,635)	3,667,865
Loss for the financial year	-	(946,377)	(946,377)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1996	4,500,000	(1,779,012)	2,721,488
	<hr/>	<hr/>	<hr/>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Opening shareholders' funds	3,667,865	3,984,725
Loss for the financial year	(946,377)	(316,860)
	<hr/>	<hr/>
Closing shareholders' funds	2,721,488	3,667,865
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15. CAPITAL COMMITMENTS

	1996 £	1995 £
Contracted for but not provided	-	-
	<hr/>	<hr/>

16. 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 £31,385 (1995: £31,100). 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.

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1996

17. OTHER FINANCIAL COMMITMENTS

At the financial year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1996	1995	1996	1995
	£	£	£	£
Operating leases which expire:				
within one year	-	-	-	-
between two and five years	76,683	139,816	60,985	-
	<u>76,683</u>	<u>139,816</u>	<u>60,985</u>	<u>-</u>

18. CONTINGENT LIABILITIES

On 10 January 1994 the company entered into an agreement with its ultimate UK 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 Group has an unsecured overdraft facility of £5 million.

At the year end the company has issued general performance bonds to customers amounting to £30,000.

19. ULTIMATE PARENT UNDERTAKING

The parent undertaking is Parkersell Limited, a company incorporated in Great Britain and registered in England and Wales. The UK ultimate parent undertaking is Energy and Technical Services Group plc and 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:

Parkersell Limited
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Cranworth Road
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SO22 6SQ

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