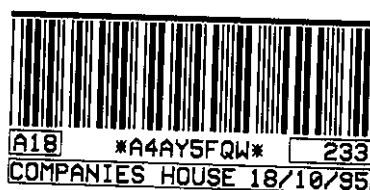




MITIE ENGINEERING SERVICES (SOUTH EAST) LIMITED

Report and Financial Statements

31 March 1995



**Touche Ross & Co.
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP**

REPORT AND FINANCIAL STATEMENTS 1995

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REPORT AND FINANCIAL STATEMENTS 1995

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
W E Harding
C S Acheson
J D Cullen
S J Macey
G I Capon
P A Lee

SECRETARY

A F Waters

REGISTERED OFFICE

The Stable Block
Barley Wood
Wrighton
Bristol
BS18 7SA

BANKERS

National Westminster Bank plc
32 Corn Street
Bristol
BS99 7UG

AUDITORS

Touche Ross & Co.
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 March 1995.

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 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, subject to any material departures disclosed and explained in the financial statements; 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 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 and mechanical services in commercial and industrial premises.

The company's business developed satisfactorily and the directors consider that the company is in a good position to continue that development.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £67,672 (1994: £273,306). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends	
- Final proposed of £3.40 per ordinary share	34,000
Transfer to reserves	33,672
	<hr/> 67,672 <hr/>

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 6 to the financial statements.

DIRECTORS' REPORT (continued)

DIRECTORS

The directors during the year were as follows:

D M Telling (Chairman)
W E Harding
C S Acheson
J D Cullen
S J Macey
G I Capon
P A Lee

The beneficial interests of the directors and their families in the shares of the company are:

	31 March 1995 10p Ordinary shares Number	1 April 1994 10p Ordinary shares Number
C S Acheson	-	1,000
J D Cullen	-	950
S J Macey	-	700
G I Capon	-	500
P A Lee	-	160

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

Messrs D M Telling and W E Harding are directors of MITIE Group PLC, the parent undertaking, and their interests in the share capital of that company are shown in the financial statements of MITIE Group PLC.

Other directors' interests in the share capital of MITIE Group PLC are as follows:

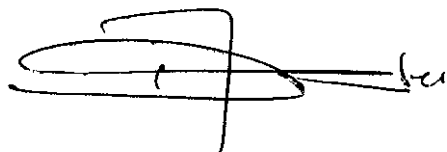
	31 March 1995 25p Ordinary shares Number	1 April 1994 50p Ordinary shares Number
C S Acheson	235,260	1,480
J D Cullen	232,300	-
S J Macey	232,300	-
G I Capon	117,300	-
P A Lee	39,100	-

DIRECTORS' REPORT (continued)

AUDITORS

The Bristol Partnership of BDO Binder Hamlyn merged their practice with Touche Ross & Co. on 5 October 1994 and now carry on business under the name of Touche Ross & Co. The directors consented to the appointment of the Bristol Partnership of BDO Binder Hamlyn as auditors of the company being treated as extending to Touche Ross & Co. A resolution to re-appoint Touche Ross & Co. as auditors will be proposed at the Annual General Meeting.

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

A handwritten signature in black ink, appearing to be 'A F Waters', written over a horizontal line.

A F Waters
Secretary

16 August 1995



Chartered Accountants

Touche Ross & Co.
Queen Anne House
69-71 Queen Square
Bristol BS1 4JP

Telephone: National 0117 921 1622
International + 44 117 921 1622
Fax (Gp. 3): 0117 929 2801

AUDITORS' REPORT TO THE MEMBERS OF

MITIE ENGINEERING SERVICES (SOUTH EAST) LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2, 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 March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

25 August 1995

Chartered Accountants and
Registered Auditors

PROFIT AND LOSS ACCOUNT
Year ended 31 March 1995

	Notes	Continuing operations	
		1995	1994
		£	£
TURNOVER		12,769,542	10,941,980
Cost of sales		(11,401,272)	(9,306,785)
GROSS PROFIT		1,368,270	1,635,195
Administrative expenses		(1,282,857)	(1,248,577)
OPERATING PROFIT	2	85,413	386,618
Interest receivable	3	38,600	25,472
Interest payable	3	(71)	(552)
Dividend receivable		-	3,600
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		123,942	415,138
Tax on profit on ordinary activities	4	(56,270)	(141,832)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		67,672	273,306
Dividends	5	(34,000)	(2,400)
RETAINED PROFIT FOR THE YEAR	12	33,672	270,906

There are no recognised gains or losses for the current financial year or preceding financial year other than as stated in the profit and loss account.

BALANCE SHEET
31 March 1995

	Notes	1995	1994
		£	£
FIXED ASSETS			
Tangible assets	6	172,583	197,128
Investments	7	-	70,000
		<u>172,583</u>	<u>267,128</u>
CURRENT ASSETS			
Work in progress	8	1,810,691	1,874,583
Debtors	9	1,666,695	1,410,131
Cash at bank and in hand		702,782	1,509,828
		<u>4,180,168</u>	<u>4,794,542</u>
CREDITORS: amounts falling due within one year	10	<u>(3,753,806)</u>	<u>(4,496,397)</u>
Net current assets		<u>426,362</u>	<u>298,145</u>
NET ASSETS		<u>598,945</u>	<u>565,273</u>
CAPITAL AND RESERVES			
Called up share capital	11	10,999	10,999
Share premium		19,700	19,700
Profit and loss account	12	568,246	534,574
TOTAL SHAREHOLDERS' FUNDS (including non-equity)	13	<u>598,945</u>	<u>565,273</u>

These financial statements were approved by the Board of Directors on 16 August 1995.

Signed on behalf of the Board of Directors


D M Telling
Director

CASH FLOW STATEMENT
Year ended 31 March 1995

	Notes	1995	1994
		£	£
Net cash (outflow)/inflow from operating activities	15	(650,995)	982,273
Returns on investments and servicing of finance			
Interest received		41,972	29,315
Interest element of finance lease and hire purchase rental payments		-	(133)
Interest paid		(71)	(419)
Dividends received/(paid)		2,400	(1,200)
Net cash inflow from returns on investments and servicing of finance		44,301	27,563
Taxation			
UK Corporation tax paid		(142,396)	(92,890)
Investing activities			
Purchase of tangible fixed assets		(62,006)	(124,507)
Sale of tangible fixed assets		4,050	7,350
Net cash outflow from investing activities		(57,956)	(117,157)
Net cash (outflow)/inflow before financing		(807,046)	799,789
Financing			
Capital element of finance lease and hire purchase rental payments		-	(1,361)
Net cash outflow from financing		-	(1,361)
(Decrease)/increase in cash and cash equivalents	16	(807,046)	798,428

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied and contract work completed in the year.

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	4 to 10 years
Motor vehicles	4 years

Leasing commitments

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

Work in progress

Work in progress is stated at the lower of cost (including appropriate overheads) and net realisable value. Provision is made for foreseeable losses.

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.

Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

2. OPERATING PROFIT is stated after charging/(crediting):	1995	1994
	£	£
Depreciation	84,752	72,879
Operating lease rentals: land and buildings	57,883	55,250
Auditors' remuneration: audit services	4,000	4,000
Rent receivable	(6,837)	(6,837)
Profit on disposal of tangible fixed assets	(2,251)	(5,438)
	<hr/>	<hr/>
3. INTEREST		
(1) Interest receivable		
Bank interest receivable	38,600	23,661
Other interest receivable	-	1,811
	<hr/>	<hr/>
	38,600	25,472
	<hr/>	<hr/>
(2) Interest payable		
On finance leases and hire purchase contracts terminating within five years	-	133
Other interest payable	71	419
	<hr/>	<hr/>
	71	552
	<hr/>	<hr/>
4. TAXATION		
UK current year taxation		
UK Corporation Tax at 33% (1994: 33%)	55,900	142,050
Prior years		
UK Corporation Tax	370	(218)
	<hr/>	<hr/>
Tax on profit on ordinary activities	56,270	141,832
	<hr/>	<hr/>
5. DIVIDENDS		
Ordinary:		
Interim paid Nil (1994: 12.0p) per share	-	1,200
Final proposed of £3.40 (1994: 12.0p) per share	34,000	1,200
	<hr/>	<hr/>
	34,000	2,400
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

6. TANGIBLE FIXED ASSETS

(1) Summary	Office equipment £	Motor vehicles £	Plant and equipment £	Total £
Cost				
1 April 1994	93,447	279,382	1,174	374,003
Additions	17,913	43,451	642	62,006
Disposals	-	(23,950)	-	(23,950)
31 March 1995	111,360	298,883	1,816	412,059
Depreciation				
1 April 1994	53,087	123,152	636	176,875
Charge for the year	17,501	66,953	298	84,752
Disposals	-	(22,151)	-	(22,151)
31 March 1995	70,588	167,954	934	239,476
Net book value				
31 March 1995	40,772	130,929	882	172,583
31 March 1994	40,360	156,230	538	197,128

(2) Capital commitments

At 31 March 1995 the directors had authorised capital expenditure of Nil (1994: Nil).

7. INVESTMENTS

Investments in subsidiary undertakings

	£
Cost	
1 April 1994	70,000
Disposals in the year	70,000
31 March 1995	-

On 10 February 1995 the company transferred its investments to the parent undertaking MITIE Group PLC at cost.

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

8. WORK IN PROGRESS

	1995	1994
	£	£
Work in progress	6,935,184	4,811,680
Payments on account	(5,124,493)	(2,937,097)
	<u>1,810,691</u>	<u>1,874,583</u>

9. DEBTORS

Trade debtors	1,280,109	1,165,703
Amounts owed by parent undertaking and fellow subsidiary undertakings	368,313	186,995
Other debtors	2,530	19,680
Prepayments and accrued income	15,743	34,153
Dividends receivable	-	3,600
	<u>1,666,695</u>	<u>1,410,131</u>

10. CREDITORS: amounts falling due within one year

Trade creditors	3,420,619	4,021,052
Amounts owed to parent undertaking and fellow subsidiary undertakings	89,672	28,191
Corporation tax	55,765	141,892
Other taxes and social security costs	84,375	261,953
Other creditors	25,375	10,950
Accruals and deferred income	44,000	28,173
Payments on account	-	2,986
Dividends	34,000	1,200
	<u>3,753,806</u>	<u>4,496,397</u>

11. CALLED UP SHARE CAPITAL

	1995	
	Number	£
(1) Authorised		
10p Ordinary shares (equity)	10,000	1,000
£1 Non-voting preferred ordinary shares (non-equity)	10,000	10,000
	<u> </u>	<u> </u>
(2) Allotted and fully paid	1995	1994
	£	£
10p Ordinary shares	1,000	1,000
£1 Non-voting preferred ordinary shares	9,999	9,999
	<u> </u>	<u> </u>
31 March	<u>10,999</u>	<u>10,999</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

11. CALLED UP SHARE CAPITAL (continued)

(3) Rights attached to shares

The non-voting preferred ordinary shares of £1 do not carry a right to receive a dividend. Limited voting rights also exist.

12. PROFIT AND LOSS ACCOUNT

	£
1 April 1994	534,574
Retained profit for the year	33,672
	<hr/>
31 March 1995	568,246
	<hr/>

13. TOTAL SHAREHOLDERS' FUNDS

	1995 £	1994 £
For the purposes of FRS4, these are analysed as follows:		
Equity funds	588,946	555,274
Non-equity funds	9,999	9,999
	<hr/>	<hr/>
	598,945	565,273
	<hr/>	<hr/>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit for the financial year	67,672	273,306
Dividends	(34,000)	(2,400)
	<hr/>	<hr/>
Net addition to shareholders' funds	33,672	270,906
Opening shareholders' funds	565,273	294,367
	<hr/>	<hr/>
Closing shareholders' funds	598,945	565,273
	<hr/>	<hr/>

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

Operating profit	85,413	386,618
Depreciation charges	84,752	72,879
Profit on sale of tangible fixed assets	(2,251)	(5,438)
Decrease/(increase) in work in progress	63,892	(968,639)
Increase in debtors	(193,536)	(733,328)
(Decrease)/increase in creditors	(689,265)	2,230,181
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(650,995)	982,273
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

16. CASH AND CASH EQUIVALENTS

	1995	1994
	£	£
Balance of cash and cash equivalents		
Cash at bank and in hand	702,782	1,509,828
Change in the balance of cash and cash equivalents		
1 April	1,509,828	711,400
Net cash (outflow)/inflow for the year	(807,046)	798,428
31 March	702,782	1,509,828

17. FINANCIAL COMMITMENTS

(1) Operating leases

At 31 March 1995 the company had annual commitments under non-cancellable operating leases as follows:

Land and buildings

Expiry date:

In over five years	55,250	55,250
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(2) Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts.

18. DIRECTORS

(1) Emoluments

The emoluments of directors of the company were:

Fees and other emoluments (including pension contributions and benefits-in-kind)	233,373	211,903
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NOTES TO THE ACCOUNTS
Year ended 31 March 1995

18. DIRECTORS (continued)

(2) Bandings

Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:

	1995	1994
	£	£
The chairman	-	-
The highest-paid director	<u>50,748</u>	<u>44,795</u>

Other directors' emoluments (excluding pension contributions) were in the following ranges:

	Number	Number
£0 - £5,000	1	1
£30,001 - £35,000	-	1
£40,001 - £45,000	<u>4</u>	<u>3</u>

19. EMPLOYEES

(1) Number of employees

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

Administration and management	<u>45</u>	<u>31</u>
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(2) Employment costs

	£	£
Wages and salaries	959,422	691,618
Social security costs	90,996	71,606
Other pension costs	28,755	14,248
	<u>1,079,173</u>	<u>777,472</u>

20. PARENT UNDERTAKING

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's parent undertaking. Copies of the group financial statements can be obtained from the company secretary at the registered office.