

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994



MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

DIRECTORS

P D Skett (Chairman)
M W Baker
D Summerfield

SECRETARY

C S Dixon

REGISTERED OFFICE

Intersection House
Birmingham Road
West Bromwich
West Midlands
B70 6RX

REGISTERED NUMBER - 1591890

AUDITORS

Touche Ross & Co
Chartered Accountants and Registered Auditors
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

PRINCIPAL BANKERS

Midland Bank plc
130 New Street
Birmingham
B2 4JU

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED
(A wholly owned subsidiary of Maintenance & Technical Management Limited,
registered in England and Wales)

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 1994.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing financial statements for each financial year which comply with the Companies Act 1985 and 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.

The financial statements should be prepared on a going concern basis unless, exceptionally, it is inappropriate to presume that the Company will continue in business. In preparing the statements the directors are required to follow applicable accounting standards and to select suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The directors are also responsible for ensuring that proper and adequate accounting records have been maintained and that appropriate procedures have been followed for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

RESULTS AND DIVIDEND

Details of the results for the year are set out in the profit and loss account on Page 4.

The Company has paid an interim dividend of £25,000 to its parent company in respect of the year. No final dividend is proposed.

BUSINESS REVIEW

The Company has had a disappointing year with a slight fall in turnover coupled with a reduction in gross margins.

However, given the Company's skill base and a growing market, future prospects are encouraging.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets during the year are detailed in Note 5 to the financial statements. During the year the Company sold and leased back the greater part of its fleet of vehicles. The proceeds of such disposals amounted to £84,175.

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

REPORT OF THE DIRECTORS
(continued)

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:-

C A Gilbert (Chairman)
P Skett
D Summerfield
M W Baker

C A Gilbert resigned from the Board on 14 January 1995 and P D Skett was appointed Chairman.

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

The directors hold no shares of the Company.

The director who is not a director of the ultimate parent undertaking, How Group plc, held the following interests in the 10p ordinary shares of that company:-

	At 31.12.94		At date of appointment	
	Fully Paid	Share Options	Fully Paid	Share Options
M W Baker (appointed 1.1.94)	-	83,333	-	33,333

The other directors are also directors of How Group plc and their interests are disclosed in that company's financial statements.

AUDITORS

The Birmingham partnership of BDO Binder Hamlyn merged their practice with Touche Ross & Co on 1 October 1994 and now carry on business under the name of Touche Ross & Co. The directors consented to the appointment of the Birmingham 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.

This report was approved by the Board on 20 April 1995.



C S Dixon
Secretary

AUDITORS' REPORT
TO THE MEMBERS OF MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared on the basis of the accounting policies set out on pages 6 and 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, 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 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 affairs of the Company as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co

Touche Ross & Co
Chartered Accountants and Registered Auditors
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

5 June 1995

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994 £	1993 £
TURNOVER		3,659,447	3,875,645
Cost of sales		(2,847,787)	(2,860,517)
		<hr/>	<hr/>
GROSS PROFIT		811,660	1,015,128
Administrative expenses		(705,753)	(834,113)
		<hr/>	<hr/>
OPERATING PROFIT BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	105,907	181,015
Tax on profit on ordinary activities	3	(27,262)	(55,974)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		78,645	125,041
Interim dividend payable		(25,000)	(80,000)
		<hr/>	<hr/>
Retained profit for the year		53,645	45,041
Retained profits brought forward		481,154	436,113
		<hr/>	<hr/>
RETAINED PROFITS CARRIED FORWARD		£534,799	£481,154
		<hr/>	<hr/>

All activities derive from continuing operations.

STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than as stated above in the Profit and Loss Account.

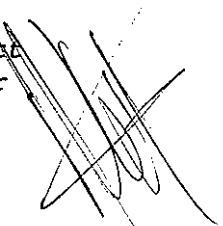
MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

BALANCE SHEET AT 31 DECEMBER 1994

	Notes	£	1994 £	£	1993 £
TANGIBLE FIXED ASSETS	5		3,296		104,942
CURRENT ASSETS					
Work in progress	6	82,613		85,305	
Debtors	7	702,781		868,927	
Cash at bank and in hand		813,107		584,574	
			<hr/>	<hr/>	
			1,598,501	1,538,806	
CREDITORS (amounts falling due within one year)	8	(989,946)		(1,097,116)	
			<hr/>	<hr/>	
NET CURRENT ASSETS			608,555		441,690
			<hr/>		<hr/>
TOTAL ASSETS					
LESS CURRENT LIABILITIES			611,851		546,632
PROVISION FOR LIABILITIES AND CHARGES	9		(77,050)		(65,476)
			<hr/>		<hr/>
NET ASSETS			£534,801		£481,156
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up share capital	10		2		2
Profit and loss account			534,799		481,154
			<hr/>		<hr/>
EQUITY SHAREHOLDERS' FUNDS	11		£534,801		£481,156
			<hr/>		<hr/>

The financial statements set out on pages 4 to 12 were approved by the Board on 20 April 1995.

P D Skett
Director



NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Company's financial statements.

(a) ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) DEPRECIATION

Depreciation is provided on all tangible fixed assets 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:-

Furniture and office equipment	5 years
Motor vehicles	4 years

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.

(c) 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.

(d) DEFERRED TAXATION

Provision is made for deferred taxation 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.

(e) 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.

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

1 ACCOUNTING POLICIES (continued)

(f) OPERATING LEASES

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

(g) 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	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1994 £	1993 £
	After charging (crediting)		
	Depreciation	31,063	48,233
	Profit on fixed asset disposals	(15,891)	(4,990)
	Auditors' remuneration - Audit fees and expenses	4,000	4,000
	Operating lease charges:		
	land and buildings	13,950	16,479
	hire of plant, equipment and vehicles	111,505	43,461
		<hr/>	<hr/>
3	TAX ON PROFIT ON ORDINARY ACTIVITIES		
	UK corporation tax at 33% (1993 - 33%) based on profit for the year	33,000	59,800
	Transfer from deferred tax	(5,701)	(3,436)
		<hr/>	<hr/>
		27,299	56,364
	Adjustments relating to prior periods:		
	Corporation tax	(37)	(390)
		<hr/>	<hr/>
		£27,262	£55,974
		<hr/>	<hr/>

The tax charge for the year has benefited from the reversal of timing differences of previous years relating to decelerated capital allowances.

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

4 INFORMATION REGARDING DIRECTORS
AND OTHER EMPLOYEES

- (i) The average number of persons employed by the company during the year was 99 (1993 - 99).

Total employee remuneration was:	1994 £	1993 £
Wages and salaries	1,244,460	1,204,002
Social security costs	119,478	116,080
Other pension costs	54,952	45,306
	<hr/>	<hr/>
	£1,418,890	£1,365,388
	<hr/>	<hr/>

(ii) DIRECTORS' EMOLUMENTS

Emoluments of the Chairman	£ -	£ -
	<hr/>	<hr/>
Emoluments of highest paid director		
Remuneration	38,018	-
Pension contributions	1,801	-
	<hr/>	<hr/>
	£39,819	£ -
	<hr/>	<hr/>

No other director received any remuneration.

(iii) PENSION COSTS

The Company is a member 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.

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

5 TANGIBLE FIXED ASSETS

	Furniture and office equipment £	Motor vehicles £	Total £
<i>COST</i>			
At 1 January 1994	4,053	396,777	400,830
Additions	-	36,845	36,845
Disposals	-	(403,198)	(403,198)
Inter group transfers	-	(10,644)	(10,644)
At 31 December 1994	4,053	19,780	23,833
<i>DEPRECIATION</i>			
At 1 January 1994	4,053	291,835	295,888
Provided in year	-	31,063	31,063
Disposals	-	(300,739)	(300,739)
Inter group transfers	-	(5,675)	(5,675)
At 31 December 1994	4,053	16,484	20,537
<i>NET BOOK VALUE</i>			
At 31 December 1994	£ -	£3,296	£3,296
At 31 December 1993	£ -	£104,942	£104,942

6 WORK IN PROGRESS

	1994 £	1993 £
Work in progress	133,563	85,305
Payments received on account	(50,950)	-
	£82,613	£85,305

Payments received on account which are in excess of contract values are included in creditors (Note 8).

7 DEBTORS

Trade debtors	645,121	752,456
Amounts owed by Group undertakings	685	63,916
Other debtors	7,644	6,450
Prepayments and accrued income	49,331	46,105
	£702,781	£868,927

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

8	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1994 £	1993 £
	Payments received on account (Note 6)	7,450	-
	Trade creditors	392,546	453,720
	Contract completion costs	50,003	-
	Amounts owed to Group undertakings	114,152	131,532
	Corporation tax	92,763	112,409
	Other taxes and social security	185,207	203,052
	Other creditors	16,652	18,918
	Accruals and deferred income	106,173	97,485
	Dividend payable	25,000	80,000
		<hr/>	<hr/>
		£989,946	£1,097,116
		<hr/>	<hr/>
9	PROVISION FOR LIABILITIES AND CHARGES		
		Total £	Contract provisions £
			Related deferred taxation £
	Balance at 1 January 1994	65,476	97,725
	Transfer from/(to) profit and loss account	11,574	17,275
		<hr/>	<hr/>
	Balance at 31 December 1994	£77,050	£115,000
		<hr/>	<hr/>
10	CALLED UP SHARE CAPITAL	1994	1993
	Authorised 100 ordinary shares of £1 each	£ 100	£ 100
		<hr/>	<hr/>
	Allotted and fully paid 2 ordinary shares of £1 each	£ 2	£ 2
		<hr/>	<hr/>

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

11	RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS	1994 £	1993 £
	Profit for the financial year	78,645	125,041
	Dividends	(25,000)	(80,000)
		<hr/>	<hr/>
	Net increase in shareholders' funds	53,645	45,041
	Opening shareholders' funds	481,156	436,115
		<hr/>	<hr/>
	Closing equity shareholders' funds	£534,801	£481,156
		<hr/>	<hr/>

12 CONTINGENT LIABILITIES

The Company has 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 1994 of £20,406,231 (1993 - £21,146,305) relating to the overdrafts of certain companies.

13	CAPITAL COMMITMENTS	1994	1993
	Authorised but not yet contracted for	£ -	£20,000
		<hr/>	<hr/>

14 FINANCIAL OBLIGATIONS

The Company has the following annual obligations under operating lease commitments analysed into the period from the balance sheet date in which the leases expire:

	1994	1993
<u>Land and buildings</u>	£	£
Within one year	2,200	2,450
Between two and five years	11,750	9,700
	<hr/>	<hr/>
	£13,950	£12,150
	<hr/>	<hr/>
<u>Other assets</u>		
Within one year	-	1,200
Between two and five years	143,847	61,080
	<hr/>	<hr/>
	£143,847	£62,280
	<hr/>	<hr/>

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(continued)

15 PARENT UNDERTAKINGS

The company's ultimate parent undertaking is How Group plc, registered in England and Wales.

How Group plc is the parent undertaking of the largest group of which Maintenance & Technical Management (Northern) Limited is a member and for which group accounts are drawn up.

Maintenance & Technical Management Limited, registered in England and Wales, is the parent undertaking of the smallest group of which Maintenance & Technical Management (Northern) Limited is a member and for which group accounts are drawn up.

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

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

TRADING ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1994

	1994		1993	
	£	£	£	£
TURNOVER				
Sales		3,627,550		3,907,792
Add: Closing work in progress		188,300		156,403
		<hr/>		<hr/>
		3,815,850		4,064,195
Less: Opening work in progress		156,403		188,550
		<hr/>		<hr/>
		3,659,447		3,875,645
		<hr/>		<hr/>
COST OF SALES				
Direct costs:				
Materials and				
other external charges	1,540,461		1,681,827	
Direct labour	995,791		929,637	
Operatives' expenses	55,505		54,254	
Plant hire	12,617		10,717	
	<hr/>		<hr/>	
		2,604,374		2,676,435
Indirect costs:				
Operatives' NI	93,679		89,020	
Tool and equipment repairs	1,270		1,710	
Consumables	327		646	
Commercial vehicle depreciation	21,513		39,083	
Commercial vehicle expenses	126,624		53,623	
	<hr/>		<hr/>	
		243,413		184,082
		<hr/>		<hr/>
		2,847,787		2,860,517
		<hr/>		<hr/>
GROSS PROFIT		811,660		1,015,128
Less: Overheads				
(per attached schedule)		705,753		834,113
		<hr/>		<hr/>
OPERATING PROFIT FOR THE YEAR		£ 105,907		£ 181,015
		<hr/>		<hr/>

For the information of the directors

MAINTENANCE & TECHNICAL MANAGEMENT (NORTHERN) LIMITED

SCHEDULE OF OVERHEAD EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 1994

	1994		1993	
	£	£	£	£
Staff salaries and temporary staff		292,077		314,041
Staff NI		25,799		27,060
Group management and finance charges		80,630		108,512
Rent, rates and insurance		61,997		80,780
Pension schemes		68,021		56,379
Heat and light		2,168		2,274
Printing, stationery, drawing				
office materials and advertising		27,913		15,451
Telephone		31,384		33,448
Travelling and entertaining expenses		12,422		10,149
Postage, cleaning and sundry				
trade expenses		19,725		31,205
Motor expenses		62,773		121,696
Subscriptions		2,392		2,515
Audit and accountancy charges		4,000		4,000
Bank charges		2,889		3,022
Consultancy fees		5,000		-
Repairs and renewals:				
Furniture and office equipment	524		1,182	
Buildings	60		-	
		584		1,182
Training costs		8,380		6,480
Computer costs		723		-
Legal and professional charges		3,253		7,085
Depreciation:				
Motor vehicles		9,550		9,140
Bad debts		1,694		6,281
		723,374		840,700
Deduct: Miscellaneous income:-				
Discounts received	1,730		1,597	
Profit on sale of motor vehicles	15,891		4,990	
		17,621		6,587
NET OVERHEAD EXPENSES		£705,753		£834,113

For the information of the directors