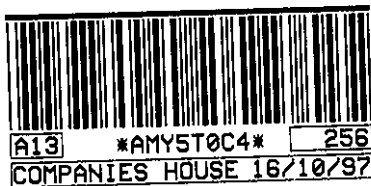




MITIE ENGINEERING SERVICES (SOUTH WEST) LIMITED

Report and Financial Statements

31 March 1997



**Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP**



REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
W E Harding
D Freeman
A R Cotton
J G Kent
R Knight
C S Acheson
C J Williams

SECRETARIES

A F Waters
M O Thomas

REGISTERED OFFICE

The Stable Block
Barley Wood
Wrington
Bristol
BS18 7SA

BANKERS

Midland Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 31 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 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; 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. 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 £274,650 (1996: £233,097). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends	
- Final proposed of £3.43 per share	137,000
Transfer to reserves	137,650
	<hr/>
	274,650
	<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 AND THEIR INTERESTS

The directors during the year were as follows:

W E Harding	(Chairman)
D M Telling	
D Freeman	
A R Cotton	
J G Kent	
R Knight	
C S Acheson	(appointed 1 June 1996)
C J Williams	(appointed 1 June 1996)
T G Lewis	(resigned 10 June 1996)

No director had an interest in the share capital of the company.

Messrs W E Harding and D M Telling 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 were as follows:

	31 March 1997 10p Ordinary shares Number	1 April 1996 25p Ordinary shares Number
D Freeman	1,002,820	467,428
A R Cotton	163,930	68,572
R Knight	32,732	5,000
C S Acheson	588,150	235,260
C J Williams	26,700	10,680

No other director had an interest in the share capital of MITIE Group PLC.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 1997 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 70 days.

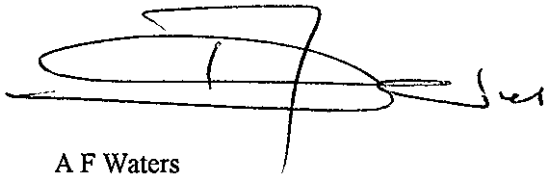
In the industry in which the company operates credit periods are frequently extended by agreement. The company's creditor days are a reflection of this custom.

DIRECTORS' REPORT (continued)

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



A F Waters
Secretary

14/8/97



Chartered Accountants

Deloitte & Touche
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 WEST) LIMITED

We have audited the financial statements on pages 6 to 16 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

18/8/97

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

PROFIT AND LOSS ACCOUNT
Year ended 31 March 1997

	Notes	Continuing operations 1997 £	1996 £
TURNOVER		12,106,104	10,028,420
Cost of sales		(10,572,056)	(8,715,472)
GROSS PROFIT		1,534,048	1,312,948
Administrative expenses		(1,152,625)	(1,009,840)
OPERATING PROFIT	2	381,423	303,108
Interest receivable	3	37,515	32,908
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		418,938	336,016
Tax on profit on ordinary activities	4	(144,288)	(102,919)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		274,650	233,097
Dividends	5	(137,000)	(116,000)
RETAINED PROFIT FOR THE YEAR	12	137,650	117,097

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

BALANCE SHEET
31 March 1997

	Notes	1997	1996
		£	£
FIXED ASSETS			
Tangible assets	6	181,383	214,099
Investments	7	-	112,983
		<u>181,383</u>	<u>327,082</u>
CURRENT ASSETS			
Work in progress	8	953,157	1,768,596
Debtors	9	1,109,753	719,560
Cash at bank and in hand		669,397	93,231
		<u>2,732,307</u>	<u>2,581,387</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(2,355,891)</u>	<u>(2,488,320)</u>
NET CURRENT ASSETS		<u>376,416</u>	<u>93,067</u>
NET ASSETS		<u>557,799</u>	<u>420,149</u>
CAPITAL AND RESERVES			
Called up share capital	11	40,000	40,000
Profit and loss account	12	517,799	380,149
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>557,799</u>	<u>420,149</u>

These financial statements were approved by the Board of Directors on

14 August 1997

Signed on behalf of the Board of Directors



D M Telling
 Director

CASH FLOW STATEMENT
Year ended 31 March 1997

	Notes	1997	1996
		£	£
Net cash inflow/(outflow) from operating activities	14	801,874	(160,397)
Returns on investments and servicing of finance			
Interest received		36,921	33,877
Dividends paid		(116,000)	(155,292)
Net cash outflow from returns on investments and servicing of finance		(79,079)	(121,415)
Taxation			
UK corporation tax paid		(107,388)	(106,719)
Capital expenditure			
Payments to acquire tangible fixed assets		(46,341)	(159,182)
Receipts from disposal of tangible fixed assets		7,100	17,450
Net cash outflow from capital expenditure		(39,241)	(141,732)
Acquisitions and disposals			
Payments to acquire subsidiary undertakings		-	(1,983)
Increase/(decrease) in cash in the year	16	576,166	(532,246)

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

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

Investments

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

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the estimated net present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract.

Rentals paid under other leases (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.

Deferred taxation

Provision is made for deferred taxation using the liability method in respect of timing differences to the extent that liabilities will crystallise in the foreseeable future.

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 1997

2. OPERATING PROFIT is stated after charging/(crediting):	1997	1996
	£	£
Depreciation	72,154	63,945
Operating lease rentals: land and buildings	33,000	32,000
Auditors' remuneration: audit services	3,500	3,500
Profit on disposal of tangible fixed assets	(197)	(6,781)
	<u> </u>	<u> </u>
 3. INTEREST RECEIVABLE	 1997	 1996
	£	£
Bank interest receivable	37,515	32,908
	<u> </u>	<u> </u>
 4. TAX ON PROFIT ON ORDINARY ACTIVITIES	 1997	 1996
	£	£
UK current year taxation		
UK corporation tax at 33% (1996: 33%)	144,900	108,000
 Prior years		
UK corporation tax	(612)	(5,081)
	<u> </u>	<u> </u>
	144,288	102,919
	<u> </u>	<u> </u>
 5. DIVIDENDS	 1997	 1996
	£	£
Ordinary:		
Final proposed of £3.43 (1996: £2.90) per share	137,000	116,000
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

6. TANGIBLE FIXED ASSETS

(1) Summary

	Plant	Office equipment	Motor vehicles	Total
	£	£	£	£
Cost				
1 April 1996	36,115	78,198	244,843	359,156
Additions	2,910	6,376	37,055	46,341
Group transfers out	-	(1,169)	-	(1,169)
Disposals	-	-	(22,056)	(22,056)
31 March 1997	39,025	83,405	259,842	382,272
Depreciation				
1 April 1996	30,095	42,854	72,108	145,057
Charge for the year	2,559	11,735	57,860	72,154
Group transfers out	-	(319)	-	(319)
Disposals	-	-	(16,003)	(16,003)
31 March 1997	32,654	54,270	113,965	200,889
Net book value				
31 March 1997	6,371	29,135	145,877	181,383
31 March 1996	6,020	35,344	172,735	214,099

(2) Capital commitments

At 31 March 1997 the directors had authorised capital expenditure of £17,000 (1996: £49,500).

7. INVESTMENTS

Investment in subsidiary undertaking

	£
Cost	
1 April 1996	112,983
Disposals in the year	(112,983)
31 March 1997	-

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

7. INVESTMENTS (continued)	£1 Ordinary shares Number	Proportion of share capital held
MITIE Engineering Services (Midlands) Limited	-	-
On 30 September 1996 the company disposed of the investment to MITIE Group PLC in the year at par.		
The company is incorporated in England and Wales and provides mechanical and electrical services in commercial and industrial premises.		
Consolidated financial statements for this group have not been prepared as this company is exempt under Section 228 of Companies Act 1985, being a wholly owned subsidiary of another company. These financial statements present information about it as an individual undertaking and not a group. The parent company has prepared consolidated financial statements and is registered in Scotland.		
8. WORK IN PROGRESS	1997 £	1996 £
Work in progress	2,088,683	3,449,436
Cash received on account	(1,135,526)	(1,680,840)
	<u>953,157</u>	<u>1,768,596</u>
9. DEBTORS	1997 £	1996 £
Trade debtors	868,286	674,643
Amounts owed by parent undertaking and fellow subsidiary undertakings	211,422	15,000
Other debtors	10,442	9,058
Prepayments and accrued income	<u>19,603</u>	<u>20,859</u>
	<u>1,109,753</u>	<u>719,560</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1997	1996
	£	£
Trade creditors	1,810,993	2,147,315
Amounts owed to parent undertaking and fellow subsidiary undertakings	2,284	-
Corporation tax	144,900	108,000
Other taxes and social security costs	107,410	62,873
Other creditors	17,035	25,448
Accruals and deferred income	19,787	19,155
Proposed dividends	137,000	116,000
Payments on account	116,482	9,529
	<u>2,355,891</u>	<u>2,488,320</u>
 11. CALLED UP SHARE CAPITAL		
	1997	
(1) Authorised	Number	£
£1 Ordinary shares	<u>40,000</u>	<u>40,000</u>
 (2) Allotted and fully paid	1997	1996
	£	£
£1 Ordinary shares	<u>40,000</u>	<u>40,000</u>
 12. PROFIT AND LOSS ACCOUNT		
	£	
1 April 1996	380,149	
Retained profit for the year	<u>137,650</u>	
31 March 1997	<u>517,799</u>	
 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1997	1996
	£	£
Profit for the financial year	274,650	233,097
Proposed dividend	(137,000)	(116,000)
Net addition to shareholders' funds	<u>137,650</u>	<u>117,097</u>
Opening shareholders' funds	420,149	303,052
Closing shareholders' funds	<u>557,799</u>	<u>420,149</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

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

	1997 £	1996 £
Operating profit	381,423	303,108
Depreciation charges	72,154	63,945
Profit on disposal of tangible fixed assets	(197)	(6,781)
Decrease/(increase) in work in progress	815,439	(907,373)
Increase in debtors	(276,616)	(184,079)
(Decrease)/increase in creditors	(190,329)	570,783
Net cash inflow/(outflow) from operating activities	<u>801,874</u>	<u>(160,397)</u>

15. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1996 £	Cash flows £	At 31 March 1997 £
Cash at bank and in hand	<u>93,231</u>	<u>576,166</u>	<u>669,397</u>

16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1997 £	1996 £
Increase/(decrease) in cash for the year	576,166	(532,246)
Movement in net funds in the year	576,166	(532,246)
Net funds at 1 April	93,231	625,477
Net funds at 31 March	<u>669,397</u>	<u>93,231</u>

17. FINANCIAL COMMITMENTS

(1) Operating leases

At 31 March 1997 the company had no annual commitments under non-cancellable operating leases (1996: £nil).

(2) Commitments on behalf of group undertakings

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

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

18. DIRECTORS

	1997	1996
The emoluments of directors of the company were:	£	£
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	262,774	234,902
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:		
The highest paid director:		
- emoluments	85,233	83,078
- pension contributions to money purchase scheme	6,430	4,790
	Number	Number
The number of directors who were members of:		
- a defined benefit pension scheme	4	2
- a money purchase pension scheme	2	3
	£	£
Contributions paid to money purchase scheme	8,530	7,760

Messrs D M Telling and W E Harding are directors of MITIE Group PLC and their pension details are disclosed in the group accounts.

19. EMPLOYEES

(1) Number of employees

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

	1997	1996
	Number	Number
Site labour	14	15
Administration and management	24	23
	38	38

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

19. EMPLOYEES

	1997	1996
(2) Employment costs	£	£
Wages and salaries	815,192	738,131
Social security costs	73,870	65,585
Other pension costs	41,978	35,543
	<hr/> 931,040	<hr/> 839,259

20. PARENT UNDERTAKING

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

As a wholly owned subsidiary of MITIE Group PLC, MITIE Engineering Services (South West) Limited has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.