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REGISTRAR

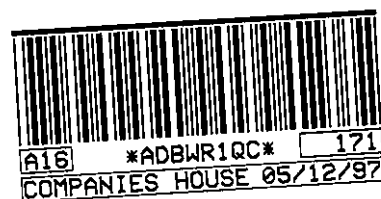
Company Number 2564586

MITIE ENGINEERING SERVICES (NORTH) 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
G Allen
D A Wilson
M A Tivey
C S Acheson
C J Williams

SECRETARIES

A F Waters
M O Thomas

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
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 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 £177,198 (1996: £22,389). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends	
- Final proposed £0.12 per share	18,000
Transfer to reserves	159,198
	<hr/> 177,198 <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:

D M Telling (Chairman)
W E Harding
G Allen
D A Wilson
M A Tivey
C S Acheson
C J Williams

The beneficial interests of the directors and their families in the share capital of the company at the beginning and end of the financial year were:

	31 March 1997		1 April 1996	
	£1 'B' ordinary shares Number	Unsecured loan stock £	£1 'B' ordinary shares Number	Unsecured loan stock £
G Allen	18,000	-	10,000	8,000
D A Wilson	18,000	-	10,000	8,000
M A Tivey	18,000	-	10,000	8,000
C J Williams	1,500	-	1,500	-

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 1997 10p Ordinary shares Number	1 April 1996 25p Ordinary shares Number
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 76 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.

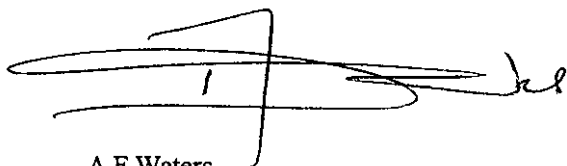


DIRECTORS' REPORT (continued)

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

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AUDITORS' REPORT TO THE MEMBERS OF

MITIE ENGINEERING SERVICES (NORTH) 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		6,279,450	2,953,624
Cost of sales		(5,440,303)	(2,467,854)
GROSS PROFIT		839,147	485,770
Administrative expenses		(592,905)	(462,626)
Other operating income		3,120	-
OPERATING PROFIT	2	249,362	23,144
Interest receivable	3	23,083	13,716
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		272,445	36,860
Tax on profit on ordinary activities	4	(95,247)	(14,471)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		177,198	22,389
Dividends	5	(18,000)	-
RETAINED PROFIT FOR THE YEAR	12	159,198	22,389

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		77,856		87,596
CURRENT ASSETS					
Work in progress	7	678,899		363,620	
Debtors	8	411,811		435,571	
Cash at bank and in hand		556,502		520,185	
		1,647,212		1,319,376	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(1,407,504)		(1,248,606)	
NET CURRENT ASSETS			239,708		70,770
TOTAL ASSETS LESS CURRENT LIABILITIES			317,564		158,366
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10		-		(24,000)
NET ASSETS			317,564		134,366
CAPITAL AND RESERVES					
Called up share capital	11		150,000		126,000
Profit and loss account	12		167,564		8,366
TOTAL EQUITY SHAREHOLDERS' FUNDS			317,564		134,366

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 from operating activities	14		50,326		299,032
Returns on investments and servicing of finance					
Interest received		22,687		13,657	
Interest paid		-		(652)	
Net cash inflow from returns on investments and servicing of finance			22,687		13,005
Taxation					
UK corporation tax paid			(14,247)		(1,771)
Capital expenditure					
Payments to acquire tangible fixed assets		(30,449)		(26,653)	
Receipts from sales of tangible fixed assets		8,000		1,300	
Net cash outflow from capital expenditure			(22,449)		(25,353)
Increase in cash in the year	16		36,317		284,913



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

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	34,141	27,354
Operating lease rentals: land and buildings	11,211	11,000
Auditors' remuneration: audit services	1,250	1,250
(Profit)/loss on disposal of fixed assets	(1,952)	559
	<u> </u>	<u> </u>
 3. INTEREST RECEIVABLE	 1997	 1996
	£	£
Bank interest receivable	23,083	13,716
	<u> </u>	<u> </u>
 4. TAX ON PROFIT ON ORDINARY ACTIVITIES	 1997	 1996
	£	£
UK current year taxation		
UK corporation tax at 33% (1996: 33%)	95,500	14,500
 Prior years		
UK corporation tax	(253)	(29)
	<u> </u>	<u> </u>
	95,247	14,471
	<u> </u>	<u> </u>
 5. DIVIDENDS	 1997	 1996
	£	£
Ordinary:		
Final proposed of £0.12 (1996: £nil) per share	18,000	-
	<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	5,496	32,574	93,639	131,709
Additions	-	1,199	28,400	29,599
Group transfers in	-	1,169	-	1,169
Disposals	-	-	(11,613)	(11,613)
31 March 1997	5,496	34,942	110,426	150,864
Depreciation				
1 April 1996	2,145	10,091	31,877	44,113
Charge for the year	1,099	6,804	26,238	34,141
Group transfers in	-	319	-	319
Disposals	-	-	(5,565)	(5,565)
31 March 1997	3,244	17,214	52,550	73,008
Net book value				
31 March 1997	2,252	17,728	57,876	77,856
31 March 1996	3,351	22,483	61,762	87,596

(2) Capital commitments

At 31 March 1997 the directors had authorised capital expenditure of £41,300 (1996: £36,500).

7. WORK IN PROGRESS

	1997	1996
	£	£
Work in progress	1,457,704	1,725,761
Cash received on account	(778,805)	(1,362,141)
	678,899	363,620

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

8. DEBTORS	1997	1996
	£	£
Trade debtors	399,667	423,765
Amounts owed by parent undertaking and fellow subsidiary undertakings	1,947	-
Other debtors	1,971	1,126
Prepayments and accrued income	6,381	10,680
Advance corporation tax recoverable	1,845	-
	<u>411,811</u>	<u>435,571</u>
 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	 1997	 1996
	£	£
Trade creditors	1,239,691	1,121,024
Amounts owed to parent undertaking and fellow subsidiary undertakings	2,590	11,137
Corporation tax	97,345	14,500
Other taxes and social security costs	29,751	53,788
Other creditors	17,650	13,109
Accruals and deferred income	2,477	11,337
Proposed dividend	18,000	-
Payments on account	-	23,711
	<u>1,407,504</u>	<u>1,248,606</u>
 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	 1997	 1996
	£	£
Unsecured loan stock 2004	-	24,000

The unsecured loan stock was converted into £1 'B' ordinary shares in the company during the year.

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

11. CALLED UP SHARE CAPITAL

	1997	
	Number	£
(1) Authorised		
£1 'A' ordinary shares	94,500	94,500
£1 'B' ordinary shares	55,500	55,500
	<u>150,000</u>	<u>150,000</u>
(2) Allotted and fully paid	1997	1996
	£	£
£1 'A' ordinary shares	94,500	94,500
£1 'B' ordinary shares	55,500	31,500
	<u>150,000</u>	<u>126,000</u>

The unsecured loan stock was converted into 24,000 £1 'B' ordinary shares in the company during the year.

(3) Rights attached to shares

The holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board. Thereafter, MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid, together with any arrears of such cumulative dividends unpaid from any previous financial year.

Thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

Both classes of shareholder have equal voting rights.

12. PROFIT AND LOSS ACCOUNT

	£
1 April 1996	8,366
Retained profit for the year	<u>159,198</u>
31 March 1997	<u>167,564</u>


NOTES TO THE ACCOUNTS

Year ended 31 March 1997

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1997	1996
	£	£
Profit for the financial year	177,198	22,389
Issue of share capital	24,000	-
Proposed dividend	(18,000)	-
Net addition to shareholders' funds	183,198	22,389
Opening shareholders' funds	134,366	111,977
Closing shareholders' funds	317,564	134,366

14. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	1997	1996
	£	£
Operating profit	249,362	23,144
Depreciation charges	34,141	27,354
(Profit)/loss on disposal of tangible fixed assets	(1,952)	559
Increase in work in progress	(315,279)	(33,765)
Decrease in debtors	26,001	86,535
Increase in creditors	58,053	195,205
Net cash inflow from operating activities	50,326	299,032

15. ANALYSIS OF CHANGES IN NET FUNDS	At 1 April 1996	Cash flows	Other non-cash changes	At 31 March 1997
	£	£	£	£
Cash at bank and in hand	520,185	36,317	-	556,502
Debt due after one year	(24,000)	-	24,000	-
	<u>496,185</u>	<u>36,317</u>	<u>24,000</u>	<u>556,502</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

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

	1997 £	1996 £
Increase in cash for the year	36,317	284,913
Change in net funds resulting from cash flows	36,317	284,913
Issue of share capital	24,000	-
Movement in net funds in the year	60,317	284,913
Net funds at 1 April	496,185	211,272
Net funds at 31 March	556,502	496,185

17. FINANCIAL COMMITMENTS

(1) Operating leases

At 31 March 1997 the company had annual commitments under non-cancellable operating leases as follows:

<i>Land and buildings</i>	1997 £	1996 £
Expiry date - two to five years	12,500	11,000

(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

	1997 £	1996 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	132,204	116,468
	Number	Number
The number of directors who were members of a defined benefit pension scheme	4	4

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

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

19. EMPLOYEES

(1) Number of employees

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

	1997 Number	1996 Number
Site labour	-	1
Administration and management	15	13
	<hr/> 15	<hr/> 14
 (2) Employment costs	 £	 £
Wages and salaries	339,226	277,828
Social security costs	32,733	27,675
Other pension costs	16,905	9,073
	<hr/> 388,864	<hr/> 314,576

20. RELATED PARTY TRANSACTIONS

MITIE Group PLC is the holder of the 'A' ordinary shares and is a 63% shareholder of MITIE Engineering Services (North) Limited.

During the year, MITIE Engineering Services (North) Limited purchased sundry services of £200 from group undertakings. MITIE Engineering Services (North) Limited sold services of an employee to group undertakings of £2,352 at normal trade price. An amount of £435 is included in debtors in respect of work performed on behalf of another group undertaking in respect of these services.

MITIE Engineering Services (North) Limited purchased fixed assets of £850 from group undertakings.

MITIE Engineering Services (North) Limited paid management charges of £55,500 to MITIE Group PLC.

21. 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.