

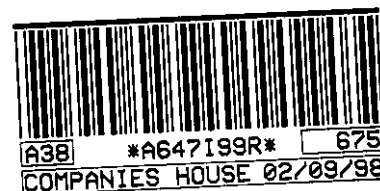


MITIE ENGINEERING SERVICES (NORTH) LIMITED

Report and Financial Statements

31 March 1998

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



**REPORT AND FINANCIAL STATEMENTS 1998****CONTENTS**

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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
BS40 5SA

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 1998.

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 £471,418 (1997: £177,198). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed £0.12 per share	18,000
Transfer to reserves	453,418
	<hr/>
	471,418
	<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
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:

	£1 'A' ordinary shares No.	31 March 1998 £1 'B' ordinary shares No.	£1 'A' ordinary shares No.	1 April 1997 £1 'B' ordinary shares No.
G Allen	1,000	18,000	-	18,000
D A Wilson	500	18,000	-	18,000
M A Tivey	500	18,000	-	18,000
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 1998 10p Ordinary shares No.	1 April 1997 10p Ordinary shares No.
C S Acheson	456,800	588,150
C J Williams	21,550	26,700

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 1998 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 95 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.

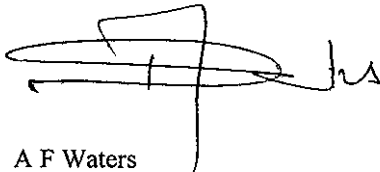
**DIRECTORS' REPORT (continued)****YEAR 2000**

The company is in the process of preparing a detailed report including an assessment of our relationship with customers as well as suppliers. It covers all our internal systems, and looks into telephone, security and access systems. An action plan is being developed in order to ensure that our systems are year 2000 compliant. Costs in the year to 31 March 1998 were not significant and we estimate that further costs will not be material.

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 August 1998



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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche

Chartered Accountants and
Registered Auditors

17 August 1998


PROFIT AND LOSS ACCOUNT
 Year ended 31 March 1998

	Notes	Continuing operations 1998 £	1997 £
TURNOVER		7,787,752	6,279,450
Cost of sales		(6,464,166)	(5,440,303)
GROSS PROFIT		1,323,586	839,147
Administrative expenses		(685,742)	(592,905)
Other operating income		4,529	3,120
OPERATING PROFIT	2	642,373	249,362
Interest receivable	3	51,294	23,083
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		693,667	272,445
Tax on profit on ordinary activities	4	(222,249)	(95,247)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		471,418	177,198
Dividends	5	(18,000)	(18,000)
RETAINED PROFIT FOR THE YEAR	11	453,418	159,198

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
At 31 March 1998

	Notes	£	1998	£	£	1997	£
FIXED ASSETS							
Tangible assets	6		67,447			77,856	
CURRENT ASSETS							
Work in progress	7	104,394			678,899		
Debtors	8	1,212,224			411,811		
Cash at bank and in hand		1,485,262			556,502		
			2,801,880		1,647,212		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(2,098,345)			(1,407,504)		
NET CURRENT ASSETS			703,535			239,708	
TOTAL ASSETS LESS CURRENT LIABILITIES			770,982			317,564	
CAPITAL AND RESERVES							
Called up share capital	10	150,000			150,000		
Profit and loss account	11	620,982			167,564		
TOTAL EQUITY SHAREHOLDERS' FUNDS			770,982			317,564	

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

D M Telling
Director

14 August 1998

CASH FLOW STATEMENT
Year ended 31 March 1998

	Notes	1998	1997
		£	£
Net cash inflow from operating activities	13	1,022,472	50,326
Returns on investments and servicing of finance			
Interest received		47,726	22,687
Taxation			
UK corporation tax paid		(97,194)	(14,247)
Capital expenditure			
Payments to acquire tangible fixed assets		(31,244)	(30,449)
Receipts from sales of tangible fixed assets		5,000	8,000
Net cash outflow from capital expenditure		(26,244)	(22,449)
Equity dividends paid		(18,000)	-
Increase in cash in the year	15	928,760	36,317

**NOTES TO THE ACCOUNTS**
Year ended 31 March 1998**1. ACCOUNTING POLICIES****Accounting convention**

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

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

2. OPERATING PROFIT is stated after charging/(crediting):	1998	1997
	£	£
Depreciation	39,449	34,141
Operating lease rentals: land and buildings	12,379	11,211
Auditors' remuneration: audit services	2,500	1,250
Profit on disposal of fixed assets	(2,796)	(1,952)
	<u> </u>	<u> </u>
3. INTEREST RECEIVABLE	1998	1997
	£	£
Bank interest receivable	51,255	23,083
Other interest	39	-
	<u> </u>	<u> </u>
	<u>51,294</u>	<u>23,083</u>
4. TAX ON PROFIT ON ORDINARY ACTIVITIES	1998	1997
	£	£
UK current year taxation		
UK corporation tax at 31% (1997: 33%)	222,400	95,500
Prior years		
UK corporation tax	(151)	(253)
	<u> </u>	<u> </u>
	<u>222,249</u>	<u>95,247</u>
5. DIVIDENDS	1998	1997
	£	£
Ordinary:		
Final proposed of £0.12 (1997: £0.12) per share	18,000	18,000
	<u> </u>	<u> </u>


NOTES TO THE ACCOUNTS
Year ended 31 March 1998
6. TANGIBLE FIXED ASSETS

Summary	Plant £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 April 1997	5,496	34,942	110,426	150,864
Additions	-	2,370	28,074	30,444
Group transfers in	-	1,143	-	1,143
Disposals	-	-	(10,579)	(10,579)
At 31 March 1998	5,496	38,455	127,921	171,872
Depreciation				
At 1 April 1997	3,244	17,214	52,550	73,008
Charge for the year	1,099	7,317	31,033	39,449
Group transfers in	-	343	-	343
Disposals	-	-	(8,375)	(8,375)
At 31 March 1998	4,343	24,874	75,208	104,425
Net book value				
At 31 March 1998	1,153	13,581	52,713	67,447
At 31 March 1997	2,252	17,728	57,876	77,856

Capital commitments

At 31 March 1998 the directors had authorised capital expenditure of £nil (1997: £41,300).

7. WORK IN PROGRESS

	1998 £	1997 £
Work in progress	481,706	1,457,704
Cash received on account	(377,312)	(778,805)
	104,394	678,899


NOTES TO THE ACCOUNTS
Year ended 31 March 1998

8. DEBTORS	1998	1997
	£	£
Trade debtors	1,121,053	399,667
Amounts owed by parent undertaking and fellow subsidiary undertakings	79,000	1,947
Other debtors	5,171	1,971
Prepayments and accrued income	4,968	6,381
Advance corporation tax recoverable	2,032	1,845
	<u>1,212,224</u>	<u>411,811</u>
 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	 1998	 1997
	£	£
Trade creditors	1,715,954	1,239,691
Amounts owed to parent undertaking and fellow subsidiary undertakings	336	2,590
Corporation tax	222,579	97,345
Other taxes and social security costs	97,849	29,751
Other creditors	27,384	17,650
Accruals and deferred income	6,764	2,477
Proposed dividend	18,000	18,000
Payments on account	9,479	-
	<u>2,098,345</u>	<u>1,407,504</u>
 10. CALLED UP SHARE CAPITAL		
Authorised	1998	
	No.	£
£1 'A' ordinary shares	94,500	94,500
£1 'B' ordinary shares	55,500	55,500
	<u>150,000</u>	<u>150,000</u>
 Allotted and fully paid	 1998	 1997
	£	£
£1 'A' ordinary shares	94,500	94,500
£1 'B' ordinary shares	55,500	55,500
	<u>150,000</u>	<u>150,000</u>


NOTES TO THE ACCOUNTS
Year ended 31 March 1998
10. CALLED UP SHARE CAPITAL (continued)
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.

11. PROFIT AND LOSS ACCOUNT

	£
At 1 April 1997	167,564
Retained profit for the year	453,418
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At 31 March 1998	620,982
	<hr/>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	471,418	177,198
Issue of share capital	-	24,000
Proposed dividend	(18,000)	(18,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	453,418	183,198
Opening shareholders' funds	317,564	134,366
	<hr/>	<hr/>
Closing shareholders' funds	770,982	317,564
	<hr/>	<hr/>

**13. RECONCILIATION OF OPERATING PROFIT TO NET CASH
INFLOW FROM OPERATING ACTIVITIES**

	1998 £	1997 £
Operating profit	642,373	249,362
Depreciation charges	39,449	34,141
Profit on disposal of tangible fixed assets	(2,796)	(1,952)
Decrease/(increase) in work in progress	574,505	(315,279)
(Increase)/decrease in debtors	(796,666)	26,001
Increase in creditors	565,607	58,053
	<hr/>	<hr/>
Net cash inflow from operating activities	1,022,472	50,326
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

14. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1997 £	Cash flows £	At 31 March 1998 £
Cash at bank and in hand	556,502	928,760	1,485,262

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

	1998 £	1997 £
Increase in cash in the year	928,760	36,317
Change in net funds resulting from cash flows	928,760	36,317
Issue of share capital	-	24,000
Movement in net funds in the year	928,760	60,317
Net funds at 1 April	556,502	496,185
Net funds at 31 March	1,485,262	556,502

16. FINANCIAL COMMITMENTS

Operating leases

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
<i>Land and buildings</i>		
Expiry date - two to five years	25,000	12,500

Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts. As at 31 March 1998, the overall commitment was nil.



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

17. DIRECTORS

1998	1997
£	£

The emoluments of directors of the company were:

Fees and other emoluments (excluding pension contributions
but including benefits-in-kind)

<u>171,414</u>	<u>132,204</u>
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No.	No.
------------	------------

The number of directors who were members of a defined benefit
pension scheme

<u>4</u>	<u>4</u>
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Messrs D M Telling and W E Harding are directors of MITIE Group PLC and their pension details are disclosed
in the group accounts.

18. EMPLOYEES

Number of employees

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

1998	1997
No.	No.

Administration and management

<u>17</u>	<u>15</u>
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Employment costs

£	£
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Wages and salaries

405,247	339,226
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Social security costs

37,056	32,733
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Other pension costs

21,042	16,905
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<u>463,345</u>	<u>388,864</u>
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**NOTES TO THE ACCOUNTS**
Year ended 31 March 1998**19. RELATED PARTY TRANSACTIONS**

MITIE Group PLC is a 55% shareholder of MITIE Engineering Services (North) Limited.

MITIE Engineering Services (North) Limited purchased fixed assets of £800 from group undertakings.

MITIE Engineering Services (North) Limited paid management charges of £85,125 to MITIE Group PLC.

MITIE Engineering Services (North) Limited purchased sundry services of £2,817 from group undertakings.

MITIE Engineering Services (North) Limited provided a loan of £79,000 to MITIE Group PLC. This amount remained outstanding at the year end.

The intercompany creditor of £336 is owed to MITIE Engineering Services Limited and related to transactions completed in prior years.

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.