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REGISTRAR

Company Number 2564600

MITIE ENGINEERING SERVICES (MIDLANDS) 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
C S Acheson
C J Williams
M McKean

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 result for the year has been disappointing, but the directors consider that, following the remedial action they have taken, the company is now positioned to develop its business.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £132,292 (1996: £151,000). The directors do not propose the payment of a dividend and recommend that £132,292 be transferred from reserves.

The company enjoys the support of its parent undertaking.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 5 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling (Chairman)
W E Harding
D Freeman
C S Acheson
C J Williams
M McKean (appointed 11 October 1996)

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

The beneficial interests of the directors and their families in the share capital and loan stock of the company were as follows:

	31 March 1997		1 April 1996	
	£1 'B' ordinary shares Number	Loan stock £	£1 'B' ordinary shares Number	Loan stock £
D Freeman	22,000	500	7,000	500
C J Williams	802	1,500	-	1,500

No other director had an 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 or date of appointment 25p Ordinary shares Number
D Freeman	1,002,820	467,428
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

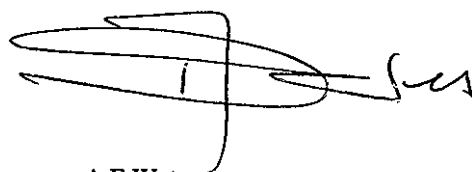
The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 1997 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 63 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.

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 (MIDLANDS) LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 8.

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 loss 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		3,710,561	3,332,405
Cost of sales		(3,656,241)	(3,245,514)
GROSS PROFIT		54,320	86,891
Administrative expenses		(259,307)	(295,502)
OPERATING LOSS	2	(204,987)	(208,611)
Interest receivable	3	944	4,267
Interest payable	3	(9,985)	(1,903)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(214,028)	(206,247)
Tax credit on loss on ordinary activities	4	81,736	55,247
RETAINED LOSS FOR THE YEAR	11	(132,292)	(151,000)

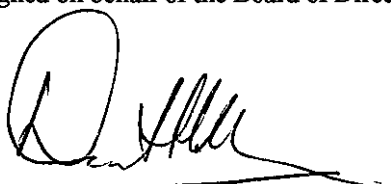
There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account.

BALANCE SHEET
31 March 1997

	Notes	1997		1996	
		£	£	£	£
FIXED ASSETS					
Tangible assets	5		32,790		58,236
CURRENT ASSETS					
Work in progress	6	31,193		569,562	
Debtors	7	512,713		510,451	
Cash at bank and in hand		147		26,858	
		544,053		1,106,871	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(715,541)		(1,251,756)	
NET CURRENT LIABILITIES			(171,488)		(144,885)
TOTAL ASSETS LESS CURRENT LIABILITIES			(138,698)		(86,649)
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9		(2,000)		(2,000)
NET LIABILITIES			(140,698)		(88,649)
CAPITAL AND RESERVES					
Called up share capital	10		228,243		148,000
Profit and loss account	11		(368,941)		(236,649)
TOTAL EQUITY SHAREHOLDERS' FUNDS			(140,698)		(88,649)

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 outflow from operating activities	13	(439,408)	(307,308)
Returns on investments and servicing of finance			
Interest received		1,162	5,332
Interest paid		(9,326)	(1,903)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(8,164)	3,429
Taxation			
UK corporation tax received		55,436	25,347
Capital expenditure			
Payments to acquire tangible fixed assets		(4,911)	(32,576)
Receipts from sales of tangible fixed assets		15,000	2,750
Net cash inflow/(outflow) from capital expenditure		10,089	(29,826)
Cash outflow before financing		(382,047)	(308,358)
Financing			
Issue of ordinary share capital		80,243	-
Decrease in cash in the year	15	(301,804)	(308,358)



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 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 LOSS is stated after charging/(crediting):	1997	1996
	£	£
Depreciation	15,519	16,458
Operating lease rentals: land and buildings	11,825	11,825
Auditors' remuneration: audit services	1,250	1,250
(Profit)/loss on disposal of tangible fixed assets	(162)	2,099
	<hr/>	<hr/>
3. INTEREST	1997	1996
	£	£
(1) Interest receivable		
Bank interest receivable	944	4,267
	<hr/>	<hr/>
(2) Interest payable		
Bank interest payable	9,985	1,903
	<hr/>	<hr/>
4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES	1997	1996
	£	£
UK current year taxation		
Group relief	(81,600)	(55,300)
Prior years		
UK corporation tax	(136)	53
	<hr/>	<hr/>
	(81,736)	(55,247)
	<hr/>	<hr/>



NOTES TO THE ACCOUNTS
Year ended 31 March 1997

5. TANGIBLE FIXED ASSETS

(1) Summary

	Plant	Office equipment	Motor vehicles	Total
	£	£	£	£
Cost				
1 April 1996	7,869	15,646	61,820	85,335
Additions	-	4,911	-	4,911
Disposals	-	-	(29,674)	(29,674)
31 March 1997	7,869	20,557	32,146	60,572
Depreciation				
1 April 1996	2,552	9,709	14,838	27,099
Charge for the year	1,574	2,703	11,242	15,519
Disposals	-	-	(14,836)	(14,836)
31 March 1997	4,126	12,412	11,244	27,782
Net book value				
31 March 1997	3,743	8,145	20,902	32,790
31 March 1996	5,317	5,937	46,982	58,236

(2) Capital commitments

At 31 March 1997 the directors had authorised capital expenditure of £nil (1996: £8,400).

6. WORK IN PROGRESS

	1997	1996
	£	£
Work in progress	31,193	1,471,989
Cash received on account	-	(902,427)
	31,193	569,562

7. DEBTORS

	1997	1996
	£	£
Trade debtors	423,076	445,673
Amounts owed by parent undertaking and fellow subsidiary undertakings	2,382	1,601
Other debtors	604	1,623
Prepayments and accrued income	5,051	6,254
Corporation tax recoverable	81,600	55,300
	512,713	510,451

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1997	1996
	£	£
Bank overdraft	275,093	-
Trade creditors	334,724	1,199,568
Amounts owed to parent undertaking and fellow subsidiary undertakings	80,797	15,000
Other taxes and social security costs	7,566	16,168
Other creditors	6,067	9,028
Accruals and deferred income	11,294	11,992
	<u>715,541</u>	<u>1,251,756</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997	1996
	£	£
Unsecured redeemable loan stock 2003	<u>2,000</u>	<u>2,000</u>

The loan stock is redeemable at par in 2003.

10. CALLED UP SHARE CAPITAL

	1997	
	Number	£
(1) Authorised		
£1 'A' ordinary shares	211,000	211,000
£1 'B' ordinary shares	39,000	39,000
	<u>250,000</u>	<u>250,000</u>
(2) Allotted and fully paid	1997	1996
	£	£
£1 'A' ordinary shares	191,243	111,000
£1 'B' ordinary shares	37,000	37,000
	<u>228,243</u>	<u>148,000</u>

80,243 'A' ordinary shares were issued during the year to provide additional working capital.

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

10. CALLED UP SHARE CAPITAL (continued)

(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.

11. PROFIT AND LOSS ACCOUNT

	£
1 April 1996	(236,649)
Retained loss for the year	(132,292)
	<hr/>
31 March 1997	(368,941)
	<hr/>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Loss for the financial year	(132,292)	(151,000)
Issue of share capital	80,243	-
	<hr/>	<hr/>
Net reduction to shareholders' funds	(52,049)	(151,000)
Opening shareholders' funds	(88,649)	62,351
	<hr/>	<hr/>
Closing shareholders' funds	(140,698)	(88,649)
	<hr/>	<hr/>

**13. RECONCILIATION OF OPERATING LOSS TO NET CASH
 OUTFLOW FROM OPERATING ACTIVITIES**

	1997 £	1996 £
Operating loss	(204,987)	(208,611)
Depreciation charges	15,519	16,458
(Profit)/loss on disposal of tangible fixed assets	(162)	2,099
Decrease/(increase) in work in progress	538,369	(345,372)
Decrease/(increase) in debtors	23,820	(301,151)
(Decrease)/increase in creditors	(811,967)	529,269
	<hr/>	<hr/>
Net cash outflow from operating activities	(439,408)	(307,308)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

14. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1996 £	Cash flows £	At 31 March 1997 £
Cash at bank and in hand	26,858	(26,711)	147
Overdrafts	-	(275,093)	(275,093)
	<u>26,858</u>	<u>(301,804)</u>	<u>(274,946)</u>
Debt due after one year	(2,000)	-	(2,000)
	<u>24,858</u>	<u>(301,804)</u>	<u>(276,946)</u>

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

	1997 £	1996 £
Decrease in cash for the year	(301,804)	(308,358)
Movement in net debt in the year	(301,804)	(308,358)
Net funds at 1 April	24,858	333,216
Net (debts)/funds at 31 March	<u>(276,946)</u>	<u>24,858</u>

16. 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

17. DIRECTORS

	1997	1996
	£	£
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	17,428	27,051
	<u> </u>	<u> </u>
	Number	Number
The number of directors who were members of:		
- a defined benefit pension scheme	2	2
- a money purchase pension scheme	1	1
	<u> </u>	<u> </u>
	£	£
Contributions paid to money purchase scheme	-	-
	<u> </u>	<u> </u>

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

(1) Number of employees

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

	1997	1996
	Number	Number
Administration and management	5	7
	<u> </u>	<u> </u>
(2) Employment costs	£	£
Wages and salaries	100,791	129,130
Social security costs	10,047	12,061
Other pension costs	1,350	4,837
	<u> </u>	<u> </u>
	112,188	146,028
	<u> </u>	<u> </u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1997

19. 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 90% owned subsidiary of MITIE Group PLC, MITIE Engineering Services (Midlands) Limited, has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.