

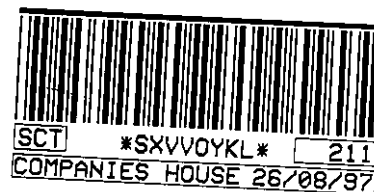


**OLSCOT LIMITED**

**Report and Financial Statements**

**15 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  
J Astley  
L R McBean  
I R Stewart  
J R Maxwell MacDonald  
J A J MacLeod

**SECRETARIES**

A F Waters  
M O Thomas

**REGISTERED OFFICE**

Dovehill Farm  
180 Riverford Road  
Glasgow  
G43 2DE

**BANKERS**

Clydesdale Bank plc  
Charing Cross  
1 Woodside Crescent  
Glasgow  
G3 7UL

**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 15 March 1997.

The financial statements have been made up to 15 March 1997, being a date not more than seven days after the accounting reference date as permitted by Section 223 of the Companies Act 1985.

## **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 principal activity of the company during the year remained the provision of cleaning services to industrial and commercial clients and building maintenance.

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 £814,194 (1996: £714,406). The directors recommend that this be dealt with as follows:

	£
Ordinary dividends	
- Final proposed 81.4p per share	407,000
Transfer to reserves	407,194
	<hr/>
	814,194
	<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 INTEREST**

The directors during the year were as follows:

D M Telling  
 J Astley  
 L R McBean  
 I R Stewart  
 J R Maxwell MacDonald  
 J A J MacLeod  
 D W M Reynolds (resigned 12 June 1997)  
 D J Robertson (resigned 11 July 1997)  
 P J Fleming-Brown (resigned 9 May 1997)

No director held a beneficial interest in the share capital of the company.

Messrs D M Telling and I R Stewart 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:

	15 March 1997 10p Ordinary shares Number	16 March 1996 25p Ordinary shares Number
J Astley	229,610	94,244
P J Fleming-Brown	490,000	200,000
D J Robertson	-	5,700

No other director held a beneficial interest in the share capital of MITIE Group PLC.

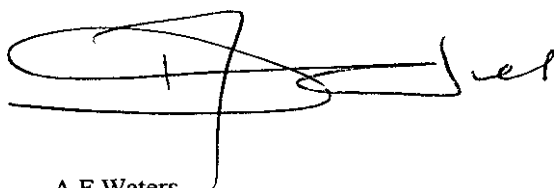
**PAYMENT POLICY**

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 15 March 1997 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 52 days.

**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

### OLSCOT 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 15 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 15 March 1997**

	Notes	1997 £	1996 £
<b>TURNOVER</b>		18,665,092	15,908,217
Cost of sales		(14,966,447)	(12,516,687)
<b>GROSS PROFIT</b>		3,698,645	3,391,530
Administrative expenses		(2,529,849)	(2,442,444)
Other operating income		10,400	10,187
<b>OPERATING PROFIT</b>	2	1,179,196	959,273
Interest receivable	3	28,376	79,654
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,207,572	1,038,927
Tax on profit on ordinary activities	4	(393,378)	(324,521)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		814,194	714,406
Dividends	5	(407,000)	(373,000)
<b>RETAINED PROFIT FOR THE YEAR</b>	11	407,194	341,406

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**  
**15 March 1997**

	Notes	£	1997 £	£	1996 £
<b>FIXED ASSETS</b>					
Tangible assets	6		741,565		647,600
<b>CURRENT ASSETS</b>					
Debtors	7	3,032,828		3,310,796	
Cash at bank and in hand		1,697,072		1,438,000	
		4,729,900		4,748,796	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	(3,588,003)		(3,911,475)	
<b>NET CURRENT ASSETS</b>			1,141,897		837,321
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,883,462		1,484,921
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	9		(574)		(9,227)
<b>NET ASSETS</b>			1,882,888		1,475,694
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		500,000		500,000
Profit and loss account	11		1,382,888		975,694
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			1,882,888		1,475,694

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 15 March 1997**

	Notes	1997		1996	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	13		1,296,547		1,018,231
<b>Returns on investments and servicing of finance</b>					
Interest received		37,485		70,545	
Interest elements of finance lease rental payments		(3,276)		(2,969)	
<b>Net cash inflow from returns on investments and servicing of finance</b>			34,209		67,576
<b>Taxation</b>					
UK corporation tax (paid)/received			(331,378)		53,893
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(400,824)		(494,725)	
Receipts from disposal of tangible fixed assets		47,725		15,250	
<b>Net cash outflow from capital expenditure</b>			(353,099)		(479,475)
<b>Equity dividends paid</b>			(373,000)		(404,824)
<b>Cash inflow before financing</b>			273,279		255,401
<b>Financing</b>					
Capital element of finance lease rental payments		(14,207)		(39,960)	
<b>Net cash outflow from financing</b>			(14,207)		(39,960)
<b>Increase in cash in the year</b>	15		259,072		215,441



**NOTES TO THE ACCOUNTS**  
**Year ended 15 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 in the UK.

**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 equipment, computer and fixtures and fittings	3 to 5 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.

**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 15 March 1997**

<b>2. OPERATING PROFIT</b> is stated after charging/(crediting):	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Depreciation	275,708	214,854
Auditors' remuneration: audit services	3,000	3,000
Operating lease rentals		
- plant and equipment	32,071	35,332
- land and buildings	111,039	89,372
Profit on disposal of fixed assets	(16,574)	(2,227)
	<hr/>	<hr/>
<b>3. INTEREST RECEIVABLE</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Interest receivable on bank deposit	28,376	79,654
	<hr/>	<hr/>
<b>4. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
<b>UK current year taxation</b>		
UK corporation tax at 33% (1996: 33%)	397,000	335,000
<b>Prior years</b>		
UK corporation tax	(3,622)	(10,479)
	<hr/>	<hr/>
	393,378	324,521
	<hr/>	<hr/>
<b>5. DIVIDENDS</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Ordinary:		
Final proposed of 81.4p (1996: 74.6p) per share	407,000	373,000
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

**6. TANGIBLE FIXED ASSETS**

**(1) Summary**

	<b>Plant and equipment £</b>	<b>Computer £</b>	<b>Fixtures and fittings £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>					
16 March 1996	1,143,583	46,606	128,297	612,801	1,931,287
Additions	194,695	39,470	13,557	150,819	398,541
Transfers in	-	-	-	9,131	9,131
Disposals	-	-	-	(120,115)	(120,115)
<b>15 March 1997</b>	<b>1,338,278</b>	<b>86,076</b>	<b>141,854</b>	<b>652,636</b>	<b>2,218,844</b>
<b>Depreciation</b>					
16 March 1996	814,900	14,955	102,411	351,421	1,283,687
Charge for the year	137,308	11,344	10,580	116,476	275,708
Transfers in	-	-	-	6,848	6,848
Disposals	-	-	-	(88,964)	(88,964)
<b>15 March 1997</b>	<b>952,208</b>	<b>26,299</b>	<b>112,991</b>	<b>385,781</b>	<b>1,477,279</b>
<b>Net book value</b>					
<b>15 March 1997</b>	<b>386,070</b>	<b>59,777</b>	<b>28,863</b>	<b>266,855</b>	<b>741,565</b>
<b>15 March 1996</b>	<b>328,683</b>	<b>31,651</b>	<b>25,886</b>	<b>261,380</b>	<b>647,600</b>

The net book value of the company's plant and equipment includes £27,905 (1996: £38,410) in respect of assets held under finance leases and hire purchase contracts.

**(2) Capital commitments**

At 15 March 1997 the directors authorised capital expenditure of £515,000 (1996: £314,000).

**7. DEBTORS**

	<b>1997 £</b>	<b>1996 £</b>
Trade debtors	2,979,626	3,097,534
Amounts owed by parent undertaking and fellow subsidiary undertakings	53,202	184,696
Prepayments and accrued income	-	28,566
	<b>3,032,828</b>	<b>3,310,796</b>

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

<b>8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Obligations under finance leases and hire purchase contracts	6,675	12,229
Trade creditors	904,087	829,122
Amounts owed to parent undertaking and fellow subsidiary undertakings	861,255	1,005,873
Other taxes and social security costs	864,280	1,260,420
Corporation tax	397,000	335,000
Other creditors	34,843	12,019
Accruals and deferred income	112,863	83,812
Proposed dividend	407,000	373,000
	<u>3,588,003</u>	<u>3,911,475</u>

Obligations under finance lease and hire purchase contracts are secured by the related assets.

<b>9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Obligations under finance leases and hire purchase contracts	<u>574</u>	<u>9,227</u>

<b>10. CALLED UP SHARE CAPITAL</b>	<b>1997</b>	
	<b>Number</b>	<b>£</b>
<b>(1) Authorised</b>		
£1 Ordinary shares	<u>1,000,000</u>	<u>1,000,000</u>
<b>(2) Allotted and fully paid</b>		
	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
£1 Ordinary shares	<u>500,000</u>	<u>500,000</u>

<b>11. PROFIT AND LOSS ACCOUNT</b>	<b>£</b>
16 March 1996	975,694
Retained profit for the year	<u>407,194</u>
<b>15 March 1997</b>	<u>1,382,888</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

12.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1997	1996
		£	£
	Profit for the financial year	814,194	714,406
	Proposed dividend	(407,000)	(373,000)
		<hr/>	<hr/>
	Net addition in shareholders' funds	407,194	341,406
	Opening shareholders' funds	1,475,694	1,134,288
		<hr/>	<hr/>
	Closing shareholders' funds	1,882,888	1,475,694
		<hr/>	<hr/>
13.	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	1997	1996
		£	£
	Operating profit	1,179,196	959,273
	Depreciation charges	275,708	214,854
	Profit on disposal of tangible fixed assets	(16,574)	(2,227)
	Decrease/(increase) in debtors	268,859	(1,861,182)
	(Decrease)/increase in creditors	(410,642)	1,707,513
		<hr/>	<hr/>
	Net cash inflow from operating activities	1,296,547	1,018,231
		<hr/>	<hr/>
14.	ANALYSIS OF CHANGES IN NET FUNDS		
		At 6 March	At 15 March
		1996	1997
		£	£
	Cash at bank and in hand	1,438,000	1,697,072
	Finance leases	(21,456)	(7,249)
		<hr/>	<hr/>
		1,416,544	1,689,823

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

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

	1997 £	1996 £
Increase in cash for the year	259,072	215,441
Cash outflow from increase in debt and lease financing	14,207	39,960
Change in net debt resulting from cash flows	273,279	255,401
New finance leases	-	(20,711)
Movement in net debt in the year	273,279	234,690
Net funds at 16 March	1,416,544	1,181,854
Net funds at 15 March	1,689,823	1,416,544

**16. FINANCIAL COMMITMENTS**

**(1) Operating leases**

At 15 March 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Plant and equipment £	1997 Land and buildings £	Plant and equipment £	1996 Land and buildings £
Expiry date - within two years	36,236	19,000	35,332	-
- between two and five years	8,560	-	-	-
- in over five years	-	94,900	-	93,385
	44,796	113,900	35,332	93,385

**(2) Commitments on behalf of group undertakings**

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

**17. DIRECTORS**

**(1) Emoluments**

The emoluments of the directors of the company were:

	1997 £	1996 £
Fees and other emoluments (including pension contributions and benefits in kind)	228,073	243,668

**NOTES TO THE ACCOUNTS**  
**Year ended 15 March 1997**

**17. DIRECTORS (continued)**

**(2) Bandings**

Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:

	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
The chairman	-	-
The highest paid director	115,633	106,290

Other directors' emoluments (excluding pension contributions) were in the following ranges:

	<b>Number</b>	<b>Number</b>
£0 - £5,000	5	4
£20,001 - £25,000	-	1
£40,001 - £45,000	-	1
£45,001 - £50,000	2	-
£50,001 - £55,000	-	1

**18. EMPLOYEES**

**(1) Number of employees**

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

	<b>1997</b>	<b>1996</b>
	<b>Number</b>	<b>Number</b>
Cleaning staff	2,883	2,904
Administration and management	61	53
	2,944	2,957

**(2) Employment costs**

	<b>£</b>	<b>£</b>
Wages and salaries	13,348,904	11,559,681
Social security costs	626,048	550,551
Other pension costs	79,024	98,727
	14,053,976	12,208,959





**NOTES TO THE ACCOUNTS**  
**Year ended 15 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 wholly owned subsidiary of MITIE Group PLC, Olscot Limited has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.