



**OLSCOT LIMITED**

**Report and Financial Statements**

**14 March 1998**

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



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

	<b>Page</b>
Officers and professional advisers	1
Directors' report	2
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the accounts	9



**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D M Telling  
J Astley  
L R McBean  
I R Stewart  
S Gardyne

**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 14 March 1998.

The financial statements have been made up to 14 March 1998, being a date not more than seven days before 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 £840,727 (1997: £814,194). The directors recommend that this be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed 200.2p per share	1,001,000
Transfer from reserves	(160,273)
	<hr/>
	840,727
	<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	
J Astley	
L R McBean	
I R Stewart	
S Gardyne	(appointed 9 February 1998)
J R Maxwell MacDonald	(resigned 27 January 1998)
J A J MacLeod	(resigned 27 January 1998)
D J Robertson	(resigned 11 July 1997)
D M Reynolds	(resigned 12 June 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:

	<b>14 March 1998</b>	<b>15 March 1997</b>
	<b>10p Ordinary shares</b>	<b>10p Ordinary shares</b>
	<b>No.</b>	<b>No.</b>
J Astley	407,610	229,610

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 14 March 1998 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 28 days.

### **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 14 March 1998 were not significant and we estimate that further costs will not be material.

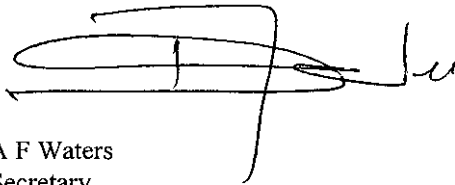


**DIRECTORS' REPORT (continued)**

**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 handwritten signature in black ink, appearing to read 'A F Waters', written over a horizontal line.

A F Waters  
Secretary

14 AUGUST 1998



## AUDITORS' REPORT TO THE MEMBERS OF

### OLSCOT 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 14 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

17 August 1998


**PROFIT AND LOSS ACCOUNT**

Year ended 14 March 1998

	Notes	1998 £	1997 £
<b>TURNOVER</b>		21,537,947	18,665,092
Cost of sales		(17,002,046)	(14,966,447)
<b>GROSS PROFIT</b>		4,535,901	3,698,645
Administrative expenses		(3,370,064)	(2,529,849)
Other operating income		-	10,400
<b>OPERATING PROFIT</b>	2	1,165,837	1,179,196
Interest receivable	3	81,078	28,376
Interest payable	3	(5,660)	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,241,255	1,207,572
Tax on profit on ordinary activities	4	(400,528)	(393,378)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		840,727	814,194
Transfer from/(to) reserves	12	160,273	(407,194)
<b>DIVIDENDS</b>	5	1,001,000	407,000

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**  
At 14 March 1998

	Notes	£	1998 £	£	1997 £
<b>FIXED ASSETS</b>					
Tangible assets	6		964,784		741,565
Investments	7		106,000		-
			<u>1,070,784</u>		<u>741,565</u>
<b>CURRENT ASSETS</b>					
Debtors	8	3,682,115		3,032,828	
Cash at bank and in hand		972,450		1,697,072	
		<u>4,654,565</u>		<u>4,729,900</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	<u>(4,002,734)</u>		<u>(3,588,003)</u>	
<b>NET CURRENT ASSETS</b>			<u>651,831</u>		<u>1,141,897</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,722,615		1,883,462
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	10		-		(574)
<b>NET ASSETS</b>			<u>1,722,615</u>		<u>1,882,888</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11		500,000		500,000
Profit and loss account	12		1,222,615		1,382,888
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			<u>1,722,615</u>		<u>1,882,888</u>

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 14 March 1998

	Notes	1998		1997	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	14		678,405		1,296,547
<b>Returns on investments and servicing of finance</b>					
Interest received		81,078		37,485	
Interest paid		(3,399)		-	
Interest elements of finance lease rental payments		(2,261)		(3,276)	
<b>Net cash inflow from returns on investments and servicing of finance</b>			75,418		34,209
<b>Taxation</b>					
UK corporation tax paid			(394,828)		(331,378)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(597,890)		(400,824)	
Receipts from disposal of tangible fixed assets		32,725		47,725	
<b>Net cash outflow from capital expenditure</b>			(565,165)		(353,099)
<b>Acquisitions and disposals</b>					
Investment in subsidiary undertaking			(106,000)		-
<b>Equity dividends paid</b>			(407,000)		(373,000)
<b>Cash (outflow)/inflow before financing</b>			(719,170)		273,279
<b>Financing</b>					
Capital element of finance lease rental payments			(5,452)		(14,207)
<b>(Decrease)/increase in cash in the year</b>	16		(724,622)		259,072

**NOTES TO THE ACCOUNTS**  
**Year ended 14 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 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.

**Investments**

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.


**NOTES TO THE ACCOUNTS**
**Year ended 14 March 1998**

<b>2. OPERATING PROFIT</b> is stated after charging/(crediting):	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Depreciation	361,635	275,708
Auditors' remuneration: audit services	4,000	3,000
Operating lease rentals:		
- plant and equipment	46,622	32,071
- land and buildings	90,596	111,039
Profit on disposal of fixed assets	(19,689)	(16,574)
Waiver of intercompany debtor	53,113	-
	<u>          </u>	<u>          </u>
 <b>3. INTEREST</b>	 <b>1998</b>	 <b>1997</b>
	<b>£</b>	<b>£</b>
<b>Interest receivable</b>		
Interest receivable on bank deposit	81,078	28,376
	<u>          </u>	<u>          </u>
 <b>Interest payable</b>		
On finance lease and hire purchase contracts terminating within five years	2,261	-
Other	3,399	-
	<u>          </u>	<u>          </u>
	5,660	-
	<u>          </u>	<u>          </u>
 <b>4. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	 <b>1998</b>	 <b>1997</b>
	<b>£</b>	<b>£</b>
<b>UK current year taxation</b>		
UK corporation tax at 31% (1997: 33%)	402,700	397,000
 <b>Prior years</b>		
UK corporation tax	(2,172)	(3,622)
	<u>          </u>	<u>          </u>
	400,528	393,378
	<u>          </u>	<u>          </u>
 <b>5. DIVIDENDS</b>	 <b>1998</b>	 <b>1997</b>
	<b>£</b>	<b>£</b>
Ordinary:		
Final proposed of 200.2p (1997: 81.4p) per share	1,001,000	407,000
	<u>          </u>	<u>          </u>


**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**
**6. TANGIBLE FIXED ASSETS**

Summary	Plant and equipment £	Computer £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>					
At 16 March 1997	1,338,278	86,076	141,854	652,636	2,218,844
Additions	199,468	47,760	48,645	278,604	574,477
Transfers in	70,190	-	2,379	14,730	87,299
Disposals	-	-	-	(147,167)	(147,167)
At 14 March 1998	1,607,936	133,836	192,878	798,803	2,733,453
<b>Depreciation</b>					
At 16 March 1997	952,208	26,299	112,991	385,781	1,477,279
Charge for the year	154,658	20,221	17,591	169,165	361,635
Transfers in	57,166	-	1,055	5,665	63,886
Disposals	-	-	-	(134,131)	(134,131)
At 14 March 1998	1,164,032	46,520	131,637	426,480	1,768,669
<b>Net book value</b>					
At 14 March 1998	443,904	87,316	61,241	372,323	964,784
At 15 March 1997	386,070	59,777	28,863	266,855	741,565

The net book value of the company's plant and equipment includes £nil (1997: £27,905) in respect of assets held under finance leases and hire purchase contracts.

**Capital commitments**

At 14 March 1998 the directors authorised capital expenditure of £8,084 (1997: £515,000).

**7. INVESTMENTS**

During the year the company purchased 106,000 £1 ordinary shares in Envirocare (Scotland) Limited, representing 91.4% of the share capital.

**Investments in subsidiary undertakings**

	£	£
<b>Cost</b>		
At 14 March 1998 and at 15 March 1997	106,000	-


**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**
**7. INVESTMENTS (continued)**

The following investment in subsidiary undertaking exists at the year end:

	<b>£1 Ordinary shares</b>	<b>Proportion of share capital held</b>
	<b>No.</b>	<b>%</b>
Envirocare (Scotland) Limited	106,000	91.4

This company is incorporated in England and Wales and is involved in the selling and distribution of cleaning products.

The company has taken advantage of section 228 of the Companies Act 1985 and therefore no consolidated financial statements have been prepared. The financial statements represent information about the company itself and not as a group.

MITIE Group PLC is its ultimate parent company and prepares group accounts.

The directors consider that in their opinion the aggregate value of the shares in and amounts owed by the subsidiary is not less than the aggregate of the amounts at which they are stated in the company's balance sheet.

**8. DEBTORS**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Trade debtors	3,616,296	2,979,626
Amounts owed by parent undertaking and fellow subsidiary undertakings	48,151	53,202
Prepayments and accrued income	17,668	-
	<u>3,682,115</u>	<u>3,032,828</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Obligations under finance leases and hire purchase contracts	1,797	6,675
Trade creditors	814,742	904,087
Amounts owed to parent undertaking and fellow subsidiary undertakings	605,445	861,255
Other taxes and social security costs	790,783	864,280
Corporation tax	402,700	397,000
Other creditors	199,475	34,843
Accruals and deferred income	186,792	112,863
Proposed dividend	1,001,000	407,000
	<u>4,002,734</u>	<u>3,588,003</u>

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


**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**
**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1998 £	1997 £
Obligations under finance leases and hire purchase contracts	-	574

**11. CALLED UP SHARE CAPITAL**
**Authorised**

	No.	1998 £
£1 Ordinary shares	1,000,000	1,000,000

**Allotted and fully paid**

	1998 £	1997 £
£1 Ordinary shares	500,000	500,000

**12. PROFIT AND LOSS ACCOUNT**

	£
At 16 March 1997	1,382,888
Retained loss for the year	(160,273)
<b>At 14 March 1998</b>	<b>1,222,615</b>

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 £	1997 £
Profit for the financial year	840,727	814,194
Proposed dividend	(1,001,000)	(407,000)
Net (reduction)/addition in shareholders' funds	(160,273)	407,194
Opening shareholders' funds	1,882,888	1,475,694
<b>Closing shareholders' funds</b>	<b>1,722,615</b>	<b>1,882,888</b>


**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**
**14. RECONCILIATION OF OPERATING PROFIT TO NET CASH  
INFLOW FROM OPERATING ACTIVITIES**

	1998 £	1997 £
Operating profit	1,165,837	1,179,196
Depreciation charges	361,635	275,708
Profit on disposal of tangible fixed assets	(19,689)	(16,574)
(Increase)/decrease in debtors	(649,287)	268,859
Decrease in creditors	(180,091)	(410,642)
<b>Net cash inflow from operating activities</b>	<u><u>678,405</u></u>	<u><u>1,296,547</u></u>

**15. ANALYSIS OF CHANGES IN NET FUNDS**

	At 16 March 1997 £	Cash flows £	At 14 March 1998 £
Cash at bank and in hand	1,697,072	(724,622)	972,450
Finance leases	(7,249)	5,452	(1,797)
	<u><u>1,689,823</u></u>	<u><u>(719,170)</u></u>	<u><u>970,653</u></u>

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

	1998 £	1997 £
(Decrease)/increase in cash in the year	(724,622)	259,072
Cash outflow from increase in debt and lease financing	5,452	14,207
Change in net (debt)/funds resulting from cash flows	(719,170)	273,279
Net funds at 16 March	<u><u>1,689,823</u></u>	<u><u>1,416,544</u></u>
<b>Net funds at 14 March</b>	<u><u>970,653</u></u>	<u><u>1,689,823</u></u>




**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**
**17. FINANCIAL COMMITMENTS**
**Operating leases**

At 14 March 1998 the company had annual commitments under non-cancellable operating leases as follows:

	<b>1998</b>		<b>1997</b>	
	<b>Plant and equipment £</b>	<b>Land and buildings £</b>	<b>Plant and equipment £</b>	<b>Land and buildings £</b>
Expiry date - within two years	22,315	19,002	36,236	19,000
- between two and five years	40,503	-	8,560	-
- in over five years	-	144,932	-	94,900
	<u>62,818</u>	<u>163,934</u>	<u>44,796</u>	<u>113,900</u>

**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 14 March 1998, the overall commitment was nil.

**18. DIRECTORS**

	<b>1998 £</b>	<b>1997 £</b>
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	<u>185,644</u>	<u>207,514</u>
	<b>No.</b>	<b>No.</b>
The number of directors who were members of:		
- a defined benefit pension scheme	<u>2</u>	<u>3</u>

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC and their pension details are disclosed in the group accounts.


**NOTES TO THE ACCOUNTS**  
**Year ended 14 March 1998**
**19. EMPLOYEES**
**Number of employees**

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

	1998 No.	1997 No.
Cleaning staff	3,506	2,883
Administration and management	94	61
	<u>3,600</u>	<u>2,944</u>
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	15,093,229	13,348,904
Social security costs	741,576	626,048
Other pension costs	207,816	79,024
	<u>16,042,621</u>	<u>14,053,976</u>

**19. RELATED PARTY TRANSACTIONS**

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.

**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.