



MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED

Report and Financial Statements

31 March 1995



**Touche Ross & Co.
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP**



REPORT AND FINANCIAL STATEMENTS 1995

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REPORT AND FINANCIAL STATEMENTS 1995

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
W E Harding
R S Lyon
J W McClure
N McFarlane
A M Leishman
R S P Robertson (appointed 1 May 1995)

SECRETARY

A F Waters

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
Avon BS18 7SA

BANKERS

Royal Bank of Scotland
Paisley Chief Office
1 Moncrieff Street
Paisley
PA3 2AW

AUDITORS

Touche Ross & Co.
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 1995.

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements; 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 1985. 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.

Whilst the directors are disappointed with the results for the year, they are of the opinion that the company will develop satisfactorily.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £9,716 (1994: £34,066). The directors do not propose the payment of a dividend and recommend that £9,716 be transferred to reserves.

FIXED ASSETS

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

DIRECTORS

The directors during the year were as follows:

D M Telling
W E Harding
R S Lyon
J W McClure
N McFarlane
A M Leishman (appointed 20 October 1994)

DIRECTORS' REPORT (continued)

DIRECTORS (continued)

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 are:

	31 March 1995		1 April 1994 or at date of appointment if later	
	£1 'B' ordinary shares Number	Unsecured loan stock £	£1 'B' ordinary shares Number	Unsecured loan stock £
R S Lyon	20,000	-	8,371	11,629
J W McClure	10,000	-	4,186	5,814
N McFarlane	10,000	-	4,186	5,814
A M Leishman	5,500	-	5,500	-

No other director had a beneficial interest in the shares 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.

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

AUDITORS

The Bristol Partnership of BDO Binder Hamlyn merged their practice with Touche Ross & Co. on 5 October 1994 and now carry on business under the name of Touche Ross & Co. The directors consented to the appointment of the Bristol Partnership of BDO Binder Hamlyn as auditors of the company being treated as extending to Touche Ross & Co. A resolution to re-appoint Touche Ross & Co. as auditors will be proposed at the Annual General Meeting.

**Approved by the Board of Directors
and signed on behalf of the Board**



A F Waters
Secretary

16 August 1995



Chartered Accountants

Touche Ross & Co.
Queen Anne House
69-71 Queen Square
Bristol BS1 4JP

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Fax (Gp. 3): 0117 929 2801

AUDITORS' REPORT TO THE MEMBERS OF MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED

We have audited the financial statements on pages 5 to 14 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

21 August 1995

Chartered Accountants and
Registered Auditors

PROFIT AND LOSS ACCOUNT
Year ended 31 March 1995

	Notes	Continuing operations	
		1995	1994
		£	£
TURNOVER		5,303,659	3,784,704
Cost of sales		(4,755,638)	(3,302,193)
GROSS PROFIT		548,021	482,511
Administrative expenses		(528,458)	(426,245)
OPERATING PROFIT	2	19,563	56,266
Interest receivable	3	1,995	2,062
Interest payable	3	(11,040)	(3,803)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,518	54,525
Tax on profit on ordinary activities	4	(802)	(20,459)
RETAINED PROFIT FOR THE YEAR	12	9,716	34,066

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

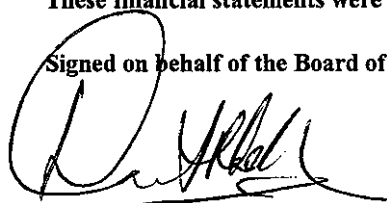
BALANCE SHEET
31 March 1995

	Notes	1995		1994	
		£	£	£	£
FIXED ASSETS					
Tangible assets	5		112,934		56,360
CURRENT ASSETS					
Work in progress	6	719,789		654,432	
Debtors	7	1,259,607		811,989	
Cash at bank and in hand		11,251		140	
		1,990,647		1,466,561	
CREDITORS: amounts falling due within one year	8	(1,960,620)		(1,409,676)	
Net current assets			30,027		56,885
Total assets less current liabilities			142,961		113,245
CREDITORS: amounts falling due after more than one year	9		(50,000)		(75,000)
NET ASSETS			92,961		38,245
CAPITAL AND RESERVES					
Called up share capital	10				
Equity shares		57,000		57,000	
Non-equity shares		54,000		18,000	
			111,000		75,000
Share premium account	11				
Non-equity shares		9,000		-	
			9,000		-
Profit and loss account	12				
Equity		(13,885)		(27,934)	
Non-equity		(13,154)		(8,821)	
			(27,039)		(36,755)
TOTAL SHAREHOLDERS' FUNDS			92,961		38,245

Non-equity shares are classified as equity for the purposes of the Companies Act 1985.

These financial statements were approved by the Board of Directors on 16 August 1995.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Year ended 31 March 1995

	Notes	1995		1994	
		£	£	£	£
Net cash inflow from operating activities	14		92,761		74,641
Returns on investments and servicing of finance					
Interest received		1,980		2,000	
Interest paid		(10,889)		(4,007)	
Net cash outflow from returns on investments and servicing of finance			(8,909)		(2,007)
Taxation					
UK Corporation tax (paid)/received			(20,402)		7,341
Investing activities					
Purchase of tangible fixed assets		(56,968)		(18,467)	
Sale of tangible fixed assets		10,650		-	
Net cash outflow from investing activities			(46,318)		(18,467)
Net cash inflow before financing			17,132		61,508
Financing					
Issue of ordinary share capital		45,000		-	
Repayment of unsecured loan stock 2000		(25,000)		-	
Net cash inflow from financing			20,000		-
Increase in cash and cash equivalents	15		37,132		61,508

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards other than as detailed in Note 10.

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

Rentals paid under 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.

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.

2. OPERATING PROFIT is stated after charging/(crediting):	1995	1994
	£	£
Depreciation	26,387	18,920
Operating lease rentals: land and buildings	17,261	14,137
Auditors' remuneration: audit services	2,000	2,000
Hire of plant and equipment	757	-
Profit on disposal of fixed assets	(4,324)	-
	<u> </u>	<u> </u>

3. INTEREST

(1) Interest receivable

Bank interest receivable	<u>1,995</u>	<u>2,062</u>
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NOTES TO THE ACCOUNTS
Year ended 31 March 1995

3. INTEREST (continued)

	1995	1994
	£	£
(2) Interest payable on borrowings due within five years		
Bank interest payable	6,940	408
Unsecured loan stock 1996	3,381	3,395
Other interest	719	-
	<u>11,040</u>	<u>3,803</u>

4. TAXATION

UK current year taxation		
UK Corporation Tax at 25% (1994: 33%)	900	20,500
Prior years		
UK Corporation Tax	(98)	(41)
Tax on profit on ordinary activities	<u>802</u>	<u>20,459</u>

The tax charge for 1995 is low due to the reversal of an unprovided deferred tax asset.

5. TANGIBLE FIXED ASSETS

(1) Summary

	Plant	Office	Motor	Total
	£	equipment	vehicles	£
		£	£	
Cost				
1 April 1994	327	19,957	70,145	90,429
Additions	4,631	8,487	76,169	89,287
Disposals	-	(1,300)	(26,000)	(27,300)
31 March 1995	<u>4,958</u>	<u>27,144</u>	<u>120,314</u>	<u>152,416</u>
Depreciation				
1 April 1994	115	6,581	27,373	34,069
Charge for the year	453	4,173	21,761	26,387
Disposals	-	(775)	(20,199)	(20,974)
31 March 1995	<u>568</u>	<u>9,979</u>	<u>28,935</u>	<u>39,482</u>
Net book value				
31 March 1995	<u>4,390</u>	<u>17,165</u>	<u>91,379</u>	<u>112,934</u>
31 March 1994	<u>212</u>	<u>13,376</u>	<u>42,772</u>	<u>56,360</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

5. TANGIBLE FIXED ASSETS (continued)

(2) Capital commitments

At 31 March 1995 the directors had authorised capital expenditure of Nil (1994: Nil).

6. WORK IN PROGRESS

	1995 £	1994 £
Work in progress	1,366,272	904,064
Payments on account	(646,483)	(249,632)
	<u>719,789</u>	<u>654,432</u>

7. DEBTORS

Trade debtors	1,247,883	774,267
Other debtors	749	606
Prepayments and accrued income	10,975	771
Amounts owed by parent undertaking and fellow subsidiary undertakings	-	35,736
Other taxes and social security costs	-	609
	<u>1,259,607</u>	<u>811,989</u>

8. CREDITORS: amounts falling due within one year

Bank overdraft	-	26,021
Trade creditors	1,705,158	1,251,456
Amounts owed to parent undertaking and fellow subsidiary undertakings	50,004	28,677
Corporation tax	900	20,500
Other taxes and social security costs	158,785	37,855
Accruals and deferred income	3,748	20,655
Other creditors	33,166	5,232
Payments on account	8,859	19,280
	<u>1,960,620</u>	<u>1,409,676</u>

9. CREDITORS: amounts falling due after more than one year

Unsecured loan stock 1996	50,000	50,000
Unsecured loan stock 2000	-	25,000
	<u>50,000</u>	<u>75,000</u>

Interest on unsecured loan stock 1996 is payable at a rate per annum of 1% above base rate. The loan stock is redeemable at par.

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

10. CALLED UP SHARE CAPITAL

	1995	
(1) Authorised	Number	£
£1 'A' ordinary shares (equity)	57,000	57,000
£1 'B' ordinary shares (non-equity)	54,000	54,000
	<u>111,000</u>	<u>111,000</u>

The authorised share capital was increased from 100,000 £1 ordinary shares to 111,000 £1 ordinary shares during the year.

(2) Allotted and fully paid	1995	1994
	£	£
£1 'A' ordinary shares	57,000	57,000
£1 'B' ordinary shares	54,000	18,000
31 March	<u>111,000</u>	<u>75,000</u>

In October 1994 the company issued 36,000 ordinary shares for consideration of £45,000 to provide working capital for the company.

(3) Rights attached to shares

The company's Articles of Association entitle the holders of the £1 'B' ordinary shares to a fixed dividend of 12p per annum for each share held. 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, 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 share have equal voting rights.

Under Financial Reporting Standard 4 'Capital Instruments', non-equity shareholders' funds of the company would be disclosed as the non-equity element of called up share capital only. Applying this standard would not give a true and fair view as it has always been the shareholders' intentions that all rights of both classes of shareholder be equal. The Articles of Association will accordingly be altered to reflect this intention and therefore the balance of profit and loss account reserves is shared between both classes of shareholder in the proportion of shares held.

11. SHARE PREMIUM ACCOUNT	£
1 April 1994	-
Premium on shares issued in the year	<u>9,000</u>
31 March 1995	<u>9,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

12. PROFIT AND LOSS ACCOUNT

	£
1 April 1994	(36,755)
Retained profit for the year	9,716
	<hr/>
31 March 1995	(27,039)
	<hr/>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £	1994 £
Profit for the financial year	9,716	34,066
Issue of share capital	45,000	-
	<hr/>	<hr/>
Net addition to shareholders' funds	54,716	34,066
Opening shareholders' funds	38,245	4,179
	<hr/>	<hr/>
Closing shareholders' funds	92,961	38,245
	<hr/>	<hr/>

14. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating profit	19,563	56,266
Depreciation charges	26,387	18,920
Profit on sale of tangible fixed assets	(4,324)	-
Increase in work in progress	(65,357)	(509,570)
Increase in debtors	(447,603)	(501,082)
Increase in creditors	564,095	1,010,107
	<hr/>	<hr/>
Net cash inflow from operating activities	92,761	74,641
	<hr/>	<hr/>

15. CASH AND CASH EQUIVALENTS

Balance of cash and cash equivalents

Cash at bank and in hand	11,251	140
Bank overdraft	-	(26,021)
	<hr/>	<hr/>
	11,251	(25,881)
	<hr/>	<hr/>

Change in the balance of cash and cash equivalents

1 April	(25,881)	(87,389)
Net cash inflow for the year	37,132	61,508
	<hr/>	<hr/>
31 March	11,251	(25,881)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

16. FINANCIAL COMMITMENTS

(1) Operating leases

At 31 March 1995 the company had annual commitments under non-cancellable operating leases as follows:

	1995	1994
<i>Land and buildings</i>	£	£
Expiry date:		
Less than five years	<u>6,500</u>	<u>12,890</u>

(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 directors of the company were:

Fees and other emoluments (including pension contributions and benefits-in-kind)	<u>127,664</u>	<u>112,339</u>
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(2) Bandings

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

The chairman	-	-
The highest-paid director	<u>41,249</u>	<u>40,261</u>

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

	Number	Number
£0 - £5,000	1	1
£10,001 - £15,000	1	-
£30,001 - £35,000	<u>2</u>	<u>2</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

18. EMPLOYEES

(1) Number of employees

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

	1995 Number	1994 Number
Site labour	39	28
Administration and management	16	13
	<u>55</u>	<u>41</u>

(2) Employment costs

	£	£
Wages and salaries	933,099	664,979
Social security costs	89,509	65,226
Other pension costs	11,250	9,630
	<u>1,033,858</u>	<u>739,835</u>

19. PARENT UNDERTAKING

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's parent undertaking. Copies of the group financial statements can be obtained from the company secretary at the registered office.