

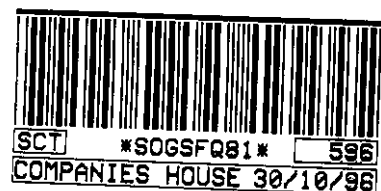


MITIE PAINTING & MAINTENANCE SERVICES (NORTH) LIMITED

Report and Financial Statements

31 March 1996

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





REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
W Robson

SECRETARIES

A F Waters
M O Thomas

REGISTERED OFFICE

Dovehill Farm
180 Riverford Road
Glasgow
G43 2DE

BANKERS

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

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 1996.

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 to provide comprehensive painting and maintenance services to the commercial and industrial sector.

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 loss for the year after taxation amounted to £12,779 (1995: £5,791). The directors do not propose the payment of a dividend and recommend that £12,779 be transferred from 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 Robson

No director held a beneficial interest in the share capital of the company at the beginning or end of the financial year.

Mr D M Telling is a director of MITIE Group PLC, the parent undertaking, and his interest in the share capital of that company is shown in the financial statements of MITIE Group PLC.

DIRECTORS' REPORT (continued)

DIRECTORS (continued)

Other directors' interests in the share capital of MITIE Group PLC are as follows:

	31 March 1996	1 April 1995
	25p Ordinary shares	25p Ordinary shares
	Number	Number
W Robson	266,661	266,661

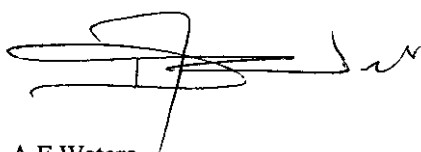
PAYMENT POLICY

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.

AUDITORS

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. 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 1996



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

MITIE PAINTING & MAINTENANCE SERVICES (NORTH) LIMITED

We have audited the financial statements on pages 5 to 13 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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

19 August 1996

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors



PROFIT AND LOSS ACCOUNT
Year ended 31 March 1996

	Notes	Continuing operations 1996 £	1995 £
TURNOVER		133,079	423
Cost of sales		(103,712)	(388)
GROSS PROFIT		29,367	35
Administrative expenses		(50,560)	(9,332)
OPERATING LOSS	2	(21,193)	(9,297)
Interest receivable	3	2,517	406
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(18,676)	(8,891)
Tax on loss on ordinary activities	4	5,897	3,100
RETAINED LOSS FOR THE YEAR		(12,779)	(5,791)

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.

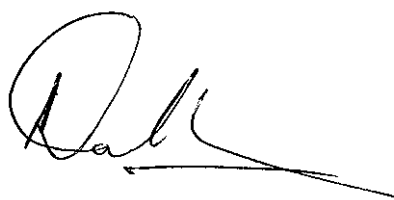
BALANCE SHEET
31 March 1996

	Notes	1996		1995	
		£	£	£	£
FIXED ASSETS					
Tangible assets	5		14,271		9,260
CURRENT ASSETS					
Work in progress	6	6,183		-	
Debtors	7	24,666		4,052	
Cash at bank and in hand		58,402		82,227	
		<u>89,251</u>		<u>86,279</u>	
CREDITORS: amounts falling due within one year	8	<u>(22,092)</u>		<u>(1,330)</u>	
Net current assets			67,159		84,949
CREDITORS: amounts falling due after more than one year	9		<u>(27,000)</u>		<u>(27,000)</u>
NET ASSETS			<u>54,430</u>		<u>67,209</u>
CAPITAL AND RESERVES					
Called up share capital	10				
Equity shares		73,000		55,000	
Non-equity shares		<u>-</u>		<u>18,000</u>	
			73,000		73,000
Profit and loss account	11				
Equity		(18,570)		(4,363)	
Non-equity		<u>-</u>		<u>(1,428)</u>	
			<u>(18,570)</u>		<u>(5,791)</u>
TOTAL SHAREHOLDERS' FUNDS			<u>54,430</u>		<u>67,209</u>

These financial statements were approved by the Board of Directors on 14 August 1996

Signed on behalf of the Board of Directors

D M Telling
 Director



CASH FLOW STATEMENT
31 March 1996

	Notes	1996		1995	
		£	£	£	£
Net cash outflow from operating activities	13		(19,470)		(8,109)
Returns on investments and servicing of finance					
Interest received		2,713		210	
Net cash inflow from returns on investments and servicing of finance			2,713		210
Taxation					
UK Corporation tax received			2,997		-
Investing activities					
Purchase of tangible fixed assets		(10,065)		(9,874)	
Net cash outflow from investing activities			(10,065)		(9,874)
Net cash outflow before financing			(23,825)		(17,773)
Financing					
Issue of loan stock		-		27,000	
Issue of ordinary share capital		-		73,000	
Net cash inflow from financing			-		100,000
(Decrease)/increase in cash and cash equivalents	14		(23,825)		82,227

NOTES TO THE ACCOUNTS
Year ended 31 March 1996

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and 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:

Office equipment	5 years
Motor vehicles	4 years

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.

2. OPERATING LOSS is stated after charging:	1996	1995
	£	£
Depreciation	5,054	614
Auditors' remuneration: audit services	1,000	250
	<hr/>	<hr/>
3. INTEREST RECEIVABLE	1996	1995
	£	£
Bank interest receivable	2,517	406
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 1996

4. TAX ON LOSS ON ORDINARY ACTIVITIES	1996	1995
	£	£
UK current year taxation		
Group relief	6,000	3,100
Prior years		
Group relief	(103)	-
	<u>5,897</u>	<u>3,100</u>

5. TANGIBLE FIXED ASSETS

(1) Summary

	Office equipment £	Motor vehicles £	Total £
Cost			
1 April 1995	96	9,778	9,874
Additions	-	10,065	10,065
	<u>96</u>	<u>19,843</u>	<u>19,939</u>
31 March 1996			
Depreciation			
1 April 1995	3	611	614
Charge for the year	93	4,961	5,054
	<u>96</u>	<u>5,572</u>	<u>5,668</u>
31 March 1996			
Net book value			
31 March 1996	-	14,271	14,271
	<u>93</u>	<u>9,167</u>	<u>9,260</u>
31 March 1995			

(2) Capital commitments

At 31 March 1996 the directors had authorised capital expenditure of £14,000 (1995: £25,000).

6. WORK IN PROGRESS	1996	1995
	£	£
Work in progress	<u>6,183</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1996

7. DEBTORS	1996	1995
	£	£
Trade debtors	11,660	497
Amounts owed by parent undertaking and fellow subsidiary undertakings	6,451	-
Other debtors	555	455
Corporation tax recoverable	6,000	3,100
	<u>24,666</u>	<u>4,052</u>

8. CREDITORS: amounts falling due within one year	1996	1995
	£	£
Trade creditors	7,776	-
Other taxes and social security costs	10,883	674
Accruals	3,433	656
	<u>22,092</u>	<u>1,330</u>

9. CREDITORS: amounts falling due after more than one year	1996	1995
	£	£
Redeemable unsecured loan stock 2005	<u>27,000</u>	<u>27,000</u>

The unsecured loan stock, which was issued at par to provide working capital for the company, bears no interest and is redeemable at par.

10. CALLED UP SHARE CAPITAL

	1996	
	Number	£
(1) Authorised		
£1 'A' ordinary shares	55,000	55,000
£1 'B' ordinary shares	45,000	45,000
	<u>100,000</u>	<u>100,000</u>
(2) Allotted and fully paid	1996	1995
	£	£
£1 'A' ordinary shares	55,000	55,000
£1 'B' ordinary shares	18,000	18,000
	<u>73,000</u>	<u>73,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1996

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.

As noted to be the intention in the 1995 statutory accounts, the Articles of Association have been amended during the year such that both classes of share are now defined as equity shares.

11. PROFIT AND LOSS ACCOUNT

	£
1 April 1995	(5,791)
Retained loss for the year	(12,779)
	<hr/>
31 March 1996	(18,570)
	<hr/>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Loss for the financial year	(12,779)	(5,791)
Issue of share capital	-	71,000
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(12,779)	65,209
Opening shareholders' funds	67,209	2,000
	<hr/>	<hr/>
Closing shareholders' funds	54,430	67,209
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 1996

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

	1996	1995
	£	£
Operating loss	(21,193)	(9,297)
Depreciation charge	5,054	614
Increase in debtors	(17,910)	(756)
Increase in creditors	20,762	1,330
Increase in work in progress	(6,183)	-
Net cash outflow from operating activities	(19,470)	(8,109)

14. CASH AND CASH EQUIVALENTS

	1996	1995
	£	£
Balance of cash and cash equivalents		
Cash at bank and in hand	58,402	82,227
Change in the balance of cash and cash equivalents		
1 April	82,227	-
Net cash (outflow)/inflow for the year	(23,825)	82,227
31 March	58,402	82,227

15. FINANCIAL COMMITMENTS

Commitments on behalf of group undertakings

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

16. DIRECTORS

The directors received no emoluments during the year.

NOTES TO THE ACCOUNTS
Year ended 31 March 1996

17. EMPLOYEES

(1) Number of employees

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

	1996 Number	1995 Number
Site labour	1	-
Administration and management	1	1
	<u>2</u>	<u>1</u>
(2) Employment costs	£	£
Wages and salaries	29,581	4,594
Social security costs	3,193	522
	<u>32,774</u>	<u>5,116</u>

18. 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.