

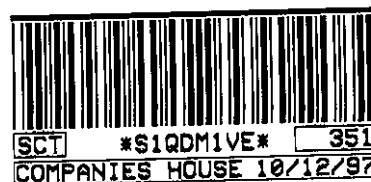


MITIE PAINTING & MAINTENANCE SERVICES (NORTH) LIMITED

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

On 31 March 1997 the company transferred its entire business to Trident Maintenance Services Limited and has not traded since that date.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £200 (1996: £12,779). The directors do not propose the payment of a dividend and recommend that £200 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 AND THEIR INTERESTS

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 AND THEIR INTERESTS (continued)

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

	31 March 1997 10p Ordinary shares Number	1 April 1996 25p Ordinary shares Number
W Robson	641,652	266,661

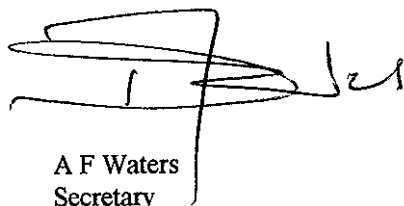
PAYMENT POLICY

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

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

MITIE PAINTING & MAINTENANCE SERVICES (NORTH) 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 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	Discontinued operations	
		1997	1996
		£	£
TURNOVER		136,369	133,079
Cost of sales		(106,023)	(103,712)
GROSS PROFIT		30,346	29,367
Administrative expenses		(32,801)	(50,560)
OPERATING LOSS	2	(2,455)	(21,193)
Interest receivable	3	2,360	2,517
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(95)	(18,676)
Tax on loss on ordinary activities	4	(105)	5,897
RETAINED LOSS FOR THE YEAR	11	(200)	(12,779)

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	-	14,271
CURRENT ASSETS			
Work in progress	6	-	6,183
Debtors	7	17,602	24,666
Cash at bank and in hand		73,868	58,402
		<u>91,470</u>	<u>89,251</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(10,240)	(22,092)
NET CURRENT ASSETS		81,230	67,159
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	(27,000)	(27,000)
NET ASSETS		<u>54,230</u>	<u>54,430</u>
CAPITAL AND RESERVES			
Called up share capital	10	73,000	73,000
Profit and loss account	11	(18,770)	(18,570)
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>54,230</u>	<u>54,430</u>

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
31 March 1997

	Notes	1997		1996	
		£	£	£	£
Net cash outflow from operating activities	13		(6,601)		(19,470)
Returns on investments and servicing of finance					
Interest received			2,382		2,713
Taxation					
Group relief received			6,025		2,997
Capital expenditure					
Payments to acquire tangible fixed assets		-		(10,065)	
Receipts from group transfer of tangible fixed assets		13,660		-	
Net cash inflow/(outflow) from capital expenditure			13,660		(10,065)
Increase/(decrease) in cash in the year	15		15,466		(23,825)

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:

Office equipment	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.

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:	1997	1996
	£	£
Depreciation	611	5,054
Auditors' remuneration: audit services	500	1,000
	<hr/>	<hr/>
3. INTEREST RECEIVABLE	1997	1996
	£	£
Bank interest receivable	2,360	2,517
	<hr/>	<hr/>
4. TAX ON LOSS ON ORDINARY ACTIVITIES	1997	1996
	£	£
UK current year taxation		
UK corporation tax charge (group relief)	130	(6,000)
Prior years		
Adjustment to prior year tax charge	(25)	103
	<hr/>	<hr/>
	105	(5,897)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

5. TANGIBLE FIXED ASSETS

(1) Summary

	Office equipment £	Motor vehicles £	Total £
Cost			
1 April 1996	96	19,843	19,939
Group transfers out	(96)	(19,843)	(19,939)
31 March 1997	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation			
1 April 1996	96	5,572	5,668
Charge for the year	-	611	611
Group transfers out	(96)	(6,183)	(6,279)
31 March 1997	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
31 March 1997	<u>-</u>	<u>-</u>	<u>-</u>
31 March 1996	<u>-</u>	<u>14,271</u>	<u>14,271</u>

(2) Capital commitments

At 31 March 1997 the directors had authorised capital expenditure of £nil (1996: £14,000).

6. WORK IN PROGRESS

	1997 £	1996 £
Work in progress	<u>-</u>	<u>6,183</u>

7. DEBTORS

	1997 £	1996 £
Trade debtors	14,686	11,660
Amounts owed by parent undertaking and fellow subsidiary undertakings	600	6,451
Other debtors	2,316	555
Corporation tax recoverable	-	6,000
	<u>17,602</u>	<u>24,666</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1997	1996
	£	£
Trade creditors	5,263	7,776
Other taxes and social security costs	4,324	10,883
Accruals	523	3,433
Corporation tax	130	-
	<u>10,240</u>	<u>22,092</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1997	1996
	£	£
Redeemable unsecured loan stock 2005	<u>27,000</u>	<u>27,000</u>

The unsecured loan stock bears no interest and is redeemable at par.

10. CALLED UP SHARE CAPITAL	1997	
	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	1997	1996
	£	£
£1 'A' ordinary shares	55,000	55,000
£1 'B' ordinary shares	18,000	18,000
	<u>73,000</u>	<u>73,000</u>

(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.

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

11. PROFIT AND LOSS ACCOUNT

	£
1 April 1996	(18,570)
Retained loss for the year	(200)
31 March 1997	<u>(18,770)</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Loss for the financial year	(200)	(12,779)
Net reduction to shareholders' funds	(200)	(12,779)
Opening shareholders' funds	54,430	67,209
Closing shareholders' funds	<u>54,230</u>	<u>54,430</u>

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

	1997 £	1996 £
Operating loss	(2,455)	(21,193)
Depreciation charge	611	5,054
Decrease/(increase) in debtors	1,064	(17,910)
(Decrease)/increase in creditors	(12,004)	20,762
Decrease/(increase) in work in progress	6,183	(6,183)
Net cash outflow from operating activities	<u>(6,601)</u>	<u>(19,470)</u>

14. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1996 £	Cash flows £	At 31 March 1997 £
Cash at bank and in hand	58,402	15,466	73,868
Debt due after one year	(27,000)	-	(27,000)
	<u>31,402</u>	<u>15,466</u>	<u>46,868</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

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

	1997 £	1996 £
Increase/(decrease) in cash for the year	15,466	(23,825)
Net funds at 1 April	31,402	55,227
Net funds at 31 March	<u>46,868</u>	<u>31,402</u>

16. 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.

17. DIRECTORS

The directors received no emoluments during the year.

18. EMPLOYEES

(1) Number of employees

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

	1997 Number	1996 Number
Site labour	2	1
Administration and management	1	1
	<u>3</u>	<u>2</u>
(2) Employment costs	£	£
Wages and salaries	42,514	29,581
Social security costs	4,147	3,193
	<u>46,661</u>	<u>32,774</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

19. RELATED PARTY TRANSACTIONS

MITIE Group PLC is the holder of the 'A' ordinary shares and is a 75% shareholder of MITIE Painting & Maintenance Services (North) Limited.

During the year, the company provided painting and maintenance services of £28,723 to companies within the MITIE group on normal commercial terms.

At the year end, there was an amount of £600 owed by group undertakings in respect of the above services.

On 31 March 1997 the trade and fixed assets were transferred to Trident Maintenance Services Limited, a member of the MITIE group.

Tangible fixed assets of £13,660 were transferred at net book value.

During the year the company paid management charges of £3,750 to MITIE Group PLC.

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.