1 1250

CONTENTS

FINANCIAL HIGHLIGHTS

for the year ended 31 March 1997

	1997 £'000	1996 £'000
Turnover	**209,425**	161,149
Operating profit	**8,341**	6,503
Profit before tax	**8,210**	6,302
Net Assets	**12,058**	11,377
Earnings per share	**8.1p**	6.5p
Total dividend per share	**2.0p**	1.6p

FINANCIAL CALENDAR

Annual General Meeting	18 September 1997
Final dividend of 1.1p per share	1 October 1997
Interim Results for six months to 30 September 1997	January 1998
Interim dividend	March 1998

DIRECTORS AND ADVISERS

Board of Directors	David M. Telling	Executive Chairman
	Ian R. Stewart	Managing Director
	William E. Harding	Non-Executive — Mr Harding joined the Board in 1988. He became a Non-Executive Director in October 1995.
	Donald C. Macpherson	Non-Executive — Mr Macpherson joined the Board in 1992. Vice Chairman of NatWest Markets Corporate Finance Ltd, Director of Fuller Smith & Turner Plc, Leeds Group Plc, and other companies. Chairman of the Remuneration Committee.
	Nigel F. Swiffen	Non-Executive — Mr Swiffen joined the Board in 1991. Chairman of Hallam Polymer Engineering Ltd. Chairman of the Audit Committee.
Secretary	A. Floyd Waters FCA ATII	
Registered Office	Dovehill Farm 180 Riverford Road Glasgow G43 2DE Registered in Scotland No. 19230	
Auditors	Deloitte & Touche Chartered Accountants Queen Anne House 69-71 Queen Square Bristol BS1 4JP	
Bankers	Midland Bank plc National Westminster Bank PLC The Royal Bank of Scotland plc	
Stockbrokers	Panmure Gordon & Co. Limited New Broad Street House 35 New Broad Street London EC2M 1NH	
Registrars	The Royal Bank of Scotland plc P.O. Box 435 Owen House 8 Bankhead Crossway North Edinburgh EH11 4BR Tel: 0131 442 4111	

Financial Overview
I am pleased to report that for the eighth year in succession we have exceeded 30% growth in profits to £8.2 million. Turnover has increased by 30% to £209 million and earnings per share rose by 25% to 8.1p. Our younger companies overall have performed strongly which augurs well for the future success of the Group.

We are proposing a final dividend of 1.1p per share, making 2p in total for the year, an increase of 25% in line with the increase in earnings per share. This payment is covered 4 times.

The tax charge remains broadly in line with that of last year and we anticipate that this level will fall in accordance with the 2% corporation tax reduction announced in the budget.

Despite spending £7.6 million on acquisitions and associated borrowings, our cash balance at the year end was still positive.

Acquisitions
In January 1997, we formed MITIE Plant Hire Ltd which acquired a 55% interest in Generation Building Equipment Ltd, which specialises in the hire and sale of non-mechanical access equipment. This company was then trading from 5 locations, East and West London, Cardiff, Manchester and Glasgow and I am already able to report the opening of a sixth depot in Birmingham.

I was particularly pleased that the Directors and staff contributed the sum of £1.15 million to the share capital of MITIE Plant Hire Ltd, thus continuing the MITIE ethos of share ownership. I am delighted to welcome John Clifford, a previous colleague of mine, who has accepted the challenge of building this new discipline within MITIE.

In addition, we have formed two more new companies. Our third roofing contractor is now operating out of Tamworth as MITIE Roofing (Midlands) Ltd and increases our presence in that region, while MITIE Air Conditioning (West) Ltd has been started in Bristol to take advantage of a niche market opportunity. On 22 July 1997, we announced that we had acquired the outstanding 40.59% minority shareholding of MITIE Contract Services (Eastern) Ltd and the outstanding 14% minority shareholding of MITIE Engineering Maintenance (West) Ltd. The total consideration was £754,460 which was satisfied by the issue of 416,384 new Ordinary Shares in MITIE and £82,000 in cash.

Operational Review
Within the strategy of providing services to the owners and occupiers of commercial and industrial

buildings, we have structured the Group into two distinct divisions.

The Building Services division handles short term contracts usually won in competitive tender. The Engineering, Painting, Roofing and Plant Hire disciplines make up this division.

The Support Services division provides on-going services such as Cleaning and Maintenance to its clients. These are the core businesses to which others, such as catering, waste disposal and grounds maintenance, can be added either from our own resources or by sub-contractors.

Building Services
Building Services has moved ahead of Support Services in terms of both turnover and profit. This reflects the upturn in property maintenance which we expect to continue.

The Painting and Roofing companies have excelled themselves, substantially increasing their contribution to Group profits. They seized the opportunities arising from a backlog of essential maintenance work, neglected during the recession. Painting companies have won major contracts with BT, Alliance & Leicester, Halifax and with Taylor Woodrow FM on MoD work. Their order book is ahead of this time last year and they look set for another positive result.

Roofing has won its first £1 million contract, awarded by Bovis for Railtrack, as well as substantial ones for Rolls Royce, ICI and Westinghouse. They have excellent order books at this stage.

Engineering also increased its contribution significantly. This is helped by the fact that MITIE Engineering Services is recognised as one of the premier contractors in the country, which has enabled our new start-ups this year to establish themselves and achieve profitability. The discipline continues to specialise in hotel and leisure work and fast track office refurbishment. It is pleasing to note that on more and more occasions we are in direct contract with the end user. We are optimistic that we can make further improvements in margins.

Meanwhile the Building Services companies as a whole continue to trade strongly. MITIE Plant Hire Ltd has been added to Building Services but its profit contribution in the financial year under review was not material.

Support Services
The most exciting development in the Group during the last 12 months has been the insistence of major clients

that we become more involved in the management of their buildings. In order to provide the service they require, we have made a senior appointment at Board of Management level who, together with his team, will greatly strengthen our professional expertise by increasing the services we can provide.

The increase in the contribution made by Support Services has been over-shadowed by the exceptional performance of Building Services. This is primarily due to losses incurred by MITIE Hygiene Services Ltd, a company started in 1995 which has since ceased trading. Initially encouraging, this venture proved disappointing and was quickly discontinued. With this setback behind them, Support Services are set to move forward more strongly in the current year and increase their contribution to Group profits.

We have extended our contracts with BT at improved prices and have been successful in implementing major contracts with Siemens and Barclays Bank. In addition, we have secured major new contracts each in excess of £½ million per annum which include Lancashire Constabulary, The Benefits Agency, ITSA, Sanofi Wintrop and Continental Tyres.

Quality

You will notice one change in this year's Report & Accounts. I have decided to show you a cross section of the people in MITIE because it is the skill and motivation of the people that make your company unique. MITIE is an exciting company and its people highly competent and specialised in what they do. You might think the masked figure to be a surgeon: he is actually a MITIE cleaner working in the Motorola microchip plant near Glasgow. The budding mountaineer is abseiling off a multi-story tower, cleaning the windows, and the figure in red is one of our roofers over-cladding some 16,000 sq m of roofing at ICI Severnside. Only the Engineer serves as a reminder of the more recognisable work done by thousands of highly trained operatives on your behalf.

Quality, service, and customer care are what we continuously strive for. I am aware that not all our customers' expectations are exceeded but that is our aim and we will get there through the commitment and training of our work force. I thank them most sincerely on behalf of the Group Board for their hard work and dedication.

Each year, I award £5,000 worth of MITIE shares to the company winning the Chairman's Quality Award. The winners were MITIE Cleaning (South West) Ltd for their Support Services contract for 29 Regiment Royal Logistics Corps at South Cerney. Congratulations go to Ian Diamond, John McEwen, Chris Townsend and their back-up team. In second place, only half a per cent behind in the marking, were MITIE Engineering Services (South East) Ltd who presented their on-going job at Claridge's. We decided to give them our "Contract of the Year" Award and I will be delighted to make a presentation to the client at the forthcoming Annual General Meeting.

MITIE Cleaning (North) Ltd has become the first MITIE company to have been awarded Investor in People, an achievement acknowledged by British Aerospace in a special presentation ceremony in June. It is our intention to obtain this standard throughout the Group by the millennium.

Lastly, MITIE Cleaning (South East) Ltd won the top accolade in the Cleaning Industry – the Kimberley Clark Golden Service Award for 1996. One of the judges commented "It is that exceptional dedication to customer service from the management and all staff that allows one site to emerge ahead of the others." The premises for which the award was given were those of Willis Corroon in the City of London.

Conclusion

We, indeed, have a change of Government since I last reported to you. The Prime Minister said before he was elected that they would work with business to create greater stability through sound economic management, low and stable inflation and strict limits on public expenditure. My optimism is on the wane as we begin to see the flexing of union muscles encouraged by opting into the Social Chapter. Not only will this inevitably lead to increased power and influence for trades' unions, but also higher costs and more regulation for business, with consequent loss of jobs.

Once again I would like to thank all our customers without whom there would be no business. We look forward to continuing to work closely with them, increasing our quality, service and customer care and striving for even higher standards in the years to come.

The first three months' trading has been excellent. Prospects are good.

David M. Telling

REPORT OF THE DIRECTORS

The Directors submit their Report together with the audited accounts for year ended 31 March 1997.

Principal Activity
The Group's principal activity is the provision of services to building owners and occupiers.

Results and Dividends
The Group profit on ordinary activities before taxation amounted to £8,210,000 which, after tax and minority interest, gives profits attributable to Shareholders of £5,172,000. The Directors recommend a final dividend of 1.1p per share which, together with the interim dividend of 0.9p per share paid on 31 March 1997, results in a total dividend of 2p per share. If approved, the final dividend will be paid on 1 October 1997 to members registered on 12 September 1997. The retained profit for the year is £3,878,000.

The review of the year's operations and future developments is contained in the Chairman's Statement on page 4.

Tangible Fixed Assets
Changes in fixed assets during the year are given in Note 8 to the financial statements.

Donations
Charitable contributions made during the year amounted to £4,500 (1996 £4,000). No political contributions were made during the year (1996 Nil).

Share Capital
Details of changes in the share capital during the year and the number of Ordinary Shares in issue at the year end are given in Note 14 to the financial statements.

Details of substantial shareholdings in the Company are given in Note 24.

Directors
Details of the Board of Directors, which remained constant throughout the year are given on page 3.

Messrs N. F. Swiffen and D. C. Macpherson retire by rotation and, being eligible, offers themselves for re-appointment.

Interests of the Directors in the shares of the Company are shown on page 9.

Corporate Governance
The Directors comply with the code of practice recommended by the Cadbury Committee.

The Board, comprising two Executive Directors and three independent Non-Executive Directors, meets regularly throughout the year and is responsible for overall strategy and performance, acquisitions, capital expenditure and the safeguard of the assets of the Group.

All Directors are appointed by the Board as a whole and no Executive Director has a service contract of more than two years.

The Audit Committee, comprising the Non-Executive Directors, meets at least twice a year. The Directors' Statement on Corporate Governance is given on page 10.

The Remuneration Committee, consisting of the Non-Executive Directors meets at least annually to determine the remuneration and benefits of the Executive Directors. The Committee's Report is given on page 8.

A statement of the Directors' responsibilities in respect of the preparation of the financial statements appears on page 28.

Going Concern
After making enquiries, the Directors have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going

concern basis in preparing the financial statements.

Payment Policy
The Group's policy is to comply with the terms of payment agreed with suppliers. Where terms are not negotiated, the Group endeavours to adhere with the suppliers' standard terms. At 31 March 1997 the Group had 62 days purchases outstanding.

Employee Involvement
The Group offers equal opportunities to all applicants for employment whatever their sex, race, religion or marital status. Disabled persons are considered for employment, training, career development and promotion on the basis of their aptitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical, or the employee unable to conform to the stringent regulations which apply to the operations of the trading companies.

The Directors acknowledge the importance of good communications and employee relationships. In each trading company there is a direct relationship between the chief executive and individual employees of the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success.

A commitment to the Health and Safety of our employees and clients is established in an overall MITIE policy statement. Each company within the Group is responsible for the implementation of the policy through sound training and documented procedures.

The Directors believe that employees should be encouraged to become Shareholders. The Savings Related Share Option Scheme, established in 1991, currently has 308 contributing employees.

Environmental Matters
The Group has adopted policies, procedures and processes which endeavour to minimise potential damage to the environment, by the use of products and work methods which minimise the risk to employees, and clients, as well as limit emissions and waste.

Auditors
A resolution for the re-appointment of Deloitte & Touche as auditors will be proposed at the Annual General Meeting.

Company Status
The Company was not a close company within the terms of the Income and Corporation Taxes Act 1988 during the year and there has been no change to this status since 31 March 1997.

Annual General Meeting
The Annual General Meeting will be held at 12 noon on Thursday, 18 September 1997 at The Stable Block, Barley Wood, Wrington, Bristol. The Resolutions to be proposed are given on page 30.

Resolution 6 renews the Company's authority to purchase its own shares. The Directors do not have any immediate intention of exercising this authority.

Resolution 7 renews the Directors' authority to allot new Ordinary Shares, not exceeding 5% of the issued share capital, for cash without first being required to offer them to existing Shareholders in the proportions of their holdings.

This Report was approved by the Board on 18 August 1997.

A. F. Waters
Secretary

REPORT OF THE REMUNERATION COMMITTEE

Remuneration Committee
The Committee consists of the Company's three Non-Executive Directors, Mr Donald Macpherson (Chairman), Mr Nigel Swiffen and Mr Bill Harding. The Committee consults the Executive Chairman about its proposals and has access to professional advice from inside and outside the Company. Throughout the year to 31 March 1997, the Company has complied with Section A of the Best Practice Provisions on directors' remuneration as annexed to the Listing Rules of the London Stock Exchange.

The Committee has given full consideration to Section B of the Best Practice Provisions.

Remuneration Policy
The basic salaries and other benefits of the Executive Directors are determined by the Committee in the light of the need to attract, retain and motivate directors of the calibre needed and to reward them for enhancing value to Shareholders.

Through its Executive Share Option and Savings Related Share Schemes the Group wishes to motivate Executive Directors and employees to contribute towards the continuing growth in and performance of the Group by participating in the Group's success along with other Shareholders.

The Committee has regard to executive remuneration packages of similar jobs in comparative groups of companies.

Components of Remuneration
Components of remuneration are:
1. Basic salary determined by the Committee and reviewed annually on 1 March.
2. Performance related bonus based on improvements in earnings per share.
3. Share Options. Existing options were granted under the Executive Share Option Scheme approved by Shareholders in 1991. Options cannot be exercised until at least three years have elapsed from the date of grant.
4. Pensions. Membership of the Company's pension scheme. Basic salary alone is pensionable.
5. Contracts of Service. Executive Directors have service agreements which expire on 31 March 1999 which the Committee considers to be fair and reasonable and in the best interests of the Company and its Shareholders.

Non-Executive Directors' Remuneration
The remuneration of Non-Executive Directors is determined by the Board and reflects the knowledge and experience which they bring to the Group. They do not participate in the Company's bonus or share schemes. They do not have contracts of service, are not members of the Company pension scheme nor do they receive taxable benefits in kind.

REPORT OF THE REMUNERATION COMMITTEE

Emoluments

The table below provides details of Directors' Remuneration.

	Base Salary/ Fees	Performance Related Bonuses	Benefits	Pension	1997 Total	1996 Total
Executive Directors	£'000	£'000	£'000	£'000	£'000	£'000
D. M. Telling (Chairman)	110	110	7	11	238	205
I. R. Stewart	100	90	6	7	203	190
Non-Executive Directors						
N. F. Swiffen	10	—	—	—	10	10
D. C. Macpherson	10	—	—	—	10	10
W. E. Harding	30	—	—	—	30	63
Total	260	200	13	18	491	478

The Chairman waived emoluments totalling £103,000 (1996 £80,000).
Mr I. R. Stewart waived emoluments totalling £62,000 (1996 £20,000).

Directors' Interests

The beneficial interests of the Directors who were in office on 31 March 1997 in the share capital of the Company are shown below:

	31 March 1997			1 April 1996		
	10p Ordinary Shares	6% Convert Redeem Loan Stock	Executive Share Option Scheme	25p Ordinary Shares	6% Convert Redeem Loan Stock	Executive Share Option Scheme
W. E. Harding	423,315	—	—	171,966	—	—
D. C. Macpherson	15,000	—	—	6,000	—	—
I. R. Stewart	1,255,680	—	500,000	498,272	4,000	200,000
N. F. Swiffen	1,750,000	—	—	700,000	—	—
D. M. Telling	3,827,495	—	—	1,630,998	—	—

In addition to the shares referred to above D. M. Telling has a non-beneficial interest in 192,500 Ordinary Shares.
No changes in the Directors' interests have taken place between 1 April and 18 August 1997.

Share Options

Details of the options held by the Directors in the Executive Share Option Scheme are as follows. There were no movements in the year.

	Held at 31 March 1997	Exercise Price	Exercisable From	Expiry Date
I. R. Stewart	340,000	44p	Sept. 1996	Sept. 2003
I. R. Stewart	160,000	60p	Feb. 1997	Feb. 2004

The market price at 31 March 1997 was 169p and the range during 1997 was 138p to 199p.

D. C. Macpherson
Chairman, Remuneration Committee

CORPORATE GOVERNANCE

Directors' Statement
The Auditors have confirmed that in their opinion, with respect to the Directors' statements below on internal financial control and on page 6 on going concern, the Directors have provided the disclosures required by the Cadbury Committee's Code of Best Practice (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements. Also the Directors' statement appropriately reflects MITIE's compliance with the other paragraphs of the Code specified by the Listing Rules of the London Stock Exchange for their review.

Internal Financial Control
The Directors are responsible for establishing the Group's system of internal financial control. Such systems can provide reasonable but not absolute assurance against material mis-statement or loss. The four main components can be summarised:—

Control environment
MITIE is committed to competence and integrity of management and staff at all levels, through its mission statement, comprehensive recruitment, training procedures and appraisal programmes. It has developed an organisational structure within which the business can be planned, controlled and monitored. This structure includes a Board comprising Executive and Non-Executive Directors as well as company officers. It aims to provide appropriate delegation of authority with accountability, having regard to levels of risk and a professional approach to financial accounting.

Risk
The Group continually assesses the risks facing the business through its framework of the Board, Board of Management and other Committees. Clear responsibilities have been allocated for key risk areas such as insurance, treasury, capital expenditure and data processing security. Other risks fall within the scope of the Audit, Remuneration and Health & Safety Committees as appropriate. The full Board meets six times a year and the Company Secretary is responsible to the Board for ensuring agreed procedures and rules and regulations are observed.

Key information systems
There is a comprehensive system of financial reporting to the Board, based on an annual budget prepared in line with the business plan, half-yearly forecasts and monthly reporting of financial and operating results. Key operational performance indicators are continuously monitored by the Executive Directors and company officers.

Monitoring procedures
The effectiveness of internal financial controls is monitored by the Audit Committee, which meets at least twice a year and receives yearly reports from the external Auditors and regular reports from the company officers and the Executive Chairman. Formal procedures are in place for the correction of weaknesses identified in these reports.

On behalf of the Board, the Audit Committee has reviewed reports on the effectiveness of the internal financial control framework in operation in the Group during the year to 31 March 1997.

N. F. Swiffen
Chairman, Audit Committee

Report of the Auditors to MITIE Group PLC on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Directors' Statements on pages 6 and 10 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of Opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

With respect to the Directors' Statement on internal financial control on page 10 and going concern on page 6, in our opinion, the Directors have provided the disclosures required by the Listing Rules and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements. Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' Statements on pages 6 and 10 appropriately reflect the Company's compliance with the other paragraphs of the Code specified for our review by Listing ~~Rule~~ 12.43(j).

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and
Registered Auditors

Bristol, 18 August 1997

GROUP PROFIT & LOSS ACCOUNT

For year ended 31 March 1997

NOTE		1997 £'000	1996 £'000
	Turnover	**209,425**	161,149
	Cost of sales	**(173,095)**	(130,133)
	Gross Profit	**36,330**	31,016
	Administrative expenses	**(27,989)**	(24,513)
2	Operating Profit	**8,341**	6,503
4	Interest	**(131)**	(201)
	Profit on Ordinary Activities Before Taxation	**8,210**	6,302
5	Taxation on Profit on Ordinary Activities	**(2,783)**	(2,150)
	Profit on Ordinary Activities After Taxation	**5,427**	4,152
	Minority interest	**(255)**	(71)
	Profit for the Financial Year	**5,172**	4,081
6	Dividends – equity	**(1,294)**	(1,019)
15	Retained Profit for the Financial Year	**3,878**	3,062
7	Earnings per Ordinary Share	**8.1p**	6.5p

The Group's turnover and operating profit were generated from continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 1997

	1997 £'000	1996 £'000
Profit for the Financial Year	**5,172**	4,081
Depreciation adjustment	**10**	13
Total recognised gains and losses relating to the year	**5,182**	4,094

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 March 1997

	1997 £'000	1996 £'000
Profit for the Financial Year	**5,172**	4,081
Dividends	**(1,294)**	(1,019)
	3,878	3,062
Goodwill written off on acquisitions	**(4,662)**	(2,155)
Shares issued	**375**	780
Other recognised gains and losses	**10**	13
Net (reduction) addition to Shareholders' funds	**(399)**	1,700
Shareholders' funds at beginning of year	**10,769**	9,069
Shareholders' funds at end of year	**10,370**	10,769

GROUP BALANCE SHEET

At 31 March 1997

NOTE		1997 £'000	1996 £'000
	Fixed Assets		
8	Tangible assets	**15,569**	11,352
	Current Assets		
9	Work in progress and stocks	**12,991**	11,924
10	Debtors	**28,486**	23,732
	Cash at bank and in hand	**6,458**	5,626
		47,935	41,282
11	Creditors—due within one year	**(44,309)**	(38,632)
	Net Current Assets	**3,626**	2,650
	Total Assets less Current Liabilities	**19,195**	14,002
12	Creditors—due after one year	**(6,734)**	(2,625)
13	Provision for liabilities and charges	**(403)**	—
		12,058	11,377
	Capital and Reserves		
14	Called up share capital	**6,472**	6,369
15	Share premium account	**3,199**	2,927
15	Revaluation reserve	**(650)**	(660)
15	Other reserves	**(12,102)**	(7,440)
15	Profit and loss account	**13,451**	9,573
	Equity Shareholders' funds	**10,370**	10,769
	Minority interest	**1,688**	608
		12,058	11,377

18 August 1997

David M Telling, Chairman

COMPANY BALANCE SHEET

At 31 March 1997

NOTE		1997 £'000	1996 £'000
	Fixed Assets		
8	Tangible assets	**797**	794
22	Investments in subsidiary undertakings	**23,132**	22,734
		23,929	23,528
	Current Assets		
10	Debtors	**10,044**	5,038
	Cash at bank and in hand	**5,127**	4,310
		15,171	9,348
11	Creditors—due within one year	**(5,879)**	(5,322)
	Net Current Assets	**9,292**	4,026
	Total Assets less Current Liabilities	**33,221**	27,554
12	Creditors—due after one year	**(6,050)**	(1,310)
		27,171	26,244
	Capital and Reserves		
14	Called up share capital	**6,472**	6,369
15	Share premium account	**3,199**	2,927
15	Other reserves	**12,897**	12,897
15	Profit and loss account	**4,603**	4,051
	Equity Shareholders' funds	**27,171**	26,244

18 August 1997

David M Telling, Chairman

GROUP CASH FLOW STATEMENT

For year ended 31 March 1997

NOTE		1997 £'000	1996 £'000
16	Net cash inflow from operating activities	**11,342**	6,652
	Returns on investments and servicing of finance		
	Interest received	**924**	614
	Interest paid	**(869)**	(802)
	Interest element of finance lease rentals	**(15)**	(11)
		40	(199)
	Taxation		
	UK corporation tax paid	**(1,950)**	(1,427)
	Capital expenditure		
	Payments to acquire tangible fixed assets	**(4,113)**	(4,503)
	Receipts from sales of tangible fixed assets	**484**	501
		(3,629)	(4,002)
17	Acquisitions and disposals		
	Payments to acquire subsidiary undertakings	**(6,206)**	250
	Net overdraft acquired with subsidiary undertakings	**(1,428)**	(696)
		(7,634)	(446)
	Equity dividends paid	**(1,602)**	(753)
	Cash outflow before financing	**(3,433)**	(175)
	Financing		
	Issue of Ordinary Share capital	**478**	246
	Net unsecured loans received	**1**	7
	Capital element of finance lease rental payments	**(385)**	(131)
	Debt due after more than one year:		
	New unsecured loan repayable 2000/02	**5,000**	—
	Repayment of secured loan	**(490)**	—
	Repayment of convertible redeemable loan stock	**(260)**	(96)
		4,344	26
19	Increase/(decrease) in cash in the period	**911**	(149)

ACCOUNTING POLICIES

For year ended 31 March 1997

Accounting Convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain freehold and long leasehold properties. The financial statements have been prepared in accordance with applicable accounting standards.

Basis of Consolidation

The consolidated profit and loss account and balance sheet include the financial statements of MITIE Group PLC and all its subsidiary undertakings. The results of subsidiary undertakings acquired or sold are included from or up to the effective date of acquisition or sale.

Goodwill

Goodwill arising on consolidation (representing the excess of the cost of investments in subsidiaries over the fair value of net assets at the date of acquisition) is written off directly to reserves in the year of acquisition.

Tangible Fixed Assets

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on tangible fixed assets on a straight line basis over the expected useful lives.

Freehold and long leasehold buildings	50 years
Plant	4-14 years
Vehicles	4 years

No depreciation is provided on land. Depreciation is charged on freehold and long leasehold buildings as the Directors believe such a policy follows best practice.

Leased Assets

Assets acquired under finance leases are included in tangible fixed assets and depreciated in accordance with the above policy. Outstanding future lease obligations are shown in creditors. The finance element of the rental payments is charged to the profit and loss account over the period of the lease. Operating lease rentals are charged to the profit and loss account in equal instalments over the lease term.

Work in progress and stocks

Work in progress and stocks are valued 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.

Turnover

Turnover represents the total amount, excluding sales taxes, receivable in respect of goods and services supplied and contract work completed in the year. Intra Group transactions are excluded.

Pensions

The Group operates a defined benefit pension scheme. The regular pension cost is charged to the profit and loss account and is based on the expected pension costs over the service lives of the employees. The current pension surplus is spread in the profit and loss account over the remaining service lives of current employees.

The Group also operates two fully insured defined contribution schemes, the assets of which are held in independently administered funds. In respect of these schemes, the pension cost charge represents contributions payable by the Group in the year.

NOTES TO THE ACCOUNTS

For year ended 31 March 1997

1 Segmental Analysis

	Turnover £'000	Pre-Tax Profit £'000	Pre-Tax Profit Margin %	Net Assets £'000
Activity				
Building Services	**117,484**	**4,515**	3.8	5,485
Support Services	**91,941**	**3,695**	4.0	3,432
Total	**209,425**	**8,210**	3.9	8,917

2 Operating Profit

	1997 £'000	1996 £'000
This is stated after charging (crediting):		
Employment costs (Note 3)	**84,725**	68,728
Depreciation — owned assets	**2,994**	2,449
— leased assets	**106**	81
Auditors' remuneration — audit services	**62**	61
— non audit services	**3**	5
Operating lease rentals — plant and vehicles	**780**	617
— other	**530**	430
Profit on disposal of fixed assets	**(145)**	(150)

3 Directors and Employees

		1997 £'000	1996 £'000
(i)	Employment costs		
	Wages & Salaries	**79,603**	64,607
	Social security costs	**4,366**	3,410
	Other pension costs	**756**	711
		84,725	68,728

		1997	1996
(ii)	The average number of persons employed during the financial year was:		
	Site	**17,025**	15,399
	Administration	**806**	728
		17,831	16,127

(iii) Details of Directors' emoluments and interests are provided within the Remuneration Committee Report on pages 8 and 9 and should be regarded as an integral part of this note.

4 Interest

	1997 £'000	1996 £'000
Interest receivable	**862**	656
Interest payable—borrowings repayable within five years		
Bank overdraft	**(955)**	(821)
Loan notes	**(13)**	(3)
Finance leases	**(15)**	(12)
Loan stock	**(10)**	(21)
	(131)	(201)

5 Taxation

	1997 £'000	1996 £'000
UK Corporation tax at 33% (1996 33%)	**2,888**	2,189
Deferred tax	**29**	—
Prior years	**(134)**	(39)
	2,783	2,150

The tax charge has been reduced by £30,028 (1996 £49,278) due to the utilisation of losses arising in previous years.

6 Dividends

	1997 £'000	1996 £'000
Interim dividend 0.9p per share (1996 0.72p)	**582**	458
Proposed final dividend 1.1p per share (1996 0.88p)	**712**	561
	1,294	1,019
Total dividend for the year	**2.0p**	1.6p

Subject to approval at the Annual General Meeting, the final dividend will be paid on 1 October 1997 to members on the register on 12 September 1997.

7 Earnings Per Share

The calculation of earnings per share for 1997 and 1996 is based upon the profit after minority interest.

The weighted average number of shares for this purpose is 64,130,786 (1996 63,145,015).

NOTES TO THE ACCOUNTS

For year ended 31 March 1997

8 Tangible Fixed Assets
Group

	FREEHOLD PROPERTIES £'000	LONG LEASEHOLD PROPERTIES £'000	PLANT AND VEHICLES £'000	TOTAL £'000
Cost or Valuation				
At beginning of year	3,491	662	15,915	20,068
Acquisitions	210	325	4,387	4,922
Additions at cost	272	41	4,210	4,523
Disposals	—	—	(1,897)	(1,897)
At end of year	3,973	1,028	22,615	27,616
Cost	328	243	22,615	23,186
Valuation	3,645	785	—	4,430
Depreciation				
At beginning of year	47	68	8,601	8,716
Acquisitions	—	65	1,747	1,812
Charge for year	50	23	3,016	3,089
Disposals	—	—	(1,570)	(1,570)
At end of year	97	156	11,794	12,047
Net Book Value				
At end of year	3,876	872	10,821	15,569
At beginning of year	3,444	594	7,314	11,352
Historic cost net book value				
1997	4,553	765	10,821	16,139
1996	4,122	487	7,314	11,923

No depreciation was charged against Freehold or Long Leasehold buildings up to 1995. For 1997, the Profit & loss account has been charged with £83,297 depreciation.

The cost of revalued properties was £5,284,051.

The net book value of assets held under finance leases included above was £607,754 (1996 £310,249).

Tangible Fixed Assets
Company

	PLANT AND VEHICLES £'000
Cost	
At beginning of year	1,682
Additions and transfers intra group	324
Disposals	(401)
At end of year	1,605
Depreciation	
At beginning of year	888
Transfers	(12)
Charge for year	290
Disposals	(358)
At end of year	808
Net Book Value	
At end of year	797
At beginning of year	794

For year ended 31 March 1997

9 Work in Progress and Stocks

	GROUP 1997 £'000	GROUP 1996 £'000	COMPANY 1997 £'000	COMPANY 1996 £'000
Work in progress	**23,553**	39,236	—	—
Payments received on account	**(11,374)**	(27,312)	—	—
Goods for resale	**812**	—	—	—
	12,991	11,924	—	—

10 Debtors

	GROUP 1997 £'000	GROUP 1996 £'000	COMPANY 1997 £'000	COMPANY 1996 £'000
Trade debtors	**27,528**	22,846	—	—
Owed by subsidiary undertakings	—	—	**9,520**	4,251
Other debtors	**368**	233	**219**	362
Prepayments and accrued income	**401**	388	**128**	170
Advance corporation tax recoverable	**189**	265	**177**	255
	28,486	23,732	**10,044**	5,038

Included in the amounts owed by subsidiary undertakings is the sum of £5,340,577 (1996 £510,000) falling due after one year.

Advance corporation tax recoverable is due after one year.

11 Creditors—due within one year

	GROUP 1997 £'000	GROUP 1996 £'000	COMPANY 1997 £'000	COMPANY 1996 £'000
Bank overdraft	**238**	317	**1,369**	1,251
Trade creditors	**28,870**	23,878	**584**	310
Owed to subsidiary undertakings	—	—	**2,352**	1,744
Corporation tax	**3,253**	2,193	**43**	255
Other taxes and social security	**7,609**	7,316	**374**	494
Other creditors	**569**	1,505	**53**	43
Accruals and deferred income	**1,998**	1,431	**392**	206
Proposed dividends	**712**	1,019	**712**	1,019
Payments received on account	**759**	859	—	—
Obligations under finance leases	**301**	114	—	—
	44,309	38,632	**5,879**	5,322

12 Creditors—due after one year

	GROUP 1997 £'000	GROUP 1996 £'000	COMPANY 1997 £'000	COMPANY 1996 £'000
Obligations under finance leases	127	86	—	—
Bank loans secured	—	490	—	—
Bank loans unsecured	6,000	1,000	6,000	1,000
Other creditors	557	739	—	—
6% Convertible Redeemable Unsecured Loan Stock 1995/9	50	310	50	310
	6,734	2,625	6,050	1,310

Bank loans are repayable between two and five years and bear interest which fluctuates with market rates.

Finance leases are repayable between two and five years.

The outstanding 6% Convertible Redeemable Unsecured Loan Stock 1995/9 will be repaid at par on 30 September 1999.

13 Provision for liabilities and charges

	1997 £'000	1996 £'000
Deferred Taxation		
At beginning of year	—	—
Acquisition of business	374	—
Arising during the year	29	—
At end of year	403	—

The balance at 31 March 1997 related to the excess of capital allowances over depreciation (1996 Nil).

14 Called Up Share Capital

	ORDINARY SHARES OF 10p NUMBER	£'000
Authorised	85,000,000	8,500
Allotted and Fully Paid		
At beginning of year	25,474,332	6,369
Sub-division	38,211,498	—
Issued on conversion of loan stock	647,675	64
Issued under share option schemes	390,466	39
At end of year	64,723,971	6,472

On 19 September 1996 each two Ordinary Shares of 25p were subdivided into five Ordinary Shares of 10p each.

Holders of £259,070 of 6% Convertible Redeemable Unsecured Loan Stock 1995/9 elected to convert into Ordinary Shares in September 1996.

For year ended 31 March 1997

14 **Called Up Share Capital** continued

Options outstanding under the Savings Related Share Option Scheme at 31 March 1997 were as follows:

Option price	Date Exercisable	Ordinary Shares of 10p each 1997	1996
30p	November 1996	—	304,545
31p	September 1997	82,985	114,120
42p	September 1998	147,695	147,695
60p	September 1999	212,720	244,730
80p	September 2000	232,036	249,527
126p	September 2001	559,681	—
		1,235,117	1,060,617

Options outstanding under the Executive Share Option Scheme at 31 March 1997 were as follows:

Option price	Date Exercisable	Ordinary shares of 10p each 1997	1996
34p	1996–2003	250,000	360,750
42p	1996–2003	440,000	440,000
60p	1997–2004	385,000	385,000
84p	1998–2005	612,500	787,500
126p	1999–2006	157,500	—
		1,845,000	1,973,250

15 **Reserves**

	SHARE PREMIUM ACCOUNT £'000	RE-VALUATION RESERVE £'000	MERGER & OTHER RESERVES £'000	PROFIT & LOSS ACCOUNT £'000
Group				
At beginning of year	2,927	(660)	(7,440)	9,573
Net premium arising on shares issued	272	—	—	—
Goodwill written off	—	—	(4,662)	—
Retained profit for year	—	—	—	3,878
Revaluation depreciation adjustment	—	10	—	—
At end of year	3,199	(650)	(12,102)	13,451
Company				
At beginning of year	2,927	—	12,897	4,051
Net premium arising on shares issued	272	—	—	—
Retained profit for year	—	—	—	552
At end of year	3,199	—	12,897	4,603

Goodwill written off to date amounts to £24,134,104.

In accordance with the exemption allowed by Section 230(4) of the Companies Act 1985, the Company has not presented its own profit and loss account. The profit attributable to shareholders in the accounts of the Company was £1,847,000 (1996 £2,028,000).

16 **Net cash inflow from operating activities**

	1997 £'000	1996 £'000
Operating profit	**8,341**	6,503
Depreciation	**3,100**	2,530
Profit on sale of tangible fixed assets	**(145)**	(150)
(Increase) in work in progress and stocks	**(585)**	(3,059)
(Increase) in debtors	**(4,253)**	(4,793)
Increase in creditors	**4,884**	5,621
	11,342	6,652

17 Purchase of subsidiary undertakings

	1997 £'000	1996 £'000
Fixed assets	**3,110**	412
Work in progress and stocks	**463**	109
Debtors	**1,103**	1,624
Bank and cash	**(1,428)**	(696)
Creditors	**(223)**	(3,234)
Taxation	**(353)**	2
Deferred Tax	**(374)**	—
Minority interest	**6**	53
Goodwill	**4,662**	2,155
Total purchase consideration	**6,966**	425
Shares issued	**(760)**	(675)
Cash consideration	**6,206**	(250)
Bank and cash acquired	**1,428**	696
Net cash effect	**7,634**	446

The above items relate principally to the acquisition of Generation Building Equipment Ltd and include fair value adjustments of a reduction of £420,000 in land and buildings following a professional valuation on an open market value on the basis of existing use.

18 Analysis of changes in net debt

	At 1 April 1996 £'000	Cash flows £'000	Acquisitions £'000	Other Non-Cash Changes £000	At 31 March 1997 £'000
Cash at bank and in hand	5,626	832	—	—	**6,458**
Overdrafts	(317)	79	—	—	**(238)**
Net cash	5,309	911	—	—	**6,220**
Debt due after one year	(1,981)	(4,251)	—	—	**(6,232)**
Finance Leases	(200)	385	(215)	(398)	**(428)**
Debt financing	(2,181)	(3,866)	(215)	(398)	**(6,660)**
Net debt	3,128	(2,955)	(215)	(398)	**(440)**

19 Reconciliation of net cash flow to movement in net debt

	1997 £'000	1996 £'000
Increase/(Decrease) in cash for the period	**911**	(149)
Cash (outflow)/inflow from (increase)/decrease in debt and lease financing	**(3,866)**	220
Change in net (debt)/funds resulting from cash flows	**(2,955)**	71
Finance leases acquired	**(215)**	—
New finance leases	**(398)**	(173)
Movement in net debt in the year	**(3,568)**	(102)
Net funds at beginning of year	**3,128**	3,230
Net (debt)/funds at end of year	**(440)**	3,128

20 Contingencies

The Company is party with other group companies to cross guarantees of each other's bank overdrafts.

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which are in the ordinary course of business. The Directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material, adverse effect upon the Group's financial position.

Deferred consideration, to be satisfied in shares, for the acquisition of subsidiary undertakings is dependent upon future profits of those subsidiaries. It is not possible to quantify accurately, in advance, the final amounts which may become payable.

21 Commitments

	1997 £'000	1996 £'000
Capital commitments are estimated as follows:		
Contracted for but not provided for in the accounts	—	—
Authorised but not yet contracted for	4,183	3,637
	4,183	3,637

	1997		1996	
	PROPERTY £'000	OTHER £'000	PROPERTY £'000	OTHER £'000
Annual commitments under operating leases which expire				
Within one year	86	376	36	277
In second to fifth year inclusive	151	394	90	482
Over five years	426	—	383	—
	663	770	509	759

22 Investment in Subsidiary Undertakings

	SHARES AT COST £'000	PROVISION FOR DIMINUTION IN VALUE £'000	NET BOOK VALUE £'000
At beginning of year	23,781	(1,047)	22,734
Additions	948	—	948
Provisions	—	(550)	(550)
At end of year	24,729	(1,597)	23,132

The principal operating subsidiary undertakings are detailed in Note 27.

NOTES TO THE ACCOUNTS

23 Pensions

The Group operates a Pension Scheme providing benefits based on final pensionable pay. The assets of the Scheme are held separately from those of the Group, being invested in UK Equities and with insurance companies. Contributions to the Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The most recent valuation was at 5 April 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investments returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum. The pension charge for the period was £691,603 (1996 £563,400). This included £134,169 (1996 £109,298) in respect of the amortisation of experience surpluses that are being recognised over the average remaining service lives of employees. The most recent actuarial valuation showed that the market value of the Scheme's assets was £5,413,854 and that the actuarial value of those assets represented 119% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the Group and employees will remain at 7.25% (founder members), 9% (other members) and 5% of pensionable earnings respectively.

24 Other Interests in Shares

The Company has been notified of the following interest in 3% or more of the share capital of the Company as at 31 July 1997

	NUMBER OF ORDINARY SHARES	% OF SHARE CAPITAL
Prudential Corporation Group of Companies	2,112,355	3.3
M. McCarthy	2,044,985	3.2

25 Related Party Transactions

During the year the Group paid £16,000, in respect of purchases in the ordinary course of business, to a private company controlled by Mr D. M. Telling.

No material contract or arrangement has been entered into during the year, nor subsisted at the end of the year in which a director had a material interest.

26 Post Balance Sheet Events

On 22 July 1997, the Group announced the acquisition of the 40.59% minority shareholding of MITIE Contract Services (Eastern) Ltd "Eastern" for a consideration of £594,962.

On the same day, the Group announced the acquisition of the 14% minority shareholding of MITIE Engineering Maintenance (West) Ltd "West" for a consideration of £159,498.

The consideration which is payable to various directors and employees of Eastern and West will be satisfied by the issue of 416,384 MITIE Group PLC Ordinary Shares and £82,000 cash.

NOTES TO THE ACCOUNTS

For year ended 31 March 1997

27 **Principal Operating Subsidiary Companies**

Region	Company	% ORDINARY SHARES OWNED
Scotland	Olscot Ltd	100
	MITIE Building Maintenance (Scotland) Ltd	100
	MITIE Engineering Services (Scotland) Ltd	51
	Trident Maintenance Services Ltd	100
North	MITIE Cleaning (North) Ltd	100
	MITIE Engineering Services (North) Ltd	59
	MITIE Secure Services Ltd	100
	Multicote Painting Contractors Ltd	100
	Greencote Painting Contractors Ltd	100
	Turners Decorating Ltd	51
Midlands	MITIE Cleaning (Midlands) Ltd	78
	MITIE Engineering Services (Midlands) Ltd	90
	• MITIE Roofing (Midlands) Ltd	83
	Prestige Painting Contractors Ltd	51
South East	MITIE Cleaning (South East) Ltd	100
	MITIE Building Maintenance (London) Ltd	100
	MITIE Building Maintenance (South East) Ltd	100
	MITIE Engineering Services (South East) Ltd	100
	MITIE Maintenance Ltd	100
	MITIE Contract Services (Eastern) Ltd	59
	MITIE Contract Services (London) Ltd	80
	† MITIE Deeds Ltd	100
	†† MITIE Generation Ltd	100
	MITIE Roofing (South East) Ltd	75
	MITIE Engineering Services (London) Ltd	76
	MITIE Engineering Services (Eastern) Ltd	85
South West	Cole Motors Ltd	60
	Contract Air Conditioning Ltd	75
	• MITIE Air Conditioning (West) Ltd	78
	MITIE Cleaning (South West) Ltd	100
	MITIE Engineering Services (Bristol) Ltd	100
	MITIE Engineering Services (Cardiff) Ltd	100
	MITIE Engineering Services (South West) Ltd	100
	MITIE Engineering Maintenance (West) Ltd	86
	MITIE Roofing (South West) Ltd	53
	The Painting & Maintenance Contractors Ltd	100
	The Painting & Maintenance Contractors (Southern) Ltd	100
Administration	MITIE Cleaning Ltd	100
	MITIE Engineering Services Ltd	100
	MITIE Building Services Ltd	100
	MITIE Painting Ltd	100
	MITIE Plant Hire Ltd	55
	MITIE Property Investments Ltd	100

All companies were incorporated in and operate within the United Kingdom.

• Company commenced to trade after 31 March 1997.
† Shareholdings are held by intermediate subsidiary undertakings.
†† Formerly Generation Building Equipment Ltd.

Cleaning companies operate on the basis of 13 four weekly periods and have drawn up their accounts to 15 March 1997. Adjustments have been made on consolidation to include the results of these companies for the period from that date to 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 and the Group as at the end of the financial year and of the profit or loss of the Group 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 a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records, for taking reasonable steps for safeguarding the assets of the Group and for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

To the Members of MITIE Group PLC

We have audited the financial statements on pages 12 to 27 which have been prepared on the basis of the accounting policies set out on page 17.

Respective Responsibilities of Directors and Auditors
As described on page 28, the Company's Directors are responsible for the preparation of the 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 and the Group'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 mis-statement, 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 affairs of the Company and the Group as at 31 March 1997 and of the profit of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and
Registered Auditors

Bristol, 18 August 1997

NOTICE OF MEETING

Notice is hereby given that the Sixty First Annual General Meeting of MITIE Group PLC will be held at The Stable Block, Barley Wood, Wrington, Bristol BS18 7SA, on Thursday, 18 September 1997 at 12 noon for the following purposes:—

1 To receive and consider the Financial Statements for the year ended 31 March 1997, and the Reports of the Directors and Auditors thereon.

2 To approve the payment of a final dividend.

3 To re-elect Mr. N. F. Swiffen as a Director.

4 To re-elect Mr. D. C. Macpherson as a Director.

5 To re-appoint Deloitte & Touche as Auditors of the Company and resolve that their remuneration be agreed by the Directors.

As **special business**, to consider and, if thought fit, pass the following Resolutions of which Resolution 6 will be proposed as an Ordinary Resolution and Resolution 7 will be proposed as a Special Resolution.

6 That in accordance with Article 6 of the Articles of Association of the Company and Section 166 of the Companies Act 1985, the Company be hereby granted general and unconditional authority to make market purchases (as defined in Section 163 of the Companies Act 1985) of any of its own Ordinary Shares on such terms and in such manner as the Board of Directors of the Company may from time to time determine provided that the authority conferred by this Resolution shall:–

(a) be limited to 3,250,000 Ordinary Shares of 10p each (5% of the issued share capital);

(b) not permit the payment per share of more than 5% above the average middle market quotation of an Ordinary Share of the Company on the London Stock Exchange as derived from the Daily Official List on the ten dealing days immediately prior to the date of purchase or less than 10p (in each case exclusive of advance corporation tax payable (if any) and expenses); and

(c) expire on the date falling 15 months after the passing of this Resolution or the date of the next Annual General Meeting of the Company, whichever is the earlier, except in relation to purchases of shares the contract for which was concluded before the expiration of the said period and which be executed wholly or partly after such date.

7 That the Directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the said Act) for cash as if sub-section (1) of Section 89 did not apply to any such allotment, provided that this power shall be limited:—

(a) to the allotment of equity securities in connection with a rights issue in favour of ordinary Shareholders where the equity securities respectively attributable to the interest of all such Shareholders are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £3,250,000 (representing 5% of the current issued share capital);

and shall expire on the day preceding the next Annual General Meeting of the Company or 15 months whichever comes first after the passing of this Resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

A. F. Waters

Secretary
18 August 1997

Registered Office
Dovehill Farm
180 Riverford Road
Glasgow
G43 2DE

Notes

1 Any member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

2 Forms of proxy, to be valid, must be received by the Company's Registrar, The Royal Bank of Scotland plc, Registrar's Department P.O. Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0HG not less than forty-eight hours before the time appointed for the holding of the meeting or any adjournment thereof.

3 The register of Directors' interests in the share capital of the Company maintained under Section 325 of the Companies Act 1985 will be available for reference at the place of the meeting from 11.30 a.m. until its conclusion.

4 Copies of the Directors' service agreements of more than one year's duration will be available for inspection at the Registered Office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting, and at the place of the meeting from 11.30 a.m. until its conclusion.

GROUP STATISTICAL RECORD

	1997 £'000	1996 £'000	1995 £'000	1994 £'000	1993 £'000
Turnover and Profit					
Turnover	**209,425**	161,149	125,183	101,732	72,994
Profit on ordinary activities before taxation	**8,210**	6,302	4,571	3,361	2,402
Taxation	**(2,783)**	(2,150)	(1,531)	(1,239)	(903)
Profit on ordinary activities after taxation	**5,427**	4,152	3,040	2,122	1,499
Minority interest	**(255)**	(71)	(109)	(221)	(110)
Dividends	**(1,294)**	(1,019)	(753)	(521)	(371)
Profit retained	**3,878**	3,062	2,178	1,380	1,018
Assets Employed					
Tangible fixed assets	**15,569**	11,352	9,187	8,153	6,381
Other assets and liabilities	**(3,511)**	25	369	275	(462)
	12,058	11,377	9,556	8,428	5,919
Financed by					
Shareholders' interests	**10,370**	10,769	9,069	7,672	5,547
Minority interest	**1,688**	608	487	756	372
	12,058	11,377	9,556	8,428	5,919
Earnings per share	**8.1p**	6.5p	4.9p	3.4p	2.6p
Dividend per share	**2.0p**	1.6p	1.2p	0.9p	0.7p

Earnings and Dividend per share figures have been re-stated to reflect the sub-division of shares in 1994 and in 1997.

The results of merger accounted acquisitions are reflected in full in the year of acquisition and subsequent years but only the year prior to acquisition has been re-stated on a comparable basis.

Printed by Pillans & Wilson Greenaway, Stroud 602492