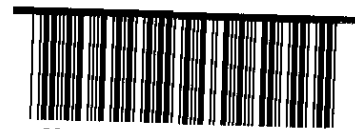


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FINANCIAL HIGHLIGHTS

for the year ended 31 March 2000

	2000 £'000	1999 £'000
Turnover	346,514	264,455
Operating profit	19,488	14,630
Profit before tax	19,240	14,508
Net Assets	41,650	28,314
Earnings per share	8.1p	6.5p
Diluted earnings per share	8.0p	6.5p
Total dividend per share	2.0p	1.6p

FINANCIAL CALENDAR

Shares ex dividend	4 September 2000
Record date for final dividend	8 September 2000
Annual General Meeting	14 September 2000
Final dividend of 1.1p per share	2 October 2000
Interim Results for six months to 30 September 2000	11 December 2000
Interim dividend	31 March 2001

DIRECTORS AND ADVISERS

Board of Directors	David M. Telling	Executive Chairman. Aged 62, formed the first MITIE Group company in 1987, he is Chairman of Empresaria Group plc and a Non-Executive Director of Brooks Service Group plc.
	Sir John Jennings CBE, FRSE**	Non-Executive Deputy Chairman. Aged 63, he became a Director in 1998. A Director of The Shell Transport and Trading Company plc, Det Norske Veritas and Robert Fleming Holdings Ltd. A member of the International Advisory Boards of the Bechtel and Toyota Corporations.
	John J. Clifford	Managing Director, Building Services. Aged 58 he was appointed to the Board in January 1998.
	Ian R. Stewart	Managing Director, Support Services. Aged 59, he was appointed to the Board in January 1990.
	Donald C. Macpherson**	Senior Independent Non-Executive Director. Chairman of the Remuneration Committee. Aged 68, he was appointed to the Board in 1992. He is a member of the Advisory Board of Hawkpoint Partners Limited, a Director of Homestyle plc, Leeds Group plc, and Chairman of M&G Recovery Investment Trust.
	Nigel F. Swiffen**	Non-Executive Director. Chairman of the Audit Committee. Aged 57, he joined the Board in 1991. Chairman of Hallam Polymer Engineering Ltd and Sellbuysector Ltd. He was previously Chairman of Brabant Resources plc and Burnett and Hallamshire Holdings plc.
* Member of the Remuneration Committee † Member 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 Website: www.mitie.co.uk	
Auditors	Deloitte & Touche Chartered Accountants Queen Anne House 69-71 Queen Square Bristol BS1 4JP	
Bankers	HSBC Bank plc National Westminster Bank PLC The Royal Bank of Scotland plc	
Stockbrokers	Merrill Lynch International PO Box 293 20 Farringdon Road London EC1M 3NH	
Solicitors	Osborne Clarke OWA 50 Queen Charlotte Street Bristol BS1 4HE	
Registrars	Computershare Services PLC P.O. Box 435 Owen House 8 Bankhead Crossway North Edinburgh EH11 4BR Tel: 0870 702 0010 Website: www.computershare.com	

CHAIRMAN'S STATEMENT

I am pleased to report that your Company has had another good year. Pre-tax profits have increased from £14.5m to £19.2m, an increase of 32%, and earnings per share from 6.5p to 8.1p, up by 25%. Turnover increased by 31% from £264m to £347m, and your Directors are proposing a final dividend of 1.1p making a total of 2p, an increase of 25%. This leaves the dividend covered four times.

New Companies

In addition to the four new Access Systems and Engineering Services companies mentioned in my last statement, we have started MITIE Business Services Ltd in London which provides mail room and reprographic services to major companies within the M25.

While we have made no significant acquisitions during the year under review, since the year end we have acquired the assets of Roofing Services Ltd, forming MITIE Roofing Services Ltd, located in the Midlands, Lancashire and Yorkshire. The management has subscribed for \$45,500 of equity and loan stock, representing an equity interest of 30%. We have also purchased, for £2.8m, 60% of The McCartney Group Ltd whose principal activity is the supply and installation of contract fire protection in the United Kingdom. The balance is subject to management earn-out according to normal MITIE practice.

We have additionally started two new businesses within Engineering in niche markets in the pharmaceutical industry and in cleanrooms, which are required for the computer manufacturing, medical and food processing industries.

Building Services

The Building Services Division consists of Mechanical and Electrical Engineering Services, Property Services, Access Systems and MITIE Lindsay Ltd. It has made excellent progress with a 42% increase in turnover. This translates into a pre-tax profit increase of 35.7%, albeit at slightly lower margins than in the previous year.

The Engineering discipline has continued with its policy of selective tendering and has secured approximately 50% of its work through partnering and negotiation rather than competitive tendering. The largest project completed was for Credit Suisse First Boston, valued at approx. £7m. This was the flagship contract in the London fit out sector which continues to be buoyant and in which your Company has a good forward order book. Contracts have been secured during the period for BT, Crown Estates, British Aerospace and ICL. Further contracts were secured with Cine UK, Cannon Leisure, Showcase Cinemas and several retailers including Woolworths and Primark.

The BA London Eye is cleaned by MITIE Cleaning (South East) Ltd.

Following the restructuring and re-branding of the regional companies, Property Services Discipline settled down to a good year with satisfactory increases in turnover, profit and net margin. The award of the decorating contract for all DSS properties throughout the UK with Trillium produced work valued at over £1m in the year under review. This should yield further opportunities in the next financial year.

Repeat business has been won from Rolls Royce, the Universities of Bristol and Warwick, the Home Office, HM Prison Service, Philips, Glasgow Rangers FC and numerous local authorities and housing associations. We are proud to be able to add CGU, Chivas Distillers, Coventry University, Edinburgh Royal Infirmary and First Great Western to our client list for the first time.

The Access Systems discipline has consolidated its position as a national access provider through an active market penetration policy. MITIE Powered Access Ltd now operates from six locations around the country. Markets have seen a recent softening of rental rates although machine utilisation remains high.

MITIE Generation Ltd, which hires and sells non-mechanical access equipment, improved margins through broadening its product range, and the rental business sustained growth in line with budgets. It will continue to look at developing new products for sale and

hire in an industry increasingly driven by Health & Safety requirements.

The scaffold contracting arm continues to gain market share through its new businesses, whilst the southern operation, having moved to new locations, has increased both its turnover and profitability. It has recently won a major contract to provide a temporary roof at Norwich Castle.

MITIE Lindsay Ltd contributed its first full year to the Group's figures and produced its expected level of profit. A new company has been formed, MITIE HydroCat Ltd, specialising in the use of HydroCat™ equipment and a substantial investment has been made in the purchase of the environmentally friendly Ultra High Pressure water jetting machines for use on ships, oil tanks and similar large structures.

Throughout the year under review the major contract on the flight deck of HMS Ark Royal continued satisfactorily, with all deadlines being met. The contract also included containment and painting. The refits of HMS Sceptre and HMS Spartan were completed and major work continues on other submarines as well as the under-bridge access scaffolding contract for the upgrade of the Tamar Bridge. Forward orders have been won for both the Royal and French Navies and HydroCat™ continues to work in Rotterdam for merchant shipping and commercial enterprises.

London City Airport, a contract for MITIE Cleaning (South East) Ltd and MITIE Engineering Maintenance Ltd.

Support Services

The Division consists of Cleaning, Catering, Security, Engineering Maintenance, Managed Services and our most recent addition, Business Services. Turnover increased by 17% and pre-tax profit by 29%. This was achieved through a creditable increase in margin from 5.9% to 6.5% for the full year.

Cleaning continues to be one of our most important core businesses and since its inception has grown to become the fourth largest provider in the UK. Cleaning's major new successes within the year included additional contracts from Rolls Royce for their English plants, WHSmith, Scottish Widows, Yorkshire Bank, John Smiths, McKinsey & Co, Halifax, Hampden Park Stadium, London Eye and Microsoft, the last being cross-referred by Engineering Maintenance.

We continue to encourage our clients to move to full-time, rather than part-time, cleaning which provides a better standard of service and value for money for them, career prospects for employees and helps us to overcome the problems associated with employing large numbers of part-time staff.

The Engineering Maintenance discipline continues to perform well. The contracts listed as having been won at the interim stage have all been started successfully and two further MOD contracts, each in excess of £500,000, have been added at RAF Coltishall and

RAF Neatishead. In the retail sector, a nationwide contract for Wilkinson's hardware stores has been secured and started, together with one for Whiteleys of Bayswater at the London Shopping Centre which complements those held at Brent Cross and Thomas Neals.

A major success of the year was the award of a five year contract at London City Airport. This has an annual value of around £1m and was won in close co-operation with MITIE Cleaning who were the incumbent contractors in their specialisation; a further good example of the fruits of the drive for inter-company co-operation.

Catering and Security are developing satisfactorily allowing us to increase the range of services we can offer our clients. Catering renewed its high profile MOD contract with 29 Regiment Royal Logistic Corps, where levels of service received warm appreciation from the Commanding Officer.

Managed Services continues to develop and has secured new contracts for Bristol Myers Squibb's UK HQ at Hounslow as well as five regional offices for Pfizer Pharmaceuticals. The company also won a long term contract for Global Crossing's "Telehouse" for telecom and dot.com occupants at the old Financial Times building in Docklands.

Managed Services has been at the forefront of accelerating the Group's cross-selling initiative and is now

bundling services with 25 Group companies from both Divisions. This is in line with our anticipation of market needs and the trend is expected to continue.

MITIE Business Services Ltd was launched in January, but did not contribute to profits in the year under review.

Quality

All companies continue to work towards the achievement of Investors in People, which is already producing tangible benefits.

Our market research is now directed at 25% of our customer base twice a year. This aims to ensure that we are meeting or exceeding their expectations and enables us to take action if this is not the case.

MITIE Cleaning (North) Ltd's public sector team was the overall winner for the best-cleaned premises in the education sector in the year's Golden Service Awards. Its work at Oldham Sixth Form College was recognised both by the judges and the client, who renewed the contract for a second five year term.

Conclusion

I welcome this opportunity to say thank you to all our hardworking staff and to our supportive customers without whom we would not have a business. Both are highly valued.

Our sectors of the economy are performing robustly and this looks set to continue provided the Government does not burden the business community with more unnecessary EU employment legislation.

MITIE Group PLC is more than just a commercial company. It has an element of social and economic vision that provides what is still probably a unique opportunity for men and women with ambition, talent and motivation to build a successful business within a supportive framework.

MITIE is determined to be the best quality company in everything it does. We realise that this needs not only the dedication of the present generation of senior management but also a clear plan for the future. We are continuously addressing this challenge in order to provide for a smooth transfer of responsibilities when the time is appropriate.

A clear indication of this approach is our sponsorship of more than 40 of our middle managers through a business development course at Henley Management College. We remain committed to being a growth Company provided always that it is associated with quality clients and quality earnings.

The current year has started well and your Directors are confident that, once again, we will have a satisfactory year.

David M Telling

REPORT OF THE DIRECTORS

The Directors submit their Report together with the audited accounts for the year ended 31 March 2000.

Principal Activity

The Group's principal activity is the provision of services to building owners and occupiers. The principal activity of the Company is to provide management services to the Group.

Results and Dividends

The Group profit on ordinary activities before taxation amounted to £19,240,000 which, after tax and minority interest, gives profits attributable to Shareholders of £11,093,000. The Directors recommend a final dividend of 1.1p per share which, together with the interim dividend of 0.9p per share paid on 30 March 2000, results in a total dividend of 2.0p per share. If approved, the final dividend will be paid on 2 October 2000 to members registered on 8 September 2000. The retained profit for the year is £8,342,000.

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

Tangible Fixed Assets

Changes in fixed assets during the year are given in Note 9 to the financial statements.

Donations

Charitable contributions made during the year amounted to \$62,962 (1999 \$22,500). As a matter of policy no political contributions were made during the year (1999 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 16 to the financial statements.

Details of substantial shareholdings in the Company are given in Note 26.

Directors

Details of the Board of Directors are given on page 3.

Bill Harding retired at the Annual General Meeting on 16 September 1999.

David Telling and Donald Macpherson retire by rotation and, being eligible, offer themselves for re-appointment at the Annual General Meeting.

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

MITIE Roofing (South East) Ltd, part of MITIE Property Services, won the contract to refurbish the Royal Military Academy, Woolwich.

Going Concern

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 of Creditors

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 2000, the Group had 66 days' purchases outstanding (1999 64 days).

Employee Involvement

The Group offers equal opportunities to all applicants for employment whatever their sex, race or religion. 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 defined by the Board. It is implemented and continually reviewed by trained safety officers through integrated management systems.

The Directors believe that employees should be encouraged to become Shareholders. The Savings Related Share Option Scheme, established in 1991, currently has 1240 contributing employees.

It operates within policies and procedures approved by the Board. Borrowings are raised centrally by Group Treasury and provided to operating subsidiaries on commercial terms.

Our ongoing policy is to finance the Group through retained earnings and borrowings, placing surplus cash on short term deposit.

At 31 March 2000, the Group was in a net funds position. The Group had no financial assets, other than short term debtors and cash at bank.

The main risk arising from the Group's financial instruments is interest rate risk.

At 31 March 2000, total financial liabilities amounted to £455,000 all of which were at floating interest rates.

The maturity profile of banking facilities is regularly reviewed. Well in advance of their expiry, the facilities are extended and replaced.

Further details on financial assets and liabilities are given in note 14 to the financial statements.

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 2000.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Thursday, 14 September 2000 at The Stable Block, Barley Wood, Wrington, Bristol. The Resolutions to be proposed are given on pages 30 and 31.

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 proportion of their holdings.

This Report was approved by the Board on 14 August 2000.


A. Floyd Waters
Secretary

The new Grandstand at Newmarket Racecourse, access equipment supplied by MITIE Generation Ltd.

Environmental Matters

The Group's business activities have modest direct impact on the environment. However, we are committed to responsible practices which endeavour to minimise damage to the environment.

A working party has been formed under the chairmanship of a main board Director to continuously review the Group's quality programmes and to ensure that operating companies are in full compliance with all national and local laws covering environmental issues.

Year 2000

The Year 2000 project commenced its Millennium programme in November 1998 and completed all critical milestones well within the defined project timescales. All the primary business systems completed both the Millennium rollover and leap-year rollover without any issue and without any need to invoke the MITIE contingency plans.

Although these critical dates have been successfully passed, the Executive Steering Committee is not being complacent in considering the

possible impact from latent problems outside the control of MITIE.

All disciplines within the Group have made considerable effort in determining the compliance of critical players in our supplier/customer chain and are confident of continued trouble free operation.

The Year 2000 project team will remain operational until it is considered that sufficient time has passed for all possible external issues to be identified and resolved.

Any future costs, associated with this issue cannot be quantified given the risks and uncertainties, but are not expected to be significant.

The Euro

We are monitoring the effect of the introduction of the Euro. Our conclusion is that it will not significantly affect the Group in the short term.

Funding

Group Treasury has responsibility for managing and reducing financial risk and ensuring sufficient liquidity is available to meet foreseeable needs.

DIRECTORS' REMUNERATION

Remuneration Committee

The Committee consists of the Company's three Non-Executive Directors, Mr Donald Macpherson (Chairman), Mr Nigel Swiffen and Sir John Jennings. 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 2000, the Company has complied with Section A of the Best Practice Provisions on directors' remuneration as annexed to the Listing Rules of the UK Listing Authority.

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. Pensions. Membership of the Company's pension scheme. Basic salary alone is pensionable.

Contracts of Service

Executive Directors have service agreements which expire on 31 March 2002 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.

Emoluments

The table below provides details of Directors' Remuneration.

	Base Salary/Fees	Performance Related Bonuses	Benefits	Pension	2000 Total	1999 Total
Executive Directors	£'000	£'000	£'000	£'000	£'000	£'000
D. M. Telling (Chairman)	200	106	11	50	367	356
I. R. Stewart	150	106	12	50	318	320
J. J. Clifford	150	106	8	50	314	144
Non-Executive Directors						
Sir John Jennings	41	—	—	—	41	21
N. F. Swiffen	15	—	—	—	15	15
D. C. Macpherson	25	—	—	—	25	12
W. E. Harding	15	—	—	—	15	30
Total	596	318	31	150	1,095	898

The Chairman waived emoluments totalling £nil (1999 £211,000).
Mr I. R. Stewart waived emoluments totalling £nil (1999 £161,000).

Pensions

D. M. Telling and J. J. Clifford are members of money purchase schemes and the Company's contributions to these schemes are as stated in the table above (1999 £51,000 and £7,000 respectively).
The pension benefit of Directors who are members of the MITIE Group PLC defined benefit scheme is set out below:

	Accrued pension 31 March 2000 £'000	Increase in accrued pension over the year (after discounting the effect of inflation) £'000	Transfer value of the increase in accrued pension £'000
I. R. Stewart	42	5	61

Directors' Interests

The beneficial interests of the Directors who were in office on 31 March 2000 in the share capital of the Company are shown below:

	31 March 2000 Ordinary Shares of 5p	31 March 1999 Ordinary Shares of 5p
J. J. Clifford	80,000	80,000
Sir John Jennings	45,000	25,000
D. C. Macpherson	54,000	42,000
I. R. Stewart	2,600,000	2,690,360
N. F. Swiffen	2,500,000	3,000,000
D. M. Telling	6,500,000	7,000,000

W. E. Harding who retired on 16 September 1999 held 601,230 5p Ordinary Shares as at 31 March 1999.

In addition to the shares referred to above, D. M. Telling has a non-beneficial interest in 300,000 Ordinary Shares.

Four Directors had interests at the beginning and end of the year in the share capital of subsidiaries. These are £1 Ordinary Shares in MITIE Managed Services Ltd (D. M. Telling 23,000, Sir John Jennings 100,000, J. J. Clifford 25,000 and I. R. Stewart 25,000), £1 Ordinary Shares in MITIE Powered Access Ltd (D. M. Telling 20,000, Sir John Jennings 20,000, J. J. Clifford 20,000 and I. R. Stewart 20,000), and £1 Ordinary Shares in MITIE Access Systems Ltd (J. J. Clifford 300,000). On 24 July 2000 J. J. Clifford disposed of 50,000 shares in MITIE Access Systems Ltd.

On 25 July 2000 D. M. Telling and N. F. Swiffen each disposed of 500,000 Ordinary Shares of 5p each in MITIE Group PLC.

No other changes in Directors' interests have taken place since 1 April 2000.

No Director held options at any time during the year.

No options have been granted to any Director since 1 April 2000.

Donald C. Macpherson

Chairman, Remuneration Committee

Statement of Compliance with the Provisions of the Combined Code.

The Board confirms that throughout the year ended 31 March 2000, the Company has complied with the provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the UK Listing Authority with the following exception:

Mr Donald Macpherson was formally designated as Senior Independent Non-Executive Director on 16 July 1999, a function he was already fulfilling.

The Company has adopted the transitional approach for the internal control aspects of the Combined Code as set out in the letter from the Stock Exchange, dated 27 September 1999.

The following describes how MITIE has applied the principles set out in the Combined Code:—

Directors

The members of the Board, comprising three Executive Directors and three Independent Non-Executive Directors, are listed on page 3. Group Executive Directors consist of a full time Chairman and two Managing Directors. The Board 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. As the Board is small, it does not consider there is a need for a Nomination Committee; every Director submits himself for re-election at least every three years.

Directors' Remuneration

The Remuneration Committee consists of the three Non-Executive Directors and meets annually to determine the remuneration and benefits of the Executive Directors. In framing its remuneration policy, the Committee has given full consideration to the provisions of Section 1B of and Schedule A to the Code. The Remuneration Report prepared by the Board is set out on page 8. In preparing the Report, the Board has followed the provisions of Schedule B to the Code.

Relations with Shareholders

The Chairman and designated Executive Directors are the Company's principal spokesmen with investors, fund managers, the press and other interested parties.

The Company reports formally to Shareholders twice a year when its half-year and full-year results are announced and Reports are issued to Shareholders.

The Annual General Meeting is attended by all of the Directors, and private investors are encouraged to participate in the Meeting.

Accountability and Audit

A statement of the Directors' responsibilities in respect of the preparation of the financial statements appears on page 29.

The Audit Committee consists of the three Non-Executive Directors and meets at least twice a year.

Internal Financial Control

The Directors are responsible for establishing the Group's system of internal financial control. Such a system 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.

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 key procedures

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

The Combined Code has introduced a requirement that Directors review the effectiveness of the Group's system of internal control. This requirement extends the Directors' review to cover all controls including operational compliance controls and risk management as well as financial controls. The Board is aware of the formal guidance on the review of non-financial controls contained in the Turnbull Report published in September 1999. However, in accordance with the London Stock Exchange dispensation issued in September 1999 for financial year ends up to 23 December 2000, the Board continues to report in accordance with the Ruttman Guidance on Internal Control and Financial Reporting which was issued in December 1994. The Board confirms that it has established procedures in line with the Turnbull Guidance.

REPORT OF THE AUDITORS

To the Members of MITIE Group PLC

We have audited the financial statements on pages 12 to 29 which have been prepared under the accounting policies set out on page 17.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described on page 29, preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance statement on page 10 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's Corporate Governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report including the Corporate Governance

statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the Company and the Group, 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 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 2000 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
Chartered Accountants and
Registered Auditors

Bristol, 14 August 2000

GROUP PROFIT & LOSS ACCOUNT

For year ended 31 March 2000

NOTE	2000 £'000	1999 £'000
Turnover	346,514	264,455
Cost of sales	(266,711)	(204,270)
Gross Profit	79,803	60,185
Administrative expenses	(60,315)	(45,555)
2 Operating Profit	19,488	14,630
4 Interest	(248)	(122)
Profit on Ordinary Activities Before Taxation	19,240	14,508
5 Taxation on Profit on Ordinary Activities	(6,080)	(4,676)
Profit on Ordinary Activities After Taxation	13,160	9,832
Equity minority interest	(2,067)	(1,134)
Profit for the Financial Year	11,093	8,698
6 Dividends – equity	(2,751)	(2,166)
17 Retained Profit for the Financial Year	8,342	6,532
7 Earnings per Ordinary Share – basic	8.1p	6.5p
– diluted	8.0p	6.5p

The effect of acquisitions in the year was not material and therefore has not been separately disclosed.

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 2000

	2000 £'000	1999 £'000
Profit for the Financial Year	11,093	8,698
Depreciation adjustment	—	10
Total recognised gains and losses relating to the year	11,093	8,708

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 March 2000

	2000 £'000	1999 £'000
Profit for the Financial Year	11,093	8,698
Dividends	(2,751)	(2,166)
	8,342	6,532
Shares issued	1,935	1,756
Other recognised gains	—	10
Net addition to Shareholders' funds	10,277	8,298
Shareholders' funds at beginning of year	22,623	14,325
Shareholders' funds at end of year	32,900	22,623

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 March 2000

	2000 £'000	1999 £'000
Profit on ordinary activities before taxation	19,240	14,508
Realisation of property revaluation losses	(18)	—
Difference between a historical cost depreciation charge on revalued assets and the actual depreciation charge for the year calculated on the revalued amount	(10)	10
Historical cost profits on ordinary activities before taxation	19,212	14,518
Historical cost profits for the year retained after taxation, minority interests and dividends	8,314	6,542

GROUP BALANCE SHEET

At 31 March 2000

NOTE		2000 \$'000	1999 \$'000
	Fixed Assets		
8	Intangible assets	4,283	2,367
9	Tangible assets	39,090	30,672
		<u>43,373</u>	<u>33,039</u>
	Current Assets		
10	Work in progress and stocks	17,511	13,760
11	Debtors	56,855	43,482
	Cash at bank and in hand	2,102	8,294
		<u>76,468</u>	<u>65,536</u>
12	Creditors—due within one year	(75,964)	(64,718)
	Net Current Assets	<u>504</u>	<u>818</u>
	Total Assets less Current Liabilities	<u>43,877</u>	<u>33,857</u>
13	Creditors—due after one year	(661)	(4,451)
15	Provision for liabilities and charges	(1,566)	(1,092)
		<u>41,650</u>	<u>28,314</u>
	Capital and Reserves		
16	Called up share capital	6,851	6,761
17	Share premium account	7,067	5,222
17	Revaluation reserve	(524)	(552)
17	Profit & loss account	19,506	11,192
	Equity Shareholders' funds	<u>32,900</u>	<u>22,623</u>
	Equity minority interest	8,750	5,691
		<u>41,650</u>	<u>28,314</u>

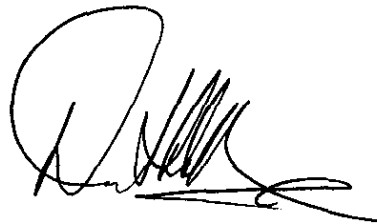
14 August 2000


David M. Telling, Chairman

COMPANY BALANCE SHEET

At 31 March 2000

NOTE		2000 £'000	1999 £'000
	Fixed Assets		
9	Tangible assets	983	1,066
24	Investments in subsidiary undertakings	36,506	31,298
		<u>37,489</u>	<u>32,364</u>
	Current Assets		
11	Debtors	17,020	16,479
	Cash at bank and in hand	3,131	4,823
		<u>20,151</u>	<u>21,302</u>
12	Creditors—due within one year	(18,512)	(13,881)
	Net Current Assets	<u>1,639</u>	<u>7,421</u>
	Total Assets less Current Liabilities	39,128	39,785
13	Creditors—due after one year	—	(4,000)
		<u>39,128</u>	<u>35,785</u>
	Capital and Reserves		
16	Called up share capital	6,851	6,761
17	Share premium account	7,067	5,222
17	Profit & loss account	25,210	23,802
	Equity Shareholders' funds	<u>39,128</u>	<u>35,785</u>



14 August 2000

David M. Telling, Chairman

GROUP CASH FLOW STATEMENT

For year ended 31 March 2000

NOTE		2000 £'000	1999 £'000
18	Net cash inflow from operating activities	22,781	23,230
	Returns on investments and servicing of finance		
	Interest received	159	445
	Interest paid	(492)	(449)
	Interest element of finance lease rentals	(14)	(21)
		<u>(347)</u>	<u>(25)</u>
	Taxation		
	UK corporation tax paid	<u>(6,556)</u>	<u>(3,632)</u>
	Capital expenditure		
	Payments to acquire tangible fixed assets	(17,777)	(14,399)
	Receipts from sales of tangible fixed assets	1,993	1,196
	Payments to acquire intangible fixed assets	(359)	—
		<u>(16,143)</u>	<u>(13,203)</u>
19	Acquisitions and disposals		
	Payments to acquire subsidiary undertakings	(218)	(3,727)
	Net (overdraft)/cash acquired with subsidiary undertakings	(8)	683
		<u>(226)</u>	<u>(3,044)</u>
	Equity dividends paid	<u>(2,451)</u>	<u>(1,877)</u>
	Cash (outflow)/inflow before financing	<u>(2,942)</u>	1,449
	Financing		
	Issue of Ordinary Share capital	1,406	1,785
	Net unsecured loans received	267	207
	Capital element of finance lease rental payments	(104)	(210)
	Debt due within one year:		
	Repayment of unsecured loans	(98)	—
	Debt due after more than one year:		
	Repayment of unsecured loans	(5,000)	(82)
		<u>(3,529)</u>	<u>1,700</u>
21	(Decrease)/increase in cash in the year	<u>(6,471)</u>	3,149

ACCOUNTING POLICIES

For year ended 31 March 2000

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 & 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 and Intangible Fixed Assets	Goodwill is calculated as the surplus of cost over fair value attributed to the net assets of subsidiary undertakings acquired. Following the introduction of FRS 10, goodwill in respect of acquisitions made after the financial year ended 31 March 1998 has been capitalised and amortised over its estimated useful economic life of up to 20 years. For acquisitions made before 1 April 1998, goodwill was written off directly to reserves.	Intellectual property rights are valued at cost on acquisition and are depreciated over their estimated useful economic life of up to 20 years. In the event of a disposal of the businesses concerned this goodwill will be included in determining the gain or loss on disposal in the Profit & Loss Account.
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	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. Plant 3-14 years Vehicles 4 years
Financial Instruments	The Group uses financial instruments to hedge its exposure to foreign currency risk. To the extent that such instruments are matched against an underlying asset or liability, they are	accounted for using hedge accounting. Gains or losses and premiums or discounts are matched to the underlying transactions being hedged.
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 & Loss Account over the period of the lease. Operating lease rentals are charged to the Profit & 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.	Long term contracts are dealt with in accordance with SSAP9 (revised). A prudent level of profit is taken based on estimated percentage completion if the final outcome can be reliably assessed.
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. All turnover arose within the United Kingdom.
Pensions	The Group operates a defined benefit pension scheme. The regular pension cost is charged to the Profit & 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 & 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 2000

1 Segmental Analysis

Activity	Turnover \$'000	Pre-Tax Profit \$'000	Pre-Tax Profit Margin %	Net Assets \$'000
2000				
Building Services	210,462	10,442	5.0	25,903
Support Services	136,052	8,798	6.5	14,711
	<u>346,514</u>	<u>19,240</u>	<u>5.6</u>	<u>40,614</u>
Net funds				<u>1,036</u>
Total				<u>41,650</u>
1999				
Building Services	148,132	7,693	5.2	15,735
Support Services	116,323	6,815	5.9	9,879
	<u>264,455</u>	<u>14,508</u>	<u>5.5</u>	<u>25,614</u>
Net funds				<u>2,700</u>
Total				<u>28,314</u>

2 Operating Profit

	2000 \$'000	1999 \$'000
This is stated after charging/(crediting):		
Employment costs (Note 3)	153,334	117,060
Depreciation and other amounts written off tangible and intangible fixed assets:		
— owned assets	8,780	5,620
— leased assets	164	268
Goodwill amortisation	518	34
Auditors' remuneration — audit services for Group	106	90
— audit services for Company	20	20
— non audit services	18	32
Operating lease rentals — plant and vehicles	2,311	720
— other	1,268	481
Profit on disposal of fixed assets	<u>(727)</u>	<u>(401)</u>

3 Directors and Employees

	2000 \$'000	1999 \$'000
(i) Employment costs		
Wages and Salaries	141,710	108,440
Social security costs	9,744	7,188
Other pension costs	1,880	1,432
	<u>153,334</u>	<u>117,060</u>
(ii) The average number of persons employed during the financial year was:	2000	1999
Site	18,871	19,413
Administration	1,446	1,186
	<u>20,317</u>	<u>20,599</u>
(iii) Details of Directors' emoluments and interests are provided on pages 8 and 9 and should be regarded as an integral part of this note.		

NOTES TO THE ACCOUNTS

For year ended 31 March 2000

4 Interest	2000 £'000	1999 £'000
Interest receivable	158	528
Interest payable—borrowings repayable within five years		
Bank overdraft	(357)	(609)
Loan notes	(2)	(10)
Finance leases	(30)	(28)
Loan stock	(17)	(3)
	<u>(248)</u>	<u>(122)</u>

5 Taxation	2000 £'000	1999 £'000
UK Corporation tax at 30% (1999 31%)	5,560	4,330
Deferred tax	474	373
Prior years	46	(27)
	<u>6,080</u>	<u>4,676</u>

6 Dividends	2000 £'000	1999 £'000
Interim dividend 0.9p per share (1999 0.7p)	1,232	946
Proposed final dividend 1.1p per share (1999 0.9p)	1,519	1,220
	<u>2,751</u>	<u>2,166</u>
Total dividend for the year	2.0p	1.6p

Subject to approval at the Annual General Meeting, the final dividend will be paid on 2 October 2000 to members on the register on 8 September 2000.

7 Earnings Per Share	The calculation of earnings per share for 2000 and 1999 is based upon the profit after taxation and minority interest.
	The weighted average number of shares for this purpose is 136,163,653 (1999 133,963,928). The diluted earnings per share has been calculated on the basic earnings and the weighted number of shares plus an additional 2,682,570 (1999 2,577,094) shares representing the fair value of the weighted average number of shares under option during the year.

8 Fixed assets – Intangible	GOODWILL £'000	INTELLECTUAL PROPERTY RIGHTS £'000	TOTAL £'000
Cost			
At beginning of year	2,401	—	2,401
Additions	2,092	683	2,775
At end of year	<u>4,493</u>	<u>683</u>	<u>5,176</u>
Amortisation			
At beginning of year	34	—	34
Amortised in year	518	341	859
	<u>552</u>	<u>341</u>	<u>893</u>
Net book value			
At end of year	<u>3,941</u>	<u>342</u>	<u>4,283</u>
At beginning of year	<u>2,367</u>	<u>—</u>	<u>2,367</u>

Goodwill has been capitalised on acquisitions in accordance with FRS 10.

NOTES TO THE ACCOUNTS

For year ended 31 March 2000

9 Fixed Assets - Tangible Group

	FREEHOLD PROPERTIES £'000	LEASEHOLD PROPERTIES £'000	PLANT AND VEHICLES £'000	TOTAL £'000
Cost or Valuation				
At beginning of year	5,264	1,113	44,659	51,036
Acquisitions	—	—	681	681
Additions at cost	1,020	121	16,875	18,016
Disposals	(205)	(70)	(5,269)	(5,544)
At end of year	6,079	1,164	56,946	64,189
Cost	2,789	379	56,946	60,114
Valuation 1995	3,290	785	—	4,075
Depreciation				
At beginning of year	208	226	19,930	20,364
Acquisitions	—	—	257	257
Charge for year	74	58	8,471	8,603
Disposals	(7)	(6)	(4,112)	(4,125)
At end of year	275	278	24,546	25,099
Net Book Value				
At end of year	5,804	886	32,400	39,090
At beginning of year	5,056	887	24,729	30,672
Historic cost net book value				
2000	6,371	868	32,400	39,639
1999	5,623	869	24,729	31,221

No depreciation was charged against Freehold or Long Leasehold buildings up to 1995. For 2000, the Profit & Loss Account has been charged with £87,094 depreciation.

The historic cost of revalued properties was £5,202,404.

The net book value of plant and vehicles held under finance leases included above was £119,998 (1999 £273,992).

In accordance with the transitional rules of FRS15, assets which were revalued in prior years have not been revalued during the year. The carrying value relating to the previous valuation performed as at 31 March 1995 has been carried forward in this year's accounts.

Fixed Assets - Tangible Company

	PLANT AND VEHICLES £'000
Cost	
At beginning of year	2,201
Additions and transfers intra group	351
Disposals	(158)
At end of year	2,394
Depreciation	
At beginning of year	1,135
Transfers	(58)
Charge for year	436
Disposals	(102)
At end of year	1,411
Net Book Value	
At end of year	983
At beginning of year	1,066

NOTES TO THE ACCOUNTS

For year ended 31 March 2000

10 Work in Progress and Stocks

	GROUP		COMPANY	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Work in progress	45,796	36,092	—	—
Payments received on account	(32,313)	(23,690)	—	—
Goods for resale	4,028	1,358	—	—
	<u>17,511</u>	<u>13,760</u>	<u>—</u>	<u>—</u>

11 Debtors

	GROUP		COMPANY	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade debtors	52,937	40,743	—	—
Owed by subsidiary undertakings	—	—	16,647	15,366
Other debtors	2,410	994	260	444
Prepayments and accrued income	1,008	774	113	198
Advance corporation tax recoverable	500	971	—	471
	<u>56,855</u>	<u>43,482</u>	<u>17,020</u>	<u>16,479</u>

Included in the amounts owed by subsidiary undertakings is the sum of £218,891 (1999 £4,331,875) falling due after one year.

12 Creditors—due within one year

	GROUP		COMPANY	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans unsecured and overdraft	297	1,018	9,183	4,716
Payments received on account	3,285	2,580	—	—
Trade creditors	48,804	40,328	586	944
Owed to subsidiary undertakings	—	—	5,105	3,941
Corporation tax	4,871	5,308	145	405
Other taxes and social security	11,216	9,116	460	423
Other creditors	731	1,272	37	1,137
Accruals and deferred income	5,189	3,802	1,477	1,095
Proposed dividends	1,519	1,220	1,519	1,220
Obligations under finance leases	52	74	—	—
	<u>75,964</u>	<u>64,718</u>	<u>18,512</u>	<u>13,881</u>

13 Creditors—due after one year

	GROUP		COMPANY	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans unsecured	17	4,047	—	4,000
Obligations under finance leases	89	11	—	—
Other creditors	555	393	—	—
	<u>661</u>	<u>4,451</u>	<u>—</u>	<u>4,000</u>

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 and are secured by related leased assets.

NOTES TO THE ACCOUNTS

For year ended 31 March 2000

14 Financial Assets and Liabilities

Maturity of Borrowings

The maturity profile of the Group's financial liabilities was as follows

	2000 £'000	1999 £'000
In one year or less, or on demand	350	1,142
In more than one year but not more than two years	50	1,558
In more than two years but not more than five years	55	2,500
	<u>455</u>	<u>5,200</u>

Short term debtors and creditors have been excluded from the analysis.

Cash at bank is held at normal commercial rates.

Borrowings

At the year end bank borrowing facilities amounted to £19,500,000 which are all renewable within one year.

Interest Rates

At 31 March 2000, the Group had financial liabilities of £455,000 (1999 £5,200,000). These liabilities are under a floating rate of interest at normal commercial rates.

Included within liabilities are immaterial amounts in respect of finance leases and convertible loan stock.

Hedging

The Group's policy is to use derivative instruments to hedge against exposure to movements in exchange rates. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

There are no material unrecognised gains or losses at 31 March 2000.

Currency Exposure

As at 31 March 2000, after taking into account the effects of the forward exchange contracts, the Group had no currency exposure.

Fair Values

The Directors consider that the fair value of financial assets and liabilities is not materially different to their book value.

Further information on financial instruments is given in the Report of the Directors on page 7.

15 Provision for liabilities and charges Group

	2000 £'000	1999 £'000
Deferred Taxation		
At beginning of year	1,092	616
Acquisitions	—	102
Arising during the year	474	374
At end of year	<u>1,566</u>	<u>1,092</u>

The balance relates to the excess of capital allowances over depreciation.

There are no unprovided Deferred Taxation liabilities.

NOTES TO THE ACCOUNTS

For year ended 31 March 2000

16 Called Up Share Capital

	ORDINARY SHARES OF 5p NUMBER	£'000
Authorised	170,000,000	8,500
2000		
Allotted and Fully Paid		
At beginning of year	135,218,900	6,761
Issued as Directors' Remuneration	32,000	2
Issued for acquisitions	812,395	40
Issued under share option schemes	961,210	48
At end of year	137,024,505	6,851
1999		
Allotted and Fully Paid		
At beginning of year	66,428,155	6,643
Sub-division	66,428,155	—
Issued as Directors' Remuneration	37,000	2
Issued for acquisitions	1,081,052	54
Issued under share option schemes	1,244,538	62
At end of year	135,218,900	6,761

Options outstanding under the Savings Related Option Scheme at 31 March 2000 were as follows:

Option price	Date Exercisable	Ordinary Shares of 5p each	
		2000	1999
30p	September 1999	—	279,840
40p	September 2000	448,552	452,002
63p	September 2001	897,198	978,691
75p	September 2002	543,812	593,132
170p	September 2003	879,171	—
		2,768,733	2,303,665

Options outstanding under the Executive Share Option Scheme at 31 March 2000 were as follows:

Option price	Date Exercisable	Ordinary Shares of 5p each	
		2000	1999
30p	1997-2001	—	50,000
42p	1998-2002	100,000	325,000
63p	1999-2003	45,000	240,000
100p	2000-2004	800,000	800,000
115½p	2001-2005	1,056,000	1,127,600
190p	2002-2006	647,000	—
		2,648,000	2,542,600

NOTES TO THE ACCOUNTS

For year ended 31 March 2000

17 Share Capital and Reserves

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	RE- VALUATION RESERVE £'000	PROFIT & LOSS ACCOUNT £'000	TOTAL £'000
Group					
At beginning of year	6,761	5,222	(552)	11,192	22,623
Shares issued	90	—	—	—	90
Net premium arising on shares issued	—	1,845	—	—	1,845
Retained profit for the year	—	—	—	8,342	8,342
Transfer of realised reserve	—	—	18	(18)	—
Revaluation depreciation adjustment	—	—	10	(10)	—
Balance at the end of year	6,851	7,067	(524)	19,506	32,900
Company					
At beginning of year	6,761	5,222	—	23,802	35,785
Shares issued	90	—	—	—	90
Net premium arising on shares issued	—	1,845	—	—	1,845
Retained profit for the year	—	—	—	1,408	1,408
Balance at the end of year	6,851	7,067	—	25,210	39,128

In accordance with the exemption allowed by Section 230(4) of the Companies Act 1985, the Company has not presented its own Profit & Loss Account. The profit attributable to Shareholders in the accounts of the Company was £4,160,000 (1999 £3,685,000).

Prior to the adoption of FRS10 on 1 April 1998 goodwill eliminated against reserves amounted to £26,994,630.

18 Net cash inflow from operating activities

	2000 £'000	1999 £'000
Operating profit	19,488	14,630
Depreciation	8,944	5,888
Amortisation of goodwill	518	34
Profit on sale of tangible fixed assets	(727)	(401)
(Increase) in work in progress and stocks	(1,452)	(2,491)
(Increase) in debtors	(14,597)	(7,295)
Increase in creditors	10,607	12,865
	<u>22,781</u>	<u>23,230</u>

NOTES TO THE ACCOUNTS

For year ended 31 March 2000

19 Purchase of subsidiary undertakings

	2000 £'000	1999 £'000
Fixed assets	424	2,381
Work in progress and stocks	—	447
Debtors	857	3,538
Banks and cash	(8)	683
Creditors	(1,571)	(4,291)
Taxation	—	(254)
Deferred Tax	—	(102)
Minority interest	61	306
Goodwill	2,092	2,401
Lease obligations	(128)	—
Total purchase consideration	1,727	5,109
Shares issued — MITIE Group PLC	(1,449)	(1,283)
— Subsidiary undertaking	(60)	(99)
Cash consideration	218	3,727
Bank and cash acquired	8	(683)
Net cash effect	226	3,044

The above items shown at their book value, which the Directors believe represent their fair value, relate principally to the acquisition of NS Scaffolding Ltd and Mark Gibbons Scaffolding Ltd, both in July 1999, and the minority interests in MITIE Engineering Services (North) Ltd, MITIE Property Services (Scotland) Ltd and MITIE Advance Painting Ltd, and were accounted for by the acquisition method of accounting.

20 Analysis of changes in net funds

	At 31 March 1999 £'000	Cash flows £'000	Acquisitions £'000	At 31 March 2000 £'000
Cash at bank and in hand	8,294	(6,192)	—	2,102
Overdrafts	(18)	(279)	—	(297)
Net cash	8,276	(6,471)	—	1,805
Debt due within one year	(1,050)	998	—	(52)
Debt due after one year	(4,441)	3,833	32	(576)
Finance Leases	(85)	104	(160)	(141)
Debt financing	(5,576)	4,935	(128)	(769)
Net funds/(debt)	2,700	(1,536)	(128)	1,036

For year ended 31 March 2000

	2000 £'000	1999 £'000
(Decrease)/Increase in cash for the year	(6,471)	3,149
Cash inflow from decrease in debt and lease financing	4,935	85
Change in net funds resulting from cash flows	(1,536)	3,234
Finance leases and debt acquired	(128)	—
New finance leases	—	10
Movement in net (debt)/funds in the year	(1,664)	3,244
Net funds/(debt) at beginning of year	2,700	(544)
Net funds at end of year	1,036	2,700

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.

	2000		1999	
	PROPERTY	OTHER	PROPERTY	OTHER
	£'000	£'000	£'000	£'000
Annual commitments under operating leases which expire				
Within one year	250	95	8	136
In second to fifth years inclusive	518	1,998	393	165
Over five years	650	—	559	2
	<u>1,418</u>	<u>2,093</u>	<u>960</u>	<u>303</u>

NOTES TO THE ACCOUNTS

For year ended 31 March 2000

24 Investment in Subsidiary Undertakings

	SHARES AT COST \$'000	PROVISION FOR DIMINUTION IN VALUE \$'000	NET BOOK VALUE \$'000
At beginning of year	33,307	(2,009)	31,298
Additions	5,409	—	5,409
Provisions	—	(201)	(201)
At end of year	38,716	(2,210)	36,506

The principal operating subsidiary undertakings are detailed in Note 28.

25 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 & 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 1999. 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 7.5% per annum, that salary increases would average 5.5% per annum and that present and future pensions would increase at the rate of 5% per annum. The next actuarial valuation will be carried out as at 5 April 2002.

The pension charge for the period was £1,827,162 (1999 £1,163,211). The 1999 actuarial valuation showed that the market value of the Scheme's assets was £12,871,407 and that the actuarial value of those assets represented 124% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the Group and employees will be 9% and 5% of pensionable earnings respectively.

26 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 2000

	NUMBER OF ORDINARY SHARES	% OF SHARE CAPITAL
Standard Life Group	4,520,254	3.28

27 Related Party Transactions

During the year the Group paid £16,000 (1999 £18,800), in respect of purchases in the ordinary course of business, to a private company controlled by Mr D. M. Telling, Chairman.

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.

The Company has taken advantage of the exemption in FRS 8 not to disclose transactions with companies within the Group.

NOTES TO THE ACCOUNTS

For year ended 31 March 2000

28 Principal Operating Subsidiary Companies

			% ORDINARY SHARES OWNED
Scotland	B	MITIE Access (Scotland) Ltd	87
	B	MITIE Engineering Services (Scotland) Ltd	51
	S	• MITIE Envirocare Ltd	83
	B	MITIE HydroCat Ltd	90
	B	MITIE Lindsay Ltd	63
	S	MITIE Olscot Ltd	100
	S	MITIE Olscot Security Services Ltd	94
	B	MITIE Property Services (Scotland) Ltd	100
	B	† MITIE McCartney Fire Protection Ltd	60
North	B	Comfort Cooling Systems Ltd	73
	B	MITIE Access (North East) Ltd	54
	B	MITIE Access (Northern) Ltd	85
	S	MITIE Cleaning (North) Ltd	100
	B	MITIE Engineering Services (Leeds) Ltd	92
	B	MITIE Engineering Services (North) Ltd	81
	B	MITIE Greencote Ltd	69
	B	MITIE Property Services (North East) Ltd	100
	B	MITIE Property Services (North West) Ltd	100
	S	MITIE Security (North) Ltd	83
Midlands	B	MITIE Air Conditioning (Midlands) Ltd	69
	S	MITIE Cleaning (Midlands) Ltd	63
	B	MITIE Engineering Services (Midlands) Ltd	75
	B	MITIE Property Services (Midlands) Ltd	56
	B	† MITIE Roofing Services Ltd	84
	B	Prestige Painting Contractors Ltd	100
South East	B	• MITIE Access (Southern) Ltd	72
	B	MITIE Air Conditioning (South East) Ltd	77
	S	MITIE Business Services Ltd	81
	S	MITIE Cleaning (South East) Ltd	100
	S	† MITIE Cleaning (Southern) Ltd	100
	S	MITIE Engineering Maintenance Ltd	67
	B	MITIE Engineering Services (Eastern) Ltd	76
	B	MITIE Engineering Services (London) Ltd	60
	B	MITIE Engineering Services (South East) Ltd	100
	B	MITIE Property Services (Eastern) Ltd	100
	B	• MITIE Property Services (London) Ltd	53
	B	MITIE Roofing (South East) Ltd	75
	S	MITIE Security (Southern) Ltd	90
South West		Cole Motors Ltd	100
	B	Contract Air Conditioning Ltd	51
	B	MITIE Air Conditioning (Wales) Ltd	96
	B	MITIE Air Conditioning (West) Ltd	78
	S	MITIE Catering Ltd	77
	S	† MITIE Cleaning (South Wales) Ltd	100
	S	MITIE Cleaning (South West) Ltd	100
	B	MITIE Engineering Maintenance (West) Ltd	100
	B	MITIE Engineering Services (Bristol) Ltd	100
	B	MITIE Engineering Services (Cardiff) Ltd	100
	B	MITIE Engineering Services (Plymouth) Ltd	77
	B	MITIE Engineering Services (South West) Ltd	100
	B	† MITIE Engineering Services (Swansea) Ltd	75
	B	MITIE Plastics Ltd	75
	B	MITIE Property Services (Southern) Ltd	100
	B	MITIE Property Services (Western) Ltd	100
	B	MITIE Roofing (South West) Ltd	100

NOTES TO THE ACCOUNTS

For year ended 31 March 2000

28 Principal Operating Subsidiary Companies continued

			% ORDINARY SHARES OWNED
National	S	† MITIE Cleanrooms Ltd	75
	B	• MITIE Generation Ltd	72
	S	MITIE Managed Services Ltd	54
	S	† MITIE PFI Ltd	100
	B	† MITIE Pharmaceutical Engineering (Southern) Ltd	75
	B	MITIE Powered Access Ltd	80
	B	MITIE Engineering Services (Retail) Limited	75
Administration	B	• MITIE Access Systems Ltd	73
	S	MITIE Cleaning Ltd	100
	B	MITIE Engineering Services Ltd	100
		MITIE Property Investments Ltd	100
	B	MITIE Property Services Ltd	100

- Shareholdings held by intermediate subsidiary undertakings.
- † Commenced to trade after 31 March 2000
- B Building Services
- S Support Services

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

Certain companies operate on the basis of 13 four weekly periods and have drawn up their accounts to 11 March 2000. Adjustments have been made on consolidation to include the results of these companies for the period from that date to 31 March 2000.

The companies listed above represent the principal operating subsidiary companies of the Group. A full list of subsidiary companies will be annexed to the next annual return.

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 have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

NOTICE OF MEETING

Notice is hereby given that the Sixty Fourth Annual General Meeting of MITIE Group PLC will be held at The Stable Block, Barley Wood, Wrington, Bristol BS40 5SA, on Thursday, 14 September 2000 at 12 noon for the following purposes:—

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- 1 To receive and consider the Financial Statements for the year ended 31 March 2000, and the Reports of the Directors and Auditors thereon.
 - 2 To approve the payment of a final dividend of 1.1p per share.
 - 3 To re-elect Mr D. C. Macpherson as a Director.
 - 4 To re-elect Mr D. M. Telling 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 which will be proposed as Special Resolutions.

- 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 6,900,000 Ordinary Shares of 5p 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 5p (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
-

NOTICE OF MEETING

- (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £345,000 (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. Floyd Waters

Secretary
14 August 2000

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 Registrars, Computershare Services PLC, Registrar's Department P.O. Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG 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 each business day 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

	2000 £'000	1999 £'000	1998 £'000	1997 £'000	1996 £'000
Turnover and Profit					
Turnover	<u>346,514</u>	<u>264,455</u>	<u>236,293</u>	<u>209,425</u>	<u>161,149</u>
Profit on ordinary activities before taxation	<u>19,240</u>	<u>14,508</u>	<u>11,100</u>	<u>8,210</u>	<u>6,302</u>
Taxation	<u>(6,080)</u>	<u>(4,676)</u>	<u>(3,419)</u>	<u>(2,783)</u>	<u>(2,150)</u>
Profit on ordinary activities after taxation	<u>13,160</u>	<u>9,832</u>	<u>7,681</u>	<u>5,427</u>	<u>4,152</u>
Minority interest	<u>(2,067)</u>	<u>(1,134)</u>	<u>(939)</u>	<u>(255)</u>	<u>(71)</u>
Dividends	<u>(2,751)</u>	<u>(2,166)</u>	<u>(1,659)</u>	<u>(1,294)</u>	<u>(1,019)</u>
Profit retained	<u>8,342</u>	<u>6,532</u>	<u>5,083</u>	<u>3,878</u>	<u>3,062</u>
Assets Employed					
Intangible fixed assets	<u>4,283</u>	<u>2,367</u>	<u>—</u>	<u>—</u>	<u>—</u>
Tangible fixed assets	<u>39,090</u>	<u>30,672</u>	<u>20,529</u>	<u>15,569</u>	<u>11,352</u>
Other assets and liabilities	<u>(1,723)</u>	<u>(4,725)</u>	<u>(3,058)</u>	<u>(3,511)</u>	<u>25</u>
	<u>41,650</u>	<u>28,314</u>	<u>17,471</u>	<u>12,058</u>	<u>11,377</u>
Financed by					
Shareholders' interests	<u>32,900</u>	<u>22,623</u>	<u>14,325</u>	<u>10,370</u>	<u>10,769</u>
Minority interest	<u>8,750</u>	<u>5,691</u>	<u>3,146</u>	<u>1,688</u>	<u>608</u>
	<u>41,650</u>	<u>28,314</u>	<u>17,471</u>	<u>12,058</u>	<u>11,377</u>
Earnings per share	8.1p	6.5p	5.1p	4.0p	3.2p
Dividend per share	2.0p	1.6p	1.2p	1.0p	0.8p

Earnings and Dividend per share figures have been re-stated to reflect the sub-division of shares in 1997 and 1998.



People investing in their future
to improve your service