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# REPORT & ACCOUNTS 2002

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## FINANCIAL HIGHLIGHTS

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For the year ended 31 March 2002

	2002 £'000	2001 £'000
Turnover	<b>518,852</b>	415,375
Operating profit	<b>29,967</b>	25,027
<hr/>		
Profit before tax	<b>30,357</b>	25,075
Net Assets	<b>83,245</b>	60,303
<hr/>		
Earnings per share	<b>6.5p</b>	5.0p
Diluted earnings per share	<b>6.4p</b>	4.9p
Total dividend per 2½p share	<b>1.6p</b>	1.25p

Earnings and dividend per share figures have been restated to reflect the subdivision on 2 April 2001 of each 5p Ordinary Share into two Ordinary Shares of 2½p each.

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## FINANCIAL CALENDAR

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Shares ex dividend	4 September 2002
Record date for final dividend	6 September 2002
Annual General Meeting	19 September 2002
Final dividend of 0.9p per 2½p share	1 October 2002
Interim results for six months to 30 September 2002	9 December 2002
Interim dividend	31 March 2003

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# CHAIRMAN'S STATEMENT

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## Introduction

The ethos and business model of MITIE Group PLC has proved to be as resilient as ever in the uncertain conditions of the past 12 months. The commitment brought about by individuals' investment of their own money has worked well for MITIE, for our customers and for our Shareholders.

As you will recall, on 2 August last year I handed over the role of Chief Executive to Ian Stewart and strengthened your Board by appointing four new Executive Directors. I am pleased that the change has been seamless and am gratified by the support that the new Chief Executive has received from all his colleagues.

## Results

Turnover rose to £518.9m, an increase of 25%, and pre-tax profit rose by 21% to £30.4m. Earnings per share rose by 30% to 6.5p. All growth was organic. Your Board is recommending a final dividend of 0.9p per share, making a total of 1.6p for the year, an increase of 28%.

## Corporate Developments

In the year we started two new companies, MITIE Engineering Services (Liverpool) Ltd as well as a further Engineering Maintenance company in the South West. Since the year end we have started two further Engineering companies and a company within the Property Services Division, MITIE Interiors Ltd.

As a deliberate strategy we reduced our exposure to capital intensive activities and sold our majority stake in MITIE Powered Access Ltd to its management team in February 2002. Since the year end, we have also sold the five companies making up the Access contracting business to another management buy-out team.

## People

I truly believe that the concept of MITIE has given many people the chance to fulfil their potential. It is because of their professionalism that the growth of the Company has been sustained and I would like to thank most sincerely all the staff for their continued commitment.

We are very fortunate to have so many people who are passionate about their company to the extent that they work far beyond the call of duty.

More particularly, I am very pleased to welcome Manish Chande as a Non-Executive Director of the Company following his appointment to the Board on Friday, 12 July 2002. He brings with him a wealth of experience of the Property and Support Services Industries and I am sure he will be of considerable benefit to MITIE.

## Accounting Policies

In the light of investors' current heightened interest, I would like to reassure our Shareholders that MITIE has always applied conservative accounting policies. For example, we have always accounted for bidding expenses in line with the recently introduced UITF 34.

## Outlook

MITIE stands to benefit substantially from the Government's continuation of schemes for the improvement of the public services, particularly health and education. Such is the present reputation of the Company that almost every business in the MITIE Group reports record forward order books from a strong customer base. Indeed, the situation is tailor-made for the highly motivated and entrepreneurial Managing Directors that the MITIE business model attracts. It is in these people, under Ian Stewart, that I place my full confidence for another successful year.

The recent turmoil in world financial markets makes it difficult to express optimism about economic prospects in general. However, trading has been satisfactory in the first months of the current year and I believe we will continue to achieve profitable growth.



**David M. Telling**  
Chairman

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# CHIEF EXECUTIVE'S STATEMENT

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## **Introduction**

This is my first review as Chief Executive of MITIE Group PLC and I would like to outline my primary goal for the Company at the outset. My aim is for MITIE to become the first choice provider of Support and Building Services to the owners and occupiers of industrial, commercial and government buildings. I am confident that we can achieve this without sacrificing our unique entrepreneurial culture or compromising on quality.

To achieve this aim we decided that a limited amount of restructuring had to be effected and have already taken action to strengthen the Group's competitive position. We have disposed of the most capital intensive businesses, namely MITIE Powered Access Ltd and the Access contracting group of companies. Following the buy-in of the minority stake in MITIE Managed Services Ltd, we have promoted certain senior people to improve our strategic management capability.

## **Markets**

The traditional, and often conservative, markets in which MITIE used to operate have changed enormously over the last five years. Pressure to perform has forced our clients to consider ways of driving costs out of their infrastructure and one of the solutions has been to enter into larger, often national, services contracts for longer periods. This has brought a degree of stability to the markets in which we operate and better visibility and security of earnings to service companies such as MITIE.

A further development, particularly in Building Services, is the welcome growth of less adversarial relationships arising from the formation of joint ventures, partnerships and framework agreements with our clients. This new way of doing business provides tremendous opportunities for companies within MITIE. The great strengths of MITIE companies include not only the unique equity ethos, which motivates all concerned to achieve ambitious targets, but also the pool of skilled and semi-skilled labour which each employs. This is the envy of their competitors in the present climate of skills shortages. I strongly believe that our core skills are in the management of

people intensive projects, which is why we disposed of the two capital intensive businesses to their management teams.

The MITIE business model, by its very nature, makes considerable demands on individual Managing Directors. Our planning process revealed a need to release some key people to address the strategic development of the MITIE Group more explicitly. As a result the Board approved the buy-in of the minority shares in MITIE Managed Services Ltd and subsequently appointed Colin Hale, who was responsible for building that company, to the role of Strategic Development Director for the MITIE Group as a whole. We are now better placed to manage change and exploit development options and new opportunities as they arise.

## **BUILDING SERVICES DIVISION**

Building Services is made up of Engineering Services, Property Services and Access Systems.

### ***Engineering Services***

Engineering Services continues to concentrate on building long-term relationships with customers. Developing sound collaborative arrangements based on mutual trust is conducive to more successful, stable and efficient business relationships which in turn can lead to better financial returns for both parties.

These relationships have already been fruitful and are developing well with key clients in specific target markets, including education, leisure and retail. Supply chain relationships in framework agreements have enabled negotiated reductions in our tender costs whilst protecting our margin.

Engineering Services is in the forefront of the new way of doing business. It has embraced the customer-oriented culture developed in our Support Services Division and rejected the traditional confrontational and litigious attitudes of the Construction Industry. The ability to operate anywhere in the UK and the hard-earned reputation for consistent excellence in delivery help greatly as more national contracts are offered. There is considerable potential to grow the business further.

The discipline has already secured 75% of its budgeted turnover for the

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# CHIEF EXECUTIVE'S STATEMENT

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current year, such orders coming as a result of highly selective marketing. Understandably, it remains optimistic about its prospects for the forthcoming year.

## **Property Services**

Customers' continual drive to outsource non-core services has created a vibrant market for Property Services, which is in a strong position through being able to offer a broad range of skills and deliver a quality product by means of a directly employed labour force.

Repeat business accounted for 60% of turnover with the remainder coming from new clients, who have, in particular, wanted us to take on multi-service refurbishment projects. Refurbishment capabilities have been expanded considerably and Property Services is one of the country's leading organisations in this field. This has been achieved by selective tendering, a highly incentivised management team and an experienced and well-trained labour force. Performance has been improved by tight cost controls and by ensuring that quality is delivered first time, largely eliminating the costs of re-working. We are developing better ways of working together with our customers for mutual benefit.

Property Services has an infrastructure in place to manage growth wherever there are opportunities and to widen the range of services.

## **Access Systems**

MITIE Generation Ltd, our remaining plant company, is a well-respected hire and sale business with a good range of scaffolding products and a well-motivated staff. With a greater management emphasis on national accounts, it has increased its sales force and also formed alliances with suppliers to increase turnover and margin. New products have been launched and the search continues to find innovative, cost-saving equipment that will appeal to buyers and hirers alike.

A reorganisation of the discipline followed the sale of the other capital intensive businesses. A graduate of our own MBA course at Henley Management College, Mark Clifford, has been appointed head of this discipline.

## **SUPPORT SERVICES DIVISION**

The Division consists of Engineering Maintenance, Cleaning and Managed Services.

### **Engineering Maintenance**

Engineering Maintenance has maintained its excellent growth rate. Many new orders were received, including a national contract for Rolls Royce. All major contracts due for renewal were retained, with others such as Nokia extended to operate on a national basis.

There is no shortage of work. The skill lies in picking the right contracts as more and more clients expect the service provider to accept greater operational risk. Securing good engineers with commercial acumen is a major restricting factor in this fast growing market, estimated to be £3 billion, of which MITIE Engineering Maintenance Ltd has at present a share of only around 2%.

Engineering Maintenance continues to be a good example of the efficiencies of the MITIE business model, with a commendable record of profitable growth. In addition to the services it provides, its strengths include its operational management, IT, reporting and client liaison skills. It has an excellent record in Health & Safety, which gives confidence to existing and prospective customers.

### **Managed Services**

Managed Services is the facilities management arm of MITIE and brings together the service offerings of all disciplines in the Group. During the year there was a substantial increase in turnover. A notable contract was started with Standard Chartered Bank, which is for a term of five years with a total value of some £30 million. I am particularly happy to announce that the original five year contract with Land Securities Trillium for the Department of Work and Pensions estate was extended for a further 10 years: MITIE's first £100 million contract.

MITIE Business Services Ltd has also done well, winning new contracts with the London Stock Exchange and Barclays Bank in Canary Wharf, which should provide an excellent entrée into that exciting business community. This is the reprographics and document handling business, which also provides reception, telephonist and messenger services. It also has an

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# CHIEF EXECUTIVE'S STATEMENT

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important role in the contract with Standard Chartered Bank, which illustrates yet another example of success in cross-selling.

Many of MITIE Managed Services Ltd's competitors appear to have geared themselves exclusively for PFI involvement, perhaps at the expense of attention to the Private Sector, where we continue to develop our business profitably. Managed Services has exploited the synergy between disciplines and has the advantage of a wide range of services, each of which is capable of finding the entry point for the subsequent delivery of many other services. MITIE Managed Services Ltd has an experienced management team that is selective and cautious about the work it undertakes. It has achieved an enviable track record of profitable growth.

## **Cleaning**

The cleaning industry is no exception to the changing way in which business is being procured. Big companies are asking for additional services to be provided in order to reduce their supply chain and to become more efficient, a process known as bundling services. MITIE Cleaning is therefore consolidating its existing relationships, as contracts move from a three year average to a five to ten year average duration.

MITIE's own multi-skilled offering and avowed intention to maintain service quality continue to help to win large contracts. MITIE Cleaning has had a particularly good year in the Midlands and in London, where further good prospects have arisen out of a valuable flagship contract with a major financial institution that is a benchmark for our service delivery.

Margins were slightly impacted by the sheer size and scale of the start-up costs incurred in the mobilisation of some very large new contracts, for example RBS NatWest and the additional 30 sites gained in the national contract with BAE Systems. This is a normal feature of our operations. The situation improved in the second half as these contracts settled into their expected performance pattern.

Our Cleaning companies received a Winning with People Award in London and two more Kimberly Clark Golden

Service Awards, for the contracts at the Palace of Westminster and the British Airways London Eye. These brought the number of such awards won over the past five years to nine and gained further public recognition of our drive for quality.

MITIE Catering Services Ltd continued to trade satisfactorily during the year following the award of a number of high profile contracts. Its management has been strengthened by the appointment of a senior industry professional, Robin Hay, as Managing Director.

## **Conclusion**

MITIE is now even more a service-oriented company than this time last year, having disposed of most of its capital intensive businesses. It has greater forward visibility of earnings as a result of longer, larger contracts and an encouraging order book going forward.

We are better organised to address the issues of longer term growth and to develop new services to meet customers' requirements. The increase in cash resources of £13.4m from the recent disposals is available to grow the business as and when the right opportunities arise.

Above all, after a period when others down-sized their workforces and outsourced their services, it has a substantial resource in the form of a pool of skilled and motivated management and labour, in trades and professions that are in great demand.

My first year as Chief Executive has been busy and demanding. I am fortunate to have experienced executive colleagues who are not only well-respected as proven performers but are, I believe, individually the best in their fields. It, therefore, gives me great confidence for the future that the opportunities provided by the market and the commitment and the passion of everyone within MITIE will combine to drive the next stage of growth.



**Ian R. Stewart**  
Chief Executive

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# REPORT OF THE DIRECTORS

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The Directors submit their Report together with the audited accounts for the year ended 31 March 2002.

## 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 tax amounted to £30,357,000 which, after tax and minority interest, gives profits attributable to Shareholders of £18,618,000. The Directors recommend a final dividend of 0.9p per share which, together with the interim dividend of 0.7p per share paid on 2 April 2002, results in a total dividend of 1.6p per share. If approved, the final dividend will be paid on 1 October 2002 to members registered on 6 September 2002. The retained profit for the year is £13,995,000.

The review of the year's operations and future developments are contained in the Chairman's and Chief Executive's Statements on pages 3 to 6.

## 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 £10,469 (2001 £57,604). As a matter of policy, no political contributions were made during the year (2001 £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 10.

Colin Acheson, Roger Goodman, Colin Hale and Bill Robson were

appointed Directors on 2 August 2001. John Clifford retired at the Annual General Meeting on 20 September 2001. Manish Chande was appointed a Director on 12 July 2002.

Ian Stewart, Nigel Swiffen and Donald Macpherson retire by rotation and, being eligible, offer themselves for re-appointment at the Annual General Meeting. Manish Chande, having been appointed since the last Annual General Meeting, will retire and offer himself for re-election.

Interests of the Directors in the shares of the Company are shown on page 12.

## 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 2002, the Group had 32 days' purchases outstanding (2001 41 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 is 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 Managing Director and individual employees of

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# REPORT OF THE DIRECTORS

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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.

The Directors believe that employees should be encouraged to become Shareholders. The Savings Related Share Option Scheme, established in 1991, currently has 1,517 contributing employees.

## **Health & Safety**

The Group recognises the importance of having a safe and healthy workforce and the Board is conscious of its responsibilities to ensure that safe and healthy working conditions are provided. The Chief Executive is the Director with responsibility for health and safety.

The Group continues to develop best health and safety practice across all companies to reduce the incidence of accidents and ill health and to ensure legislative compliance. To monitor the incidence of accidents and ill health a new accident reporting system is being linked to the HR management software. This will enable the identification of trends and allow early action for targeted accident prevention programmes.

The Board recognises the importance of training in developing a positive safety culture. Consequently, all subsidiary company directors undertake training to raise their awareness of their responsibilities with regard to health and safety. Additionally, all employees undertake safety training according to their role and responsibilities.

Each company in the Group manages its health and safety by following a documented safety management system. The management systems are designed to incorporate Group policy and meet legislative requirements and industry specific guidelines. By routine audit of the management system, the Group aims to ensure that the health and safety risks to its employees are minimised. The majority of the safety management systems are accredited to ISO 18001.

The Group also acknowledges the importance of competent advice in achieving high standards of health and safety and all companies in the Group have access to qualified safety advisers.

## **Environmental Matters**

The Group is aware of the impacts its businesses can have on the environment and is committed to preventing or reducing any negative environmental impacts created by its activities. The Group will comply with all national and local legislation and will endeavour to continually improve its environmental performance. The Chief Executive has been nominated by the Board to take responsibility for the Group's environmental performance.

In addition to reducing the Group's environmental impacts, the Group is committed to working closely with its clients to support or develop their environmental management systems, particularly in the area of waste management and elimination.

To reduce or eliminate negative environmental impacts and to manage compliance with environmental legislation, a Group wide environmental management system is being developed. MITIE Engineering Maintenance Ltd achieved accreditation to ISO 14001 in February 2002 and Support Services should achieve similar accreditation in September 2002. As part of this system, the Group will establish the processes necessary to quantify its greenhouse gas emissions, waste and energy usage with the intention of introducing a programme of minimisation. This will result in greater environmental sustainability of the business.

## **The Euro**

We continue to monitor 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.

# REPORT OF THE DIRECTORS

It operates within policies and procedures approved by the Board which have not changed during the year. Borrowings are arranged centrally by Group Treasury and made available to operating subsidiaries on commercial terms.

The Board's ongoing policy is to finance the Group through retained earnings and borrowings, placing and investing surplus cash with major banks and financial institutions.

At 31 March 2002, 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 2002, total financial liabilities amounted to £55,000 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 2002.

## Annual General Meeting

The Annual General Meeting will be held at 12 noon on Thursday, 19 September 2002 at The Stable Block Barley Wood, Wrington, Bristol.

The Resolutions to be proposed at the Annual General Meeting are contained in the Notice of Meeting on pages 38 and 39.

Resolution 8 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. Resolution 9 renews the Company's authority to purchase its own shares. The Directors do not have any immediate intention of exercising this authority.

## 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.

This Report was approved by the Board on 12 August 2002.



**Corina K. Ross**  
Secretary

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## DIRECTORS

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### Board of Directors

David M. Telling†	Executive Chairman. Aged 64, formed the first MITIE Group company in 1987. He is Chairman of Empresaria Group plc and Tribal Group plc.
Sir John Jennings CBE, FRSE**	Non-Executive Deputy Chairman. Chairman of the Nomination Committee. Aged 65, he became a Director in 1998. A member of the International Advisory Boards of the Bechtel and Toyota Corporations. Previously Chairman of The Shell Transport and Trading Company plc.
Ian R. Stewart	Chief Executive. Aged 60, he was appointed to the Board in January 1990 with responsibility for Support Services. He was appointed Chief Executive on 2 August 2001.
Paul A. Kilduff	Finance Director. Aged 48, he was appointed to the Board in January 2001. A Director of The Strategic Partnership (London) Ltd.
Colin S. Acheson	Director responsible for Engineering Services. Aged 51, he joined the Group in December 1989 and was appointed to the Board on 2 August 2001. He is a Director of The Platform Company (Holdings) Ltd.
N. Roger Goodman	Director responsible for Cleaning. Aged 55, he joined the Group in June 1993 and was appointed to the Board on 2 August 2001.
Colin S. Hale	Director responsible for strategic development. Aged 45, he joined the Group in April 1998 and was appointed to the Board on 2 August 2001.
Bill Robson	Director responsible for Property Services. Aged 52, he joined the Group in January 1992 and was appointed to the Board on 2 August 2001.
Manish J. Chande	Non-Executive Director. Aged 46, he was appointed to the Board on 12 July 2002. A Director of Property Fund Management Plc and Chief Executive of Mountgrange Capital plc. Previously Chief Executive of Land Securities Trillium and a board member of Land Securities plc.
Donald C. Macpherson**†	Senior Independent Non-Executive Director. Chairman of the Remuneration Committee. Aged 70, he was appointed to the Board in 1992. He is a member of the International Advisory Board of Southern Pacific Petroleum, a Director of Homestlye plc and of International Bioscience Management Limited.
Nigel F. Swiffen**†	Non-Executive Director. Chairman of the Audit Committee. Aged 59, he joined the Board in 1991. Chairman of Hallam Polymer Engineering Ltd. He was previously Chairman of Brabant Resources plc and of Burnett and Hallamshire Holdings plc.

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\* Member of the Remuneration Committee

† Member of the Audit Committee

‡ Member of the Nomination Committee

# REMUNERATION REPORT

## Remuneration Committee

The Committee consists of three of the Company's 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 2002, 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 Option Schemes, the Group wishes to motivate senior management 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 April.
2. Performance related bonus based on improvements in profits and/or earnings per share. Mr Paul Kilduff's bonus was on a guaranteed basis until March 2002 when his terms became consistent with the other Executive Directors.
3. Pensions contributions through membership of the Company's pension scheme. Basic salary alone is pensionable.

## Contracts of Service

No Executive Directors have service agreements which require more than one year's notice.

## 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. Sir John Jennings' and Donald Macpherson's remuneration comprises shares in MITIE Group PLC at the market value on the issue date.

## Remuneration

The table below provides details of Directors' remuneration.

	PERFORMANCE				2002 TOTAL \$'000	2001 TOTAL \$'000
	BASE SALARY/FEEES \$'000	RELATED BONUSES \$'000	BENEFITS \$'000	PENSION \$'000		
<b>Executive Directors</b>						
D. M. Telling (Chairman)	250	215	18	50	<b>533</b>	432
I. R. Stewart	233	221	14	50	<b>518</b>	381
J. J. Clifford <sup>1</sup>	95	75	9	24	<b>203</b>	362
P.A. Kilduff	150	65	12	25	<b>252</b>	39
C. S. Acheson <sup>2</sup>	66	–	8	6	<b>80</b>	–
N. R. Goodman <sup>2</sup>	66	44	9	6	<b>125</b>	–
C. S. Hale <sup>2</sup>	70	90	6	6	<b>172</b>	–
W. Robson <sup>2</sup>	66	47	8	6	<b>127</b>	–
<b>Non-Executive Directors</b>						
Sir John Jennings	48	–	–	–	<b>48</b>	62
N. F. Swiffen	15	–	–	–	<b>15</b>	15
D. C. Macpherson	24	–	–	–	<b>24</b>	39
Total	<u>1,083</u>	<u>757</u>	<u>84</u>	<u>173</u>	<b><u>2,097</u></b>	<u>1,330</u>

1. J. J. Clifford retired on 20 September 2001.

2. C. S. Acheson, N. R. Goodman, C. S. Hale and W. Robson were appointed directors on 2 August 2001.

# REMUNERATION REPORT

## Pensions

D. M. Telling, J. J. Clifford and P. A. Kilduff are members of money purchase schemes and the Company's contributions to these schemes are as stated in the table on page 11 (2001 £50,000, £50,000 and £4,000 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 2002 £'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	61	10	107
C. S. Acheson	26	3	17
N. R. Goodman	13	2	15
C. S. Hale	6	2	5
W. Robson	16	2	13

## Directors' Interests

The beneficial interests of the Directors who were in office on 31 March 2002 in the share capital of the Company are as shown below:

	31 MARCH 2002 ORDINARY SHARES OF 2½p	31 MARCH 2001 ORDINARY SHARES OF 5p
Sir John Jennings	170,000	65,000
P. A. Kilduff	-	-
D. C. Macpherson	148,000	64,000
I. R. Stewart	4,720,000	2,350,000
N. F. Swiffen	3,935,000	2,000,000
D. M. Telling	10,585,000	6,000,000

On 2 April 2001 each 5p Ordinary Share was subdivided into two Ordinary Shares of 2½p each.

D. M. Telling disposed of the following Ordinary Shares of 2½p each: 34,500 on 5 April 2002; 432,500 on 6 April 2002; and 2,000,000 on 10 April 2002.

The beneficial interests of the Directors who were appointed on 2 August 2001 in the share capital of the Company are as shown below:

	31 MARCH 2002 ORDINARY SHARES OF 2½p	2 AUGUST 2001 ORDINARY SHARES OF 2½p
C. S. Acheson	1,423,100	1,423,100
N. R. Goodman	1,745,100	1,745,100
C. S. Hale	355,000	355,000
W. Robson	2,004,040	2,004,040

On 14 May 2002 the following Directors acquired beneficial interests in the share capital of the Company as consideration for the sale of their ordinary shares in MITIE Managed Services Ltd on the same terms as the other shareholders when the Company acquired the whole of the minority interest in that subsidiary (see Note 28).

N. R. Goodman	204,113
C. S. Hale	2,041,134
Sir John Jennings	1,020,567
P. A. Kilduff	206,205
W. Robson	204,113
I. R. Stewart	272,872
D. M. Telling	234,730

# REMUNERATION REPORT

## Directors' Interests cont.

Directors also had beneficial interests in the capital of subsidiary companies as follows:

	31 MARCH 2002 ORDINARY SHARES OF £1 EACH	31 MARCH 2001 ORDINARY SHARES OF £1 EACH
MITIE Managed Services Ltd		
N. R. Goodman*	20,000	20,000
Sir John Jennings	100,000	100,000
C. S. Hale*	200,000	200,000
P. A. Kilduff	25,000	25,000
W. Robson*	20,000	20,000
I. R. Stewart	25,000	25,000
D. M. Telling	23,000	23,000

The Directors disposed of their interests in this company on 14 May 2002.

	31 MARCH 2001 ORDINARY SHARES OF £1 EACH
MITIE Powered Access Ltd	
Sir John Jennings	20,000
I. R. Stewart	20,000
D. M. Telling	20,000

The Directors no longer have any notifiable interests in this company since it was sold on 12 February 2002.

	31 MARCH 2002 B ORDINARY SHARES OF £1 EACH	31 MARCH 2001 B ORDINARY SHARES OF £1 EACH
MITIE Business Services Ltd		
P. A. Kilduff	5,000	5,000
MITIE Deeds Ltd		
W. Robson*	17,000	17,000
MITIE Catering Services Ltd		
N. R. Goodman*	5,000	5,000
MITIE Security (Southern) Ltd		
N. R. Goodman*	2,500	2,500

\*At date of appointment on 2 August 2001.

No other changes in Directors' interests have taken place since 1 April 2002.

No Director held options at any time during the year and no options have been granted to any Director since 1 April 2002.

**Donald C. Macpherson**  
Chairman, Remuneration Committee

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# CORPORATE GOVERNANCE

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## **Statement of Compliance with the Provisions of the Combined Code.**

The Board confirms that throughout the year ended 31 March 2002, 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 exception of Code Provision A.3.1 which requires Non-Executive Directors to comprise not less than one third of the Board.

The following describes how MITIE has applied all the principles of Good Governance set out in the Combined Code:-

## **Directors**

At 31 March 2002, the members of the Board comprised seven Executive Directors and three independent Non-Executive Directors. A further Non-Executive Director was appointed on 12 July 2002. The Executive Directors consist of the Chairman, Chief Executive, Finance Director and four other Directors. There is a clear division of responsibility between the Chairman and Chief Executive, each of which has clearly defined roles. Details of all Directors are listed on page 10.

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. The actual results of the Group and operating companies are reported to all members of the Board each month. At every Board meeting the Directors receive presentations and hold more detailed discussions with senior management of the operating subsidiaries.

All Directors are appointed by the Board as a whole and, once formally appointed, each Director submits himself for re-election at least every three years. None of the Executive Directors have service contracts greater than 12 months.

## **Directors' Remuneration**

The Remuneration Committee consists of 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 pages 11 to 13. 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. Other information is available on the Group's website.

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 in the Report of the Directors on page 9.

The Audit Committee consists of three Non-Executive Directors and meets at least twice a year. Due to the increasing size and complexity of the MITIE Group, it was decided that an Internal Audit department be set up to strengthen internal controls. The newly formed Internal Audit department reports regularly to this Committee as well as to the Board of Directors.

## **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.

The operating companies' Managing Directors regularly review their responsibilities and compliance with the Group's policies and procedures.

## **Identification of Risk and Financial Controls**

The Group continually assesses the risks facing the business through its framework of the Board, Executive Committee 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, Nomination and Health & Safety Committees as appropriate. The full Board meets at least six times a year and the Company Secretary is responsible to the Board for ensuring agreed procedures, rules and regulations are observed.

Each operating company regularly reviews their risk profile using a common strategic risk framework. Early warning mechanisms together with the system for reducing the risks are documented. The operating companies refine each framework in the light of changing aspects of their business.

## **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 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.

At the end of each year the Board reviews the effectiveness of the Group's system of Internal Control for the accounting year. The Directors were not aware of any control breakdowns which resulted in a material loss.

# INDEPENDENT AUDITORS' REPORT

To the Members of MITIE Group PLC

We have audited the financial statements of MITIE Group PLC for the year ended 31 March 2002 which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement, the note of historical cost profits and losses and the reconciliation of movement in Shareholders' funds and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of Directors and Auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards and the Listing Rules of the Financial Services Authority.

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 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 12 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 Directors' Report and the other information contained in the Annual Report for the above year as described in the contents section and 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2002 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

Queen Anne House  
69-71 Queen Square  
Bristol BS1 4JP

12 August 2002



# GROUP PROFIT & LOSS ACCOUNT

For the year ended 31 March 2002

NOTE	2002 £'000	2001 £'000
Turnover		
Continuing operations	493,829	393,738
Discontinued operations	25,023	21,637
	518,852	415,375
1 Cost of sales	(397,954)	(315,328)
1 Gross Profit	120,898	100,047
1 Administrative expenses		
	(90,931)	(75,020)
2 Operating Profit		
Continuing operations	29,040	24,945
Discontinued operations	927	82
	29,967	25,027
4 Interest	390	48
Profit on Ordinary Activities Before Tax	30,357	25,075
5 Tax on Profit on Ordinary Activities		
	(9,027)	(8,420)
Profit on Ordinary Activities After Tax	21,330	16,655
Equity minority interest	(2,712)	(2,703)
Profit for the Financial Year	18,618	13,952
6 Dividends - equity	(4,623)	(3,497)
17 Retained Profit for the Financial Year	13,995	10,455
7 Earnings per Ordinary Share - basic		
	6.5p	5.0p
- diluted	6.4p	4.9p

There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the Group Profit & Loss Account.

# RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March 2002

	2002 £'000	2001 £'000
Profit for the Financial Year	18,618	13,952
Dividends	(4,623)	(3,497)
	<u>13,995</u>	<u>10,455</u>
Shares issued		
- in respect of subsidiaries acquired	9,308	6,325
- to QUEST (see Note 17)	2,153	-
less amounts funded within Group	(1,644)	-
- other	513	486
Net addition to Shareholders' funds	<u>24,325</u>	<u>17,266</u>
Shareholders' funds at beginning of year	50,166	32,900
Shareholders' funds at end of year	<u>74,491</u>	<u>50,166</u>

# NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 March 2002

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	30,357	25,075
Difference between the historical cost depreciation charge on revalued assets and the actual depreciation charge for the year calculated on the revalued amount	<u>(11)</u>	<u>(10)</u>
Historical cost profits on ordinary activities before tax	<u>30,346</u>	<u>25,065</u>
Historical cost profits for the year retained after tax, minority interests and dividends	<u>13,984</u>	<u>10,445</u>

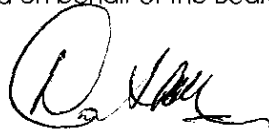
# GROUP BALANCE SHEET

At 31 March 2002

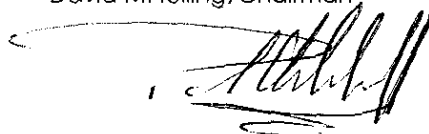
NOTE		2002 £'000	2001 £'000
	Fixed Assets		
8	Intangible assets	14,724	8,597
9	Tangible assets	45,082	48,123
		<u>59,806</u>	<u>56,720</u>
	Current Assets		
10	Work in progress and stocks	23,706	24,244
11	Debtors	87,137	70,365
	Cash at bank and in hand	25,106	6,135
		<u>135,949</u>	<u>100,744</u>
12	Creditors – due within one year	<u>(110,987)</u>	<u>(94,182)</u>
	Net Current Assets	<u>24,962</u>	<u>6,562</u>
	Total Assets less Current Liabilities	84,768	63,282
13	Creditors – due after one year	(27)	(788)
15	Provision for liabilities and charges	<u>(1,496)</u>	<u>(2,191)</u>
		<u>83,245</u>	<u>60,303</u>
	Capital and Reserves		
16	Called up share capital	7,220	6,991
17	Share premium account	25,483	13,738
17	Revaluation reserve	(503)	(514)
17	Profit & loss account	42,291	29,951
	Equity Shareholders' funds	<u>74,491</u>	<u>50,166</u>
	Equity minority interest	8,754	10,137
		<u>83,245</u>	<u>60,303</u>

The financial statements were approved by the Board of Directors on 12 August 2002.

Signed on behalf of the Board of Directors.



David M. Telling, Chairman



Paul A. Kilduff, Finance Director

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# COMPANY BALANCE SHEET

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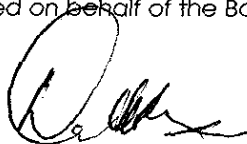
At 31 March 2002

		2002 £'000	2001 £'000
NOTE	Fixed Assets		
9	Tangible assets	872	1,062
24	Investments in subsidiary undertakings	<u>53,930</u>	<u>43,550</u>
		<u>54,802</u>	<u>44,612</u>
<hr/>			
	Current Assets		
11	Debtors	19,333	26,029
	Cash at bank and in hand	<u>11,548</u>	<u>8,236</u>
		<u>30,881</u>	<u>34,265</u>
<hr/>			
12	Creditors – due within one year	<u>(16,569)</u>	<u>(23,973)</u>
	Net Current Assets	<u>14,312</u>	<u>10,292</u>
<hr/>			
	Total Assets less Current Liabilities	<u>69,114</u>	<u>54,904</u>
<hr/>			
	Capital and Reserves		
16	Called up share capital	7,220	6,991
17	Share premium account	25,483	13,738
17	Profit & loss account	<u>36,411</u>	<u>34,175</u>
	Equity Shareholders' funds	<u>69,114</u>	<u>54,904</u>

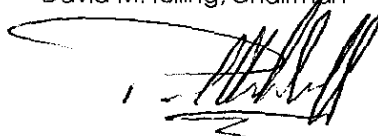
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The financial statements were approved by the Board of Directors on 12 August 2002.

Signed on behalf of the Board of Directors.



David M. Telling, Chairman



Paul A. Kilduff, Finance Director

# GROUP CASH FLOW STATEMENT

For the year ended 31 March 2002

NOTE	2002 £'000	2001 £'000	
18	Net cash inflow from operating activities	<b>37,295</b>	33,111
	Returns on investments and servicing of finance		
	Interest received	502	75
	Interest paid	(33)	(100)
	Interest element of finance lease rentals	(6)	(7)
		<u>463</u>	<u>(32)</u>
	Tax		
	UK corporation tax paid	(9,264)	(6,763)
	ACT recovered	481	-
		<u>(8,783)</u>	<u>(6,763)</u>
	Capital expenditure		
	Payments to acquire tangible fixed assets	(15,015)	(20,057)
	Receipts from sales of tangible fixed assets	3,364	1,117
		<u>(11,651)</u>	<u>(18,940)</u>
19	Acquisitions and disposals		
	Payments to acquire subsidiary undertakings	(1,457)	(1,015)
	Net cash acquired with subsidiary undertakings	-	525
	Sale of subsidiary undertakings	2,367	-
		<u>910</u>	<u>(490)</u>
	Equity dividends paid	<u>(2,090)</u>	<u>(3,194)</u>
	Cash inflow before financing	<b>16,144</b>	3,692
	Financing		
	Issue of Ordinary Share capital	2,838	590
	Net unsecured loans received	35	157
	Capital element of finance lease rental payments	(29)	(57)
	Debt due within one year:		
	Repayment of unsecured loans	(17)	(52)
		<u>2,827</u>	<u>638</u>
21	Increase in cash in the year	<b>18,971</b>	4,330

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# ACCOUNTING POLICIES

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For the year ended 31 March 2002

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## 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 appropriate accounting standards.

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## 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.

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## 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.

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## 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.  
Plant 3-14 years  
Vehicles 4 years

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## 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.

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## 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.

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# ACCOUNTING POLICIES

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For the year ended 31 March 2002

## 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 SSAP 9 (revised). A prudent level of profit is taken based

on estimated percentage completion if the final outcome can be reliably assessed.

All bid costs are expensed as incurred until the stage is reached where it is virtually certain that the contract has been awarded.

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## Deferred Tax

FRS 19 (Deferred Tax) has been adopted this year. FRS 19 requires full provision to be made for deferred tax, as stated below. It replaces the "partial provision" rules previously allowed under SSAP 15. This change had no material impact on the Group and Company and hence there is no restatement of the opening reserves.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from

the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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## 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.

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## Pensions

The Group operates two defined benefit pension schemes. The regular pension cost is charged to the Profit & Loss Account and is based on the expected pension cost over the service lives of the employees. The current pension surplus is spread over the remaining service lives of current employees.

The Group also operates a fully insured defined contribution pension scheme, the assets of which are held in independently administered funds. In respect of this scheme, the pension cost charge represents contributions

payable by the Group in the year. This scheme closed to new entrants during the year.

The Group has continued to account for pensions in accordance with SSAP 24 as illustrated above. FRS 17 (Retirement Benefits) was issued in November 2000 but will not be mandatory for the Group and Company until the year ended 31 March 2004 at the earliest. In the interim, the Group has decided to follow the transitional arrangements set out in paragraph 94 of the Standard.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 1 Segmental Analysis

Activity	TURNOVER £'000	PRE-TAX PROFIT £'000	PRE-TAX PROFIT MARGIN %	NET ASSETS £'000
2002				
Building Services	290,980	14,041	4.8	35,183
Support Services	227,872	16,316	7.2	23,762
	<b>518,852</b>	<b>30,357</b>	<b>5.9</b>	<b>58,945</b>
Net funds				<b>24,300</b>
Total				<b>83,245</b>
2001				
Building Services	249,765	12,493	5.0	32,860
Support Services	165,610	12,582	7.6	22,125
	<b>415,375</b>	<b>25,075</b>	<b>6.0</b>	<b>54,985</b>
Net funds				<b>5,318</b>
Total				<b>60,303</b>

Included within the Building Services segment above are amounts that relate to discontinued activities. These include turnover of £25,022,555 (2001 £21,637,449) and pre-tax profit/(loss) of £480,683 (2001 £(343,103)).

	2002			2001		
	CONTINUING OPERATIONS £'000	DISCONTINUED OPERATIONS £'000	TOTAL £'000	CONTINUING OPERATIONS £'000	DISCONTINUED OPERATIONS £'000	TOTAL £'000
Turnover	493,829	25,023	518,852	393,738	21,637	415,375
Cost of sales	(380,973)	(16,981)	(397,954)	(301,552)	(13,776)	(315,328)
Gross Profit	112,856	8,042	120,898	92,186	7,861	100,047
Administrative expenses	(83,816)	(7,115)	(90,931)	(67,241)	(7,779)	(75,020)
Operating Profit	29,040	927	29,967	24,945	82	25,027

## 2 Operating Profit

	2002 £'000	2001 £'000
This is stated after charging/(crediting):		
Employment costs (Note 3)	221,595	178,662
Depreciation and other amounts written off tangible and intangible fixed assets:		
- owned assets	11,784	11,703
- leased assets	25	81
Goodwill amortisation	640	73
Auditors' remuneration - audit services for Group	134	120
- audit services for Company	23	20
- other (tax related services)	101	10
Operating lease rentals - plant and vehicles	1,022	2,979
- other	2,512	1,283
Profit on disposal of fixed assets	(678)	(789)
Profit on disposal of subsidiary undertakings	90	-

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 3 Directors and Employees

	2002 £'000	2001 £'000
(i) Employment costs		
Wages and Salaries	203,866	164,483
Social security costs	14,695	11,752
Other pension costs	3,034	2,427
	<u>221,595</u>	<u>178,662</u>
	2002	2001
(ii) The average number of persons employed during the financial year was:		
Site	22,303	20,311
Administration	1,964	1,757
	<u>24,267</u>	<u>22,068</u>
(iii) Details of Directors' remuneration and interests are provided on pages 11 to 13 and should be regarded as an integral part of this note.		

## 4 Interest

	2002 £'000	2001 £'000
Interest receivable	436	135
Bank overdraft	-	(47)
Finance leases	(5)	(7)
Loan stock	(41)	(33)
	<u>390</u>	<u>48</u>

## 5 Tax on Profit on Ordinary Activities

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2001 30%). The current tax charge for the year varies from 30% (2001 varies from 30%) for the reasons set out in the following reconciliation:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	<u>30,357</u>	<u>25,075</u>
Tax on profit on ordinary activities at standard rate	9,107	7,523
Factors affecting the charge:		
Disallowable expenses	291	255
Capital allowances for period in excess of depreciation	140	(213)
Profit on disposal of tangible fixed assets	(210)	(236)
Pre commencement losses	-	380
Goodwill	192	22
Other	6	52
UK corporation tax charge for the year	<u>9,526</u>	<u>7,783</u>
Deferred tax timing differences, origination and reversal	11	625
Adjustments in respect of prior years:		
- deferred tax	(435)	-
- corporation tax	(75)	12
Tax on profit on ordinary activities	<u>9,027</u>	<u>8,420</u>

The Company is not aware of any factors that may materially affect the future tax charge.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 6 Dividends

	2002 £'000	2001 £'000
Interim dividend 0.7p per 2½p share (2001 1.1p per 5p share)	2,021	1,537
Proposed final dividend 0.9p per 2½p share (2001 0.7p per 2½p share)	<u>2,602</u>	<u>1,960</u>
	<b>4,623</b>	<b>3,497</b>
Total dividend per 2½p share for the year	<b>1.6p</b>	1.25p

Subject to approval at the Annual General Meeting, the final dividend will be paid on 1 October 2002 to members on the register on 6 September 2002.

On 2 April 2001 each 5p Ordinary Share was subdivided into two Ordinary Shares of 2½p each.

## 7 Earnings Per Share

The calculation of earnings per 2½p share for 2002 and 2001 is based upon the profit after tax and minority interest.

The weighted average number of shares for this purpose is 284,250,155 (2001 277,603,608). The diluted earnings per share has been calculated on the basic earnings and the weighted number of shares plus an additional 4,813,163 (2001 6,162,684) 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	9,222	683	9,905
Additions	6,767	-	6,767
Disposals	-	(683)	(683)
At end of year	<u>15,989</u>	<u>-</u>	<u>15,989</u>
Amortisation			
At beginning of year	625	683	1,308
Amortised in year	640	-	640
Disposals	-	(683)	(683)
	<u>1,265</u>	<u>-</u>	<u>1,265</u>
Net book value			
At end of year	<u>14,724</u>	<u>-</u>	<u>14,724</u>
At beginning of year	8,597	-	8,597

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

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 9 Fixed Assets - Tangible Group

	FREEHOLD PROPERTIES £'000	LEASEHOLD PROPERTIES £'000	PLANT AND VEHICLES £'000	TOTAL £'000
Cost or Valuation				
At beginning of year	6,382	1,986	73,057	81,425
Additions at cost	16	442	14,393	14,851
Disposals	(269)	(519)	(13,333)	(14,121)
At end of year	<u>6,129</u>	<u>1,909</u>	<u>74,117</u>	<u>82,155</u>
Cost	2,839	1,124	74,117	78,080
Valuation 1995	3,290	785	-	4,075
Depreciation				
At beginning of year	405	337	32,560	33,302
Charge for year	88	60	11,661	11,809
Disposals	(14)	(163)	(7,861)	(8,038)
At end of year	<u>479</u>	<u>234</u>	<u>36,360</u>	<u>37,073</u>
Net book value				
At end of year	<u>5,650</u>	<u>1,675</u>	<u>37,757</u>	<u>45,082</u>
At beginning of year	<u>5,977</u>	<u>1,649</u>	<u>40,497</u>	<u>48,123</u>
Historic cost net book value				
2002	6,120	1,655	37,757	45,532
2001	6,538	1,628	40,497	48,663

No depreciation was charged against freehold or long leasehold buildings up to 1995. For the year ended 31 March 2002, the Profit & Loss Account has been charged with £147,578 depreciation.

The historic cost of revalued properties was £4,173,254 (2001 £4,642,483). The net book value of plant and vehicles held under finance leases included above was £nil (2001 £28,728).

In accordance with the 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.

## 9 Fixed Assets - Tangible Company

	PLANT AND VEHICLES £'000
Cost	
At beginning of year	2,751
Additions and transfers intra Group	481
Disposals	(323)
At end of year	<u>2,909</u>
Depreciation	
At beginning of year	1,689
Transfers	143
Charge for year	315
Disposals	(110)
At end of year	<u>2,037</u>
Net book value	
At end of year	<u>872</u>
At beginning of year	<u>1,062</u>

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 10 Work in Progress and Stocks

	GROUP		COMPANY	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Work in progress	<b>43,346</b>	47,436	-	-
Payments received on account	<b>(21,324)</b>	(25,463)	-	-
Goods for resale	<b>1,684</b>	2,271	-	-
	<b>23,706</b>	24,244	-	-

## 11 Debtors

	GROUP		COMPANY	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Trade debtors	<b>82,013</b>	65,101	-	-
Owed by subsidiary undertakings	-	-	<b>17,115</b>	24,561
Other debtors	<b>2,065</b>	2,583	<b>1,677</b>	993
Prepayments and accrued income	<b>3,045</b>	2,186	<b>541</b>	475
ACT recoverable	<b>14</b>	495	-	-
	<b>87,137</b>	70,365	<b>19,333</b>	26,029

Included in the amounts owed by subsidiary undertakings is the sum of £nil (2001 £218,546) falling due after one year.

Included in other debtors is the sum of £313,785 (2001 £nil) falling due after one year.

## 12 Creditors-due within one year

	GROUP		COMPANY	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loans unsecured and overdraft	-	-	<b>32</b>	10,554
Payments received on account	<b>2,876</b>	3,112	-	-
Trade creditors	<b>71,673</b>	60,911	<b>416</b>	895
Owed to subsidiary undertakings	-	-	<b>7,362</b>	6,833
Corporation tax	<b>5,269</b>	5,061	-	47
Other taxes and social security	<b>16,003</b>	14,766	<b>335</b>	584
Other creditors	<b>1,458</b>	664	<b>262</b>	59
Accruals and deferred income	<b>9,057</b>	7,679	<b>3,539</b>	3,041
Proposed dividends	<b>4,623</b>	1,960	<b>4,623</b>	1,960
Obligations under finance leases	<b>28</b>	29	-	-
	<b>110,987</b>	94,182	<b>16,569</b>	23,973

## 13 Creditors-due after one year

	GROUP		COMPANY	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loans unsecured	-	17	-	-
Obligations under finance leases	<b>27</b>	55	-	-
Other creditors	-	716	-	-
	<b>27</b>	788	-	-

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 the year ended 31 March 2002

## 14 Financial Assets and Liabilities

### Maturity of Borrowings

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

	2002 £'000	2001 £'000
In one year or less, or on demand	28	29
In more than one year but not more than two years	27	29
In more than two years but not more than five years	-	43
	<u>55</u>	<u>101</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 £35,000,000 which are all renewable within one year.

### Interest Rates

At 31 March 2002, the Group had financial liabilities of £55,000 (2001 £101,000). These liabilities are under a floating rate of interest at normal commercial rates. Included within liabilities are immaterial amounts in respect of finance leases.

### 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 2002.

### Currency Exposure

As at 31 March 2002 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 pages 7 to 9.

## 15 Provision for liabilities and charges

	2002 £'000	2001 £'000
Deferred tax		
At beginning of year	2,191	1,566
Disposal during the year	(271)	-
Arising during the year	(424)	625
At end of year	<u>1,496</u>	<u>2,191</u>

FRS 19 (deferred tax) has been adopted during the year. A credit of £463,000 has been taken to the Profit & Loss Account for assets not recognised in previous years. These have been offset against deferred tax liability during this year.

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

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## Called Up Share Capital

	ORDINARY SHARES OF 2½p NUMBER	£'000
Authorised	<b>340,000,000</b>	<b>8,500</b>
2002		
Allotted and Fully Paid		
At beginning of year	<b>139,819,314</b>	<b>6,991</b>
Subdivision	<b>139,819,314</b>	<b>-</b>
	<b>279,638,628</b>	<b>6,991</b>
Issued as Directors' remuneration	<b>60,000</b>	<b>2</b>
Issued for acquisitions	<b>6,737,040</b>	<b>168</b>
Issued under share option schemes	<b>2,348,099</b>	<b>59</b>
At end of year	<b>288,783,767</b>	<b>7,220</b>
2001		
Allotted and Fully Paid		
At beginning of year	137,024,505	6,851
Issued as Directors' remuneration	30,000	2
Issued for acquisitions	2,112,437	106
Issued under share option schemes	652,372	32
At end of year	<b>139,819,314</b>	<b>6,991</b>

On 2 April 2001 each 5p Ordinary Share was subdivided into two Ordinary Shares of 2½p each.

Options outstanding under the Savings Related Share Option Scheme at 31 March 2002 were as follows:

OPTION PRICE	DATE EXERCISABLE	ORDINARY SHARES OF 2½p EACH	
		2002	2001
31½p	September 2001	<b>95,276</b>	1,742,936
37½p	September 2002	<b>917,056</b>	986,792
85p	September 2004	<b>1,250,988</b>	1,530,072
150p	September 2005	<b>1,334,768</b>	1,575,244
125p	September 2006	<b>1,153,332</b>	-
		<b>4,751,420</b>	<b>5,835,044</b>

Options outstanding under the Executive Share Option Scheme at 31 March 2002 were as follows:

OPTION PRICE	DATE EXERCISABLE	ORDINARY SHARES OF 2½p EACH	
		2002	2001
21p	1998-2005	<b>50,000</b>	50,000
31½p	1999-2006	<b>40,000</b>	40,000
50p	2001-2008	<b>1,500,000</b>	1,600,000
57¾p	2001-2008	<b>1,256,400</b>	1,892,000
95p	2002-2009	<b>1,016,000</b>	1,223,000
173¾p	2003-2010	<b>813,600</b>	924,600
145p	2004-2011	<b>892,600</b>	-
		<b>5,568,600</b>	<b>5,729,600</b>

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 17 Share Capital and Reserves

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	RE- VALUATION RESERVE £'000	PROFIT & LOSS ACCOUNT £'000	TOTAL £'000
<b>Group</b>					
At beginning of year	6,991	13,738	(514)	29,951	50,166
Shares issued	229	-	-	-	229
Net premium arising on shares issued	-	10,101	-	-	10,101
Retained profit for the year	-	-	-	13,995	13,995
Revaluation depreciation adjustment	-	-	11	(11)	-
Issue of shares to QUEST	-	1,644	-	(1,644)	-
Balance at end of year	<u>7,220</u>	<u>25,483</u>	<u>(503)</u>	<u>42,291</u>	<u>74,491</u>
<b>Company</b>					
At beginning of year	6,991	13,738	-	34,175	54,904
Shares issued	229	-	-	-	229
Net premium arising on shares issued	-	10,101	-	-	10,101
Retained profit for the year	-	-	-	3,880	3,880
Issue of shares to QUEST	-	1,644	-	(1,644)	-
Balance at end of year	<u>7,220</u>	<u>25,483</u>	<u>-</u>	<u>36,411</u>	<u>69,114</u>

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 £8,503,815 (2001 £12,461,241).

Prior to the adoption of FRS 10 on 1 April 1998, goodwill eliminated against reserves amounted to £26,994,630.

During the year, 1,576,593 Ordinary Shares of 2½p each were issued to The MITIE Group PLC Qualifying Employee Share Ownership Trust (QUEST). The difference between the market value and the option price receivable has been eliminated against the Profit & Loss Account.

## 18 Net cash inflow from operating activities

	2002 £'000	2001 £'000
Operating profit	29,967	25,027
Depreciation	11,809	11,784
Amortisation of goodwill	640	73
Profit on sale of tangible fixed assets	(678)	(789)
Decrease/(increase) in work in progress and stocks	514	(5,955)
(Increase) in debtors	(16,706)	(11,186)
Increase in creditors	11,749	14,157
	<u>37,295</u>	<u>33,111</u>

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 19(a) Purchase of subsidiary undertakings

	2002 £'000	2001 £'000
Fixed assets	-	234
Work in progress and stocks	-	1,004
Debtors	-	882
Bank and cash	-	525
Creditors	-	(1,099)
Tax	-	(137)
Minority interest	3,998	1,202
Goodwill	6,767	4,729
	<u>10,765</u>	<u>7,340</u>
Total purchase consideration	10,765	7,340
Shares issued - MITIE Group PLC	(9,308)	(6,325)
	<u>1,457</u>	<u>1,015</u>
Cash consideration	1,457	1,015
Bank and cash acquired	-	(525)
	<u>1,457</u>	<u>490</u>
Net cash effect	1,457	490

The above items relate principally to the acquisition of minority interests in MITIE Engineering Services (Eastern) Ltd, MITIE Engineering Services (London) Ltd, MITIE Air Conditioning (South West) Ltd, MITIE Cleaning (Midlands) Ltd in August 2001 and MITIE Access Systems Ltd in December 2001 and February 2002 and were accounted for by the acquisition method of accounting.

## 19(b) Disposal of subsidiary undertakings

	2002 £'000	2001 £'000
Tangible fixed assets	3,316	-
Net working capital	(245)	-
Overdraft	(1,305)	-
Minorities	(346)	-
	<u>1,420</u>	<u>-</u>
Profit on disposal	90	-
	<u>1,510</u>	<u>-</u>
Total consideration	1,510	-
- loan notes	448	-
- cash	1,062	-
	<u>1,305</u>	<u>-</u>
Overdraft disposed	1,305	-
	<u>2,367</u>	<u>-</u>
Total cash effect	2,367	-

The above items relate principally to the disposal of MITIE Powered Access Ltd in February 2002.

The subsidiary undertakings sold during the year, and since the year end, contributed £1,641,283 to the Group's net operating cash flows, paid £464,712 in respect of net returns on investments and servicing of finance, paid £19,866 in respect of tax and paid £2,000,871 for capital expenditure.

The interest bearing loan notes of £448,264 are repayable in full by 31 March 2005.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 20 Analysis of changes in net funds

	AT 31 MARCH			AT 31 MARCH	
	2001 £'000	CASHFLOWS £'000	ACQUISITIONS £'000	DISPOSALS £'000	2002 £'000
Cash at bank and in hand	6,135	18,061	(1,457)	2,367	<b>25,106</b>
Net cash	6,135	18,061	(1,457)	2,367	<b>25,106</b>
Debt due within one year	-	(751)	-	-	<b>(751)</b>
Debt due after one year	(733)	668	-	65	-
Finance leases	(84)	29	-	-	<b>(55)</b>
Debt financing	(817)	(54)	-	65	<b>(806)</b>
Net funds	<b>5,318</b>	<b>18,007</b>	<b>(1,457)</b>	<b>2,432</b>	<b>24,300</b>

## 21 Reconciliation of net cash flow to movement in net funds

	2002 £'000	2001 £'000
Increase in cash during year	<b>18,971</b>	4,330
Cash inflow/(outflow) from (decrease)/increase in debt and lease financing	<b>11</b>	(48)
Movement in net funds in the year	<b>18,982</b>	4,282
Net funds at beginning of year	<b>5,318</b>	1,036
Net funds at end of year	<b>24,300</b>	5,318

## 22 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.

In connection with the sale of The Platform Company (UK) Ltd (formerly MITIE Powered Access Ltd), the Group has guaranteed lease commitments amounting to £4,396,390. These commitments reduce to £2,722,702, £1,049,015 and £Nil over the next three years. Against these guarantees, the Group has received indemnities from the Group's bankers of £705,252 and from the suppliers of the leased equipment of £984,308, giving a net contingent liability of £2,706,830.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 23 Commitments

	2002		2001	
	£'000		£'000	
Capital commitments are estimated as follows:				
Contracted for but not provided for in the accounts		-		571
		<u>          </u>		<u>          </u>
	2002		2001	
	PROPERTY	OTHER	PROPERTY	OTHER
	£'000	£'000	£'000	£'000
Annual commitments under operating leases which expire				
Within one year	313	49	256	30
In second to fifth years inclusive	792	802	338	2,380
Over five years	882	5	922	79
	<u>1,987</u>	<u>856</u>	<u>1,516</u>	<u>2,489</u>

## 24 Investment in Subsidiary Undertakings

	SHARES AT COST	PROVISION FOR IMPAIRMENT	NET BOOK VALUE
	£'000	£'000	£'000
At beginning of year	46,556	(3,006)	43,550
Additions	12,698	-	12,698
Disposals	(2,558)	-	(2,558)
Provisions released	-	240	240
At end of year	<u>56,696</u>	<u>(2,766)</u>	<u>53,930</u>

The principal operating subsidiary undertakings are detailed in Note 29.

## 25 Pensions

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in (a) are those required by the standard. FRS 17 (Retirement Benefits) was issued in November 2000 but will not be mandatory for the Group and Company until the year ended 31 March 2004 at the earliest. In the interim, the Group has decided to follow the transitional arrangements set out in paragraph 94 of the Standard. These disclosures to the extent not given in (a) are set out in (b).

### (a) SSAP 24

The Group operates two defined benefit pension schemes called the MITIE Group PLC Pension Scheme and the MITIE Group PLC Passport Pension Scheme.

The assets of both schemes are held separately from the Group, being invested in UK equities and with insurance companies. Contributions to the schemes are charged to the Profit & Loss Account so as to spread the cost of pensions over the 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 pension charge for the year was £2,664,846 (2001 £2,220,782).

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 25 Pensions cont.

### MITIE Group PLC Pension Scheme

The most recent valuation was at 5 April 1999. It was assumed that:

Investment return	7.50%
Salary increases	5.50%
Present and future pension increases	5.00%

The next actuarial valuation is in the process of being completed as at 5 April 2002. The 1999 actuarial valuation showed that the market value of the 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 are 10% (2001 9%) and 7.5% (2001 5%) of pensionable earnings respectively.

### MITIE Group PLC Passport Pension Scheme

The most recent valuation was at 6 April 2000. It was assumed that:

Investment return	
Pre retirement	6.50%
Post retirement	5.50%
Salary increases	4.00%
Present and future pension increases	2.75%

The next actuarial valuation is at 5 April 2003. The 2000 actuarial valuation showed that the market value of the assets was £240,000 and that the actuarial value of those assets represented 80% of the benefits that had accrued to members after allowing for expected future increases in earnings. The contributions of the Group and employees total 23.5% (2001 23.5%) with employees contributing between 1.5% and 6%.

### (b) FRS 17 (Retirement Benefits)

As stated above the Group operates two defined benefit pension schemes. The valuations used for the FRS 17 disclosure have been based on the most recent actuarial valuations at 6 April 1999 and 6 April 2000 respectively, updated to 31 March 2002 by a qualified actuary.

The costs of death in service benefit for members of the scheme are fully insured by the schemes.

The projected unit valuation method has been used. The major financial assumptions used by the actuary were:

AT 31 MARCH 2002

Discount rate	6.25%
Rate of increase in salaries	3.50%
Rate of increase in pensions in payment (pre April 1997)	3.00%
Rate of increase in pensions in payment (post April 1997)	3.00%
Inflation assumption	2.75%
Increase in deferred benefits during deferment	2.75%

The assets of the schemes and expected rates of return were:

	LONGER TERM EXPECTED RATE OF RETURN	VALUE AT 31 MARCH 2002 £'000
Equities	7.25%	18,947
Bonds	5.75%	3,022
Others	5.00%	2,593
Current assets		232
Total market value of assets		24,794
Present value of scheme liabilities		(25,850)
Deficit in the scheme		(1,056)
Related deferred tax liability		317
Net pension liability		(739)

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# NOTES TO THE ACCOUNTS

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For the year ended 31 March 2002

## 25 Pensions cont.

The impact on the Balance Sheet and Reserves at 31 March 2002 of adopting FRS 17 would be as follows:

	AT 31 MARCH 2002 £'000
Net assets excluding pension liability	83,245
Net pension liability	(739)
Net assets including pension liability	<u>82,506</u>
Profit & Loss Reserve excluding pension liability	42,291
Net pension liability	(739)
Net Profit & Loss Reserve including pension liability	<u>41,552</u>

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## 26 Other Interests in Shares

The Company has been notified of the following interests in 3% or more of the share capital of the Company as at 12 July 2002:

	NUMBER OF ORDINARY SHARES OF 2½p EACH	% OF SHARE CAPITAL
Aviva plc	18,611,685	6.25
Standard Life Investments Ltd	9,615,032	3.23

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## 27 Related Party Transactions

During the year the Group paid £ Nil (2001 £16,000), in respect of purchases in the ordinary course of business, to a private company controlled by Mr D. M. Telling, Chairman.

During the year Mr N. F. Swiffen and Mr N. R. Goodman paid £580 (2001 £1,363) and £6,490 (2001 £ Nil) respectively to subsidiary undertakings of the Group in respect of services provided in the ordinary course of business.

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 FRS8 not to disclose transactions with companies within the Group.

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## 28 Post Balance Sheet Events

On 15 May 2002 the Group acquired the remaining minority interest in MITIE Managed Services Ltd for a total consideration of £13,408,322, of which £902,327 was in the form of cash and the remainder by the issue of 8,869,500 2½p Ordinary Shares. MITIE Group PLC now owns 100% of MITIE Managed Services Ltd.

On 11 June 2002 the Group disposed of its interests in MITIE Access Ltd, MITIE Access (North East) Ltd, MITIE Access (Northern) Ltd, MITIE Access (Scotland) Ltd and MITIE Access (Southern) Ltd. The consideration for the Companies was £4,984,000 and was paid in cash. With this and settlement of other inter-company balances by the purchaser, MITIE Group PLC received total cash of £7,373,011 as a result of the transaction. Overdrafts of £6,061,200 were transferred as part of this transaction.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 29 Principal Operating Subsidiary and Associated Companies

The companies set out below are those which were part of the Group at 31 March 2002 and in the opinion of the Directors significantly affected the Group's results and net assets during the year.

AT 31 MARCH  
2002  
% ORDINARY  
SHARES  
OWNED

<b>Scotland</b>	B	MITIE Access (Scotland) Ltd	94
	B	MITIE Engineering Services (Scotland) Ltd	100
	S	MITIE Envirocare Ltd	78
	B	MITIE HydroCat Ltd	98
	B	MITIE Lindsay Ltd	67
	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
<b>North</b>	B	MITIE Air Conditioning (North) Ltd	67
	B	MITIE Access (North East) Ltd	54
	B	MITIE Access (Northern) Ltd	100
	S	MITIE Cleaning (North) Ltd	100
	B	MITIE Engineering Services (Leeds) Ltd	83
	B	MITIE Engineering Services (North) Ltd	100
	B	MITIE Greencote Ltd	69
	B	MITIE Engineering Services (Liverpool) Ltd	70
	B	MITIE Property Services (North East) Ltd	100
	B	MITIE Property Services (North West) Ltd	100
	S	MITIE Security (North) Ltd	100
<b>Midlands</b>	B	MITIE Air Conditioning (Midlands) Ltd	65
	S	MITIE Cleaning (Midlands) Ltd	100
	B	MITIE Engineering Services (Midlands) Ltd	75
	B	MITIE Property Services (Midlands) Ltd	56
	B	MITIE Roofing Services Ltd	84
<b>South East</b>	B	● MITIE Access (Southern) Ltd	94
	B	MITIE Air Conditioning (London) Ltd	82
	S	MITIE Business Services Ltd	80
	S	MITIE Cleaning (South East) Ltd	100
	S	MITIE Cleaning (Southern) Ltd	100
	S	MITIE Engineering Maintenance Ltd	68
	B	MITIE Engineering Services (Eastern) Ltd	100
	B	MITIE Engineering Services (London) Ltd	100
	B	MITIE Engineering Services (South East) Ltd	100
	B	MITIE Flooring (Southern) Ltd	75
	B	MITIE Property Services (Eastern) Ltd	58
	B	● MITIE Property Services (London) Ltd	51
	B	MITIE Property Services (Southern) Ltd	100
	B	MITIE Roofing (South East) Ltd	100
	S	MITIE Security (Southern) Ltd	100

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

## 29 Principal Operating Subsidiary and Associated Companies cont.

AT 31 MARCH  
2002  
% ORDINARY  
SHARES  
OWNED

<b>South West</b>		Cole Motors Ltd	100
	B	MITIE Air Conditioning (South West) Ltd	100
	B	MITIE Air Conditioning (Wales) Ltd	70
	B	MITIE Air Conditioning (West) Ltd	78
	S	MITIE Cleaning (South Wales) Ltd	100
	S	MITIE Cleaning (South West) Ltd	100
	S	MITIE Engineering Maintenance (South West) Ltd	58
	S	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	88
	B	MITIE Property Services (Western) Ltd	100
B	MITIE Roofing (South West) Ltd	100	
<b>National</b>	S	MITIE Catering Services Ltd	84
	B	MITIE Cleanrooms Ltd	75
	B	● MITIE Generation Ltd	94
	S	MITIE Managed Services Ltd	54
	S	MITIE PFI Ltd	75
	B	MITIE Pharmaceutical Engineering (Southern) Ltd	75
	B	MITIE Engineering Services (Retail) Ltd	75
	S	Service Management International Ltd	33
<b>Administration</b>	B	MITIE Access Systems Ltd	94
	S	MITIE Cleaning Ltd	100
	B	MITIE Engineering Services Ltd	100
		MITIE Property Investments Ltd	100
	B	MITIE Property Services Ltd	100
		MITIE QUEST Trustee Ltd	100
		MITIE Reinsurance Company Ltd	100

- Shareholdings held by intermediate subsidiary undertakings
- B Building Services
- S Support Services

All companies were incorporated in and operate within the United Kingdom, except for MITIE Reinsurance Company Ltd which was registered and operates in Guernsey.

Certain companies operate on the basis of 13 four weekly periods and have drawn up their accounts to 9 March 2002. Adjustments have been made on consolidation to include the results of these companies for the period from that date to 31 March 2002.

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.

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# NOTICE OF MEETING

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Notice is hereby given that the Sixty Sixth Annual General Meeting of MITIE Group PLC will be held at The Stable Block, Barley Wood, Wrington, Bristol BS40 5SA on Thursday, 19 September 2002 at 12 noon for the following purposes:

## **Ordinary business**

To consider and, if thought fit, pass the following Resolutions which will be proposed as Ordinary Resolutions:

1. That the Accounts for the year ended 31 March 2002 and the Reports of the Directors and Auditors thereon be received.
2. That a final dividend for the year ended 31 March 2002 of 0.9p per Ordinary Share be declared.
3. That Ian Reginald Stewart be re-elected as a Director.
4. That Nigel Francis Swiffen be re-elected as a Director.
5. That Donald Charles Macpherson be re-elected as a Director.
6. That Manish Jayantilal Chande be re-elected as a Director.
7. That Deloitte & Touche be reappointed as Auditors of the Company until the conclusion of the next general meeting before which accounts are laid and that their remuneration be fixed by the Directors.

## **Special business**

To consider and, if thought fit, pass the following Resolutions which will be proposed as Special Resolutions:

8. That the Directors be generally 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 of the said Act 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 interests of all such Shareholders are proportionate (as nearly as may be) to the respective number of Ordinary Shares of 2½p each 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 £370,000 (approximately 5% of the current issued share capital);

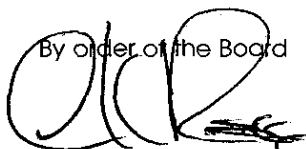
and this authority shall expire 15 months after the date of the passing of this Resolution or at the conclusion of the next Annual General Meeting of the Company, whichever comes first, save that the Company may before such expiry make an offer or agreement which would or might require equity securities 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.

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# NOTICE OF MEETING

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9. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary Shares of 2½p each in the Company, on such terms and in such manner as the Board of Directors of the Company may from time to time determine, provided that:
- (a) the maximum number of Ordinary Shares of 2½p each which may be purchased is 14,800,000 (approximately 5% of the issued share capital);
  - (b) the minimum price which may be paid for an Ordinary Share is 2½p, exclusive of expenses;
  - (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotation of an Ordinary Share of the Company as derived from the Daily Official List of the London Stock Exchange on the five business days immediately preceding the day on which the Ordinary Share is purchased, exclusive of expenses; and
  - (d) this authority shall expire 15 months after the date of the passing of this Resolution or at the conclusion of the next Annual General Meeting of the Company, whichever comes first, except in relation to purchases of shares the contract for which was concluded before the expiry of this authority and which might be executed wholly or partly after such expiry.

By order of the Board  
  
**Corina K. Ross**  
Secretary

*Registered Office:*  
Dovehill Farm  
180 Riverford Road  
Glasgow  
G43 2DE

12 August 2002

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## Notes:

1. Any member entitled to attend and vote at this meeting may appoint one or more 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 Investor Services PLC, PO Box 1075, Bristol BS99 3FA not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion of a form of proxy does not preclude a member from attending and voting in person.
3. The Company, pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those members registered in the Register of Members of the Company as at close of business on 17 September 2002 shall be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. The following documents will be available for inspection at the Registered Office and Head Office of the Company during normal business hours on any weekday (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 am until its conclusion:
  - The Register of Directors' interests in the share capital of the Company kept pursuant to Section 325 of the Companies Act 1985; and
  - Copies of the Directors' service agreements.

## GROUP STATISTICAL RECORD

	2002 £'000	2001 £'000	2000 £'000	1999 £'000	1998 £'000
Turnover and Profit					
Turnover	<u>518,852</u>	<u>415,375</u>	<u>346,514</u>	<u>264,455</u>	<u>236,293</u>
Profit on ordinary activities before tax	<b>30,357</b>	25,075	19,240	14,508	11,100
Tax	<u>(9,027)</u>	<u>(8,420)</u>	<u>(6,080)</u>	<u>(4,676)</u>	<u>(3,419)</u>
Profit on ordinary activities after tax	<b>21,330</b>	16,655	13,160	9,832	7,681
Minority interest	<b>(2,712)</b>	(2,703)	(2,067)	(1,134)	(939)
Dividends	<u>(4,623)</u>	<u>(3,497)</u>	<u>(2,751)</u>	<u>(2,166)</u>	<u>(1,659)</u>
Profit retained	<u><b>13,995</b></u>	<u>10,455</u>	<u>8,342</u>	<u>6,532</u>	<u>5,083</u>
Assets employed					
Intangible fixed assets	<b>14,724</b>	8,597	4,283	2,367	-
Tangible fixed assets	<b>45,082</b>	48,123	39,090	30,672	20,529
Other assets and liabilities	<u>23,439</u>	<u>3,583</u>	<u>(1,723)</u>	<u>(4,725)</u>	<u>(3,058)</u>
	<u><b>83,245</b></u>	<u>60,303</u>	<u>41,650</u>	<u>28,314</u>	<u>17,471</u>
Financed by					
Shareholders' interests	<b>74,491</b>	50,166	32,900	22,623	14,325
Minority interest	<u>8,754</u>	<u>10,137</u>	<u>8,750</u>	<u>5,691</u>	<u>3,146</u>
	<u><b>83,245</b></u>	<u>60,303</u>	<u>41,650</u>	<u>28,314</u>	<u>17,471</u>
Earnings per share	<b>6.5p</b>	5.0p	4.1p	3.2p	2.6p
Dividend per share	<b>1.6p</b>	1.25p	1.0p	0.8p	0.6p

Earnings and dividend per share figures have been re-stated to reflect the subdivision of shares in 1997, 1998 and 2001.

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# CORPORATE INFORMATION

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**Secretary**

Corina K. Ross ACIS

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**Registered Office**

Dovehill Farm  
180 Riverford Road  
Glasgow G43 2DE  
Registered in Scotland No. 19230

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**Head Office**

The Stable Block  
Barley Wood  
Wrington  
Bristol BS40 5SA  
Tel: 01934 862006  
Fax: 01934 862239  
E.mail: [group@mitie.co.uk](mailto:group@mitie.co.uk)  
Website: [www.mitie.co.uk](http://www.mitie.co.uk)

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**Auditors**

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

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**Bankers**

Barclays Bank plc  
HSBC Bank plc  
National Westminster Bank PLC  
The Royal Bank of Scotland plc

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**Stockbrokers**

UBS Warburg Limited  
2 Finsbury Avenue  
London EC2M 2PP

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**Solicitors**

Osborne Clarke  
2 Temple Back East  
Temple Quay  
Bristol BS1 6EG

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**Registrars**

Computershare Investor Services PLC  
PO Box 435 Owen House  
8 Bankhead Crossway North  
Edinburgh EH11 4BR  
Tel: 0870 702 0010  
Website: [www.computershare.com](http://www.computershare.com)



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to improve your service

FORM ML13/1

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**BULK LIST OF SHAREHOLDERS OR MEMBERS**

**A bulk list (over 50 pages) of Shareholders or Members for the company named below has been lodged but does not appear on this annual return microfiche.**

**If you wish to search the list, please enquire at the Public Counter.**

Company Number SC19230

Company Name MITIE GROUP PLC

Annual Return Date 03/10/02