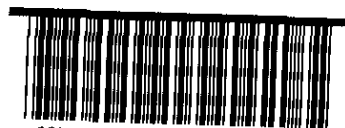


CO NO. SC 19230

Annual Report 2003

MITIE GROUP PLC



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MITIE GROUP PLC

is a unique organisation because of its motivational culture of share ownership and the range of its services.

1	Financial Highlights	26	Reconciliation of Movements in Shareholders' Funds
2	Chairman's Statement	26	Note of Historical Cost Profits and Losses
4	Chief Executive's Review	27	Group Balance Sheet
10	Corporate Social Responsibility	28	Company Balance Sheet
12	Group Finance Director's Review	29	Group Cash Flow Statement
15	Board of Directors	30	Accounting Policies
16	Directors' Report	32	Notes to the Accounts
18	Remuneration Report	48	Five Year Summary
22	Corporate Governance	49	Notice of Meeting
24	Independent Auditors' Report	51	Corporate Information
25	Group Profit and Loss Account		

The organisation comprises specialist businesses in the fields of cleaning, engineering maintenance, managed services, property services, engineering services and access systems.

"We continue to deliver profitable growth by remaining focused on our core activities and putting our customers first"

David M Telling Chairman

TURNOVER (\$m)

2003	565.8
2002	518.9

PROFIT BEFORE TAX – PRE-GOODWILL⁽¹⁾ (\$m)

2003	34.1
2002	31.0

PROFIT BEFORE TAX (\$m)

2003	31.8
2002	30.4

EARNINGS PER SHARE – PRE-GOODWILL⁽¹⁾ (pence)

2003	7.3
2002	6.8

EARNINGS PER SHARE (pence)

2003	6.5
2002	6.5

CASH (\$m)

2003	55.0
2002	25.1

DIVIDEND PER SHARE (pence)

2003	1.9
2002	1.6

FINANCIAL HIGHLIGHTS

	2003	2002	
Turnover	£ 565.8m	£ 518.9m	up 9%
Profit before tax – pre-goodwill ⁽¹⁾	£34.1m	£31.0m	up 10%
Profit before tax	£31.8m	£30.4m	up 5%
Earnings per share – pre-goodwill ⁽¹⁾	7.3p	6.8p	up 8%
Earnings per share	6.5p	6.5p	
Cash	£55.0m	£25.1m	up 119%
Dividend per share	1.9p	1.6p	up 19%

(1) Statutory proforma profit before tax is shown within the Group Profit and Loss Account

(1) Reconciliation of earnings per share is shown in Note 7 to the Accounts

Chairman's Statement I am pleased to be able to report that MITIE's 2003 results show a sixteenth consecutive year of profitable growth and very positive cash flow.

DAVID M TELLING CHAIRMAN

"I know that these positive results have only been possible because of the hard work, dedication and motivation of our people, who are achieving considerable success."

MITIE Group PLC ("MITIE") has made good progress and our Support Services Division has had a particularly strong year despite changing economic conditions that have tightened our markets over the past twelve months. Our commitment to delivering service levels that enable customers to achieve their own objectives underpins this continuing success.

Results

Turnover rose to £565.8 million, an increase of 9%, and profit before tax, goodwill amortisation and impairment rose by 10% to £34.1 million. Earnings per share (pre-goodwill amortisation and impairment) rose by 8% to 7.3p (Note 7). We have increased our cash balance by £29.9 million to £55.0 million. Your Board is recommending a final dividend of 1.1p per share, making a total of 1.9p for the year, an increase of 19%.

Corporate Developments

Development of the MITIE business model has continued strongly throughout the financial year. We have started eight new companies. Managed Services and Engineering Maintenance have increased their national coverage. We have introduced our Engineering discipline into niche markets such as social housing, utilities and technology and in the South East of England, we have started a landscape business and an interior contracting business.

In January 2003, we signed our biggest ever contract, worth over £100 million. The contract with Rolls-Royce provides opportunities for all of our businesses and is the first major example of how MITIE companies, working together, can benefit our customers on a national basis.

We have continued our strategy of reducing our exposure to capital-intensive businesses. We sold our Access contracting companies in June 2002 and we are closing both MITIE Lindsay Ltd and MITIE HydroCat Ltd.

Since the year end, we have completed the acquisitions of Trident Safeguards Ltd, a manned guarding security company, and Eagle Pest Control Services UK Ltd. These acquisitions will accelerate our development in markets where we see good potential.

People

These positive results have only been possible because of the hard work, dedication and motivation of our people, who are achieving considerable success in difficult times. I would like to thank all of them for their efforts this year.

MITIE people understand that their own success comes from satisfying their customers. In order to achieve this, they take the time to understand their customers' goals and the contribution that MITIE can make towards reaching them.

Our management team has been strengthened by the appointment of Ruby McGregor-Smith as Group Finance Director in December 2002 and she has already added considerable value. We have also increased the number of Non-Executive Directors. Manish J Chande was appointed in July 2002, David C Ord in October 2002 and Cullum McAlpine in April 2003. Between them they have a wide range of skills and experience that will add considerably to the strength of the Board.

Three people who have contributed greatly to MITIE's success have retired during the year. Nigel Swiffen retired as a Non-Executive Director after 11 years; John Urquhart as Head of Corporate Affairs after enthusiastically representing the Company for 10 years; and Marshall Thomas as Group Chief Accountant who joined MITIE shortly after its formation in 1987. I thank them all for their period of loyal service and wish them well in their retirement.

Outlook

MITIE has enjoyed success for over fifteen years and will, I believe, deliver further profitable growth over the years to come. The current year has started in line with expectations and we will develop by building on the many unique qualities that MITIE can offer and by continually seeking to enhance Shareholder value.

The strength in depth of our management puts us in a position where, even in the most challenging of market conditions, we are able to make progress. We have 23,000 highly talented and motivated people who understand the MITIE philosophy of putting customers first. Our capacity to deliver services nationally ensures that we are well placed to benefit from the continuing trend towards outsourcing and the bundling of services. Our companies are realising significant benefits from working together and this is a trend I expect to continue. These attributes, combined with the extra growth of our start-up companies, mean that we are well placed for the future.

MITIE is known for quality in services, customers and earnings. Your Company will remain focused on its core activities and continue to grow the business by putting its customers first.

David M Telling
Chairman

Chief Executive's Review Our progress this year is a tribute to our dedicated workforce.

IAN R STEWART CHIEF EXECUTIVE

"Rolls-Royce have demonstrated their confidence in MITIE by awarding us a comprehensive contract across a number of our services."

The goal that I set last year was 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 believe that we are making good progress towards this.

Market Opportunities

The markets in which we operate continue to change as our customers seek new methods of procurement. As a Group, we will continue to review our strategy regularly to ensure that the solutions we offer meet the needs of existing and potential clients. We currently see three areas of opportunity which we are ideally placed to serve:

1. Single Service: Specialist single service companies have been the basis for MITIE's ongoing success. However, our share of the total potential market is still below 2% – leaving considerable opportunity for expansion. Our aim is for each of our single service companies to capture 5% of their respective market and where appropriate, to start new companies to help achieve this.

2. Bundled Services: Many of our major clients such as Dell Computer Corporation and MCI are approaching us to see if we can provide more than one service. Rolls-Royce is a good example. They have demonstrated their confidence in MITIE by awarding us a comprehensive contract across a number of our services and this is a trend that I see continuing.

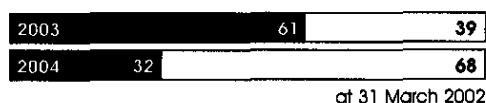
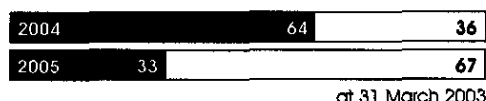
In these cases, MITIE selects the best individual or team to run the contract. The customer is able to retain an active role in the management of their facility whilst benefiting from a combination of specialist operating companies providing a bundled service under a single point of contact.

3. Facilities Management: Many customers want to focus completely on their core activity. In this case, MITIE Managed Services can look after the customer's complete property portfolio from estate management to the management and provision of a multi-activity and services contract.

Revenue visibility

We have continued to see an improvement in the visibility of our future earnings. This is an encouraging trend and one that I expect to continue. The percentage of budgeted revenue secured for 2004 is 64% at 31 March 2003, compared to 61% last year. The percentage of budgeted revenue secured for 2005 is 33% at 31 March 2003, compared to 32% last year.

PERCENTAGE OF REVENUE SECURED



■ Secured
□ Unsecured

Margins

It is a tribute to our management that they have been able to produce consistently high margins in such a competitive environment. By listening to our customers and delivering our services in the most cost-effective way, we are confident that we can maintain this trend.

During the first half of this year the margin in our Support Services Division was affected by one-off bid costs relating to our involvement in two large government/PFI contracts, but I am pleased to report that margins in the second half of the year reflect an improved performance.

With greater exposure to economic fluctuations, margins within the Building Services Division have been under pressure. Our decision to close the marine portion of MITIE Lindsay Ltd and MITIE HydroCat Ltd businesses – because of their

high capital requirements and extreme vulnerability to changes in market conditions – also impacted on performance in this Division. We have withdrawn completely from the marine market and incorporated the industrial painting capability within our existing Property Services companies.

PFI (Private Finance Initiative)

We said in our Interim Report that we have decided not to be involved in PFI projects as an equity investor. This remains our policy. Any reference, therefore, to PFI projects is purely as a facility manager or service provider.

Cash

The planned reduction in our exposure to the capital-intensive parts of our business resulted in the receipt of £11.4 million and at the end of this financial year, we had a positive cash balance of £55.0 million. We expect that we will continue to be cash generative.

We recognise that cash ultimately belongs to the Shareholders and that it is my responsibility to ensure that they receive the maximum long term return on our assets. The appointment of Colin Hale as Strategic Development Director last year was as a result of our stated intention to look at small strategic acquisitions that can accelerate our development in some key areas. The recent acquisitions of Trident Safeguards Ltd and Eagle Pest Control Services UK Ltd show a strong cultural fit with MITIE and will have an impact on our long term development. Trident Safeguards Ltd adds considerably to our Security discipline in the South East of England. Eagle Pest Control Services UK Ltd will allow us to self-deliver a service that our customers frequently request.

We will continue to review the efficiency of our balance sheet and will manage our assets with the best interests of our Shareholders in mind.

ENGINEERING SERVICES

Through creating a controlled ambient environment we bring buildings to life in a way that enables our customers to fulfil their own objectives. Clients for our design and installation, refurbishment and new-build projects range from national companies to individual schools. MITIE Engineering Services comprises thirteen regional contracting companies and six specialist companies.

Chief Executive's Review

GENERATION

We provide innovative, safe and cost-effective access equipment and non-mechanical builders plant for hire and sale through a national network of branches. Our systems – many of them designed in-house – are designed to ensure increased productivity and site safety.

Chief Executive's Review of Building Services operations

This has been an encouraging year for **Engineering Services**. There are positive trends in the regional markets and niche sectors despite the downturn in activity in the South East. We have expanded through the start-ups of MITIE Environmental Ltd, MITIE Technology Ltd, MITIE Engineering Projects Ltd and the acquisition of Scotgate Engineering Services Ltd.

Public sector opportunities including hospitals, universities and other education facilities provided various interesting contracts. We have increased the number of longer term framework contracts and we retain a number of notable private sector clients as well as productive partnerships, such as with Land Securities Trillium Ltd.

The progress made by our niche trading companies in securing sizeable projects for national retailers such as ASDA, Woolworths, Boots and Marks & Spencer has been based on gaining a firm understanding of their culture and objectives and we will continue to apply this principle across all of our businesses.

MITIE Scientific Projects Ltd has secured new contracts as well as preferred contractor status and ongoing projects with major customers including Johnson & Johnson and GlaxoSmithKline.

Property Services exceeded internal targets for the year and contributed good forward visibility of earnings with a number of best value and five year partnering initiatives and a significant proportion of repeat business including our contract with Birmingham City Council. We have expanded our capability in the interiors and refurbishment market with the establishment of MITIE Interiors Ltd. Contracts were secured with British Telecom for Scotland, the North East of England, London and the Home Counties.

As part of our constant drive to improve margins and increase quality, we have recruited a procurement specialist to focus on the reduction of our cost base. Corporate responsibility underpins the discipline and we have committed serious financial resource towards the training and development of our people with particular emphasis on Health & Safety.

The initiative of MITIE Property Services (Southern) Ltd in teaming up with a school in Portsmouth to form the MITIE Construction Skills Centre has proved so successful that we are rolling the scheme out in other areas. Each initiative will create opportunities for children to gain hands-on experience in the various trades associated with our work.

Following last year's restructuring, **Access** has achieved an increase in turnover of 40%. The company has developed some significant partnerships and continues to bring innovative safety products successfully to market. Branches which focus on light access equipment continue to show good growth and we will strengthen our position further with the opening of a branch in Northampton in Autumn 2003.

Chief Executive's Review of Support Services operations

Our Support Services Division has had an excellent year. The companies in the Division are working well together and there has been an increase in the number of contracts where MITIE companies are providing bundled services – a trend which will provide a strong foundation for future growth.

The **Cleaning** discipline continues to make progress, retaining contracts which were re-tendered during the year and winning major public and private sector contracts. These include Tesco, Avon & Somerset Constabulary, Worcestershire County Council, Terry's Chocolate Factory and BNFL at Sellafield. Cleaning also received a Premises & Facilities Management Health & Safety Award in partnership with BNFL Oldbury.

Catering Services had a year of consolidation. The prospects for the year to come are good

following contract wins including The Society of Motor Manufacturers & Traders in London and the Construction Industry Training Board HQ in Norfolk. An internal operating brand, "Ingredients", was launched and is being rolled out throughout our premium catering contracts.

MITIE Landscape (Southern) Ltd commenced trading in July 2002 and has already secured contracts including Shell International Residential Estate, MCI and Novartis. This is our first company in grounds maintenance and we intend to develop national coverage with additional start-up companies.

Our Security business has continued to grow nationally. It has been successful in a number of joint ventures with MITIE Managed Services including Clariant UK. It has also won contracts for Coca-Cola Ltd and Maryhill Shopping Centre in Glasgow.

Portsmouth School

"MITIE helped us provide a new focus for generations to come."

PROPERTY SERVICES

MITIE delivers a planned and integrated value solution to maintenance, working in partnership with property owners and occupiers. Core activities include building refurbishment, commercial and industrial painting, interiors, roofing, flooring, fire protection and planned maintenance. We employ a wide range of qualified and highly skilled tradespeople.

Managed Services has expanded rapidly over the last year with two major five year contract wins for the Home Office, covering some 540 buildings across the North and South West. With complete UK coverage following the start of MITIE Managed Services (South West & Wales) Ltd in January 2003, we are in a strong position to bid for some larger scale national contracts. Managed Services has secured further facilities management contracts as service provider on PFI schools projects and additional private sector clients including IMS Healthcare.

Business Services continued its rapid growth and now serves seven of the world's top 20 law firms including Linklaters and Clifford Chance. New contracts were secured in the banking sector and our work for Barclays Capital, Merrill Lynch and other large financial institutions expanded in scope.

Engineering Maintenance has had a very successful year. Our national coverage has increased with the establishment of MITIE Engineering Maintenance (Caledonia) Ltd and MITIE Engineering Maintenance (North) Ltd. We have also merged the two South West businesses to reduce overheads and improve efficiency. Engineering Maintenance has taken the lead role in the Rolls-Royce contract which also includes cleaning, catering, security and landscaping. There was a bundled services success with Dell Computers, a new contract with the Royal Courts of Justice in London, a national contract with HQ Global and extended business with RAF Waddington and the Foreign & Commonwealth Office.

The Support Services Division is well placed to produce further growth as it benefits from an increase in the tendency towards bundled services and the increasingly sophisticated technical and commercial demands of our customers.

ENGINEERING MAINTENANCE

A 24 hours a day, 365 days a year operation offering planned and reactive maintenance for mechanical and electrical building services. All services are delivered by directly employed MITIE staff with an emphasis on pro-active management, engineering excellence, quality and safety.

MITIE - Management Incentive Through Investment Equity

Health, Safety and the Environment

Individual Managing Directors within the Group recognise and accept responsibility for Health, Safety and the Environment. They are supported by 26 advisors who make up the department from whom the Health, Safety and Environment Committee is formed. This committee is chaired by the Head of Health & Safety who reports directly to me. I continue to drive improvements to the way in which we manage safety and the environment.

Quality

It is only by remaining 100% committed to quality in all its aspects that we will help our customers to meet their objectives and build on our own competitiveness. The Chairman's Quality Award this year is based on financial leadership, the first criteria of the Business Excellence Model as promoted by the British Quality Foundation. Final assessments will be made in July 2003 with awards presented to regional winners at the Annual General Meeting in September 2003. The overall winners will receive a prize of MITIE Group shares. Next year, we will take customer service and results as our topic, followed in successive years by the remaining three criteria.

Conclusion

MITIE has continued to make progress in a challenging year. This is a tribute to our dedicated workforce who are our main asset and the envy of our competition. I would like to take this opportunity of expressing my sincere thanks for their hard work and loyalty. I look forward to another successful year in 2003-2004.

Ian R Stewart
Chief Executive

MANAGED SERVICES

Our facilities and property infrastructure management service is geared towards enabling finance, property and facility directors to focus on their own core business. Bespoke service packages are developed for each client by mixing in-house components with our own services to deliver cost certainty, and total flexibility.

CLEANING

This MITIE discipline offers a comprehensive range of integrated support services including specialist and general cleaning, catering, security, pest control and landscaping. Customers range from High Street banks to schools and major industrial and manufacturing plants.

Corporate Social Responsibility At MITIE
we recognise that our Company does not
operate in isolation.

IOSH TRAINING 2003

IOSH WORKING SAFELY OR CITB/HVCA EQUIVALENT

Building Services	921
Support Services 308	employees
	employees

IOSH MANAGING SAFELY OR CITB/HVCA EQUIVALENT

Building Services	156
Support Services 49	employees
	employees

"We constantly challenge ourselves to improve our performance in the areas of health, safety and environmental impact."

We are committed to proactively managing issues related to health, safety and the environmental impact of our business activities. We constantly challenge ourselves to improve our performance in these areas. The Chief Executive retains responsibility for these areas at Board level and continually drives forward improvements throughout the Group.

People

MITIE provides equal opportunities and is committed to the principle of equality regardless of race, creed, colour, nationality, sex or disability. We apply employment policies that are fair, equitable and consistent with the skills and abilities of our employees and the needs of the business.

The Board of Directors has identified a number of policy areas that are essential to the future success of the Company. These include, among others, the recruitment and selection of employees, communications, consultation and participation and equal opportunity. We also recognise that for these policies to be successfully implemented, operated and developed, there should be an awareness and acceptance of them at every level of the organisation.

We do not condone any discriminatory act or attitude in the conduct of our business with the public or our employees.

MITIE is an Investor in People organisation and aims to maximise the potential of all our employees. We recruit, train and retain quality people by adopting best practice in every phase of the employment life cycle. Current training programmes in place across the Group range from craft apprenticeships to the MBA Programme.

Many of our managers are currently training for one of the four levels of management qualifications available within the Company.

Human Resources Managers are employed in each individual MITIE discipline to assist the continuous development of recruitment, training and retention of quality people.

Health & Safety

MITIE strives at all times to achieve a dynamic and positive safety culture. Over the past year we have clearly defined safety management responsibilities at all levels of the organisation and instituted new procedures for managing work related stress and other occupational risks.

A series of workshops have been held for the subsidiary company directors. All subsidiary company directors have attended the IOSH Safety for Senior Executives' Course. However, the principal focus for health and safety training remains with our workforce and some of the training that has taken place is shown in the chart above.

This year we are setting clear improvement targets focused on our principal areas of health and safety risk. By the end of 2003, we anticipate that five out of our six operational areas will come under the externally accredited safety management system OHSAS 18001. As part of this process, twelve of the Group's safety advisers have already undertaken formal accredited training in accident investigation and evaluation.

Our aim is to build on our capabilities to enable us to protect all of our employees, customers and the public.

Environment

MITIE recognises the potential consequences if we do not operate in an environmentally responsible way. Our companies operate in accordance with our environmental policy and more than 60% of our activities are already accredited to the ISO 14001 environmental management standard.

We encourage the highest level of awareness and understanding of environmental issues and work closely with our clients when selecting methods of working and use of building materials, chemicals and the like.

We maintain a policy of "minimum waste" which is essential to the efficient running of our operations. We promote this policy internally and encourage employees to avoid unnecessary or extravagant use of services, time, energy, materials and machinery. The Company seeks to promote conservation and the use of natural resources to minimise environmental pollution.

The Company undertakes to act wherever necessary to meet the standards of current environmental legislation and continues to review its policies, programmes and services towards this end. All waste generated is properly disposed of in accordance with current legislation. Our waste management service has achieved considerable success in reducing clients' waste, resulting in major financial savings for the clients and a reduction in waste going to landfill.

Sustainable development lies at the core of MITIE's operations, delivering significant business benefits whilst protecting resources and improving the quality of life for both current and future generations. This view is backed by our commitment to include the principles of sustainability into business strategies and processes at a high level and incorporating it into our culture.

In the last year, we have initiated a more stringent process of collecting data relating to the environmental impacts of our use of energy, fuel, paper and water and our generation of waste. The data has enabled us to set clear progress targets in all of these areas.

Community

Providing opportunities for the people living in the communities in which we work is one of our main employment objectives. During the course of this year, we formed a partnership with St Luke's School in Portsmouth where we have worked with the school to improve their training facilities. Our craftsmen and managers are teaching their skills to the pupils and we have started a programme of employing the pupils as MITIE apprentices at the end of the course. We intend to roll this programme out to other areas of the country.

Our major nominated charity this year has been Leonard Cheshire. The association with Leonard Cheshire has given our employees a greater understanding of disability issues. Our employees are also actively working with several local charities.

Group Finance Director's Review Turnover increased by 13.9% on continuing operations and 9% on total turnover. Profit on ordinary activities before tax, goodwill amortisation and impairment increased by 10%.

RUBY MCGREGOR-SMITH GROUP FINANCE DIRECTOR

Highlights

- Profit on ordinary activities before tax, goodwill amortisation and impairment up to £34.1 million (10% growth)
- Profit on ordinary activities before tax up to £31.8 million (5% growth)
- Net funds of £58.8 million
- EPS (before goodwill amortisation and impairment) of 7.3p (8% growth)
- EPS of 6.5p

Turnover

Total turnover increased by 9% to £565.8 million. Turnover from continuing operations increased by 13.9% to £562.3 million.

Profit on Ordinary Activities before Tax, Goodwill Amortisation and Impairment

Profit on ordinary activities before tax and goodwill was £34.1 million, an increase of 10%.

In addition to the sale of our Access contracting companies, we are closing our MITIE HydroCat Ltd business and the marine portion of our MITIE Lindsay Ltd business after losses in the year, before tax, of £2.2 million.

Goodwill

Following a review of the carrying value of the investment in the Lindsay business, an impairment of £1.1 million has been included in the goodwill charge for the year. This impairment related to the acquisition made in 1999 and consequently there was no cash impact this year.

The increase in the overall charge to £2.3 million also reflects goodwill amortisation on the acquisition of the minority shares in the businesses that earned out during the year.

Acquisitions

During the year the Group has acquired the following:

- The minority interests of MITIE Managed Services (North and Scotland) Ltd (formerly known as MITIE Managed Services Ltd) on 14 May 2002 for a total consideration of £13.4 million consisting of cash of £0.9 million and 8,870,000 shares.

- The minority interests of MITIE Deeds Ltd on 13 December 2002 for a total consideration of £1.2 million consisting of cash of £0.06 million and 1,456,000 shares.
- The entire share capital of Scotgate Engineering Services Ltd on 19 December 2002 for a total consideration of £2.9 million.

Subsequent to the year end, MITIE has acquired Trident Safeguards Ltd. The consideration comprises an initial cash payment of £8.2 million on completion with additional consideration according to future profitability payable in cash and bank guaranteed loan notes. The additional consideration is split as follows:

- £1 million payable on or around the first anniversary of the acquisition if an agreed profit threshold for the year ended 31 March 2004 is met;
- £2 million payable at any time between 2006 and 2010 if a second agreed profit threshold is met; and
- if this second profit threshold is exceeded then an additional amount will become payable, with the total consideration capped at £20 million.

In addition, MITIE has acquired Eagle Pest Control Services UK Ltd. The consideration comprises an initial cash payment of £2.8 million with additional consideration based on future profitability, also payable in cash as follows:

- £1.2 million payable at any time between 2008 and 2013 if an agreed profit threshold is met; and
- if this profit threshold is exceeded then an additional amount will become payable, with the total consideration for Eagle capped at £6 million.

Disposals

On 11 June 2002, the Access contracting companies were sold for a cash consideration of £4.9 million. With this, the settlement of other inter-company balances by the Purchaser and the Purchaser assuming responsibility for bank indebtedness, MITIE's cash position increased by £11.4 million.

Taxation

The tax charge for the year was £10.2 million, a rise of 13% on last year's charge of £9 million. The increase in the effective tax rate to 32% (2002: 29.7%) is largely as a result of the increase in goodwill amortisation which is not allowable for tax purposes.

Interest

Interest for the year increased to £1.5 million (2002: £0.4 million).

Earnings Per Share

Earnings per share before goodwill amortisation and impairment grew by 8% from 6.8p in 2002 to 7.3p this year (see Note 7 for reconciliation to basic earnings per share).

The increase in goodwill amortisation and impairment have impacted on post goodwill earnings per share growth, which is unchanged at 6.5p (2002: 6.5p).

Net Funds

Net funds increased during the year from £24.3 million to £58.8 million. Included within this movement is an inflow from the sale of the Access contracting companies of £11.4 million.

Pensions

The Group operates two defined benefit pension schemes and a defined contribution scheme for its employees as described in Note 26. The total pension charge for the year was £3.3 million (2002: £3.0 million) with the benefit schemes accounting for £3.2 million of this (2002: £2.7 million).

The Group continues to apply SSAP 24 in accounting for retirement benefits. The introduction of the accounting standard FRS 17 Retirement Benefits has been delayed by the Accounting Standards Board until 2005. The Group has continued to apply the transitional rules and disclosures (Note 26). At 31 March 2003, the actuaries estimate that there was a net deficit of £7.8 million in relation to the defined benefit schemes.

The defined benefit schemes have an MFR (Minimum Funding Requirement) cover of 115%. In order to maintain funding ratios, the Board agreed in March 2002 to an increase in contribution rates for employees to 7.5% (2002: 5%) and Company contributions to 10% (2002: 9%). It is believed that this action, together with improving financial conditions, will reduce the possibility of any future shortfalls.

Group Finance Director's Review

Treasury Policies

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

Interest rate risk: The Group's exposure to interest rate fluctuations is currently limited to the performance due to our net funds position. A portfolio of AAA rated funds, money market deposits and corporate deposit accounts are used to *maximise returns from funds while minimising* overall exposure to any one financial institution.

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

Further details on financial assets and liabilities are given in Note 15 to the Accounts.

Accounting Developments

Last year saw a significant impact on the Accounts following the introduction of FRS 17 Retirement Benefits, FRS 18 Accounting Policies, and FRS 19 Deferred Taxation. The impact of these standards was included in the Accounts for the year ended 31 March 2002.

This year has seen a continuation in our prudent approach to all accounting standards. UITF Abstract 34 Pre-Contract costs was issued in May 2002 for accounting periods ending on or after 22 June 2002. This abstract requires all bid costs to be expensed up to the point where we can be 'virtually certain' of the award of a contract. After this point costs may be capitalised and recognised over the life of the contract. This treatment is consistent with the way we have always accounted for bid costs.

Ruby McGregor-Smith
Group Finance Director

Board of Directors

DAVID M TELLING ‡

EXECUTIVE CHAIRMAN

Aged 64, formed the first MITIE Group Company in 1987. He is also Chairman of Empresaria Group plc and Tribal Group plc.

SIR JOHN JENNINGS CBE, FRSE *†‡

NON-EXECUTIVE DEPUTY CHAIRMAN AND CHAIRMAN OF THE NOMINATION COMMITTEE

Aged 66, he became a Director in 1998 and is a member of the International Advisory Boards of the Bechtel and Toyota Corporations. He was previously Chairman of the Shell Transport and Trading Company plc.

IAN R STEWART

CHIEF EXECUTIVE

Aged 61, he was appointed to the Board in January 1990 and became Chief Executive in August 2001.

COLIN S ACHESON

DIRECTOR RESPONSIBLE FOR ENGINEERING SERVICES

Aged 52, he joined the Group in December 1989 and was appointed to the Board in August 2001. He is also a Director of The Platform Company (Holdings) Ltd.

N ROGER GOODMAN

DIRECTOR RESPONSIBLE FOR CLEANING SERVICES

Aged 56, he joined the Group in June 1993 and was appointed to the Board in August 2001.

COLIN S HALE

DIRECTOR RESPONSIBLE FOR MANAGED SERVICES AND FOR GROUP STRATEGIC DEVELOPMENT

Aged 46, he joined the Group in April 1998 and was appointed to the Board in August 2001.

RUBY MCGREGOR-SMITH ACA

GROUP FINANCE DIRECTOR

Aged 40, she joined the Group and was appointed to the Board on 2 December 2002. She was previously at Babcock International Group plc and Serco Group plc.

BILL ROBSON

DIRECTOR RESPONSIBLE FOR PROPERTY SERVICES

Aged 52, he joined the Group in January 1992 and was appointed to the Board in August 2001.

MANISH J CHANDE *†‡

NON-EXECUTIVE DIRECTOR

Aged 47, he was appointed to the Board on 12 July 2002. Chief Executive of Mountgrange Capital plc. He is also Chairman of National Car Parks Ltd and a Director of Property Fund Management Plc. He was previously Chief Executive of Land Securities Trillium Ltd and a board member of Land Securities plc.

DONALD C MACPHERSON *†

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE REMUNERATION COMMITTEE

Aged 71, he became a Director in 1992. He is also a member of the International Advisory Board of Southern Pacific Petroleum, a Director of Homestyle plc and of International Bioscience Management Ltd.

CULLUM McALPINE

NON-EXECUTIVE DIRECTOR

Aged 56, he was appointed to the Board on 1 April 2003. A Director of Sir Robert McAlpine Ltd and Chairman of Renewable Energy Systems Ltd.

DAVID C ORD *†‡

NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE AUDIT COMMITTEE

Aged 54, he was appointed to the Board on 30 October 2002. He is also Managing Director of The Bristol Port Company.

* Member of the Remuneration Committee

† Member of the Audit Committee

‡ Member of the Nomination Committee

Directors' Report

as at 31 March 2003

The Directors submit their Report together with the audited financial statements for the year ended 31 March 2003.

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 £31.8 million (2002: £30.4 million) which, after tax and minority interest, gives profits attributable to Shareholders of £19.5 million (2002: £18.6 million). The Directors recommend a final dividend of 1.1p per share which, together with the interim dividend of 0.8p per share paid on 31 March 2003, results in a total dividend of 1.9p (2002: 1.6p) per share. If approved, the final dividend will be paid on 30 September 2003 to those Shareholders registered on 5 September 2003. The retained profit for the year is £13.7 million (2002: £14 million).

The review of the year's operations and future developments are contained in the Chairman's Statement and the Chief Executive's and Group Finance Director's Reviews.

Tangible Fixed Assets

Changes in tangible fixed assets during the year are given in Note 9 to the Accounts.

Donations

Charitable contributions made during the year amounted to £13,930 (2002: £10,469). As a matter of policy, no political contributions were made during the year (2002: £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 17 to the Accounts.

Details of substantial shareholdings in the Company are given in Note 27.

Directors

Details of the Board of Directors are given on page 15.

Manish J Chande and David C Ord were appointed Non-Executive Directors on 12 July 2002 and 30 October 2002 respectively. Ruby McGregor-Smith was appointed Group Finance Director on 2 December 2002. Paul A Kilduff resigned as a Director on 8 November 2002 and Nigel F Swiffen retired as a Non-Executive Director on 29 January 2003. Cullum McAlpine was appointed a Non-Executive Director on 1 April 2003.

David M Telling, Sir John Jennings and Colin S Acheson retire by rotation and being eligible, offer themselves for re-appointment at the Annual General Meeting. David C Ord, Ruby McGregor-Smith and Cullum McAlpine, all having been appointed since the last Annual General Meeting, will retire and offer themselves for re-election.

Details of the Directors' interests in the share capital of the Company are shown in the Remuneration Report.

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 Accounts.

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 2003, the Company had 42 days' purchases outstanding (2002: 32 days).

Directors' Report

as at 31 March 2003

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 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 Schemes, established in 1991 and 2001, currently have a total of 1,741 contributing employees.

Auditors

Deloitte & Touche have expressed their willingness to continue in office as Auditors and a Resolution to re-appoint them will be proposed at the Annual General Meeting.

Deloitte & Touche have informed the Directors that they are intending to transfer their business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the Directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

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 2003.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Thursday, 18 September 2003 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.

Resolution 11 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 12 renews the Company's authority to purchase its own shares. The Directors would only exercise this authority if satisfied that to do so would result in an increase in the Group's earnings per share and would be in the interests of Shareholders generally. The Directors do not have any immediate intention of exercising such authority.

Statement of Directors' Responsibilities

United Kingdom Company Law requires the Directors to prepare financial statements 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 judgments and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 of Directors on 4 July 2003 and signed on its behalf.



Corina K Ross
Company Secretary

Remuneration Report

This Report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 which introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The Report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a Resolution to approve the Report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Regulations require the Auditors to report to the Company's members on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion that part of the Report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The Report has therefore been divided into separate sections for audited and unaudited information.

Information Not Subject to Audit

Remuneration Committee

The Committee consists of four of the Company's Non-Executive Directors, Donald C Macpherson (Chairman), Sir John Jennings, Manish J Chande and David C Ord. Nigel F Swiffen was a member of the Committee until shortly prior to his retirement on 29 January 2003. The Committee consults the Chairman and Chief Executive about its proposals and has access to professional advice from outside the Company. During the year, the Committee did not receive any material assistance from any external professional advisers.

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. The Committee has regard to executive remuneration packages of similar jobs in comparative groups of companies. There are no current plans to change this package for future years.

Executive Directors are entitled to accept appointments outside the Company providing permission is sought from the Chairman or Chief Executive.

Components of Remuneration

Components of remuneration are:

- Basic salary determined by the Committee and reviewed annually on 1 April.
- Performance related bonus based on improvements in profits before taxation and/or earnings per share. Ruby McGregor-Smith's bonus was guaranteed until 1 April 2003 when her terms became consistent with the other Executive Directors.
- Pension contributions through membership of the Company's pension scheme. Basic salary alone is pensionable.

Contracts of Service

All Executive Directors have contracts with an indefinite term providing for a maximum of one year's notice. There are no provisions for compensation payable upon early termination in the Directors' contracts.

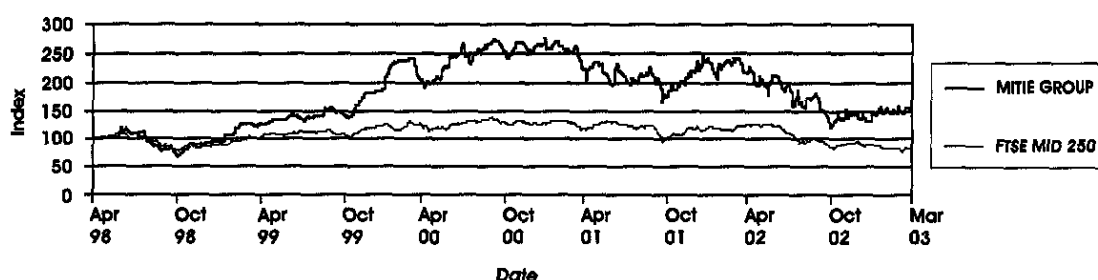
Non-Executive Directors' Remuneration

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 are appointed under fixed term agreements, and, are not members of the Company pension scheme nor do they receive taxable benefits in kind. Sir John Jennings', Donald C Macpherson's, Manish J Chande's and David C Ord's remuneration comprises shares in MITIE Group PLC at the market value on the issue date.

Performance Graph – MITIE's TSR vs FTSE Mid 250 index

The following graph shows the Company's performance, measured by total shareholder return ("TSR"), compared with the performance of the FTSE Mid 250 index over the past five years. The Committee believes that this comparison provides a clear picture of how well the Company has performed relative to a range of companies of a comparable size.

TSR is defined as the return Shareholders would receive if they held a notional number of shares and received dividends on those shares over a period of time. It measures the percentage growth in the Company's share price together with the value of any dividends paid, assuming that the dividends are re-invested into the Company's shares.



Source: Datastream

Remuneration Report

Information Subject to Audit

Remuneration

The table below provides details of Directors' remuneration paid to or receivable by each person who served as a Director at any time during the year.

	Date of latest contract	Base salary/fees \$'000	Compensation for loss of office \$'000	Performance related bonuses \$'000	Benefits \$'000	Pensions \$'000	2003 Total \$'000	2002 Total \$'000
Executive Directors								
D M Telling (Chairman)	1 April 2003	250	–	–	24	50	324	533
I R Stewart	1 April 2003	250	–	166	27	50	493	518
C S Acheson	1 April 2003	150	–	–	15	10	175	80
N R Goodman	1 April 2003	150	–	78	17	10	255	125
C S Hale	1 April 2003	150	–	70	16	10	246	172
R McGregor-Smith	1 April 2003	55	–	25	5	–	85	–
W Robson	1 April 2003	150	–	83	20	10	263	127
Former Executive Directors								
J J Clifford		–	–	–	–	–	–	203
P A Kilduff		90	200	–	14	25	329	252
Non-Executive Directors								
Sir John Jennings		35	–	–	–	–	35	48
D C Macpherson		18	–	–	–	–	18	24
M J Chande ⁽ⁱ⁾		11	–	–	–	–	11	–
D C Ord ⁽ⁱ⁾		13	–	–	–	–	13	–
Former Non-Executive Director								
N F Swiffen		15	–	–	–	–	15	15
Total		1,337	200	422	138	165	2,262	2,097

(i) Fees to third parties comprise amounts paid or payable to Mountgrange Ltd of £11,112 and David Ord Ltd of £12,522 under agreements to provide the Group with the services of M J Chande and D C Ord respectively. These agreements require the Directors to attend all meetings as notified by the Group; to serve on the Audit, Nomination and Remuneration Committees as the Group may request, and, to carry out such functions as the Group may require.

Pensions

D M Telling is a member of a money purchase scheme and the Company's contributions to this scheme were £50,000 (2002: £50,000). 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 during the year \$'000	Real Increase in accrued pension \$'000	Accrued pension 31 March 2003 \$'000
I R Stewart	61	13	12	74
C S Acheson	26	2	2	28
N R Goodman	13	1	2	14
C S Hale	6	2	2	8
W Robson	16	2	2	18

Remuneration Report continued

Pensions continued

The following table sets out the transfer value of the Directors' accrued benefits under the defined benefit scheme calculated in a manner consistent with "Retirement Benefit Schemes – Transfer Values (GN11)" published by the Institute of Actuaries and the Faculty of Actuaries.

	Transfer value 31 March 2002 \$'000	Contributions made by the Director \$'000	Increase in accrued pension over the year (net of contributions) \$'000	Real increase in accrued pension \$'000	Transfer value 31 March 2003 \$'000
I R Stewart	715	19	130	138	864
C S Acheson	198	7	(50)	10	155
N R Goodman	120	7	(18)	12	109
C S Hale	36	7	(10)	7	33
W Robson	124	7	(31)	10	100

The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension scheme.

Directors' Interests

The beneficial interests of the Directors who were in office on 31 March 2003 in the share capital of the Company are as shown below:

	31 March 2003 Ordinary Shares of 2 1/2p	1 April 2002 or later date of appointment Ordinary Shares of 2 1/2p
Executive Directors		
D M Telling	8,352,730	10,585,000
I R Stewart	4,992,872	4,720,000
C S Acheson	1,423,100	1,423,100
N R Goodman	1,949,213	1,745,100
C S Hale	2,396,134	355,000
R McGregor-Smith	9,353	–
W Robson	2,314,713	2,004,040
Non-Executive Directors		
Sir John Jennings	1,230,567	170,000
D C Macpherson	168,000	148,000
M J Chande	27,508	–
D C Ord	67,669	20,000

Remuneration Report

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

	31 March 2003	1 April 2002
	Ordinary shares of 1p each and deferred shares of \$1 each	Ordinary shares of 1p each and deferred shares of \$1 each
MITIE Managed Services (North and Scotland) Ltd (formerly MITIE Managed Services Ltd)		
D M Telling	–	23,000
Sir John Jennings	–	100,000
I R Stewart	–	25,000
N R Goodman	–	20,000
C S Hale	–	200,000
W Robson	–	20,000

On 14 May 2002, MITIE Group PLC acquired the remaining minority interest in MITIE Managed Services (North and Scotland) Ltd (formerly MITIE Managed Services Ltd), including the interests of the Directors shown above, for a total consideration of £13,408,000, of which £902,000 was in the form of cash and the remainder by the issue of 8,870,000 MITIE Group PLC Ordinary Shares of 2½p each.

	B Ordinary shares of 1p each	B Ordinary shares of 1p each
MITIE Business Services Ltd		
R McGregor-Smith	3,500	–
	B Ordinary shares of \$1 each	Loan stock \$
MITIE Catering Services Ltd		
N R Goodman	8,333	5,000

On 17 May 2002 all loan stock in MITIE Catering Services Ltd was redeemed in exchange for B Ordinary shares at par.

	B Ordinary shares of 1p each and deferred shares of \$1 each	B Ordinary shares of \$1 each
MITIE Deeds Ltd		
W Robson	–	17,000

On 16 August 2002, the issued share capital of the company was increased by the creation of new A and B 1p Ordinary shares, a bonus issue of 1p Ordinary shares was made and the existing Ordinary shares were converted into deferred shares of £1 each.

On 13 December 2002, MITIE Group PLC acquired the remaining minority interest in MITIE Deeds Ltd, including the interests of the Director shown above, for a total consideration of £1,249,000, of which £56,000 was in the form of cash and the remainder by the issue of 1,456,000 MITIE Group PLC Ordinary Shares of 2½p each.

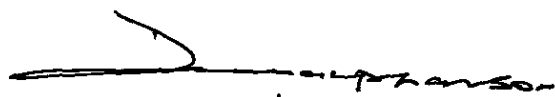
	B Ordinary shares of 1p each	Loan stock \$
MITIE Security (Southern) Ltd		
N R Goodman	2,500	2,500

On 19 June 2002, all loan stock in MITIE Security (Southern) Ltd was redeemed in exchange for B Ordinary shares at par.

No other changes in Directors' interests have taken place since 1 April 2003.

No Director held options at any time during the year and no options have been granted to any Director since 1 April 2003.

Donald C Macpherson
Chairman, Remuneration Committee



Corporate Governance

The Group provides a wide range of support services to its customers and in so doing seeks to enhance shareholder value. An effective system of Corporate Governance is fundamental to fulfilling the Group's corporate responsibilities and the achievement of its financial objectives.

The policy of the Board of MITIE is to manage its affairs in accordance with the Principles of Good Governance and the Code Provisions set out in Section 1 of the Combined Code on Corporate Governance incorporated into the Listing Rules issued by the Financial Services Authority.

Board and Committee Structure

Board of Directors

The Board of MITIE comprised seven Executive and four independent Non-Executive Directors at the end of the year. Since the year-end, Cullum McAlpine has been appointed a Non-Executive Director. All Non-Executive Directors are considered to be independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility between the Chairman and Chief Executive which ensures a balance of power and authority such that no one individual has unfettered powers of decision.

The Board meets at least seven times a year and is responsible for overall strategy and performance, acquisitions, capital expenditure and the safeguard of the assets of the Group. At least a week before each Board meeting, each Director is supplied with an agenda and sufficient supporting papers that provide the appropriate information required to properly discharge their duties. Included within these papers are detailed results for each of the Group's operating Divisions as well as on an overall basis. Other papers include a treasury report detailing the cash position across the Group and proposals regarding future potential acquisitions, disposals, start-ups or restructuring. The monthly results and analysis are also circulated in months where no Board meeting is held.

The Board constantly reviews the quality, nature and presentation of information provided and requests changes where they feel such changes will offer information that is more appropriate.

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 with notice periods greater than twelve months.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. The Directors are able to seek independent professional advice if necessary at the Group's expense. No advice has been sought to date.

Executive Committee

The Executive Committee meets at least five times a year. It is responsible for the day to day management of the business. It is chaired by the Chief Executive and its other members currently comprise the Chairman, the Group Finance Director, the Managing Directors of the Business Units, the Head of Corporate Affairs and the Head of Central Services.

Audit Committee

The Audit Committee comprises four Non-Executive Directors. The Committee meets at least twice a year to examine and consider matters relating to the affairs of the Group. These matters include examination of the Company's Annual Accounts and review of the internal financial control procedures in place for controlling the Group's business, as well as compliance with accounting standards and generally accepted accounting principles.

In addition, the fees and objectivity of the Group's Auditors and other external accounting advisers are considered by members of the Committee.

Detailed presentations to the Committee are made, on request, by the Group's internal risk management function and the Group's external Auditors. The presence of the Group Finance Director and other senior executives from the Group may be requested, but the Committee has access to the Auditors' advice without the presence of the Executive Directors.

Remuneration Committee

The Remuneration Committee comprises four Non-Executive Directors. The Remuneration Committee makes recommendations to the Board on the Group's framework of Executive remuneration and determines on its behalf specific remuneration packages for each 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 Combined Code.

Corporate Governance

Nomination Committee

The Nomination Committee comprises three Non-Executive Directors and the Chairman. It is responsible for monitoring the composition and balance of the Board and making recommendations to the Board on new Board appointments and succession planning issues.

Terms of reference exist for the Board and its Committees.

Directors' Remuneration

The Remuneration Report on pages 18 to 21 includes details of the remuneration policy and of the remuneration of the Directors.

Internal Control

The Directors are responsible for the Group's system of internal financial and operating controls, which are designed to meet the Group's particular needs and aim to safeguard Group assets, ensure that proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement and loss.

Key features of the system of internal control are as follows:

Group Organisation and Culture

By its statements and actions, the Board emphasises a culture of integrity, competence, fairness and responsibility. The Board focuses mainly on strategic issues, senior management and financial performance. The Executive Committee concentrates on the formulation of strategic proposals to the Board and operational decision making. The individual operating companies' Managing Directors manage their businesses with the support of senior management.

Information Systems

There is a comprehensive system of reporting to the Board, based on an annual budget prepared in line with the business plan, half yearly forecasts and regular reporting of operating results. Key operational performance indicators are continuously monitored by the Executive Directors and senior management.

Individual Company Controls

Each operating company regularly reviews its 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 its business. Furthermore, individual companies complete an annual Statement of Internal Controls.

Risk Management

The internal risk management function within the Group undertakes a programme to address internal control and risk management processes with particular reference to the Turnbull Report. Its conclusions are advised to the relevant level of management and the function has a direct reporting responsibility to the Audit Committee.

The Board confirms that there is a continuing process for identifying, evaluating and managing the risks faced by the Group and that the process has been in place for the year under review and remains current.

The Audit Committee has reviewed the operation and effectiveness of this framework, which has operated during the period covered by the Directors' Report and Accounts and up to and including the date of approval of these Accounts by the Board. This process accords with the Turnbull guidance.

Compliance with the Combined Code

The Board confirms that throughout the year ended 31 March 2003, the Group 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, until 12 July 2002, which requires Non-Executive Directors to comprise not less than one third of the Board. This exception occurred while MITIE continued to search for Non-Executive Directors with appropriate relevant experience. With the appointment of Manish J Chande, this requirement has been met.

The Board has commenced a process to consider and take account of the recommendations and guidance contained in the Higgs review of non-executive directors and in the Smith report on Audit Committees, both published in January 2003.

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 2003 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 related notes 1 to 30 together with the Reconciliation of Movements in Shareholders' Funds and Accounting Policies. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' Remuneration Report that is described as having been audited.

This Report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

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. They are also responsible for the preparation of the other information contained in the Annual Report including the Directors' Remuneration Report. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Remuneration 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 regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services 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 including the unaudited part of the Directors' Remuneration Report and consider the implications for our Report if we become aware of any apparent misstatements 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 and that part of the Directors' remuneration described as having been audited. 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.

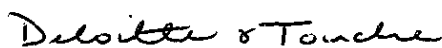
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report described as having been audited 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 and the part of the Directors' Remuneration Report described as having been audited.

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 2003 and of the profit of the Group for the year then ended; and
- the financial statements and that part of the Directors' Remuneration Report described as audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche



Chartered Accountants and Registered Auditors
Bristol

4 July 2003

Group Profit and Loss Account

for the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Turnover			
Continuing operations		562,288	493,829
Discontinued operations		3,552	25,023
Cost of sales	1	565,840 (439,932)	518,852 (397,954)
Gross profit	1	125,908	120,898
Administrative expenses	1		
- before amortisation and impairment of goodwill		(93,260)	(90,291)
Operating profit before goodwill amortisation and impairment		32,648	30,607
- amortisation and impairment of goodwill		(2,324)	(640)
Operating profit	2		
Continuing operations		30,046	29,040
Discontinued operations		278	927
Interest	4	30,324 1,465	29,967 390
Profit on ordinary activities before tax		31,789	30,357
Tax on profit on ordinary activities	5	(10,188)	(9,027)
Profit on ordinary activities after tax		21,601	21,330
Equity minority interest		(2,125)	(2,712)
Profit for the financial year		19,476	18,618
Dividends - equity	6	(5,736)	(4,623)
Retained profit for the financial year	18	13,740	13,995
Earnings per Ordinary Share - basic	7	6.5p	6.5p
- diluted		6.5p	6.4p
- basic before goodwill amortisation and impairment		7.3p	6.8p

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

Profit on ordinary activities before taxation and goodwill amortisation and impairment	34,113	30,997
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Reconciliation of Movements in Shareholders' Funds

for the year ended 31 March 2003

	2003 \$'000	2002 \$'000
Profit for the financial year	19,476	18,618
Dividends	(5,736)	(4,623)
	13,740	13,995
Goodwill previously written off included in retained profit for the year	321	-
Shares issued		
- in respect of subsidiaries acquired	14,032	9,308
- to QUEST (see Note 18)	910	2,153
less amounts funded within Group	(553)	(1,644)
- other	1,959	513
Net addition to Shareholders' funds	30,409	24,325
Shareholders' funds at the beginning of the year	74,491	50,166
Shareholders' funds at the end of the year	104,900	74,491

Note of Historical Cost Profits and Losses

for the year ended 31 March 2003

	2003 \$'000	2002 \$'000
Profit on ordinary activities before tax	31,789	30,357
Difference between the historical cost depreciation charge on revalued assets and the actual depreciation charge for the year calculated on the revalued amount	5	(11)
Historical cost profits on ordinary activities before tax	31,794	30,346
Historical cost profits for the year retained after tax, minority interests and dividends	13,745	13,984

Group Balance Sheet

as at 31 March 2003

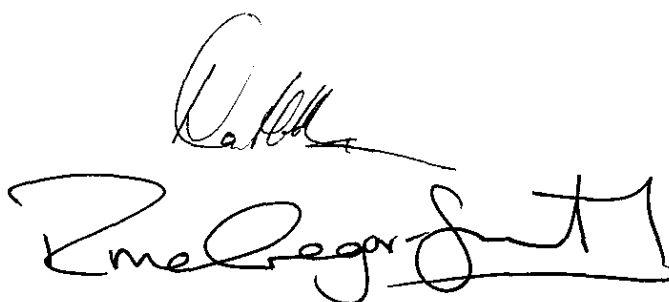
	Note	2003 \$'000	2002 \$'000
Fixed Assets			
Intangible assets	8	24,291	14,724
Tangible assets	9	37,277	45,082
		61,568	59,806
Current Assets			
Work in progress and stocks	10	25,272	23,706
Debtors	11	92,316	87,137
Investments	12	3,880	-
Cash at bank and in hand		54,960	25,106
		176,428	135,949
Creditors - due within one year	13	(122,381)	(110,987)
Net Current Assets		54,047	24,962
Total Assets less Current Liabilities		115,615	84,768
Creditors - due after one year	14	(29)	(27)
Provision for liabilities and charges	16	(3,022)	(1,496)
Net Assets		112,564	83,245
Capital and Reserves			
Called up share capital	17	7,556	7,220
Share premium account	18	42,048	25,483
Revaluation reserve	18	(508)	(503)
Other reserve	18	994	-
Profit and loss account	18	54,810	42,291
Equity Shareholders' funds		104,900	74,491
Equity minority interest		7,664	8,754
		112,564	83,245

The financial statements were approved by the Board of Directors on 4 July 2003.

Signed on behalf of the Board of Directors

David M Telling
Chairman

Ruby McGregor-Smith
Group Finance Director



Company Balance Sheet

as at 31 March 2003

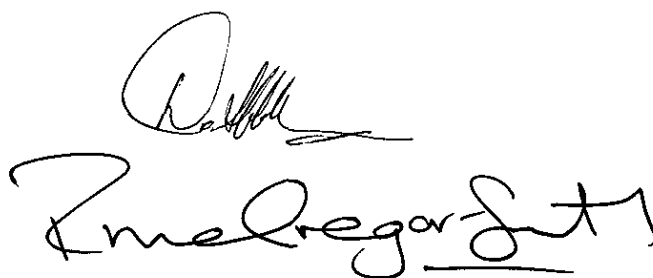
	Note	2003 \$'000	2002 \$'000
Fixed Assets			
Tangible assets	9	708	872
Investments in subsidiary undertakings	25	66,087	53,930
		66,795	54,802
Current Assets			
Debtors	11	29,804	19,333
Cash at bank and in hand		16,734	11,548
		46,538	30,881
Creditors - due within one year	13	(17,645)	(16,569)
Net Current Assets		28,893	14,312
Net Assets		95,688	69,114
Capital and Reserves			
Called up share capital	17	7,556	7,220
Share premium account	18	42,048	25,483
Profit and loss account	18	46,084	36,411
		95,688	69,114

The financial statements were approved by the Board of Directors on 4 July 2003.

Signed on behalf of the Board of Directors

David M Telling
Chairman

Ruby McGregor-Smith
Group Finance Director



Group Cash Flow Statement

for the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Net cash flow from operating activities	19	48,474	37,295
Returns on investments and servicing of finance			
Interest received		1,537	502
Interest paid		(41)	(33)
Interest element of finance lease rentals		(1)	(6)
		1,495	463
Tax			
UK corporation tax paid		(10,669)	(9,264)
ACT recovered		14	481
		(10,655)	(8,783)
Capital expenditure			
Payments to acquire tangible fixed assets		(16,016)	(15,015)
Receipts from sales of tangible fixed assets		8,009	3,364
		(8,007)	(11,651)
Acquisitions and disposals	20		
Payments to acquire subsidiary undertakings		(4,977)	(1,457)
Net cash acquired with subsidiary undertakings		211	-
Sale of subsidiary undertakings		4,984	2,367
Net cash disposed with subsidiary undertakings		6,396	-
		6,614	910
Equity dividends paid		(7,035)	(2,090)
Cash inflow before management of liquid resources and financing		30,886	16,144
Management of liquid resources			
Net increase in investments		(3,880)	-
Financing			
Issue of Ordinary Share capital		2,862	2,838
Net unsecured loans received		-	35
Net capital element of finance lease rental payments		(14)	(29)
Debt due within one year: Repayment of unsecured loans		-	(17)
		2,848	2,827
Increase in cash in the year	22	29,854	18,971

Accounting Policies

31 March 2003

Accounting Convention

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

Basis of Consolidation

The consolidated Profit and Loss Account and Balance Sheet include the financial statements of MITIE Group PLC and all its subsidiary undertakings. The results of the subsidiary undertakings acquired or sold are included from or up to the effective date of acquisition or sale.

Goodwill and Intangible Fixed Assets

Goodwill is calculated as the surplus of fair value of purchase consideration 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 as a matter of accounting policy.

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 and Loss Account.

Tangible Fixed Assets

Tangible fixed assets are stated at cost or valuation, less depreciation and any provision for impairment. Depreciation is provided on tangible fixed assets on a straight line basis over the expected useful lives. No depreciation is provided on land.

Freehold and long leasehold buildings	50 years
Plant	3-14 years
Vehicles	4 years

Financial Instruments

The Group uses financial instruments to hedge its exposure to foreign currency risk. To the extent that such instruments are matched against an underlying asset or liability, they are accounted for using hedge accounting. Gains or losses and premiums or discounts are matched to the underlying transactions being hedged.

Investments

Shares in Group companies are stated at cost less provision for impairment in value. Current asset investments are stated at the lower of cost and net realisable value.

Leased Assets

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

Accounting Policies

31 March 2003

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.

Costs represent materials, direct labour and overheads. Net realisable value is based upon estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

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.

Deferred Tax

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.

Turnover

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

Pensions

The Group operates two defined benefit pension schemes. The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments.

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.

The Group has continued to account for pensions in accordance with SSAP 24 as illustrated above. In November 2000, the Accounting Standards Board (ASB) issued FRS 17 Retirement Benefits, replacing SSAP 24 Accounting for Pension Costs. In November 2002, an amendment to FRS 17 was published which allowed an extension to the transitional arrangements of FRS 17. The probability of implementation is uncertain and partly dependent upon proposals from the International Accounting Standards Board (IASB). The Group will take advice to ensure that it continues to adopt the best practice in respect of accounting for retirement benefits. The Group is in the second year of the transitional arrangements under FRS 17.

Provisions

Provision is made for outstanding insurance claims incurred at the balance sheet date.

Notes to the Accounts

for the year ended 31 March 2003

1 Segmental analysis

Activity	Turnover \$'000	Pre-tax profit \$'000	Profit before tax and goodwill \$'000	Pre-tax profit margin %	Net assets \$'000
2003					
Support Services	259,884	18,760	18,988	7.2	24,912
Building Services	305,956	13,029	15,125	4.3	28,853
	565,840	31,789	34,113	5.6	53,765
Net funds					58,799
Total					112,564
2002					
Support Services	227,872	16,316	16,345	7.2	23,762
Building Services	290,980	14,041	14,652	4.8	35,183
	518,852	30,357	30,997	5.9	58,945
Net funds					24,300
Total					83,245

Included within the Building Services segment above are amounts that relate to discontinued activities. These include turnover of £3,552,000 (2002: £25,023,000) and pre-tax profit of £202,000 (2002: £481,000).

Turnover	2003 Continuing activities \$'000	2003 Discontinued operations \$'000	Total \$'000	2002 Continuing activities \$'000	2002 Discontinued operations \$'000	Total \$'000
Support Services						
Cleaning	145,264	-	145,264	135,458	-	135,458
Catering and Landscaping	4,648	-	4,648	4,032	-	4,032
Security	7,139	-	7,139	3,528	-	3,528
Managed Services	52,294	-	52,294	49,517	-	49,517
Engineering Maintenance	50,539	-	50,539	35,337	-	35,337
Total	259,884	-	259,884	227,872	-	227,872
Building Services						
Engineering	164,454	-	164,454	138,202	-	138,202
Property Services	110,034	-	110,034	107,844	-	107,844
Access	27,916	3,552	31,468	19,911	25,023	44,934
Total	302,404	3,552	305,956	265,957	25,023	290,980
Operating profit						
Turnover	562,288	3,552	565,840	493,829	25,023	518,852
Cost of sales	(437,563)	(2,369)	(439,932)	(380,973)	(16,981)	(397,954)
Gross profit	124,725	1,183	125,908	112,856	8,042	120,898
Administrative expenses	(94,679)	(905)	(95,584)	(83,816)	(7,115)	(90,931)
Operating profit	30,046	278	30,324	29,040	927	29,967

Discontinued operations relate to the companies sold during the year as described in Note 20b.

Notes to the Accounts

for the year ended 31 March 2003

2 Operating profit

	2003 \$'000	2002 \$'000
This is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
- owned assets	10,499	11,784
- leased assets	346	25
Goodwill amortisation	1,219	640
Goodwill impairment	1,105	-
Auditors' remuneration - Group	145	134
- Company	25	23
Operating lease rentals - plant and vehicles	983	1,022
- other	2,075	2,512
Profit on disposal of fixed assets	(525)	(678)

A more detailed analysis of amounts paid to the Auditors is provided below:

	\$'000	2003 %	\$'000	2002 %
Auditors' fees				
- services as Auditors	170	52	157	61
- further assurance services	-	-	-	-
- tax advisory services	133	41	101	39
- other non-audit services	22	7	-	-
	325	100	258	100

3 Directors and employees

	2003 \$'000	2002 \$'000
(i) Employment costs		
Wages and salaries	222,199	203,866
Social security costs	17,842	14,695
Other pension costs	3,251	3,034
	243,292	221,595
(ii) The average number of persons employed during the financial year was:		
Site	21,158	22,303
Administration	1,927	1,964
	23,085	24,267

(iii) Details of Directors' remuneration and interests are provided on pages 18 to 21 and should be regarded as an integral part of this Note.

4 Interest

	2003 \$'000	2002 \$'000
(i) Interest payable and similar charges		
Finance leases	(4)	(5)
Other	(50)	(41)
(ii) Interest receivable and similar income		
Bank Interest	1,519	436
	1,465	390

Notes to the Accounts continued

for the year ended 31 March 2003

5 Tax on profit on ordinary activities

	2003 £'000	2002 £'000
a) Analysis of charge in the year		
UK corporation tax at 30% (2002: 30%)	10,459	9,526
Adjustment in respect of prior years	22	(75)
Total current tax (Note 5b)	10,481	9,451
Deferred taxation:		
Timing differences - origination and reversal	(240)	11
Adjustments in respect of prior years - deferred tax	(53)	(435)
Tax on profit on ordinary activities	10,188	9,027

b) Factors affecting tax charge in the year

The tax assessed for the year is greater (2002: greater) than that resulting from applying the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are set out below.

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	31,789	30,357
Tax at 30% thereon	9,537	9,107
Expenses not deductible for tax purposes	303	291
Capital allowances in excess of depreciation	383	140
Movement in short term timing differences	14	-
Profit on disposal of tangible fixed assets	(158)	(210)
Goodwill	697	192
Prior periods	22	(75)
Other	(317)	6
Current tax charge for the year (Note 5a)	10,481	9,451

c) Factors affecting future tax charges

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

6 Dividends

	2003 £'000	2002 £'000
Interim dividend 0.8p per 2½p share (2002: 0.7p per 2½p share)	2,417	2,021
Proposed final dividend 1.1p per 2½p share (2002: 0.9p per 2½p share)	3,319	2,602
	5,736	4,623
Total dividend per 2½p share for the year	1.9p	1.6p

Subject to approval at the Annual General Meeting, the final dividend will be paid on 30 September 2003 to members on the Register on 5 September 2003.

Notes to the Accounts

for the year ended 31 March 2003

7 Earnings per ordinary share

The calculation of earnings per 2½p share for 2003 and 2002 is based upon the profit after tax and minority interest.

The weighted average number of shares for this purpose is 297,979,470 (2002: 284,250,155). The diluted earnings per share has been calculated on the basic earnings and the weighted average number of shares less 211,000 (2002: additional shares 4,813,163) shares representing the fair value of the weighted average number of shares under option during the year.

Headline earnings per share continues to have widespread acceptance and has been calculated in accordance with the definition in the UK Society of Investment Professionals statement of investment practice No. 1, "The Definition of Headline Earnings", as follows:

	2003	2002
Basic earnings per Ordinary Share	6.5p	6.5p
Adjustments:		
Amortisation and impairment of goodwill	0.8p	0.3p
Headline earnings per Ordinary Share	7.3p	6.8p

8 Fixed assets - Intangible

	Goodwill \$'000	Goodwill attached to sale of assets \$'000	Impairment \$'000	Total \$'000
Cost				
At beginning of year	13,910	700	1,380	15,990
Additions	12,469	–	–	12,469
Disposals	–	(700)	–	(700)
At end of year	26,379	–	1,380	27,759
Amortisation				
At beginning of year	944	116	206	1,266
Amortised in year	1,144	6	69	1,219
Impairment charge	–	–	1,105	1,105
Disposals	–	(122)	–	(122)
	2,088	–	1,380	3,468
Net book value				
At end of year	24,291	–	–	24,291
At beginning of year	12,966	584	1,174	14,724

9 Fixed assets - Tangible

Group	Freehold properties \$'000	Long leasehold properties \$'000	Plant and vehicles \$'000	Total \$'000
Cost or valuation				
At beginning of year	6,129	1,909	74,117	82,155
Additions at cost	42	853	15,121	16,016
Disposals	–	(23)	(18,415)	(18,438)
Subsidiaries disposed	–	(181)	(9,988)	(10,169)
At end of year	6,171	2,558	60,835	69,564
Cost	2,881	1,773	60,835	65,489
Valuation 1995	3,290	785	–	4,075
Depreciation				
At beginning of year	479	234	36,360	37,073
Charge for year	88	55	10,702	10,845
Disposals	–	(23)	(11,327)	(11,350)
Subsidiaries disposed	–	(53)	(4,228)	(4,281)
End of year	567	213	31,507	32,287

Notes to the Accounts continued

for the year ended 31 March 2003

9 Fixed Assets - Tangible continued

Group	Freehold properties £'000	Long leasehold properties £'000	Plant and vehicles £'000	Total £'000
Net book value				
At end of year	5,604	2,345	29,328	37,277
At beginning of year	5,650	1,675	37,757	45,082
Historic cost net book value				
2003	6,132	2,325	29,328	37,785
2002	6,120	1,655	37,757	45,532

No depreciation was charged against freehold or long leasehold buildings up to 1995. For the year ended 31 March 2003, the Profit and Loss Account has been charged with £166,000 (2002: £148,000) depreciation.

The historic cost of revalued properties was £5,078,000 (2002: £4,173,000). The net book value of plant and vehicles held under finance leases included above was £nil (2002: £nil).

Previous valuations were frozen as allowed under the transitional provisions of FRS 15. The carrying value relating to the previous valuation performed as at 31 March 1995 has been carried forward in this year's Financial Statements.

9 Fixed assets - Tangible

Company	Plant and vehicles £'000
Cost	
At beginning of year	2,224
Additions	358
Disposals	(437)
At end of year	2,145
Depreciation	
At beginning of year	1,352
Charge for the year	387
Disposals	(302)
At end of year	1,437
Net book value	
At end of year	708
At beginning of year	872

10 Work in progress and stocks

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Work in progress	39,939	43,346	-	-
Payments received on account	(17,787)	(21,324)	-	-
Goods for resale	3,120	1,684	-	-
	25,272	23,706	-	-

11 Debtors

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Trade debtors	86,542	82,013	7	-
Owed by subsidiary undertakings	-	-	28,215	17,115
Other debtors	2,650	2,065	1,173	1,677
Prepayments and accrued income	3,124	3,045	409	541
ACT recoverable	-	14	-	-
	92,316	87,137	29,804	19,333

Included in other debtors is the sum of £ 209,000 (2002: £314,000) falling due after one year.

Notes to the Accounts

for the year ended 31 March 2003

12 Investments

	Group 2003 \$'000	2002 \$'000	Company 2003 \$'000	2002 \$'000
Unlisted investments	3,880	-	-	-

Included in unlisted investments are deposits totalling £3,880,000 held by the Group's insurance subsidiary which are not readily available for the general purposes of the Group.

13 Creditors - due within one year

	Group 2003 \$'000	2002 \$'000	Company 2003 \$'000	2002 \$'000
Bank loans unsecured and overdraft	-	-	-	32
Obligations under finance leases	12	28	-	-
Payments received on account	1,706	2,876	-	-
Trade creditors	78,163	71,673	895	416
Owed to subsidiary undertakings	-	-	9,810	7,362
Corporation tax	5,807	5,269	-	-
Other taxes and social security	18,188	16,003	479	335
Other creditors	4,762	1,309	-	262
Accruals and deferred income	10,270	9,057	3,137	3,539
Proposed dividends	3,473	4,772	3,324	4,623
	122,381	110,987	17,645	16,569

14 Creditors - due after one year

	Group 2003 \$'000	2002 \$'000	Company 2003 \$'000	2002 \$'000
Obligations under finance leases	29	27	-	-

Finance leases are repayable between one and two years and are secured by related leased assets.

15 Financial assets and liabilities

Maturity of Borrowings

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

	2003 \$'000	2002 \$'000
In one year or less, or on demand	12	28
In more than one year but not more than two years	29	27
	41	55

Short term debtors, current asset investments and creditors have been excluded from the analysis.

Cash at bank is held at normal commercial rates.

Borrowings

At the year end, undrawn committed bank borrowing facilities amounted to £60,000,000 (2002: £35,000,000) which are all renewable within one year.

Interest rates

At 31 March 2003, the Group had financial liabilities of £41,000 (2002: £55,000). These liabilities are under a fixed 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 unrecognised gains or losses at 31 March 2003.

Currency exposure

As at 31 March 2003, 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 Group Finance Director's Review.

Notes to the Accounts continued

for the year ended 31 March 2003

16 Provision for liabilities and charges

	Deferred tax \$'000	Insurance reserve \$'000	Total \$'000
At beginning of year	1,496	–	1,496
Disposal during the year	(366)	–	(366)
Arising during the year	(302)	2,194	1,892
At end of year	828	2,194	3,022

Deferred tax in respect of the Group's defined benefit schemes is disclosed in Note 26. The balance relates to the excess of net capital allowances over depreciation.

The provision for insurance claims represents amounts payable by MITIE Reinsurance Company Ltd in respect of outstanding claims incurred at the balance sheet dates. This is expected to be utilised over the next year. The subsidiary established during the year is the Group's self insurance company.

17 Called up share capital

	Ordinary Shares of 2½p No.	\$'000
Authorised	340,000,000	8,500
2003		
Allotted and fully paid		
At beginning of year	288,783,767	7,220
Issued as Directors' remuneration	70,808	2
Issued for acquisitions	10,586,208	265
Issued under share option schemes	2,745,831	69
At end of year	302,186,614	7,556
2002		
Allotted and fully paid		
At beginning of year	279,638,628	6,991
Issued as Directors' remuneration	60,000	2
Issued for acquisitions	6,737,040	168
Issued under share option schemes	2,348,099	59
At end of year	288,783,767	7,220

Options outstanding under the Savings Related Share Option Schemes at 31 March 2003 were as follows:

Option price	Date exercisable	Ordinary Shares of 2½p each 2003	Ordinary Shares of 2½p each 2002
31½p	2001	–	95,276
37½p	2002	10,488	917,056
85p	2004	1,038,124	1,250,988
150p	2005	1,049,922	1,334,768
125p	2006	944,244	1,153,332
110p	2007	2,109,354	–
		5,152,132	4,751,420

Options outstanding under the Executive Share Option Schemes at 31 March 2003 were as follows:

Option price	Date exercisable	Ordinary Shares of 2½p each 2003	Ordinary Shares of 2½p each 2002
21p	1998 - 2005	–	50,000
31½p	1999 - 2006	–	40,000
50p	2001 - 2008	–	1,500,000
57¾p	2001 - 2008	1,036,400	1,256,400
95p	2002 - 2009	931,000	1,016,000
173¾p	2003 - 2010	698,000	813,600
145p	2004 - 2011	809,600	892,600
117p	2005 - 2012	1,121,050	–
99p	2006 - 2013	200,000	–
		4,796,050	5,568,600

Notes to the Accounts

for the year ended 31 March 2003

18 Share capital and reserves

	Called up share capital \$'000	Share premium account \$'000	Revaluation reserve \$'000	Other reserve (1) \$'000	Profit and loss account \$'000	Total \$'000
Group						
At beginning of year	7,220	25,483	(503)	–	42,291	74,491
Shares issued	336	–	–	–	–	336
Net premium arising on shares issued	–	16,012	–	–	–	16,012
Retained profit for the financial year	–	–	–	–	13,740	13,740
Additional depreciation on revalued assets	–	–	(5)	–	5	–
Issue of shares in connection with the exercise of share options	–	553	–	–	(553)	–
Goodwill transferred to Profit and Loss	–	–	–	–	321	321
Account on disposal of subsidiaries	–	–	–	–	–	–
Transfer to other reserve	–	–	–	994	(994)	–
Balance at end of year	7,556	42,048	(508)	994	54,810	104,900
Company						
At beginning of year	7,220	25,483	–	–	36,411	69,114
Shares issued	336	–	–	–	–	336
Net premium arising on shares issued	–	16,012	–	–	–	16,012
Retained profit for the year	–	–	–	–	10,226	10,226
Issue of shares in connection with the exercise of share options	–	553	–	–	(553)	–
Balance at end of year	7,556	42,048	–	–	46,084	95,688

(i) Non-distributable

In accordance with the exemption allowed by Section 230(4) of the Companies Act 1985, the Company has not presented its own Profit and Loss Account. The profit attributable to Shareholders in the Accounts of the Company was £15,962,000 (2002: £8,504,000).

Prior to the adoption of FRS 10 on 1 April 1998, goodwill eliminated against reserves amounted to £26,673,000 (2002: £26,994,000).

During the year, 949,831 (2002: 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 and Loss Account.

Included in both the Company and the Group share premium accounts are amounts relating to premiums arising on shares issued subject to the provisions of Section 131 of the Companies Act 1985.

19 Net cash inflow from operating activities

	2003 \$'000	2002 \$'000
Operating profit	30,324	29,967
Depreciation	10,845	11,809
Amortisation and impairment of goodwill	2,324	640
Profit on sale of tangible fixed assets	(525)	(678)
(Increase)/decrease in work in progress and stocks	(1,566)	514
(Increase) in debtors	(5,193)	(16,706)
Increase in creditors	12,265	11,749
	48,474	37,295

Notes to the Accounts continued

for the year ended 31 March 2003

20a Purchase of subsidiary undertakings

	Book value \$'000	Alignment of accounting policies \$'000	Fair value \$'000
Fixed assets	122	(55)	67
Work in progress and stocks	228	-	228
Debtors	1,227	-	1,227
Bank and cash	211	-	211
Creditors	(825)	-	(825)
Tax	(191)	-	(191)
Minority interest	5,823	-	5,823
	6,595	(55)	6,540
Goodwill			12,469
Total purchase consideration			19,009
Shares issued - MITIE Group PLC			(14,032)
Cash consideration			4,977
Bank and cash acquired			(211)
			4,766

The effect of the acquisitions on the results for the Group for the year are not material and therefore are not shown separately on the Profit and Loss Account. The businesses' contributions to Group net operating cash flow, interest paid, tax paid and capital expenditure were not material.

The above items relate principally to the acquisition of minority interests in MITIE Managed Services (North and Scotland) Ltd (formerly known as MITIE Managed Services Ltd), in May 2002 and MITIE Deeds Ltd in December 2002 and were accounted for by the acquisition method of accounting.

Scotgate Engineering Services Ltd, which was acquired in December 2002, earned a profit after taxation of £58,000 in the six month period ended 31 March 2003 (year ended 30 September 2002: £366,000), of which a loss of £25,000 arose in the period from 1 October 2002 to 19 December 2002.

20b Disposal of subsidiary undertakings

	2003 \$'000
Tangible fixed assets	5,888
Net working capital	4,393
Overdraft	(6,396)
Finance lease	(55)
Net assets	3,830
Minorities	(202)
Related goodwill - Post FRS 10	578
- Pre FRS 10	321
	4,527
Profit on disposal	457
Total consideration	4,984
- loan notes	-
- cash	4,984
Overdraft disposed	6,396
Total cash effect	11,380

The above items relate principally to the disposal of MITIE Access Ltd, MITIE Access (Northern) Ltd, MITIE Access (North East) Ltd, MITIE Access (Scotland) Ltd and MITIE Access (Southern) Ltd in June 2002.

The profit after taxation up to the date of disposal of these companies was £140,000 and for the last financial year was £315,000. The businesses' contributions to Group net operating cash flow, interest paid, tax paid and capital expenditure were not material.

Notes to the Accounts

for the year ended 31 March 2003

21 Analysis of changes in net funds

	At 31 March 2002 £'000	Cashflows £'000	Non cashflows £'000	Acquisitions £'000	Disposals £'000	At 31 March 2003 £'000
Cash at bank and in hand	25,106	23,240	–	(4,766)	11,380	54,960
Net cash	25,106	23,240	–	(4,766)	11,380	54,960
Debt due within one year	(751)	–	751	–	–	–
Finance leases	(55)	(41)	–	–	55	(41)
Debt financing	(806)	(41)	751	–	55	(41)
Current asset investments	–	3,880	–	–	–	3,880
Net funds	24,300	27,079	751	(4,766)	11,435	58,799

22 Reconciliation of net cash flow to movement in net funds

	2003 £'000	2002 £'000
Increase in cash during year	29,854	18,971
Cash inflow from movement in debt and lease financing	765	11
Cash inflow from movement in liquid resources	3,880	–
Movement in net funds in the year	34,499	18,982
Net funds at beginning of year	24,300	5,318
Net funds at end of year	58,799	24,300

23 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.

Contingent consideration, to be satisfied in shares, for the acquisition of subsidiary undertakings is dependent upon future profits of those subsidiaries and at the discretion of MITIE. 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 £2,723,000. These commitments reduce to £1,049,000 and £nil at the end of the next two years respectively. Against these guarantees, the Group has received indemnities from the Group's bankers of £464,000 and from the suppliers of the leased equipment of £602,000, giving a net contingent liability of £1,656,000.

Notes to the Accounts continued

for the year ended 31 March 2003

24 Commitments

	2003 \$'000	2002 \$'000
Capital commitments as follows:		
Contracted for but not provided for in the Accounts	161	–

	2003 Property \$'000	2003 Other \$'000	2002 Property \$'000	2002 Other \$'000
Annual commitments under operating leases which expire:				
Within one year	345	144	313	49
In second to fifth years inclusive	658	251	792	802
Over five years	1,179	5	882	5
	2,182	400	1,987	856

25 Investment in subsidiary undertakings

	Shares at cost \$'000	Provision for impairment \$'000	Net book value \$'000
At beginning of year	56,696	(2,766)	53,930
Additions	18,602	–	18,602
Disposals	(2,410)	–	(2,410)
Provisions in the year (net)	–	(4,035)	(4,035)
At end of year	72,888	(6,801)	66,087

The principal operating subsidiary undertakings are detailed in Note 30.

26 Pensions

In November 2000, the Accounting Standards Board (ASB) issued FRS 17 Retirement Benefits, replacing SSAP 24 Accounting for Pension Costs. In November 2002, an amendment to FRS 17 was published which allowed an extension to the transitional arrangements of FRS 17. The probability of implementation is uncertain and partly dependent upon proposals from the International Accounting Standards Board (IASB). The Group will take advice to ensure that it continues to adopt the best practice in respect of accounting for retirement benefits. The Group is in the second year of the transitional arrangements under FRS 17 and the required 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 and 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 £3,251,000 (2002: £3,034,000).

MITIE Group PLC Pension Scheme

The most recent valuation was at 6 April 2002. It was assumed that:

Investment return – pre retirement	7.00%
Investment return – post retirement	5.50%
Salary increases	4.50%
Present and future pension increases	3.00%

The next actuarial valuation is due on 6 April 2005. The 2002 actuarial valuation showed that the market value of the assets was £24,401,000 and that the actuarial value of those assets represented 87% 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% (2002: 10%) and 7.5% (2002: 7.5%) of pensionable earnings respectively.

Notes to the Accounts

for the year ended 31 March 2003

26 Pensions continued

MITIE Group PLC Passport Pension Scheme

The most recent valuation was at 6 April 2002. It was assumed that:

Investment return – pre retirement	7.00%
Investment return – post retirement	5.50%
Salary increases	4.50%
Present and future pension increases	3.00%

The next actuarial valuation is due on 6 April 2005. The 2002 actuarial valuation showed that the market value of the assets was £581,000 and that the actuarial value of those assets represented 67% of the benefits that had accrued to members after allowing for expected future increases in earnings. The contributions of the Group and employees total 32% (2002: 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 2002, updated to 31 March 2003 by a qualified actuary.

As required by SSAP 24, the figures included in the Accounts in respect of the Group pension schemes are based on actuarial valuations carried out at 6 April 2002. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP 24 triennial valuation as at 6 April 2005 based upon which subsequent pension costs will be determined until the adoption of FRS 17. The figures currently used for accounting purposes as regards pension costs are likely to change significantly as and when FRS 17 is adopted.

The costs of death in service benefit for members of the Schemes 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 2003	At 31 March 2002
Discount rate	5.50%	6.25%
Rate of increase in salaries	3.50%	3.50%
Rate of increase of pensions in payment (pre April 2002)	3.00%	3.00%
Rate of increase of pensions in payment (post April 2002)	2.50%	3.00%
Rate of increase of deferred pensions	2.50%	2.75%
Inflation assumption	2.50%	2.75%

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

	Long-term rate of return expected at 31 March 2003	Value at 31 March 2003 £'000	Long-term rate of return expected at 31 March 2002	Value at 31 March 2002 £'000
Equities	7.25%	19,284	7.25%	18,947
Bonds	5.50%	3,343	5.75%	3,022
Others	4.00%	3,316	5.00%	2,825
Total market value of assets		25,943		24,794
Present value of Schemes' liabilities		(37,051)		(25,850)
Deficit in the Schemes		(11,108)		(1,056)
Related deferred tax asset		3,333		317
Net pension liability		(7,775)		(739)

Notes to the Accounts continued

for the year ended 31 March 2003

26 Pensions continued

Analysis of amount that would have been charged to operating profit under FRS 17

	At 31 March 2003 £'000
Current service cost	2,285
Past service cost	–
Total operating charge	2,285

Analysis of amount that would have been charged to interest under FRS 17

	At 31 March 2003 £'000
Expected return on pension Schemes' assets	1,836
Interest cost	(1,723)
Net return	113

The amount recognised in the statement of total recognised gains and losses had FRS 17 been operative would have been as follows:

	% of Scheme assets	At 31 March 2003 £'000
Actual return less expected return on pension Schemes' assets	20%	(5,061)
Changes in financial assumptions underlying the Schemes' liabilities	23%	(6,035)
Actuarial loss recognised in the statement of total recognised gains and losses		(11,096)

Movements in deficit during the year

	At 31 March 2003 £'000
Deficit in Schemes at beginning of year	(1,056)
Movement in year:	
Current service cost	(2,285)
Contributions	3,216
Past service costs	–
Other finance income	113
Actuarial loss	(11,096)
Deficit in the Schemes at the end of the year	(11,108)

The impact to the Balance Sheet and Reserves at 31 March 2003 of adopting FRS 17 would be as follows:

	At 31 March 2003 £'000	At 31 March 2002 £'000
Net assets excluding pension liability	112,564	83,245
Net pension liability	(7,775)	(739)
Net assets including pension liability	104,789	82,506
Profit and loss reserve excluding pension liability	54,810	42,291
Net pension liability	(7,775)	(739)
Profit and loss reserve including pension liability	47,035	41,552

Notes to the Accounts

for the year ended 31 March 2003

27 Other interests in Shares

The Company has been notified of the following interests in 3% or more of the issued share capital of the Company as at 3 July 2003.

	Number of Ordinary Shares at 2½p each	% of share capital
Fidelity Corp. and Fidelity International Ltd	24,529,883	8.12
Prudential plc	12,273,605	4.06

28 Related party transactions

During the year, the Group paid £20,000 (2002: £nil), in respect of purchases in the ordinary course of business, to a private company controlled by D M Telling, Chairman.

During the year D M Telling paid £97,676 (2002: £nil) to the Group and subsidiary undertakings in respect of goods and 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 FRS 8 not to disclose transactions with companies within the Group.

29 Subsequent events

On 2 July 2003, the Group acquired the entire share capital of Trident Safeguards Ltd ("Trident"). The consideration comprises an initial amount of £8,200,000 payable in cash on completion with additional consideration according to future profitability payable in cash and loan notes. The additional consideration is split as follows:

- £1,000,000 payable on the first anniversary of the acquisition if an agreed profit threshold for the year ended 31 March 2004 is met;
- £2,000,000 payable at any time between 2006 and 2010 if an agreed profit threshold is met; and
- if this threshold is exceeded then an additional amount will become payable, with the total consideration for Trident capped at £20,000,000.

In the year to 31 March 2003, Trident's turnover was £23,400,000, pre-tax profits of £812,000 and the company had net assets of £933,000.

On 3 July 2003, the Group acquired the entire share capital of Eagle Pest Control Services UK Ltd ("Eagle"). The consideration comprises initial consideration of £2,800,000 payable in cash with additional consideration based on future profitability, also payable in cash. The additional consideration is split as follows:

- £1,200,000 payable at any time between 2008 and 2013 if an agreed profit threshold is met; and
- if this profit threshold is exceeded then an additional amount will become payable, with the total consideration for Eagle capped at £6,000,000.

In the year to 31 March 2003, Eagle's turnover was £4,139,000, pre-tax profits of £447,000 and the company had net assets of £1,124,000.

Notes to the Accounts continued

for the year ended 31 March 2003

30 Principal operating subsidiary and associated companies

The companies set out below are those which were part of the Group at 31 March 2003 and in the opinion of the Directors significantly affected the Group's results and net assets during the year.

At 31 March 2003
% ordinary
shares owned

Scotland	B	MITIE Engineering Services (Scotland) Ltd	100
	B	MITIE Engineering Maintenance (Caledonia) Ltd	62
	S	MITIE Envirocare Ltd	100
	B	MITIE HydroCat Ltd	100
	B	MITIE Lindsay Ltd	96
	S	MITIE Olscot Ltd	100
	S	MITIE Security (Scotland) Ltd	61
	B	MITIE Property Services (Scotland) Ltd	100
	B	MITIE McCartney Fire Protection Ltd	72
North	B	MITIE Air Conditioning (North) Ltd	51
	S	MITIE Cleaning (North) Ltd	100
	B	MITIE Engineering Services (Leeds) Ltd	56
	B	MITIE Engineering Services (North) Ltd	100
	B	MITIE Engineering Maintenance (North) Ltd	69
	B	MITIE Greencote Ltd	69
	B	MITIE Engineering Services (Liverpool) Ltd	70
	B	MITIE Engineering Projects Ltd	62
	B	MITIE Property Services (North East) Ltd	100
	B	MITIE Property Services (North West) Ltd	100
	S	MITIE Security (North) Ltd	80
Midlands	B	MITIE Air Conditioning (Midlands) Ltd	61
	S	MITIE Cleaning (Midlands) Ltd	100
	B	MITIE Engineering Services (Midlands) Ltd	55
	B	MITIE Property Services (Midlands) Ltd	56
	B	MITIE Roofing Services Ltd	60
South East	B	MITIE Air Conditioning (London) Ltd	65
	S	MITIE Business Services Ltd	51
	S	MITIE Cleaning (South East) Ltd	100
	S	MITIE Cleaning (Southern) Ltd	100
	B	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
	S	MITIE Landscape (Southern) Ltd	64
	B	MITIE Flooring (Southern) Ltd	57
	B	MITIE Interiors Ltd	67
	B	MITIE Property Services (Eastern) Ltd	63
	B	MITIE Property Services (London) Ltd*	100
	B	MITIE Property Services (Southern) Ltd	100
	B	MITIE Roofing (South East) Ltd	100
	S	MITIE Security (Southern) Ltd	90

Notes to the Accounts

for the year ended 31 March 2003

30 Principal operating subsidiary and associated companies continued

			At 31 March 2003 % ordinary shares owned
South West	B	Cole Motors Ltd	100
	B	MITIE Air Conditioning (South West) Ltd	100
	B	MITIE Air Conditioning (Wales) Ltd	54
	S	MITIE Air Conditioning (West) Ltd	51
	S	MITIE Cleaning (South Wales) Ltd	100
	S	MITIE Cleaning (South West) Ltd	100
	S	MITIE Engineering Maintenance (South West) Ltd	56
	B	MITIE Engineering Services (Bristol) Ltd	100
	B	MITIE Engineering Services (Cardiff) Ltd	100
	B	MITIE Engineering Services (Peninsula) Ltd	52
	B	MITIE Engineering Services (South West) Ltd	100
	B	MITIE Engineering Services (Swansea) Ltd	56
	S	MITIE Managed Services (South West and Wales) Ltd	73
	B	MITIE Property Services (Western) Ltd	100
	B	MITIE Roofing (South West) Ltd	100
National	S	MITIE Catering Services Ltd	51
	B	MITIE Cleanrooms Ltd	65
	B	MITIE Engineering Services (Retail) Ltd	54
	B	MITIE Environmental Ltd	62
	B	MITIE Generation Ltd*	100
	S	MITIE Managed Services Ltd	100
	S	MITIE PFI Ltd	100
	B	MITIE Scotgate Ltd	62
	B	MITIE Scientific Projects Ltd	51
	B	MITIE Technology Ltd	66
	S	Service Management International Ltd	33
Administration	B	MITIE Access Systems Ltd	100
	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 5 April 2003. Adjustments have been made on consolidation to exclude the results of these companies for the period from 31 March 2003 to that date.

The Group has a 33% interest in an associate company, Service Management International Ltd. As this is not considered material, separate disclosure of its results, assets or liabilities have not been included in the financial statements.

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.

Five Year Summary

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Group Profit and Loss Account					
Turnover	565,840	518,852	415,375	346,514	264,455
Profit on ordinary activities before goodwill and tax	34,113	30,997	25,148	19,758	14,542
Goodwill amortisation and impairment	2,324	640	73	518	34
Net profit margin (before goodwill amortisation and impairment)	6%	6%	6%	5.7%	5.5%
Profit on ordinary activities before tax	31,789	30,357	25,075	19,240	14,508
Taxation	(10,188)	(9,027)	(8,420)	(6,080)	(4,676)
Profit on ordinary activities after tax	21,601	21,330	16,655	13,160	9,832
Minority interest	(2,125)	(2,712)	(2,703)	(2,067)	(1,134)
Dividends	(5,736)	(4,623)	(3,497)	(2,751)	(2,166)
Retained profit	13,740	13,995	10,455	8,342	6,532
Group Balance Sheet					
Intangible fixed assets	24,291	14,724	8,597	4,283	2,367
Tangible fixed assets	37,277	45,082	48,123	39,090	30,672
Other assets and liabilities	50,996	23,439	3,583	(1,723)	(4,725)
	112,564	83,245	60,303	41,650	28,314
Equity Shareholders' Funds	104,900	74,491	50,166	32,900	22,623
Minority interests	7,664	8,754	10,137	8,750	5,691
	112,564	83,245	60,303	41,650	28,314
Earnings per share	6.5p	6.5p	5.0p	4.1p	3.2p
Pre-goodwill earnings per share	7.3p	6.8p	5.1p	4.3p	3.3p
Dividend per share	1.9p	1.6p	1.25p	1.0p	0.8p

Earnings and dividend per share figures have been restated to reflect the subdivision of shares in 2001.

Notice of Meeting

Notice is hereby given that the Sixty Seventh Annual General Meeting of MITIE Group PLC will be held at The Stable Block, Barley Wood, Wrington, Bristol, BS40 5SA on Thursday, 18 September 2003 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 2003 and the Reports of the Directors and Auditors thereon be received.
2. That the Remuneration Report for the year ended 31 March 2003 contained in the Accounts be approved.
3. That a final dividend for the year ended 31 March 2003 of 1.1p per Ordinary Share of 2¹/₂p each be declared.
4. That David Malcolm Telling be re-elected as a Director.
5. That Sir John Southwood Jennings be re-elected as a Director.
6. That Colin Stewart Acheson be re-elected as a Director.
7. That David Charles Ord be elected as a Director.
8. That Ruby McGregor-Smith be elected as a Director.
9. That Cullum McAlpine be elected as a Director.
10. That Deloitte & Touche LLP 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:

11. 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 the holders of Ordinary Shares of 2¹/₂p each where the equity securities respectively attributable of the interests of all such Shareholders are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements; and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £375,000 (approximately 5% of the 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.

Notice of Meeting continued

12. 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 which may be purchased is 30,000,000 (approximately 10% of the issued share capital);
- (b) the minimum price which may be paid for an Ordinary Share is 2½p, exclusive of expenses; and
- (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 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
Company Secretary

Registered Office:
35 Duchess Road
Rutherglen
Glasgow
G73 1AU

4 July 2003

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 or her. A proxy need not be a member of the Company.
2. To be effective, forms of proxy duly completed 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 the meeting and voting in person.
3. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of the Company as at 6.00pm on 16 September 2003 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 6.00pm on 16 September 2003 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.
5. The total number of options to subscribe for Ordinary Shares that were outstanding as at 3 July 2003 was 9,433,450, representing approximately 3.1% of the issued share capital of the Company. This would represent 3.5% of the issued share capital if the maximum number of Ordinary Shares were purchased under the authority proposed under Resolution 12.
6. On 1 August 2003, Deloitte & Touche will transfer their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company has given its consent to treating the reappointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003. Accordingly, although the Accounts were signed in the name of Deloitte & Touche, a Resolution for the reappointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Corporate Information

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Bankers	Barclays Bank PLC Bank of Scotland Clydesdale Bank PLC HSBC Bank plc National Westminster Bank Plc The Royal Bank of Scotland plc
Stockbrokers	UBS Investment Bank 2 Finsbury Avenue London EC2M 2PP
Solicitors	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG
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



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