

MITIE BUSINESS SERVICES LIMITED

Report and Financial Statements

31 March 2003



REPORT AND FINANCIAL STATEMENTS 2003

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the accounts	9

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
C S Hale
M J Oppenheim
M J Smith
I R Stewart

SECRETARY

C K Ross

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
Bristol
BS40 5SA

BANKERS

National Westminster Bank plc
32 Corn Street
Bristol
BS99 7UG

AUDITORS

Deloitte & Touche
Bristol

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2003.

The financial statements have been made up to 31 March 2003, being the accounting reference date in accordance with Section 223 of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company provides reprographic and post room facilities to banking, legal and commercial ventures.

The company's business has developed satisfactorily and the directors consider that the company is in a good position to continue that development.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £616,913 (2002: £268,670). The directors recommend that this be dealt with as follows:

	2003 £
Ordinary dividends:	
- Final proposed 5p per share	40,000
Transfer to reserves	576,913
	<hr/> 616,913 <hr/>

DIRECTORS' REPORT (continued)**DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

D M Telling
C S Hale
M J Oppenheim
M J Smith
I R Stewart

The beneficial interests of the directors and their families in the share capital of the company during the year were as follows:

	1p 'B' ordinary shares No.	At 31 March 2003 £1 Deferred ordinary shares No.	At 31 March 2002 £1 'B' ordinary shares No.
M J Oppenheim	65,000	30,000	30,000
M J Smith	35,000	30,000	30,000
		At 31 March 2003 Redeemable unsecured loan stock 2009 £	At 1 April 2002 Redeemable unsecured loan stock 2009 £
M J Oppenheim		-	35,000
M J Smith		-	35,000

No other director held an interest in the share capital of the company.

Messrs D M Telling, I R Stewart and C S Hale are directors of MITIE Group PLC, the parent undertaking, and their interests in the share capital of that company are shown in the financial statements of MITIE Group PLC.

No other director had an interest in the share capital of MITIE Group PLC or any other group company.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2003 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 10 days (2002: 35 days).

DIRECTORS' REPORT (continued)

EMPLOYEES

The company 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 attitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical or the employee unable to conform to the stringent regulations which apply to the operations of the company.

The company recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of MITIE Group PLC and individual employees in 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. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

AUDITORS

Deloitte & Touche has 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.

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



C K Ross
Secretary

2 July 2003

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MITIE BUSINESS SERVICES LIMITED**

We have audited the financial statements of MITIE Business Services Limited for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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 financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

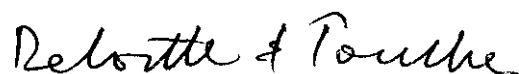
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
Bristol

4 July 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

	Notes	Continuing operations	
		2003	2002
		£	£
TURNOVER	1	11,075,994	7,712,129
Cost of sales		(9,183,916)	(6,638,418)
GROSS PROFIT		1,892,078	1,073,711
Administrative expenses		(1,051,100)	(686,411)
Other operating income		-	390
OPERATING PROFIT	2	840,978	387,690
Interest receivable	3	49,519	14,743
Interest payable	3	-	(16,871)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		890,497	385,562
Tax charge on profit on ordinary activities	4	(273,584)	(116,892)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		616,913	268,670
Dividends	5	(40,000)	(25,600)
RETAINED PROFIT FOR THE FINANCIAL YEAR	11	576,913	243,070

There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been presented.

BALANCE SHEET
At 31 March 2003

	Notes	2003	2002
		£	£
FIXED ASSETS			
Tangible assets	6	69,343	43,056
CURRENT ASSETS			
Stocks	7	15,346	1,415
Debtors	8	2,207,190	2,245,871
Cash at bank and in hand		2,054,902	699,947
		<u>4,277,438</u>	<u>2,947,233</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(3,148,645)</u>	<u>(2,555,535)</u>
NET CURRENT ASSETS		<u>1,128,793</u>	<u>391,698</u>
NET ASSETS		<u>1,198,136</u>	<u>434,754</u>
CAPITAL AND RESERVES			
Called up share capital	10	325,000	320,000
Share premium account	11	184,669	-
Profit and loss account	11	688,467	114,754
TOTAL EQUITY SHAREHOLDERS' FUNDS	11	<u>1,198,136</u>	<u>434,754</u>

These financial statements were approved by the Board of Directors on 2 July 2003.

Signed on behalf of the Board of Directors



C S Hale
Director

CASH FLOW STATEMENT

Year ended 31 March 2003

	Notes	2003	2002
		£	£
Net cash inflow from operating activities	12	1,519,774	546,185
Returns on investments and servicing of finance			
Interest received		55,403	10,076
Taxation			
UK corporation tax paid	(163,260)	(61,644)	
Group relief received	-	49,315	
Tax paid		(163,260)	(12,329)
Capital expenditure			
Payments to acquire tangible fixed assets	(67,234)	(47,779)	
Receipts from disposal of tangible fixed assets	18,113	-	
Net cash outflow from capital expenditure		(49,121)	(47,779)
Equity dividends paid		(25,600)	-
Cash inflow before management of liquid resources and financing		1,337,196	496,153
Financing			
Issue of loan stock	-	58,710	
Issue of ordinary share capital	17,759	5,000	
Net cash inflow from financing		17,759	63,710
Increase in cash in the year	14	1,354,955	559,863

Year ended 31 March 2003

Accounting convention

Turnover

Tangible fixed assets and depreciation

Office equipment	up to 5 years
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Stocks

Leasing commitments

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Deferred taxation

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 taxation 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.

Pension costs

Pension costs represent amounts paid to one of the group's pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC.

2. OPERATING PROFIT is stated after charging:	2003	2002
	£	£
Depreciation	22,834	14,115
Auditors' remuneration - audit services	4,800	3,000
Operating lease rentals:		
- plant and machinery	599,871	522,098
- other	-	26,500

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

3. INTEREST

	2003 £	2002 £
Interest receivable		
Bank interest	49,519	14,743
	<u> </u>	<u> </u>
Interest payable	£	£
Loan stock	-	16,871
	<u> </u>	<u> </u>

4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2002: 30%) (note 4(b))	273,913	116,844
Deferred taxation:		
Prior year adjustment	-	123
Timing differences - origination and reversal	219	97
Adjustment in respect of prior years	(548)	(172)
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	<u>273,584</u>	<u>116,892</u>

(b) Factors affecting tax charge in year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are as follows:

	£	£
Profit on ordinary activities before tax	890,497	385,562
	<u> </u>	<u> </u>
	£	£
Tax at 30% thereon	267,149	115,669
Expenses not deductible for tax purposes	6,805	1,272
Capital allowances in excess of depreciation	(219)	(97)
Other	178	-
	<u> </u>	<u> </u>
Current tax charge for the year (note 4(a))	<u>273,913</u>	<u>116,844</u>

(c) Factors affecting future tax charges

The company is not aware of any matters that will materially affect the future tax charge.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

5.	DIVIDENDS	2003 £	2002 £
	Ordinary:		
	Final proposed of 5p (2002: 8p) per share	<u>40,000</u>	<u>25,600</u>
6.	TANGIBLE FIXED ASSETS		
	Summary	Office equipment £	
	Cost		
	At 1 April 2002	61,940	
	Additions	67,234	
	Transfers out	(26,438)	
	At 31 March 2003	<u>102,736</u>	
	Depreciation		
	At 1 April 2002	18,884	
	Charge for the year	22,834	
	Transfers out	(8,325)	
	At 31 March 2003	<u>33,393</u>	
	Net book value		
	At 31 March 2003	<u>69,343</u>	
	At 31 March 2002	<u>43,056</u>	
	Capital commitments		
	There were no capital commitments at 31 March 2003 (2002: nil).		
7.	STOCKS	2003 £	2002 £
	Stocks and work in progress	<u>15,346</u>	<u>1,415</u>

NOTES TO THE ACCOUNTS**Year ended 31 March 2003**

8. DEBTORS	2003	2002
	£	£
Trade debtors	1,935,305	1,594,014
Amounts owed by group undertakings	215,571	605,195
Other debtors	39,614	46,522
Prepayments and accrued income	16,297	65
Deferred tax assets	403	75
	<u>2,207,190</u>	<u>2,245,871</u>

A deferred tax asset of £403 has been recognised at 31 March 2003 (2002: £75). This asset relates to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2003	2002
	£	£
Convertible redeemable loan stock	-	168,710
Trade creditors	2,128,689	1,613,920
Amounts owed to group undertakings	15,701	15,558
Corporation tax	165,975	55,324
Other taxes and social security costs	665,142	627,000
Other creditors	30,819	20,793
Accruals and deferred income	102,319	28,630
Proposed dividend	40,000	25,600
	<u>3,148,645</u>	<u>2,555,535</u>

The loan stock was converted to 1p ordinary 'B' shares on 5 July 2002.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

10. CALLED UP SHARE CAPITAL	2003	2002
	£	£
Authorised		
500,000 £1 Deferred shares (2002: nil)	500,000	-
Nil £1 'A' ordinary shares (2002: 255,000 shares)	-	255,000
Nil £1 'B' ordinary shares (2002: 245,000 shares)	-	245,000
255,000 1p 'A' ordinary shares (2002: nil)	2,550	-
245,000 1p 'B' ordinary shares (2002: nil)	2,450	-
	<u>505,000</u>	<u>500,000</u>
	£	£
Allotted and fully paid		
320,000 £1 Deferred shares (2002: nil)	320,000	-
Nil £1 'A' ordinary shares (2002: 255,000 shares)	-	255,000
Nil £1 'B' ordinary shares (2002: 65,000 shares)	-	65,000
255,000 1p 'A' ordinary shares (2002: nil)	2,550	-
245,000 1p 'B' ordinary shares (2002: nil)	2,450	-
	<u>325,000</u>	<u>320,000</u>

On 5 July 2002 the following transactions took place:

- the authorised share capital of MITIE Business Services Limited was increased by the creation of 255,000 'A' and 245,000 'B' 1p ordinary shares;
- 255,000 of the 1p 'A' ordinary shares and 65,000 of the 1p 'B' ordinary shares were issued as a bonus issue where one new 'A' or 'B' 1p ordinary share was issued for each 'A' and 'B' £1 ordinary share held;
- all of the 'A' and 'B' £1 ordinary shares were converted into deferred shares of £1 each; and
- 168,710 1p 'B' ordinary shares were issued at a premium of 99p each on the conversion of the loan stock.

On 9 September 2002 5,770 1p 'B' ordinary shares were allocated at a premium of £1.48 each.

On 21 October 2002 3,415 1p 'B' ordinary shares were allocated at a premium of £1.60 each.

On 15 November 2002 2,105 1p 'B' ordinary shares were allocated at a premium of £1.73 each.

The deferred shares carry no rights except on a return of capital, where after payment of all company's liabilities, the holders of the deferred shares would be entitled to the par value (together with any premium paid on subscription).

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

10. CALLED UP SHARE CAPITAL (continued)

The rights attaching to the 'A' and 'B' 1p ordinary shares are as follows:

Income

Dividends are declared on the following basis:

- (i) the profits available for distribution should be applied first in paying to the holders of the 'A' shares and the 'B' shares a dividend that the board should decide;
- (ii) secondly in paying a cumulative dividend to the holders of the 'A' shares which comprises of one half of the profits available for distribution after the payment of the dividend in (i); and
- (iii) thirdly in paying a dividend pari passu to the holders of the 'A' and 'B' shares.

Capital

On a return of capital, the assets of the company will be distributed equally to all 1p ordinary shareholders.

Voting

Each 'A' and 'B' share will carry one vote.

11. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital £	Share premium account £	Profit and loss account £	2003 Total £	2002 Total £
At 1 April 2002	320,000	-	114,754	434,754	186,684
Issue of ordinary shares	1,800	184,669	-	186,469	5,000
Bonus issue of shares	3,200	-	(3,200)	-	-
Profit for the financial year	-	-	616,913	616,913	268,670
Dividends	-	-	(40,000)	(40,000)	(25,600)
At 31 March 2003	325,000	184,669	688,467	1,198,136	434,754

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**12. RECONCILIATION OF OPERATING PROFIT TO NET CASH
INFLOW FROM OPERATING ACTIVITIES**

	2003	2002
	£	£
Operating profit	840,978	387,690
Depreciation charges	22,834	14,115
(Increase)/decrease in stocks	(13,931)	14,154
Decrease/(increase) in debtors	33,125	(1,485,535)
Increase in creditors	636,768	1,615,761
Net cash inflow from operating activities	1,519,774	546,185

13. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2002	Cash flow	At 31 March 2003
	£	£	£
Cash at bank and in hand	699,947	1,354,955	2,054,902
Loan stock	(168,710)	168,710	-
	531,237	1,523,665	2,054,902

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

	2003	2002
	£	£
Increase in cash in the year	1,354,955	559,863
Increase/(decrease) in debt due after one year	168,710	(58,710)
Movement in net funds in year	1,523,665	501,153
Net funds at beginning of year	531,237	30,084
Net funds at end of year	2,054,902	531,237

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

15. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	-	115,650	-	43,700
- between two and five years	-	38,355	-	512,276
- in over five years	48,262	-	26,500	-
	<u>48,262</u>	<u>154,005</u>	<u>26,500</u>	<u>555,976</u>

Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts. As at 31 March 2003, the overall commitment was nil (2002: nil).

16. DIRECTORS

	2003 £	2002 £
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	<u>231,292</u>	<u>174,399</u>
	£	£
The highest paid director	<u>115,675</u>	<u>-</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>1</u>	<u>1</u>

Messrs D M Telling, C S Hale and I R Stewart are directors of MITIE Group PLC and their emoluments and pension details are disclosed in the group accounts.

Where the directors are remunerated by other group companies for their services to the group as a whole, it is not practicable to allocate their remuneration between their services as directors of MITIE Business Services Limited and their services as directors of other group companies.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

17. EMPLOYEES

Number of employees

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

	2003 No.	2002 No.
Operatives	314	219
Administration and management	12	9
	<u>326</u>	<u>228</u>
Employment costs	£	£
Wages and salaries	6,620,565	4,960,255
Social security costs	590,233	452,750
Pensions costs	163,367	109,939
	<u>7,374,165</u>	<u>5,522,944</u>

18. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 51.1% shareholder of the company.

	Goods and services provided by £	Goods and services provided to £	Management charges from £	Fixed assets sold to £	Debtor balance at year end £	Creditor balance at year end £
MITIE Group PLC	-	4,765	-	-	135,034	-
Cole Motors Ltd	17,190	-	-	-	-	-
MITIE Cleaning (South East) Ltd	349	40,902	-	-	-	-
MITIE Cleaning Ltd	13,789	-	-	-	-	-
MITIE Engineering Maintenance Ltd	-	-	17,241	18,113	17,241	-
MITIE Interiors Ltd	56,053	4,750	-	-	-	-
MITIE Managed Services Ltd	80,881	1,102,276	8,856	-	63,296	15,701
MITIE Property Services (London) Ltd	34,306	172	-	-	-	-

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**19. PENSION ARRANGEMENTS**

For the purposes of Financial Reporting Standard 17, the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme, the MITIE Group Pension Scheme, on a consistent and reasonable basis. Therefore, following full implementation of FRS17, the company will account for contributions to the scheme as if it were a defined contribution scheme. At 31 March 2003, the valuation of the scheme for the purposes of FRS17 showed a net pension liability as set out in the report and accounts of MITIE Group PLC.

20. PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. MITIE Group PLC is both the smallest and largest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.