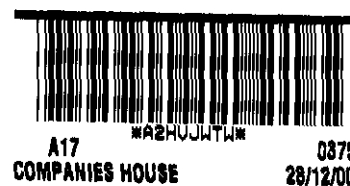


MITIE BUSINESS SERVICES LIMITED
(formerly MITIE Managed Office Solutions Limited)

Report and Financial Statements

Period from 11 June 1999 to 31 March 2000

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



REPORT AND FINANCIAL STATEMENTS 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARIES

A F Waters
M O Thomas (resigned 4 May 2000)
C K Ross (appointed 4 May 2000)

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

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the period from incorporation on 11 June 1999 to 31 March 2000.

On 7 November 1999 the company changed its name from MITIE Managed Office Solutions Limited to MITIE Business Services Limited.

The financial statements have been made up to 31 March 2000, being the accounting reference date in accordance with Section 223 of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company 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 commenced trading on 1 December 1999.

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

The first period of trading to 31 March 2000 was a set up period and the reported loss reflects that. The company has moved into the new year with two new contracts confirmed, together with various other prospective clients. The directors consider that this will bring the company into a profitable trading position in the future.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £69,623. The directors do not propose that this amount be transferred from reserves. The directors do not recommend the payment of a dividend.

FIXED ASSETS

Details of movements in fixed assets during the period are set out in Note 5 to the financial statements.

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

D M Telling	(appointed 11 June 1999)
I R Stewart	(appointed 1 December 1999)
C S Hale	(appointed 1 December 1999)
M J Oppenheim	(appointed 1 December 1999)
M J Smith	(appointed 2 December 1999)

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

	At 31 March 2000 £1 'B' ordinary shares No.	At 11 June 1999 or date of appointment £1 'B' ordinary shares No.
M J Oppenheim	30,000	-
M J Smith	30,000	-
	Redeemable unsecured loan stock 2009 £	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 and I R Stewart 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.

Other directors' interests in the share capital of MITIE Group PLC are as follows:

	At 31 March 2000 5p Ordinary shares No.	At 11 June 1999 or date of appointment 5p Ordinary shares No.
C S Hale	181,500	188,800

No other director had an interest in the share capital of MITIE Group PLC.

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 2000 trade creditors, as a proportion of amounts invoiced from suppliers for the period, represented 28 days.

DIRECTORS' REPORT (continued)

YEAR 2000

The year 2000 project completed all critical milestones well within the project timescale and all the primary business systems have completed both the millennium rollover and leap year rollover without any issues. Although these critical dates have been successfully passed, the Executive Steering Committee is not being complacent in considering the possible impact from latent problems outside the control of MITIE.

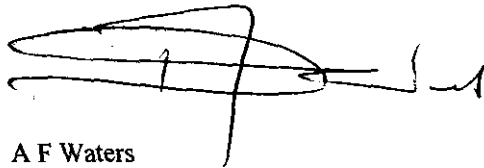
We have made considerable effort in determining the compliance of critical players in our suppliers/customer chain and are confident of continued trouble free operation.

The year 2000 project team will remain operational, with suitable contingency plans, until it is considered that sufficient time has passed for all possible external issues to be identified and resolved.

AUDITORS

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

A handwritten signature in black ink, appearing to be 'A F Waters', written over a horizontal line.

A F Waters
Secretary

11 August 2000

AUDITORS' REPORT TO THE MEMBERS OF

MITIE BUSINESS SERVICES LIMITED (formerly MITIE Managed Office Solutions Limited)

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 2000 and of its loss for the period from 11 June 1999 to 31 March 2000 then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

14 August 2000

PROFIT AND LOSS ACCOUNT
Period from 11 June 1999 to 31 March 2000

	Notes	Continuing operations 2000 £
TURNOVER	1	10,925
Cost of sales		(9,800)
GROSS PROFIT		1,125
Administrative expenses		(102,750)
OPERATING LOSS	2	(101,625)
Interest receivable	3	4,402
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(97,223)
Tax credit on loss on ordinary activities	4	27,600
RETAINED LOSS FOR THE PERIOD	10	(69,623)

There are no recognised gains and losses for the current financial period other than as stated in the profit and loss account.

MITIE BUSINESS SERVICES LIMITED
(formerly MITIE Managed Office Solutions Limited)

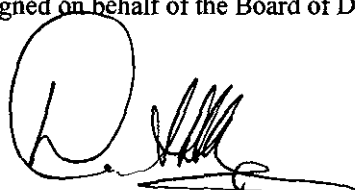
**Deloitte
& Touche**

BALANCE SHEET
At 31 March 2000

	Notes	2000	
		£	£
FIXED ASSETS			
Tangible assets	5		9,915
CURRENT ASSETS			
Debtors	6	47,150	
Cash at bank and in hand		273,835	
		<u>320,985</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(15,523)	
		<u></u>	
NET CURRENT ASSETS			305,462
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>315,377</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Convertible redeemable unsecured loan stock	8		(70,000)
NET ASSETS			<u>245,377</u>
CAPITAL AND RESERVES			
Called up share capital	9		315,000
Profit and loss account	10		(69,623)
TOTAL EQUITY SHAREHOLDERS' FUNDS	11		<u>245,377</u>

These financial statements were approved by the Board of Directors on 11 August 2000.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Period from 11 June 1999 to 31 March 2000

	Notes	2000
		£ £
Net cash outflow from operating activities	12	(103,902)
Returns on investments and servicing of finance		
Interest received		3,465
Capital expenditure		
Payments to acquire tangible fixed assets		(10,728)
Cash outflow before management of liquid resources and financing		(111,165)
Financing		
Issue of loan stock		70,000
Issue of ordinary share capital		315,000
Net cash inflow from financing		385,000
Increase in cash in the period	14	273,835

NOTES TO THE ACCOUNTS

Period from 11 June 1999 to 31 March 2000

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied. All turnover arises within the United Kingdom.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office equipment up to 5 years

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the estimated net present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract.

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

Deferred taxation

Provision is made for deferred taxation using the liability method in respect of timing differences to the extent that liabilities will crystallise in the foreseeable future.

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 LOSS is stated after charging:	2000
	£
Depreciation - owned fixed assets	813
Auditors' remuneration - audit services	750
	<hr/>

NOTES TO THE ACCOUNTS
Period from 11 June 1999 to 31 March 2000

3.	INTEREST PAYABLE	2000 £
	On bank balances	<u>4,402</u>
4.	TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES	2000 £
	UK current period taxation	
	Group relief	<u>(27,600)</u>
5.	TANGIBLE FIXED ASSETS	
	Summary	Office equipment £
	Cost	
	At 11 June 1999	-
	Additions	<u>10,728</u>
	At 31 March 2000	<u>10,728</u>
	Depreciation	
	At 11 June 1999	-
	Charge for the period	<u>813</u>
	At 31 March 2000	<u>813</u>
	Net book value	
	At 31 March 2000	<u>9,915</u>
	Capital commitments	
	There were no capital commitments at 31 March 2000.	
6.	DEBTORS	2000 £
	Trade debtors	13,130
	Amounts owed by parent undertaking and fellow subsidiary undertakings	3,179
	Group relief receivable	27,600
	Other debtors	<u>3,241</u>
		<u>47,150</u>

NOTES TO THE ACCOUNTS

Period from 11 June 1999 to 31 March 2000

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2000
	£
Trade creditors	6,041
Other taxes and social security costs	8,732
Accruals and deferred income	750
	<u>15,523</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2000
	£
Convertible redeemable unsecured loan stock 2009	<u>70,000</u>

The convertible redeemable unsecured loan stock may be converted at the holder's option into fully paid ordinary shares of £1 each at any time to 31 August 2009. If the loan stock is not converted it will be redeemable at par on 1 September 2009.

The holders have confirmed that the loan stock will not be converted until after March 2001.

9. CALLED UP SHARE CAPITAL

	No.	2000 £
Authorised		
£1 'A' ordinary shares	255,000	255,000
£1 'B' ordinary shares	245,000	245,000
	<u>500,000</u>	<u>500,000</u>
	1999	2000
	£	£
Allotted and fully paid		
255,000 £1 'A' ordinary shares	255,000	255,000
60,000 £1 'B' ordinary shares	60,000	60,000
	<u>315,000</u>	<u>315,000</u>

The 315,000 ordinary shares were issued at par during the period to provide working capital for the company.

NOTES TO THE ACCOUNTS

Period from 11 June 1999 to 31 March 2000

9. CALLED UP SHARE CAPITAL (continued)

Rights attached to shares

The holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board. Thereafter, MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid, together with any arrears of such cumulative dividends unpaid from any previous financial year.

Thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

Both classes of shareholder have equal voting rights.

10. PROFIT AND LOSS ACCOUNT

	£
At 11 June 1999	-
Retained loss for the period	(69,623)
	<hr/>
At 31 March 2000	(69,623)
	<hr/>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £
Loss for the financial period	(69,623)
Issue of ordinary shares	315,000
	<hr/>
Closing shareholders' funds	245,377
	<hr/>

12. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2000 £
Operating loss	(101,625)
Depreciation charges	813
Increase in debtors	(18,613)
Increase in creditors	15,523
	<hr/>
Net cash outflow from operating activities	(103,902)
	<hr/>

NOTES TO THE ACCOUNTS
Period from 11 June 1999 to 31 March 2000

13. ANALYSIS OF CHANGES IN NET FUNDS

	At 11 June 1999 £	Cash flows £	At 31 March 2000 £
Cash at bank and in hand	-	273,835	273,835
Loan stock	-	(70,000)	(70,000)
	<u>-</u>	<u>203,835</u>	<u>203,835</u>
	<u>-</u>	<u>203,835</u>	<u>203,835</u>

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

	2000 £
Increase in cash in the period	273,835
Increase in debt due after one year	(70,000)
Net funds at 31 March	<u>203,835</u>

15. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2000 the company had no annual commitments under non-cancellable operating leases.

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 2000, the overall commitment was nil.

NOTES TO THE ACCOUNTS

Period from 11 June 1999 to 31 March 2000

16. DIRECTORS

	2000
The emoluments of directors of the company were:	£
Fees and other emoluments (including benefits-in-kind)	43,600
	<u> </u>
	No.

The number of directors who were members of a defined benefit pension scheme

-

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.

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC and their pension details are disclosed in the group accounts. Mr C S Hale is a director of MITIE Managed Services Limited and his pension details are disclosed in the accounts of that company.

17. EMPLOYEES

Number of employees

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

	2000
	No.
Administration and management	2
	<u> </u>
Employment costs	£
Wages and salaries	71,472
Social security costs	8,014
	<u> </u>
	79,486
	<u> </u>

NOTES TO THE ACCOUNTS
Period from 11 June 1999 to 31 March 2000

18. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 80.95% shareholder of the company.

	Goods and services provided to £	Goods and services provided by £	Fixed assets purchased from £	Balance at year end £
MITIE Managed Services Limited	-	4,000	-	-
MITIE Group PLC	2,705	-	-	3,179

MITIE Managed Services Limited is a fellow subsidiary of MITIE Group PLC.

19. 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. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.