MITIE

MITIE GROUP PLC Preliminary Report 2004

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MITIE Group PLC

PRELIMINARY RESULTS
FOR THE YEAR ENDED 31 MARCH 2004

"MITIE has continued to make good progress and I am pleased that we have produced a good set of results this year. The prospects for the future are promising."
Ian R Stewart, Chief Executive.

- **Strong performance in Support Services**
- **High levels of contract retentions and awards**
- **Successful integration of acquisitions**
- **Share buyback programme**
- **32% increase in dividend**
- **Prospects for the future are promising**

FINANCIAL HIGHLIGHTS	2004	2003	
Turnover	**£694.5m**	£565.8m	**up 23%**
Profit before tax – pre goodwill*	**£40.3m**	£34.1m	**up 18%**
Profit before tax	**£38.2m**	£31.8m	**up 20%**
Earnings per share – pre goodwill**	**8.3p**	7.3p	**up 14%**
Earnings per share	**7.6p**	6.5p	**up 17%**
Dividend per share	**2.5p**	1.9p	**up 32%**

***See Group Profit and Loss Account**
****See Note 9 for reconciliation of basic earnings per share**

Notes:
MITIE: Management Incentive Through Investment Equity
ACTIVITY: MITIE, the support services company, maintains, manages and improves buildings and infrastructure for its customers.

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On 7 June at UBS Investment Bank, 1 Finsbury Avenue — Press Room: 020 7568 8737
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Chairman's Statement

"The Board is confident that MITIE is well placed for the future."

MITIE Group PLC ("MITIE") has had a successful year. It has been a year of change but it has also been a year of progress. The Company continues to achieve a good rate of growth and is consolidating its position as a leader in the provision of Building and Support Services.

Results
Turnover rose to £694.5 million, an increase of 22.7%, and profit before tax, goodwill amortisation and impairment* rose by 18.3% to £40.3 million. Profit before tax rose by 20.1% to £38.2 million. Headline earnings per share rose by 14.1% to 8.3p (Note 9).

Dividend
The Board is recommending a final dividend of 1.4p per share, making a total of 2.5p for the year, an increase of 31.6%. We will continue to review our dividend policy on a regular basis.

Share Buyback Programme
The Board today announces that it intends to make market purchases of shares in the Company pursuant to the authority granted to it by Shareholders at the last Annual General Meeting up to 30 million shares.

Board Changes
MITIE's founding Chairman, David Telling, died on 31 October 2003 after a long struggle with cancer. David was the inspiration behind MITIE and it was his drive and personal philosophy that created the conditions for MITIE's success. David was passionate about providing opportunities for people to realise their full potential. The 'Management Incentive Through Investment Equity' business model enabled MITIE to grow rapidly. He attracted a large number of the high calibre people into MITIE and they have grown the business into a major UK support services group.

I was appointed to succeed David as your Non-Executive Chairman on 25 September 2003. I was delighted to accept this challenge and I am determined to reinforce his vision and values, while taking MITIE forward. I believe that there is still considerable potential in the MITIE model and we have continued to initiate new start-ups. This will be accompanied by select strategic acquisitions, where appropriate.

People
In the past six months I have had the privilege of meeting many members of the MITIE management team and I have been impressed with their commitment and enthusiasm. They are united by a determination to grow the business. I am confident that they have the vision that will enable MITIE to continue to achieve its growth targets.

MITIE employees are passionate about providing quality services to their customers and this attitude is apparent at all levels of the Group.

*See Group Profit and Loss Account

I would like to thank each and every employee for their considerable efforts during the past year. I also owe a debt to my Non-Executive colleagues, Sir John Jennings, Manish Chande and Cullum McAlpine, and thank each of them for their support. During the year, Donald Macpherson, our Senior Independent Non-Executive Director, retired after 11 years' service. Donald brought immense experience to the MITIE Board and I would like to thank him for his valuable contribution to the Company during its formative years.

Corporate Governance
An effective system of Corporate Governance is fundamental to fulfilling the Group's corporate responsibilities. By its statements and actions, the Board emphasises a culture of integrity, competence, fairness and responsibility. 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 UK Listing Authority Listing Rules issued by the Financial Services Authority.

Outlook
MITIE has thrived on a spirit of entrepreneurial energy. That spirit burns brightly throughout the Group. We have a team of Directors who bring considerable experience, knowledge and skill to the decision-making process.

We will continue to expand the business by making further strategic acquisitions and by maintaining the culture of starting new businesses to provide opportunities for quality people.

The Board is confident that MITIE is well placed for the future.

David C Ord
Chairman

Chief Executive's Statement

"We have made good progress."

MITIE has continued to make good progress and I am pleased that we have produced a good set of results this year. The prospects for the future are promising.

Contract Highlights

Our approach has always been to focus on our customers, identify their goals and work together with our colleagues to deliver quality services. I am delighted that we are seeing some excellent examples of our success in doing that.

Our contract with Rolls-Royce Aerospace Defence ("Rolls-Royce") goes from strength to strength. We have continued to expand the range of services that we are providing to them. This contract is an example of our bundled service offering. In January 2004, we started work on another bundled services contract with Nissan Motor Manufacturing United Kingdom ("Nissan") at their Sunderland plant. This is a further case of MITIE working together to support the customer's sole focus, which in this case is on the production of cars.

We have also secured a further extension to our contract with Land Securities Trillium. The contract covers the Department for Work and Pensions and runs until 2018. I look forward to seeing this partnership develop further.

The MCI contract is another good example of MITIE providing many of our services to one customer. Since our acquisition of Executive Holdings Ltd we now provide engineering maintenance, security, grounds maintenance and business services to their Reading facility.

We have also recently started a facilities contract for the Office of the Deputy Prime Minister ("ODPM") in Whitehall. The estate covers 55,837 square metres and we will be providing cleaning, catering, security, facilities management and business services. The mission statement of the ODPM is 'Creating Sustainable Communities'. This is a goal with which MITIE readily identifies, as our aim is to have a positive impact on the communities in which we all live and work.

Progress

Our markets are always changing. Whether we are operating in Support or Building Services, our customers are looking to reduce costs and improve efficiency. Streamlined supply chains, partnerships, framework agreements and one-stop shops are the order of the day. To ensure MITIE's share of this market, a more flexible and integrated approach to our customers was needed.

We therefore announced in March 2004 that we would be reshaping Support Services to ensure that it is able to continue its rapid progress as markets change. The trend towards customers wanting combinations of our services, or bundled services, is increasing and this has led us to appoint Colin Hale as Head of Support Services to ensure that we are positioned to meet this demand.

We have recognised that, in order to keep pace with the market, we must constantly review the way in which we sell MITIE at the highest corporate level. In addition, we must make strategic acquisitions as well as continuing with our start-up model. In order to give these objectives a higher profile, Roger Goodman was recently appointed Group Corporate Development Director.

Acquisitions and New Companies
The progress of Support Services was boosted by three strategic acquisitions during the year.

On 2 July 2003 we acquired Trident Safeguards Ltd ("Trident") and on 3 July 2003 Eagle Pest Control Services UK Ltd ("Eagle"). On 4 November 2003 we acquired Executive Holdings Ltd ("Executive").

The acquisitions of Trident and Executive have enabled us to increase significantly our presence in the manned guarding market, giving us wider geographical cover.

Executive also operates in several niche cleaning markets and these operations have been incorporated into our existing cleaning business. This has enabled us to enter new markets.

Eagle is a national pest control business and will provide significant opportunities for growth in this fragmented market.

I am particularly pleased with the way in which the staff in these acquired companies are embracing the MITIE culture.

The MITIE model continues to flourish. We started five new companies during the year under review and three more since the year-end. Start-ups include two niche cleaning businesses, which will concentrate on the retail and transportation sectors, together with an industrial cleaning company and a landscape business. In addition, Engineering has expanded its national coverage with three new start-ups and we have also established a new catering company in London.

Strategy
As I stated last year, we continue to review our strategy to ensure that the solutions we offer meet the needs of existing and potential clients. This year has seen more emphasis placed on the development of our niche businesses and our ability to work together across disciplines.

Niche businesses: We are finding that many of our customers require a service that is specifically tailored to the sector in which they operate and where we need to demonstrate an understanding of their culture. We are seeing good levels of success in the niche businesses that we have started, in areas such as retail, transport and technology, where previously we have not operated.

Working together (bundled services): Forecasts indicate that customers will be buying more than 25% of their services in a bundle by 2006, compared to 10% today. This is a significant change. In the Contract Highlights section I have given some examples of where we are working well across our disciplines. This is now gathering momentum and is presenting us with a number of interesting opportunities.

Single service: There are still opportunities to develop all of our existing businesses in their traditional markets on a single service basis.

Overseas: Increasingly, our customers are asking for us to be involved in overseas contracts. We have established an arrangement with providers across Europe to provide similar services.

Start-up businesses: Start-up businesses have been the foundation of our growth model and we will continue to start businesses with quality management teams that are complementary to our existing operations.

All these services will be underpinned by the MITIE philosophy of focusing on the customer and providing a quality service. The changes we have made in the Support Services division will provide a greater degree of operational clarity and customer responsiveness. To assist in this process we are continuing to locate our companies in the same buildings wherever possible. We now have six regional centres.

Second Generation Equity in Cleaning
MITIE Cleaning started in 1987 as one company. After the Company 'earned out', Cleaning was structured regionally. Apart from MITIE Cleaning (Midlands) Ltd, there have been no additional Cleaning companies started on the MITIE model. Since its formation, Cleaning has grown rapidly and we have recruited management at all levels who have never had any equity participation. In order to give this new management the opportunity to share in MITIE equity the Board have agreed, in principle, and subject to all the necessary professional advice, to launch a Second Generation Equity Plan. This makes available additional equity in MITIE Cleaning allowing minority shareholders to share in the additional value they create.

Revenue visibility
We see increased visibility of our future earnings. We feel that this is an appropriate mix of short-term and long-term work. The percentage of budgeted revenue secured for 2005 is 67% at 31 March 2004, compared to 64% last year. The percentage of budgeted revenue secured for 2006 is 42% at 31 March 2004, compared to 33% last year.

Review of Support Services operations

Support Services has had a good year and has made excellent progress. We are pleased with the way this is moving forward and are excited about its future growth.

Business Services has performed above expectations this year continuing, not only to secure new contracts but, more importantly, to retain existing contracts, which include Merrill Lynch, Network Rail and The London Stock Exchange.

Working in close partnership with other MITIE companies, Business Services was able to branch out from its traditional client base. It was awarded the mail services contract at Rolls-Royce across the UK and the document and business support services contract for MCI in Reading and London. Both contracts are delivered within a bundled service offering with other participating MITIE companies.

It was also very successful in expanding its portfolio of clients in the City of London with the addition of two large reprographics services contracts at the Financial Services Authority and ABN Amro.

Catering has retained and expanded its contract with the Ministry of Defence for the Gloucestershire and Cotswold district. It is now a multi-activity contract and supports in excess of 5,000 service and civilian personnel. The contract encompasses a package of domestic services ranging from hotel services, catering and cleaning to laundry and pest control.

Bookham Technology awarded us a long-term contract to provide a broad range of catering-led support services at its three UK locations in Towcester, Abingdon and Paignton. The new contract encompasses a package of domestic services including catering, vending, reception, security, cleaning, mail-room and reprographics. In support of this diverse contract, we have brought together the individual specialist MITIE companies to deliver each service line. This provides the clients with one point of contact at each location.

Since the year-end, we have started MITIE Catering Services (London) Ltd which will focus on providing quality commercial catering services in the Capital.

Cleaning has retained a number of important contracts during the year, as well as winning several prestigious new contracts across the country. It was successful in being re-awarded the Palaces of Westminster for a second term and has also secured the new Scottish Parliament, which will start later this year. Other new contract awards include the headquarters of Clifford Chance at Canary Wharf, Nissan in Sunderland and a national contract with Centrica.

The niche business strategy is developing satisfactorily. Our retail cleaning business has won contracts with Marks & Spencer, John Lewis and Boots and has been awarded a significant addition to the existing contract with Tesco.

The existing business within environmental management, food hygiene, healthcare and transport is being developed. Since the year-end we have started MITIE Transport Services Ltd.

The quality of Cleaning was publicly recognised with the receipt of two major awards: a Kimberley Clark Golden Service Award for the best-cleaned premises in the education sector for our work at South Downs College in Hampshire, and a Green Apple Environmental Award for our work at HBOS in Aylesbury.

Engineering Maintenance continues to develop, providing services to our clients who benefit from the high levels of management and engineering expertise within this business.

Due to the increasingly sophisticated technical and commercial demands of our clients, Engineering Maintenance has taken the lead role in bundling services on contracts such as MCI, Nokia, Dell and Microsoft. We have conducted 'best value' audits and successfully extended contracts with Alliance & Leicester and Rampton Hospital Nottinghamshire Healthcare Trust. We have negotiated and extended our contracts with The Trafford Shopping Centre, Tesco and the Railway Technical Centre Business Park in Derby, where we have been the preferred service provider for over 14 years.

We have expanded our client base with new contracts at the Bullring Shopping Centre in Birmingham, London County Courts, University of London, National Blood Service, Nissan in Sunderland, Merseycare NHS Trust and Ashworth Hospital and Newsquest in Scotland.

We have increased our existing portfolio of Ministry of Defence airbases, securing new contracts at RAF Cosford, RAF Cottesmore and RAF Wittering.

Engineering Maintenance has continued to lead our bundled services contract with Rolls-Royce. The contract is continually delivering a pioneering approach to innovation and partnering.

Landscape has made good progress, including the formation of a new company in the North of England. We secured a national contract with Annington Homes, working together with MITIE Scotgate Ltd. Landscape was also awarded contracts with three NHS Trusts and BOC in Windlesham, as well as with Staffordshire Police Authority and North Tyneside Council, where we have a contract to maintain the public cemeteries.

Managed Services has had an excellent year. We successfully mobilised and started contracts for the National Probation Service in the North and West of England. Our contract with Land Securities Trillium was expanded to include the Employment Services buildings. This enlarged contract has been extended until 2018. Our relationship with Land Securities has developed with full service contracts on their Landflex sites in London.

The facilities contract for the Office of the Deputy Prime Minister was awarded in March 2004.

Pest Control commenced with the acquisition of Eagle Pest Control Services UK Ltd in July 2003. This gave MITIE a presence in a market that had been a strategic target for many years. The integration of Eagle has gone smoothly and the business is well placed for future growth. Contracts have been secured with T-mobile and Gate Gourmet. Our contract with the Royal Mail has been expanded and now includes half of its UK sites.

Progress has been made with an increase in regional clients and niche market contracts. Pest control is now an integral part of our service range and is a valuable addition to our bundled services offering.

Security has grown significantly during the year, principally as a result of the acquisition of Trident Safeguards Ltd in July 2003 and the security operations of Executive Holdings Ltd in November 2003. Our security business is now ranked in the top ten security companies nationally and in the top five in the London marketplace. The year also saw the award of two significant new security contracts for Nissan and OTTO UK and the continued provision of security at Rolls-Royce as part of the overall MITIE services contract.

The strategy for the year ahead is to further develop MITIE Security as a security solutions provider. In order to achieve this we will need to enhance the technology element of our security service and make additional strategic acquisitions. It is also anticipated that there will be start-ups in key locations to enhance service delivery on a national basis.

Review of Building Services operations

Building Services have found trading conditions challenging this year. The turnover levels have been high but market sector changes have resulted in margin pressures. There are encouraging signs and order books are high, but in the present climate of deferred start dates it is taking longer than anticipated for these to result in improved performance.

Engineering Services has increased its focus on public sector procurement and collaborative working. This has resulted in major opportunities in defence, education and healthcare, as well as involvement in the Job Centre Plus Framework.

Strategic positioning of new businesses in the social housing, utilities infrastructure and process sectors has strengthened our Mechanical and Electrical Engineering Services offering. The national expansion of these businesses will provide further growth potential.

The public sector provided opportunity to work for PFI consortia on schools projects in North Tyneside, Northampton and Ealing, as well as inclusion in the Ministry of Defence Prime contract for the South West region. Other notable contracts were secured for University College London, Oxford, Bristol, Cardiff and Birmingham universities, Crosshouse Hospital in Glasgow and St George's Hall in Liverpool.

In the private sector, projects completed for clients included those for the Royal Automobile Club, Woolworths and GlaxoSmithKline.

MITIE Engineering Services has been part of the integrated project team on the first demonstration project for the Strategic Forum at the AA Training Academy in Leicester.

The indications of recovery have continued and, although not all the work was completed during this financial year, it has resulted in a healthy order book for the next year. Two of our new businesses, MITIE Engineering Projects Ltd and MITIE Scotgate Ltd, have done particularly well in the social housing and utilities/process sectors.

Property Services, which had a slow start to the year, has shown improvement in the second half of the year, winning a steady flow of contracts and continuing to develop its national service capability with new branches in Stevenage, Basingstoke, Middlesbrough and Nuneaton.

Contracts were secured from Britannia Building Society, Brent ALMO, Homebase, The Home Office and Royal Mail. The refurbishment and fit-out capability of the discipline continues to develop, with contracts successfully completed at the BBC, Arcadia and The City of Westminster.

We have entered partnering contracts with Grampian Housing, Fife Special Housing, Homezone Housing and Bradford West Community Housing. These help underpin security of earnings and employment opportunities for our people in the longer term.

Generation, our business that hires and sells scaffolding and access equipment, has continued to trade satisfactorily. It has opened a new branch in Northampton as planned and relocated its branch in the East of Scotland from Rosyth to Broxburn, west of Edinburgh city centre.

Quality

The quality of our services enables MITIE's customers to achieve their business goals. This year our Chairman's Quality Award is based on 'Excellence in Customer Service'. Customer retention and our ability to provide additional services to our existing client base are two of our major themes this year. This award was launched in 1993 at a time when MITIE was working towards achieving BS 5750 accreditation. However, David Telling considered that this was only the start of a drive for continuous improvement in quality and hence he launched The Chairman's Quality Award scheme. These Awards are presented at the Annual General Meeting. We have received recognition from the European Quality Foundation for our commitment to excellence across the Group. This commitment will help to maintain our success in the future.

Conclusion

I would like to thank my Executive Team for their support during the year and to congratulate all of our employees for their efforts in achieving such an excellent set of results.

We have made good progress in the year. Our markets are always demanding but they offer considerable opportunity.

MITIE people are focused on providing flexible, quality services to our customers. I am confident that through our determination to work together for our customers we will achieve our goals and ensure a bright future.

Ian R Stewart
Chief Executive

Finance Director's Review

Turnover increased by 23.5% on continuing operations and 22.7% on total operations. Profit on ordinary activities before tax, goodwill amortisation and impairment* increased by 18.3%.

Highlights

- **Profit on ordinary activities before tax, goodwill amortisation and impairment* up to £40.3 million (18.3% growth)**
- **Profit on ordinary activities before tax up to £38.2 million (20.1% growth)**
- **Net funds of £49.3 million down from £58.8 million (16.1% reduction)**
- **Earnings Per Share (before goodwill amortisation and impairment**) of 8.3p (14.1% growth)**
- **Earnings Per Share of 7.6p (16.9% growth)**

Turnover
Total turnover increased by 22.7% to £694.5 million (2003: £565.8 million).

Profit on Ordinary Activities before Tax, Goodwill Amortisation and Impairment*
Profit on ordinary activities before tax and goodwill amortisation and impairment* was £40.3 million (2003: £34.1 million), an increase of 18.3%.

Also included in the profit for the year are integration costs of £1.0 million relating to the acquisitions in the year. The net profit margin before these integration costs and goodwill amortisation and impairment*** was 6.0% (2003: 6.0%).

Goodwill
The increase in the goodwill amortisation charge to £2.2 million (2003: £1.2 million) reflects goodwill amortisation on the acquisition of three companies in the year and the acquisition of the minority shares in the businesses that earned out during the year.

In the previous year we reviewed the carrying value of the investment in the MITIE Lindsay Ltd business and, as a consequence, an impairment of £1.1 million was added to the goodwill amortisation charge, resulting in an overall charge of £2.3 million.

*See Group Profit and Loss Account
**See Note 9 for reconciliation of basic earnings per share
***See Note 3 Segmental Analysis

Acquisitions

There were three acquisitions during the year. In July 2003 we acquired Trident Safeguards Ltd ("Trident") and Eagle Pest Control Services UK Ltd ("Eagle"). In November 2003 we acquired Executive Holdings Ltd ("Executive"). In each case we have acquired 100% of the equity. Each of these businesses has performed well since acquisition. In total, we have spent £1.0 million on integrating these three businesses. Further details of each acquisition are shown below.

TRIDENT SAFEGUARDS LIMITED
On 2 July 2003, the Group acquired Trident, a security business. The consideration comprised an initial cash payment of £8.4 million on completion and a further £1.0 million, which was paid in December 2003. Further additional consideration will become due according to future profitability, payable in cash and bank-guaranteed loan notes. The additional consideration is split as follows:

- £2.0 million payable at any time between 2006 and 2010 if an agreed primary profit threshold is met
- If the second profit threshold is exceeded then an additional amount will become payable, with the total consideration capped at £20.0 million

EAGLE PEST CONTROL SERVICES UK LIMITED
On 3 July 2003, the Group acquired Eagle, a pest control business. The consideration comprised an initial cash payment of £2.9 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
- If this profit threshold is exceeded then an additional amount will become payable, with the total consideration capped at £6.0 million

EXECUTIVE HOLDINGS LIMITED
On 4 November 2003, the Group acquired Executive, a security and cleaning business, for £10.0 million. Executive's audited accounts for the 52 weeks to 6 October 2003 showed turnover of £43.3 million (including discontinued operations of £4.0 million) and operating profit before amortisation of £0.6 million. There was limited benefit in the current financial year, but targeted cost savings of at least £1.3 million are expected in 2004/05.

Taxation
The tax charge for the year was £12.3 million, a rise of 20.7% on last year's charge of £10.2 million. The effective tax rate is 32.2% (2003: 32.0%). The increased level of goodwill amortisation, which is not allowable for tax purposes, will continue to have an impact on our effective tax rate in future years.

Interest
Interest income for the year increased to £1.7 million (2003: £1.5 million).

Earnings Per Share
Earnings per share before goodwill amortisation and impairment grew by 14.1% from 7.3p in 2003 to 8.3p this year (see Note 9 for reconciliation to basic earnings per share).

Earnings per share post goodwill amortisation grew by 16.9% to 7.6p (2003: 6.5p).

Net Funds
Net funds fell £9.5 million during the year from £58.8 million to £49.3 million. The total cash outflow in the year was £7.8 million (2003: inflow of £29.8 million):

- The Group has generated £43.9 million (2003: £48.5 million) from operating activities
- Tax paid in the year was £12.4 million (2003: £10.7 million) and net capital expenditure increased to £12.7 million (2003: £8.0 million).
- In total we have spent £23.7 million on acquisitions of subsidiaries, including £1.2 million of overdrafts acquired. In the previous year we had a net inflow of £6.6 million from acquisitions and disposals

Pensions
The Group operates three defined benefit pension schemes and a defined contribution scheme for its employees as described in Note 28. The total pension charge for the year was £4.5 million (2003: £3.3 million) with the defined benefit schemes accounting for £3.6 million of this (2003: £3.2 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 as detailed in Note 28. At 31 March 2004, the actuary's estimate that there was a net deficit of £5.0 million (2003: £7.8 million) in relation to the defined benefit schemes.

The defined benefit schemes have a Minimum Funding Requirement ("MFR") cover of 115%. Contribution rates remain at 7.5% (2003: 7.5%) for employees and at 10% (2003: 10%) for the main Group Scheme.

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.

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 is used to maximise returns from funds while minimising overall exposure to any one financial institution.

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

Further details on financial assets and liabilities are given in Note 17 to the Preliminary Announcement.

Accounting Developments

FRS5 Application Note G

The Group has adopted FRS 5 Application Note G during the year as this is the first year for which it is applicable. It is considered appropriate under this Application Note that the Group now recognises revenue in respect of its performance under contracts as they progress where, in prior periods, revenue on certain contracts was only recognised for contract work completed in the year. The Directors do not consider that the effect of implementing the Application Note is material in either period, with the consequence that the prior-year Profit and Loss Account has not been restated. Where appropriate, contract work in progress, amounts recoverable on contracts and trade debtors have been restated in respect of the prior-year in order to make them comparable with the classifications being used this year.

International Financial Reporting Standards

The introduction of International Financial Reporting Standards will impact the Group financial statements for the year ended 31 March 2006. Work has been undertaken during the year in preparation for this transition to identify the main areas of change, assess the impact that adoption will have and to determine and initiate the work necessary to meet reporting requirements under the new standards. Pending the results of our implementation work, the main areas of impact on the Group financial statements are expected to be in the accounting treatment of defined benefit pension schemes and of goodwill. The Group anticipates being able to give a further update to Shareholders later in 2004.

Ruby McGregor-Smith
Group Finance Director

Group Profit and Loss Account
for the year ended 31 March 2004

Note			2004 £'000	2003 £'000
	Turnover			
		Existing operations	**653,888**	562,288
		Acquisitions	**40,625**	-
		Total continuing operations	**694,513**	562,288
		Discontinued operations	**-**	3,552
			694,513	565,840
3	Cost of sales		**(543,880)**	(439,932)
3	Gross profit		**150,633**	125,908
	Administrative expenses		**(114,149)**	(95,584)
3	Administrative expenses			
		- before amortisation and impairment of goodwill	**(111,986)**	(93,260)
	Operating profit before goodwill amortisation and impairment		**38,647**	32,648
		- amortisation and impairment of goodwill	**(2,163)**	(2,324)
4	Operating profit			
		Existing operations	**34,992**	30,046
		Acquisitions	**1,492**	-
		Continuing operations	**36,484**	30,046
		Discontinued operations	**-**	278
			36,484	30,324
6	Interest		**1,696**	1,465
	Profit on ordinary activities before tax		**38,180**	31,789
7	Tax on profit on ordinary activities		**(12,293)**	(10,188)
	Profit on ordinary activities after tax		**25,887**	21,601
	Minority interests		**(2,533)**	(2,125)
	Profit for the financial year		**23,354**	19,476
8	Dividends – equity		**(7,884)**	(5,736)
20	Retained profit for the financial year		**15,470**	13,740
9	Earnings per Ordinary Share	- basic	**7.6p**	6.5p
		- diluted	**7.6p**	6.5p
		- basic before goodwill amortisation and impairment	**8.3p**	7.3p

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.

	2004	2003
Profit on ordinary activities before tax and goodwill amortisation and impairment	**40,343**	34,113

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 March 2004

	2004 £'000	2003 £'000
Profit for the financial year	**23,354**	19,476
Dividends	**(7,884)**	(5,736)
	15,470	13,740
Goodwill previously written off included in retained profit for the year	**-**	321
Shares issued		
- in respect of minority interests acquired	**8,128**	14,032
- to QUEST (see Note 20)	**-**	910
less amounts funded within Group	**-**	(553)
- other	**735**	1,959
Net addition to Shareholders' funds	**24,333**	30,409
Shareholders' funds at the beginning of the year	**104,900**	74,491
Shareholders' funds at the end of the year	**129,233**	104,900

Note of Historical Cost Profits and Losses
for the year ended 31 March 2004

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	**38,180**	31,789
Difference between the historical cost depreciation charge on revalued assets and the actual depreciation charge for the year calculated on the revalued amount	**76**	5
Realisation of property revaluation losses of previous years	**(8)**	-
Historical cost profits on ordinary activities before tax	**38,248**	31,794
Historical cost profits for the year retained after tax, minority interests and dividends	**15,538**	13,745

Group Balance Sheet
as at 31 March 2004

Note		2004 £'000	2003 £'000
	Fixed Assets		
10	Intangible assets	**51,937**	24,291
11	Tangible assets	**40,329**	37,277
		92,266	61,568
	Current Assets		
12	Work in progress and stocks	**7,055**	5,686
13	Debtors	**151,868**	111,902
14	Investments	**2,391**	3,880
	Cash at bank and in hand	**47,165**	54,960
		208,479	176,428
15	**Creditors** – due within one year	**(157,370)**	(122,381)
	Net Current Assets	**51,109**	54,047
	Total Assets less Current Liabilities	**143,375**	115,615
16	**Creditors** – due after one year	**(136)**	(29)
18	**Provision for liabilities and charges**	**(7,390)**	(3,022)
	Net Assets	**135,849**	112,564
	Capital and Reserves		
19	Called up share capital	**7,736**	7,556
20	Share premium account	**50,731**	42,048
20	Revaluation reserve	**(440)**	(508)
20	Other reserve	**994**	994
20	Profit and loss account	**70,212**	54,810
	Equity Shareholders' funds	**129,233**	104,900
	Equity minority interest	**6,616**	7,664
		135,849	112,564

This Preliminary Announcement was approved by the Board of Directors on 4 June 2004.

Signed on behalf of the Board of Directors.

Ian R Stewart
Chief Executive

Ruby McGregor-Smith
Group Finance Director

Company Balance Sheet
as at 31 March 2004

Note		2004 £'000	2003 £'000
	Fixed Assets		
11	Tangible assets	**910**	708
27	Investments in subsidiary undertakings	**110,019**	66,087
		110,929	66,795
	Current Assets		
13	Debtors	**39,864**	29,804
	Cash at bank and in hand	**939**	16,734
		40,803	46,538
15	**Creditors** – due within one year	**(30,051)**	(17,645)
	Net Current Assets	**10,752**	28,893
	Net Assets	**121,681**	95,688
	Capital and Reserves		
19	Called up share capital	**7,736**	7,556
20	Share premium account	**50,731**	42,048
20	Profit and loss account	**63,214**	46,084
	Equity Shareholders' Funds	**121,681**	95,688

This Preliminary Announcement was approved by the Board of Directors on 4 June 2004.

Signed on behalf of the Board of Directors.

Ian R Stewart
Chief Executive

Ruby McGregor-Smith
Group Finance Director

Group Cash Flow Statement

for the year ended 31 March 2004

Note		2004 £'000	2003 £'000
21	**Net cash flow from operating activities**	**43,854**	48,474
	Returns on investments and servicing of finance		
	Interest received	**1,693**	1,537
	Interest paid	**(39)**	(41)
	Interest element of finance lease rentals	**(26)**	(1)
		1,628	1,495
	Tax		
	UK corporation tax paid	**(12,352)**	(10,669)
	ACT recovered	**-**	14
		(12,352)	(10,655)
	Capital expenditure		
	Payments to acquire tangible fixed assets	**(17,267)**	(16,016)
	Receipts from sales of tangible fixed assets	**4,603**	8,009
		(12,664)	(8,007)
22	**Acquisitions and disposals**		
	Payments to acquire subsidiary undertakings	**(22,526)**	(4,977)
	Net (overdraft)/ cash acquired with subsidiary undertakings	**(1,163)**	211
	Sale of subsidiary undertakings	**-**	4,984
	Net cash disposed with subsidiary undertakings	**-**	6,396
		(23,689)	6,614
	Equity dividends paid	**(6,825)**	(7,035)
	Cash (outflow) / inflow before management of liquid resources and financing	**(10,048)**	30,886
	Management of liquid resources		
	Net decrease / (increase) in investments	**1,489**	(3,880)
	Financing		
	Issue of Ordinary Share capital	**967**	2,862
	Net capital element of finance lease rental payments	**(203)**	(14)
		764	2,848
24	**(Decrease) / Increase in cash in the year**	**(7,795)**	29,854

Notes to the Preliminary Announcement

1 Preliminary Announcement

The financial information as set out does not constitute the Group and Company's statutory accounts for the year ended 31 March 2004 or 2003, but is derived from those Accounts. Statutory accounts for 2003 have been delivered to the Registrar of Companies and those for 2004 will be delivered following the Company's Annual General Meeting. The auditors have reported on those Accounts; their reports were unqualified and did not contain statements under s237(2) or (3) Companies Act 1985.

2 Accounting Policies

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.

Accounting Developments
The Group has adopted FRS 5 Application Note G during the year as this is the first year for which it is applicable. It is considered appropriate under this Application Note that the Group now recognises revenue in respect of its performance under contracts as they progress where, in prior periods, revenue was only recognised on certain contracts for contract work completed in the year. The Directors do not consider that the effect of implementing the Application Note is material in either period, with the consequence that the prior year Profit and Loss Account has not been restated. Where appropriate, contract work in progress, amounts recoverable on contracts and trade debtors have been restated in respect of the prior year in order to make them comparable with the classifications being used this year.

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.

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.

Foreign Currency
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

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.

Work in Progress and Stocks
Stocks are valued at the lower of cost and net realisable value.

Costs represent materials, direct labour and overheads. Net realisable value is based on 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.

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

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 the 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.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

Pensions
The Group operates three 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 Group is continuing to follow the transitional arrangements under FRS 17.

Provisions
Provision is made for outstanding insurance claims incurred at the balance sheet date. Provision is made for contingent consideration at the best estimate of the Directors, which will become payable in the future. This has not been discounted.

3 Segmental analysis

ACTIVITY	TURNOVER £'000	PROFIT BEFORE TAX, GOODWILL & INTEGRATION COSTS £'000	INTEGRATION COSTS £'000	PROFIT BEFORE TAX AND GOODWILL £'000	PROFIT BEFORE TAX & GOODWILL MARGIN %	PROFIT BEFORE INTEREST, TAX & GOODWILL £'000	PRE-TAX PROFIT £'000	NET ASSETS £'000
2004								
Support Services	**347,831**	**25,504**	**(1,031)**	**24,473**	**7.0**	**23,871**	**23,148**	**41,179**
Building Services	**346,682**	**15,870**	**-**	**15,870**	**4.6**	**14,776**	**15,032**	**45,359**
	694,513	**41,374**	**(1,031)**	**40,343**	**5.8**	**38,647**	**38,180**	**86,538**
Net funds								**49,311**
Total								**135,849**
2003								
Support Services	259,884	18,988	-	18,988	7.3	18,626	18,760	24,912
Building Services	305,956	15,125	-	15,125	4.9	14,022	13,029	28,853
	565,840	34,113	-	34,113	6.0	32,648	31,789	53,765
Net funds								58,799
Total								112,564

Included in the Building Services segment in 2003 are amounts that relate to discontinued activities. These include turnover of £3,552,000 and pre-tax profit of £202,000.

Turnover	2004 EXISTING OPERATIONS £'000	2004 ACQUISITIONS £'000	2004 CONTINUING AND TOTAL ACTIVITIES £'000	2003 CONTINUING ACTIVITIES £'000	2003 DISCONTINUED OPERATIONS £'000	2003 TOTAL £'000
Support Services						
Cleaning	**139,443**	**12,253**	**151,696**	145,264	-	145,264
Catering	**10,677**	**-**	**10,677**	4,483	-	4,483
Landscaping	**1,257**	**-**	**1,257**	165	-	165
Pest Control	**-**	**3,268**	**3,268**			
Security	**9,913**	**25,104**	**35,017**	7,139	-	7,139
Managed Services	**82,870**	**-**	**82,870**	52,294	-	52,294
Engineering Maintenance	**63,046**	**-**	**63,046**	50,539	-	50,539
Total	**307,206**	**40,625**	**347,831**	259,884	-	259,884
Building Services						
Engineering Services	**188,810**	**-**	**188,810**	164,454	-	164,454
Property Services	**127,618**	**-**	**127,618**	110,034	-	110,034
Generation	**30,254**	**-**	**30,254**	27,916	3,552	31,468
Total	**346,682**	**-**	**346,682**	302,404	3,552	305,956

Operating Profit	**2004 EXISTING OPERATIONS £'000**	**2004 ACQUISITIONS £'000**	**2004 CONTINUING AND TOTAL £'000**	**2003 CONTINUING ACTIVITIES £'0000**	**2003 DISCONTINUED OPERATIONS £'000**	**2003 TOTAL £'000**
Turnover	**653,888**	**40,625**	**694,513**	562,288	3,552	565,840
Cost of sales	**(510,209)**	**(33,671)**	**(543,880)**	(437,563)	(2,369)	(439,932)
Gross profit	**143,679**	**6,954**	**150,633**	124,725	1,183	125,908
Administrative expenses	**(108,687)**	**(5,462)**	**(114,149)**	(94,679)	(905)	(95,584)
Operating profit	**34,992**	**1,492**	**36,484**	30,046	278	30,324

Discontinued operations relate to the companies sold during 2003.

4 Operating profit

		2004 £'000	2003 £'000
This is stated after charging/(crediting):			
Depreciation and other amounts written off tangible fixed assets:			
- owned assets		**11,802**	10,499
- leased assets		**133**	346
Goodwill amortisation		**2,163**	1,219
Goodwill impairment		**-**	1,105
Auditors' remuneration	- Group	**194**	145
	- Company	**25**	25
	- Other services	**90**	155
Operating lease rentals	- plant and vehicles	**1,082**	983
	- other	**2,024**	2,075
Profit on disposal of fixed assets		**(884)**	(525)

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

	2004 £'000	**2004 %**	2003 £'000	2003 %
Auditors' remuneration - services as auditors	**219**	**65**	170	52
- further assurance services (i)	**28**	**8**	-	-
- tax advisory services	**86**	**26**	133	41
- other non-audit services	**4**	**1**	22	7
	337	**100**	325	100

(i) Fees of £28,000 (2003: £nil) in relation to acquisitions made in the financial year have been included within the cost of investment, and not charged against operating profit.

5 Directors and employees

		2004 £'000	2003 £'000
(i)	Employment costs		
	Wages and salaries	**282,521**	222,199
	Social security costs	**21,772**	17,842
	Other pension costs	**4,514**	3,251
		308,807	243,292

		2004 No.	2003 No.
(ii)	The average number of persons employed during the financial year was:		
	Site	**26,667**	21,158
	Administration	**2,360**	1,927
		29,027	23,085

6 Interest

		2004 £'000	2003 £'000
(i)	Interest payable and similar charges		
	Finance leases	**(26)**	(4)
	Other	**(39)**	(50)
(ii)	Interest receivable and similar income		
	Bank interest	**1,761**	1,519
		1,696	1,465

7 Tax on profit on ordinary activities

a) Analysis of charge in the year

	2004 £'000	2003 £'000
UK corporation tax at 30% (2003: 30%)	**13,326**	10,459
Adjustment in respect of prior years	**(295)**	22
Total current tax charge for the year (Note 7b)	**13,031**	10,481
Deferred taxation:		
Timing differences – origination and reversal	**(690)**	(240)
Adjustments in respect of prior years - deferred tax	**(48)**	(53)
Tax on profit on ordinary activities	**12,293**	10,188

b) Factors affecting tax charge in the year

The tax assessed for the year is greater (2003: greater) than that resulting from applying the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are set out below.

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	**38,180**	31,789
Tax at 30% thereon	**11,454**	9,537
Expenses not deductible for tax purposes	**432**	303
Capital allowances in excess of depreciation	**(34)**	383
Utilisation of tax losses	**(34)**	-
Group relief not paid for	**(16)**	-
Movement in short-term timing differences	**650**	14
Profit on disposal of tangible fixed assets	**-**	(158)
Goodwill	**650**	697
Prior periods	**(295)**	22
Other	**224**	(317)
Total current tax charge for the year (Note 7a)	**13,031**	10,481

c) Factors affecting future tax charges

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

8 Dividends

	2004 £'000	2003 £'000
Interim dividend 1.1p per 2.5 p share (2003: 0.8p per 2.5 p share)	**3,327**	2,417
Proposed final dividend 1.4p per 2.5 p share (2003: 1.1p per 2.5 p share)	**4,429**	3,223
Minorities	**128**	96
	7,884	5,736
Total dividend per 2.5 p share for the year	**2.5p**	1.9p

Subject to approval at the Annual General Meeting, the final dividend will be paid on 30 September 2004 to members on the Register on 3 September 2004.

9 Earnings per ordinary share

The calculation of earnings per 2.5 p share for 2004 and 2003 is based on the profit after tax and minority interest.

The weighted average number of shares for this purpose is 305,665,870 (2003: 297,979,470). The diluted earnings per share have been calculated on the basic earnings and the weighted average number of shares plus 1,040,263 (2003: additional shares 211,000) shares representing the fair value of the weighted average number of shares under option during the year.

Headline earnings per share continue to have widespread acceptance and have 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:

	2004	2003
Basic earnings per Ordinary Share	**7.6p**	6.5p
Amortisation of goodwill	**0.7p**	0.4p
Impairment of goodwill	**-**	0.4p
Headline earnings per Ordinary Share	**8.3p**	7.3p

10 Fixed assets – Intangible

Group	GOODWILL £'000
Cost	
At beginning of year	26,379
Additions	29,809
At end of year	56,188
Amortisation	
At beginning of year	2,088
Amortised in year	2,163
	4,251
Net book value	
At end of year	**51,937**
At beginning of year	24,291

11 Fixed assets – Tangible

Group

	FREEHOLD PROPERTIES £'000	LONG LEASEHOLD PROPERTIES £'000	PLANT AND VEHICLES £'000	TOTAL £'000
Cost or valuation				
At beginning of year	6,171	2,558	60,835	69,564
Additions at cost	29	678	16,560	17,267
Subsidiaries acquired (see Note 22)	-	-	1,439	1,439
Disposals	(408)	(70)	(13,806)	(14,284)
At end of year	5,792	3,166	65,028	73,986
Cost	2,738	2,746	65,028	70,512
Valuation 1995	3,054	420	-	3,474
Depreciation				
At beginning of year	567	213	31,507	32,287
Charge for year	83	80	11,772	11,935
Disposals	(40)	(8)	(10,517)	(10,565)
At end of year	610	285	32,762	33,657
Net book value				
At end of year	**5,182**	**2,881**	**32,266**	**40,329**
At beginning of year	5,604	2,345	29,328	37,277
Historic cost net book value				
2004	5,629	2,934	32,266	40,829
2003	6,132	2,325	29,328	37,785

No depreciation was charged against freehold or long leasehold buildings up to 1995. For the year ended 31 March 2004, the Profit and Loss Account has been charged with £163,000 (2003: £166,000) depreciation.

The historic cost of revalued properties was £4,590,811 (2003: £5,078,000). The net book value of plant and vehicles held under finance leases included above was £564,000 (2003: £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.

11 Fixed assets – Tangible (continued)

Company

	PLANT AND VEHICLES £'000
Cost	
At beginning of year	2,145
Additions	595
Disposals	(122)
Transfers to other Group companies	(6)
At end of year	2,612
Depreciation	
At beginning of year	1,437
Charge for the year	348
Disposals	(82)
Transfers to other Group companies	(1)
At end of year	1,702
Net book value	
At end of year	**910**
At beginning of year	708

12 Work in progress and stocks

	GROUP 2004 £'000	2003 £'000	COMPANY 2004 £'000	2003 £'000
Work in progress	**5,965**	4,618	**-**	-
Payments received on account	**(2,811)**	(2,052)	**-**	-
Goods for resale	**3,901**	3,120	**-**	-
	7,055	5,686	**-**	-

Following the implementation of FRS 5 Application Note G, £19,586,000 of work in progress has been restated in the prior year split between amounts recoverable on contracts and trade debtors in order to make them comparable with the classifications being used this year. There has been no change to the overall total for current assets as a result of this.

13 Debtors

	GROUP 2004 £'000	2003 £'000	COMPANY 2004 £'000	2003 £'000
Trade debtors	**136,899**	97,652	**63**	7
Amounts recoverable under contracts	**7,182**	8,476	**-**	-
Owed by subsidiary undertakings	**-**	-	**38,884**	28,215
Other debtors	**3,119**	2,650	**198**	1,173
Prepayments and accrued income	**4,668**	3,124	**315**	409
Corporation tax	**-**	-	**404**	-
	151,868	111,902	**39,864**	29,804

Included in Group and Company other debtors is the sum of £nil (2003: £209,000) falling due after one year.

Following the implementation of FRS 5 Application Note G, £19,586,000 of work in progress has been restated in the prior year split between amounts recoverable on contracts and trade debtors in order to make them comparable with the classifications being used this year. There has been no change to the overall total for current assets as a result of this.

14 Investments

	GROUP 2004 £'000	2003 £'000	COMPANY 2004 £'000	2003 £'000
Unlisted investments	**2,391**	3,880	**-**	-

Included in unlisted investments are deposits totalling £2,391,000 (2003: £3,880,000) held by the Group's insurance subsidiary, which are not readily available for the general purposes of the Group.

15 Creditors - due within one year

	GROUP 2004 £'000	2003 £'000	COMPANY 2004 £'000	2003 £'000
Obligations under finance leases	**109**	12	**-**	-
Payments received on account	**205**	1,706	**-**	-
Trade creditors	**87,411**	78,163	**72**	895
Owed to subsidiary undertakings	**-**	-	**18,925**	9,810
Corporation tax	**6,490**	5,807	**-**	-
Other taxes and social security	**25,815**	18,188	**793**	479
Other creditors	**6,382**	4,762	**3,357**	-
Accruals and deferred income	**26,469**	10,270	**2,415**	3,137
Proposed dividends	**4,489**	3,473	**4,489**	3,324
	157,370	122,381	**30,051**	17,645

16 Creditors - due after one year

	GROUP 2004 £'000	2003 £'000	COMPANY 2004 £'000	2003 £'000
Obligations under finance leases	**136**	29	**-**	-

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

17 Financial assets and liabilities

	2004 £'000	2003 £'000
Maturity of borrowings		
The maturity profile of the Group's financial liabilities was as follows:		
In one year or less, or on demand	**109**	12
In more than one year, but not more than two years	**71**	29
In more that two years, but not more than five years	**65**	-
	245	41

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 and overdraft facilities amounted to £60,000,000 (2003: £60,000,000), which are all renewable within one year.

Interest rates
At 31 March 2004, the Group had financial liabilities of £310,000 (2003: £41,000). These liabilities are under a fixed rate of interest at normal commercial rates.

Hedging
The Group's policy is to use derivative instruments to hedge against any material exposure to movements in exchange rates, however, no such arrangements have been entered into during the course of the year. 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 2004 (2003: £nil).

Currency exposure
As at 31 March 2004, the Group had no currency exposure.

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

Further information on financial instruments is given in the Finance Director's Review.

18 Provision for liabilities and charges

	CONTINGENT CONSIDERATION £'000	DEFERRED TAX £'000	INSURANCE RESERVE £'000	TOTAL £'000
Provisions				
At beginning of year	-	828	2,194	**3,022**
Utilised during the year	-	-	(529)	**(529)**
Arising during the year	3,200	(738)	2,435	**4,897**
At end of year	3,200	90	4,100	**7,390**

Deferred tax in respect of the Group's defined benefit schemes is disclosed in Note 28. 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.

Provision is made for contingent consideration, which will become payable in the future, at the best estimate of the Directors. This has not been discounted.

19 Called up share capital

	ORDINARY SHARES OF 2.5p NO.	ORDINARY SHARES OF 2.5 p £'000
Authorised	**340,000,000**	**8,500**
2004		
Allotted and fully paid		
At beginning of year	**302,186,614**	**7,556**
Issued as Directors' remuneration	**87,959**	**2**
Issued for acquisitions	**6,608,203**	**165**
Issued under share option schemes	**510,763**	**13**
At end of year	**309,393,539**	**7,736**
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

During the year 87,959 (2003: 70,808) Ordinary Shares of 2.5p were allotted to directors as remuneration at a market price of £1.23 (2003: £0.85) giving rise to share premium of £106,000 (2003: £58,000).

During the year 6,608,203 (2003: 10,586,208) Ordinary Shares of 2.5p were allotted in respect of acquiring minority interest at a market price of £1.23 (2003: £1.33) giving rise to share premium of £7,962,000 (2003: £13,767,000).

During the year 510,763 (2003: 2,745,831) Ordinary Shares of 2.5p were allotted in respect of share option schemes at a market price between £1.02 and £1.35 (2003: £0.81 and £1.48) giving rise to share premium of £615,000 (2003: £2,739,000).

Options outstanding under the Savings Related Share Option Schemes at 31 March 2004 were as follows:

OPTION PRICE	DATE EXERCISABLE	ORDINARY SHARES OF 2.5 P EACH 2004	2003
37.5 p	2002	**-**	10,488
85 p	2004	**907,592**	1,038,124
150 p	2005	**881,924**	1,049,922
125 p	2006	**802,926**	944,244
110 p	2007	**1,703,619**	2,109,354
120 p	2008	**1,792,604**	-
		6,088,665	5,152,132

Options outstanding under the Executive Share Option Schemes at 31 March 2004 were as follows:

OPTION PRICE	DATE EXERCISABLE	ORDINARY SHARES OF 2.5 P EACH 2004	2003
57.75 p	2001 – 2008	**692,669**	1,036,400
95 p	2002 – 2009	**711,000**	931,000
173.75 p	2003 – 2010	**587,600**	698,000
145 p	2004 - 2011	**744,600**	809,600
117 p	2005 – 2012	**1,027,600**	1,121,050
99 p	2006 – 2013	**200,000**	200,000
132 p	2006 – 2013	**1,520,850**	-
		5,484,319	4,796,050

20 Share capital and reserves

	CALLED UP SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	REVALUATION RESERVE £'000	OTHER RESERVE (i) £'000	PROFIT AND LOSS ACCOUNT £'000	TOTAL £'000
Group						
At beginning of year	7,556	42,048	(508)	994	54,810	**104,900**
Shares issued	180	-	-	-	-	**180**
Net premium arising on shares issued	-	8,068	-	-	-	**8,068**
Retained profit for the financial year	-	-	-	-	15,470	**15,470**
Additional depreciation on revalued assets	-	-	76	-	(76)	**-**
Realisation of property revaluation losses	-	-	(8)	-	8	**-**
Issue of shares in connection with the exercise of share options	-	615	-	-	-	**615**
Balance at end of year	**7,736**	**50,731**	**(440)**	**994**	**70,212**	**129,233**
Company						
At beginning of year	7,556	42,048	-	-	46,084	**95,688**
Shares issued	180	-	-	-	-	**180**
Net premium arising on shares issued	-	8,082	-	-	-	**8,082**
Retained profit for the year	-	-	-	-	17,130	**17,130**
Issue of shares in connection with the exercise of share options	-	601	-	-	-	**601**
Balance at end of year	**7,736**	**50,731**	**-**	**-**	**63,214**	**121,681**

(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 Profit and Loss Account of the Company was £17,130,000 (2003: £15,962,000).

Goodwill eliminated against reserves originating prior to the adoption of FRS 10 on 1 April 1998 amounted to £26,673,000 (2003: £26,673,000).

During the year, nil (2003: 949,831) Ordinary Shares of 2.5p 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.

21 Net cash inflow from operating activities

	2004 **£'000**	2003 £'000
Operating profit	**36,484**	30,324
Depreciation	**11,935**	10,845
Amortisation and impairment of goodwill	**2,163**	2,324
Profit on sale of tangible fixed assets	**(884)**	(525)
Increase in work in progress and stocks	**(1,369)**	(1,566)
(Increase) in debtors	**(39,754)**	(5,193)
Increase in creditors	**35,279**	12,265
	43,854	48,474

22 Purchase of subsidiary undertakings

<u>Trident Safeguards Limited</u>

	BOOK AND FAIR VALUE **£'000**
Fixed assets	**109**
Work in progress and stocks	**-**
Debtors	**3,965**
Bank and cash	**(275)**
Creditors	**(2,717)**
Tax	**(320)**
	762
Goodwill	**10,663**
Total purchase consideration	**11,425**
Contingent consideration	**(2,000)**
Cash consideration	**9,425**
Bank and cash acquired	**(275)**
Cash outflow in the period	**9,150**

Trident Safeguards Ltd, which was acquired on 2 July 2003, earned a profit after taxation of £569,000 in the period from 2 July 2003 to 31 March 2004 (Year to 31 March 2003: £554,000). Profit after taxation in the period from 1 April 2003 to acquisition was £190,000.

Eagle Pest Control Services UK Limited

	BOOK AND FAIR VALUE £'000
Fixed assets	**472**
Work in progress and stocks	**77**
Debtors	**1,024**
Bank and cash	**197**
Creditors	**(630)**
Tax	**(107)**
	1,033
Goodwill	**3,039**
Total purchase consideration	**4,072**
Contingent consideration	**(1,200)**
Cash consideration	**2,872**
Bank and cash acquired	**(197)**
Cash outflow in the period	**2,675**

Eagle Pest Control Services UK Ltd, which was acquired on 3 July 2003, earned a profit after taxation of £235,000 in the period from 3 July 2003 to 31 March 2004 (Year ended 31 March 2003: £333,000). Profit after taxation in the period from 1 April 2003 to acquisition was £41,000.

Executive Holdings Limited

	BOOK VALUE £'000	ALIGNMENT OF ACCOUNTING POLICIES £'000	FAIR VALUE £'000
Fixed assets	1,076	(218)	**858**
Work in progress and stocks	12	(7)	**5**
Debtors	6,641	(137)	**6,504**
Bank and cash	(1,635)	-	**(1,635)**
Creditors	(7,209)	(9)	**(7,218)**
Tax	(46)	44	**(2)**
	(1,161)	(327)	**(1,488)**
Goodwill			**11,505**
Total purchase consideration			**10,017**
Cash consideration			**10,017**
Overdraft acquired			**1,635**
Cash outflow in the period			**11,652**

Executive Holdings Ltd, which was acquired on 4 November 2003, earned a profit after taxation of £102,000 in the period from 4 November 2003 to 31 March 2004 (52 weeks to 5 October 2003: loss £122,000). Loss after taxation in the period from 6 October 2003 to acquisition was £308,000.

The fair values shown for the acquisitions above are provisional.

Acquisition of Minority Interests

	MITIE ENGINEERING SERVICES (PENINSULA) LTD £'000	MITIE GREENCOTE LTD £'000	MITIE PROPERTY SERVICES (MIDLANDS) LTD £'000	MITIE ENGINEERING MAINTENANCE LTD £'000	TOTAL £'000
Minority interest	683	235	985	1,834	**3,737**
Goodwill	335	94	868	3,305	**4,602**
Total purchase consideration	1,018	329	1,853	5,139	**8,339**
Shares issued – MITIE Group PLC	(971)	(289)	(1,774)	(5,093)	**(8,127)**
Cash consideration being cash outflow in the period	47	40	79	46	**212**

23 Analysis of changes in net funds

	AT 31 MARCH 2003 £'000	CASHFLOWS £'000	ACQUISITIONS £'000	AT 31 MARCH 2004 £'000
Cash at bank and in hand	54,960	(6,632)	(1,163)	**47,165**
Net cash	54,960	(6,632)	(1,163)	**47,165**
Finance leases	(41)	(30)	(174)	**(245)**
Debt financing	(41)	(30)	(174)	**(245)**
Current asset investments	3,880	(1,489)	-	**2,391**
Net funds	**58,799**	**(8,151)**	**(1,337)**	**49,311**

24 Reconciliation of net cash flow to movement in net funds

	2004 £'000	2003 £'000
(Decrease)/Increase in cash during year	**(7,795)**	29,854
Cash (outflow)/inflow from movement in debt and lease financing	**(204)**	765
Cash (outflow)/inflow from movement in liquid resources	**(1,489)**	3,880
Movement in net funds in the year	**(9,488)**	34,499
Net funds at beginning of year	**58,799**	24,300
Net funds at end of year	**49,311**	58,799

25 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 that 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 on the Group's financial position.

Included in provisions for liabilities and charges (Note 18) is £3,200,000 of contingent consideration relating to the acquisitions of Trident Safeguards Ltd and Eagle Pest Control Services UK Ltd. For Trident Safeguards Ltd £2,000,000 is payable at any time between 2006 and 2010 if an agreed profit threshold is met, if this threshold is exceeded then an additional amount will become payable, with the total consideration capped at £20,000,000. For Eagle Pest Control Services UK Ltd £1,200,000 is payable at any time between 2008 and 2013 if an agreed profit threshold is met, if this profit threshold is exceeded then an additional amount will become payable, with the total consideration capped at £6,000,000.

Contingent consideration, to be satisfied in shares, for the acquisition of minority interests in subsidiary undertakings is dependent on future profits of those subsidiaries and at the discretion of MITIE. It is therefore not possible to quantify accurately, in advance, the final amounts that 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 £1,049,000. These commitments reduce to £nil at the end of the next year. Against these guarantees, the Group has received indemnities from the Group's bankers of £179,000 and from the suppliers of the leased equipment of £232,000, giving a net contingent liability of £638,000.

In addition the Group and subsidiaries have given indemnities in respect of performance guarantees amounting to £6,893,000 (2003: £6,896,000), and import duty guarantees amounting to £50,000 (2003: £50,000) issued on its behalf in the ordinary course of business.

26 Commitments

	2004 £'000	2003 £'000
Capital commitments as follows:		
Contracted for but not provided for in the Accounts	**-**	161

	2004 PROPERTY £'000	**2004 OTHER £'000**	2003 PROPERTY £'000	2003 OTHER £'000
Annual commitments under operating leases that expire:				
Within one year	**263**	**241**	345	144
In second to fifth years inclusive	**1,427**	**389**	658	251
Over five years	**875**	**-**	1,179	5
	2,565	**630**	2,182	400

27 Investment in subsidiary undertakings

	SHARES AT COST £'000	**PROVISION FOR IMPARIMENT £'000**	**NET BOOK VALUE £'000**
At beginning of year	72,888	(6,801)	66,087
Additions	44,272	-	44,272
Disposals	(340)	-	(340)
At end of year	**116,820**	**(6,801)**	**110,019**

The principal operating subsidiary undertakings are detailed in Note 29.

28 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 Group will take advice to ensure that it continues to adopt the best practice in respect of accounting for retirement benefits. The Group is following 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. In addition, following the acquisition of Executive Holdings Ltd, the Group contributes to the Executive Group Limited Shared Cost Section at the Railway Pension Scheme.

The assets of the two schemes are held separately from the Group, being invested in 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 assets of the Executive scheme are held in separate trustee-administered funds, and the assets and liabilities of the section can be identified separately from those of other scheme sections.

The pension charge for the year was £4,514,000 (2003: £3,251,000).

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% (2003: 10%) and 7.5% (2003: 7.5%) of pensionable earnings respectively.

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% (2003: 32%), with employees contributing between 1.5% and 6%.

Executive Group Limited Shared Cost Section ("the Section") of the Railway Pension Scheme

The Group operates a section of the Railway Pension Scheme ("the Scheme"), a funded defined benefit pension scheme. However, there are no longer any employees accruing benefits in the Section. The assets of the Scheme are held in separate trustee-administered funds, and the assets and liabilities of the Section can be identified separately from those of other Scheme Sections.

No contributions are currently payable to the Section. In addition, no pension cost for the period has been incurred in respect of the Section, and there is no provision or prepayment held.

The Scheme is subject to triennial valuation by independent actuaries. The last valuation was at 31 December 2003 and used the projected unit method, in which the actuarial liability makes allowances for projected earnings. The following were the principal actuarial assumptions applied:

Investment returns	5.65% per annum
Pension increases	2.50% per annum

At the last actuarial valuation date, the value of the assets of the Section was £299,000 and, in the opinion of the actuary, this value was sufficient to cover 144% of the benefits that had accrued to members.

(b) FRS 17 (Retirement Benefits)
As stated above, the Group operates two principal defined benefit pension schemes and contributes to the Executive Group Shared Cost Section of the Railway Pension Scheme. 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 2004 by a qualified actuary.

As required by SSAP 24, the figures included in the Preliminary Announcement in respect of the Group pension schemes are based on actuarial valuations carried out at 6 April 2002 and this does not take into account any impact of the movement 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 FRS17 is adopted.

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

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

	AT 31 MARCH 2004	AT 31 MARCH 2003	AT 31 MARCH 2002
Discount rate	**5.50%**	5.50%	6.25%
Rate of increase in salaries	**3.50%**	3.50%	3.50%
Rate of increase of pensions in payment (pre April 2002)	**3.00%**	3.00%	3.00%
Rate of increase of pensions in payment (post April 2002)	**2.75%**	2.50%	3.00%
Rate of increase of deferred pensions	**2.75%**	2.50%	2.75%
Inflation assumption	**2.75%**	2.50%	2.75%

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

	LONG-TERM RATE OF EXPECTED RETURN AT 31 MARCH 2004	**VALUE AT 31 MARCH 2004 £'000**	LONG-TERM RATE OF EXPECTED RETURN AT 31 MARCH 2003	VALUE AT 31 MARCH 2003 £'000	LONG-TERM RATE OF EXPECTED RETURN AT 31 MARCH 2002	VALUE AT 31 MARCH 2002 £'000
Equities	**7.5%**	**32,907**	7.25%	19,284	7.25%	18,947
Bonds	**5.25%**	**556**	5.50%	3,343	5.75%	3,022
Others	**4.00%**	**3,284**	4.00%	3,316	5.00%	2,825
Property	**7.50%**	**2,028**	-	-	-	-
Total market value of assets		**38,775**		25,943		24,794
Present value of schemes' liabilities		**(45,918)**		(37,051)		(25,850)
Deficit in the schemes		**(7,143)**		(11,108)		(1,056)
Related deferred tax asset		**2,143**		3,333		317
Net pension liability		**(5,000)**		(7,775)		(739)

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

	AT 31 MARCH 2004 £'000	AT 31 MARCH 2003 £'000
Current service cost	**2,952**	2,285
Past service cost	**224**	-
Total operating charge	**3,176**	2,285

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

	AT 31 MARCH 2004 £'000	AT 31 MARCH 2003 £'000
Expected return on pension schemes' assets	**1,924**	1,836
Interest cost	**(2,187)**	(1,723)
Net return	**(263)**	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 2004 £'000	% OF SCHEME ASSETS	AT 31 MARCH 2003 £'000
Actual return less expected return on pension schemes' assets	9%	**3,474**	20%	(5,061)
Changes in financial assumptions underlying the schemes' liabilities	0%	**(165)**	23%	(6,035)
Actuarial gain / (loss) recognised in the statement of total recognised gains and losses	7%	**3,309**	-	(11,096)

Movements in deficit during the year	AT 31 MARCH 2004 £'000	AT 31 MARCH 2003 £'000
Deficit in schemes at beginning of year	**(11,108)**	(1,056)
Movement in year		
Current service cost	**(2,952)**	(2,285)
Contributions	**4,095**	3,216
Past service costs	**(224)**	-
Other finance (cost) / income	**(263)**	113
Actuarial gain / (loss)	**3,309**	(11,096)
Deficit in schemes at the end of the year	**(7,143)**	(11,108)

The impact to the Balance Sheet and Reserves at 31 March 2004 of adopting FRS 17 would be as follows:

	AT 31 MARCH 2004 £'000	AT 31 MARCH 2003 £'000
Net assets excluding pension liability	**135,849**	112,564
Net pension liability	**(5,000)**	(7,775)
Net assets including pension liability	**130,849**	104,789
Profit and loss reserve excluding pension liability	**70,204**	54,810
Net pension liability	**(5,000)**	(7,775)
Profit and loss reserve including pension liability	**65,204**	47,035

History of experience gains and losses

	At 31 MARCH 2004	At 31 MARCH 2003
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	**3,474**	(5,061)
Percentage of scheme assets	**9%**	20%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	165	(6,035)
Percentage of the present value of scheme liabilities	0%	23%
Total actuarial gain in the statement of total recognised gains and losses:		
Amount (£'000)	**3,309**	(11,096)
Percentage of the present value of scheme liabilities	**7%**	-

29 Principal operating subsidiary and associated companies

The companies set out below are those which were part of the Group at 31 March 2004 and in the opinion of the Directors significantly affected the Group's results and net assets during the year.

			AT 31 MARCH 2004 % ORDINARY SHARES OWNED
Scotland	B	MITIE Engineering Services (Scotland) Ltd	100
	S	MITIE Engineering Maintenance (Caledonia) Ltd	64
	S	MITIE Olscot Ltd	100
	S	MITIE Security (Scotland) Ltd	73
	B	MITIE Property Services (Scotland) Ltd	100
	B	MITIE Engineering Services (Edinburgh) Ltd	65
North	B	MITIE Air Conditioning (North) Ltd	53
	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	51
	B	MITIE Engineering Services (Liverpool) Ltd	63
	B	MITIE Engineering Projects Ltd	62
	B	MITIE Property Services (Northern) Ltd	100
	B	MITIE Greencote Ltd	97
	S	MITIE Security (North) Ltd	52
	S	MITIE Industrial Cleaning (North) Ltd	60
	S	MITIE Landscape (Northern) Ltd	57
	B	MITIE Engineering Services (North East) Ltd	70
Midlands	B	MITIE Air Conditioning (Midlands) Ltd	64
	S	MITIE Cleaning (Midlands) Ltd	100
	B	MITIE Engineering Services (Midlands) Ltd	55
	B	MITIE Property Services (Midlands) Ltd	100
	B	MITIE Roofing Services Ltd	60
	B	MITIE Engineering Services (West Midlands) Ltd	100
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	100
	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	62
	B	MITIE Flooring (Southern) Ltd	57
	B	MITIE Interiors Ltd	62
	B	MITIE Property Services (Eastern) Ltd	67
	B	MITIE Property Services (London) Ltd*	100
	B	MITIE Property Services (Southern) Ltd	100
	B	MITIE Roofing (South East) Ltd	100
	S	Trident Safeguards Ltd	100
	S	MITIE Services (Retail) Ltd	54
	S	Executive Group Ltd*	100
	S	MITIE Managed Services (Southern) Ltd	100
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	53
	B	MITIE Engineering Services (Bristol) Ltd	100
	B	MITIE Engineering Services (Cardiff) Ltd	100
	B	MITIE Engineering Services (Peninsula) Ltd	100
	B	MITIE Engineering Services (South West) Ltd	100
	B	MITIE Engineering Services (Swansea) Ltd	54
	S	MITIE Managed Services (South West and Wales) Ltd	55
	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	53
	B	MITIE Generation Ltd	100
	S	MITIE Managed Services (North and Scotland) Ltd	100
	S	MITIE PFI Ltd	100
	B	MITIE Scotgate Ltd*	53
	B	MITIE Scientific Projects Ltd	52
	B	MITIE Technology Ltd	60
	S	Eagle Pest Control Services (UK) Ltd	100
	B	MITIE McCartney Fire Protection Ltd	75
Administration	S	MITIE Cleaning Ltd	100
	B	MITIE Engineering Services Ltd	100
		MITIE Property Investments Ltd	100
	B	MITIE Property Services 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 3 April 2004. Adjustments have been made on consolidation to exclude the results of these companies for the period from 31 March 2004 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.

END OF PRELIMINARY ANNOUNCEMENT