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The 56,579 things that set us apart? Our people.

MITIE Group PLC
Annual Report and Accounts 2010



Welcome to MITIE, a sustainable company...

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www.mitie.com/investors

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**Keep track of our
news and thinking:**

www.facebook.com/group.php?gclid=30377596133

www.twitter.com/mitie_group_plc

www.youtube.com/user/MITIEGroupPLC

People... with passion.

Hard as it is to link passion with outsourcing, this is what makes MITIE different.

We love working with our clients – solving problems and helping them run their businesses better.

**We thrive on fresh thinking...
finding new ways of doing things...
always looking to do things better...**

in fact, we've made that the theme of this report.

People... who deliver results

Picture removed

+£1.5bn

Order book

£6.4bn (2009: £4.9bn)

+24pp

Multi-service and FM as % of revenue

57% (2009: 33%)

+15.5%

Operating profit before other items*

£93.0m (2009: £80.5m)

+13.0%

Revenue

£1,720.1m (2009: £1,521.9m)

75%

2010/11 budgeted revenue secured

(2009: 74%)

+13.0%

Dividend per share

7.8p (2009: 6.9p)

*Other items are non-cash or non-recurring acquisition related items.

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MITE at a glance

People... who get things done

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**We specialise in outsourcing.
And we like to think we are
the best.**

**We work in close partnership
with each client to provide
everything from strategic
consultancy to service delivery.**

**In simple terms,
we think,
we manage and
we deliver on their behalf.**

Our divisions:**Facilities Management**

Integrated facilities management and a range of services including document management, front of house, catering, cleaning, maintenance, landscaping, pest control, security, waste and environmental management.

Technical Facilities Management

Facilities management led by technology, engineering maintenance, carbon reduction, energy and lighting efficiency.

Property Management

Social housing maintenance and refurbishment, framework and partnering agreements, project management, roofing, repairs and redecoration, interior fit-out, plumbing and heating, and fire protection.

Asset Management

Design, installation, management and maintenance of technical assets meeting the demands of the low-carbon economy. Energy design, generation and certification, mechanical and electrical infrastructure, data and life systems.

Read how we did last year
16-26

Our strategic proposition

Strategic outsourcing...

Brings together the capabilities of all four divisions, working with clients to develop and implement their business strategies.

Rationalise...

Internal supply chain
External supply chain
Operating structures
Specifications
Costs

...to create efficiency

Optimise...

Energy efficiency
Management structure
Technology platform
Management information
Asset investment

...to generate opportunity

Maximise...

Property strategy
Space planning
Return on investment
Partnerships/JVs

...for sustainable futures

Chairman's statement

Another excellent performance

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We are delighted to report that MITIE has made excellent progress in the past financial year. We have significantly enhanced our capabilities through selective investments in our energy and FM business propositions, as well as through strategic acquisitions. We have delivered double digit growth in revenue, underlying earnings and dividends. In the year, revenue increased by 13.0% to £1,720.1m and underlying operating profit before other items (non-cash or non-recurring acquisition related items) by 15.5% to £93.0m, while cash conversion remained extremely strong at 95.2%. This is an excellent performance against a backdrop of challenging economic conditions and is a testament to the passion and hard work of the MITIE team.

Strategy

Our strategy is to deliver stakeholder value through a focus on sustainable profitable growth; we are delivering against that strategy and have ambitious plans for the future. MITIE has proven capabilities as a strategic outsourcing company that adds value to its clients. Today's low carbon economy means that our clients are looking for something different. They want to deal with a business that can create an innovative outsourcing solution as well as providing integrated facilities management and specialist services. This market trend is creating significant opportunities to grow our market share particularly in technical, facilities and energy management. The execution of our strategy is enabled by the development of our talented and innovative people, our technology and infrastructure platform and through our continued investment in our ability to manage contracts that are increasingly large and complex.

*Other items are non-cash or non-recurring acquisition related items.

During the year we have made two key strategic acquisitions which have broadened our capabilities and significantly strengthened our client proposition. In August 2009, we acquired Dalkia FM for a total consideration (including costs) of £119.5m. This acquisition complemented our existing engineering maintenance capabilities and specifically enhanced our carbon, energy management and energy efficient lighting credentials. We have integrated the business with our engineering maintenance business and the enlarged business is now operating successfully as MITIE Technical Facilities Management. In November 2009, we acquired Environmental Property Services Limited (EPS Ltd) for maximum total consideration of £40.9m (including costs). EPS Ltd was integrated with our social housing business within our Property Management division and significantly enhances our capability in the social housing market, particularly in the South East of England. The Dalkia FM and EPS Ltd acquisitions have been successfully integrated, have delivered earnings in line with our expectations and we are confident they will make a significant contribution to MITIE's future growth.

Results

The year saw revenues grow by 13.0% to £1,720.1m (2009: £1,521.9m), with a particularly good performance in our Facilities Management (FM) division. We also saw a significant contribution to revenue of £190.1m from the acquisitions made during the year.

Operating profit before other items increased by 15.5% to £93.0m (2009: £80.5m), reflecting an enhanced margin of 5.4% (2009: 5.3%). Profit before tax and other items increased by 17.0% to £91.7m (2009: £78.4m). Earnings per share before other items grew by 13.4% to 19.5p per share (2009: 17.2p per share).

Picture removed

The business remains very cash generative and has reported a cash inflow from operations of £98.4m (2009: £94.4m) for the year, representing excellent cash conversion of 95.2% (2009: 97.5%). The balance sheet is extremely strong with net debt at the year end at 0.84x EBITDA at £86.6m (2009: net cash £10.9m), after using debt funding of £116.1m for acquisitions. Committed bank facilities of £230.0m remain in place to January 2012 which leaves the Group well positioned to take advantage of further acquisition opportunities as they arise.

Our order book is strong. It grew by 30.6% during the year, and now stands at a record £6.4bn (2009: £4.9bn). Our sales pipeline is also at record levels and our contracted revenue for the year ending 31 March 2011 stands at 75% of budgeted revenue (2009: 74%).

Dividend

MITIE continues to generate attractive dividends and dividend growth for its shareholders. The Board is recommending an increased final dividend of 4.1p per Ordinary share, providing a total dividend per share for the year of 7.8p, a 13.0% increase on 2009 in line with our dividend policy to maintain dividends in line with underlying earnings per share growth at a cover ratio of 2.5 times adjusted earnings. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 13 August 2010 to shareholders on the register at 25 June 2010.

Board

We were pleased to welcome two new Non-Executive Directors to the Board during the year. Terry Morgan CBE, joined the Board on 1 July 2009 and has been appointed Chairman of the Remuneration Committee and Larry Hirst CBE, joined on 1 February 2010. Both have considerable commercial experience of large complex organisations: Larry's career with IBM has spanned 32 years where he held the role of Chief Executive UK & Ireland and is currently a Chairman of IBM EMEA; Terry is the Chairman of and has had extensive experience working for Crossrail. We look forward to the contributions they will make to the development of MITIE in the future.

Ishbel Macpherson stepped down as a Non-Executive Director on 30 September 2009 having served for four years on our Board. We wish Ishbel well for the future.

People

MITIE is one of the UK's largest private sector employers. During the year, the number of people employed by MITIE rose by 5,093 to 56,579. We would like to thank all of our people for their exceptional efforts and support and to welcome all those who have joined MITIE during the year. In particular, we would like to extend a warm welcome to all those joining the Group from both Dalkia FM and EPS Ltd. The Board realises that results as good as these are only produced by talented people dedicated to achieving the same strategic goals.

Our future progress will be heavily influenced by our ability to maintain the motivation and drive of all MITIE people. We will be reinforcing MITIE's ethos of recognising and rewarding exceptional team performance, nurturing talent and providing opportunities for our people to succeed in their careers.

Outlook

MITIE is in a very strong position. We have seen a step-change in our capabilities driven by selective investment in technology, in our energy and FM propositions as well as through strategic acquisitions. Furthermore, our developing international strategy will enable us to extend our reach and exploit growth opportunities both in the UK and overseas.

Our prospects for growth are very strong and we will benefit from the full year effect of both the Dalkia FM and EPS Ltd acquisitions in this year's results, along with the related synergies.

Demand for innovation and efficiencies in both the public and private sectors will provide great opportunities for MITIE. We maintain a position of financial strength, a robust balance sheet and capacity for further organic and acquisitive growth. We are positive about MITIE's future and of continuing to deliver sustainable profitable growth.

Roger Matthews
Chairman



Chief Executive's strategy review

Focusing on strategic priorities

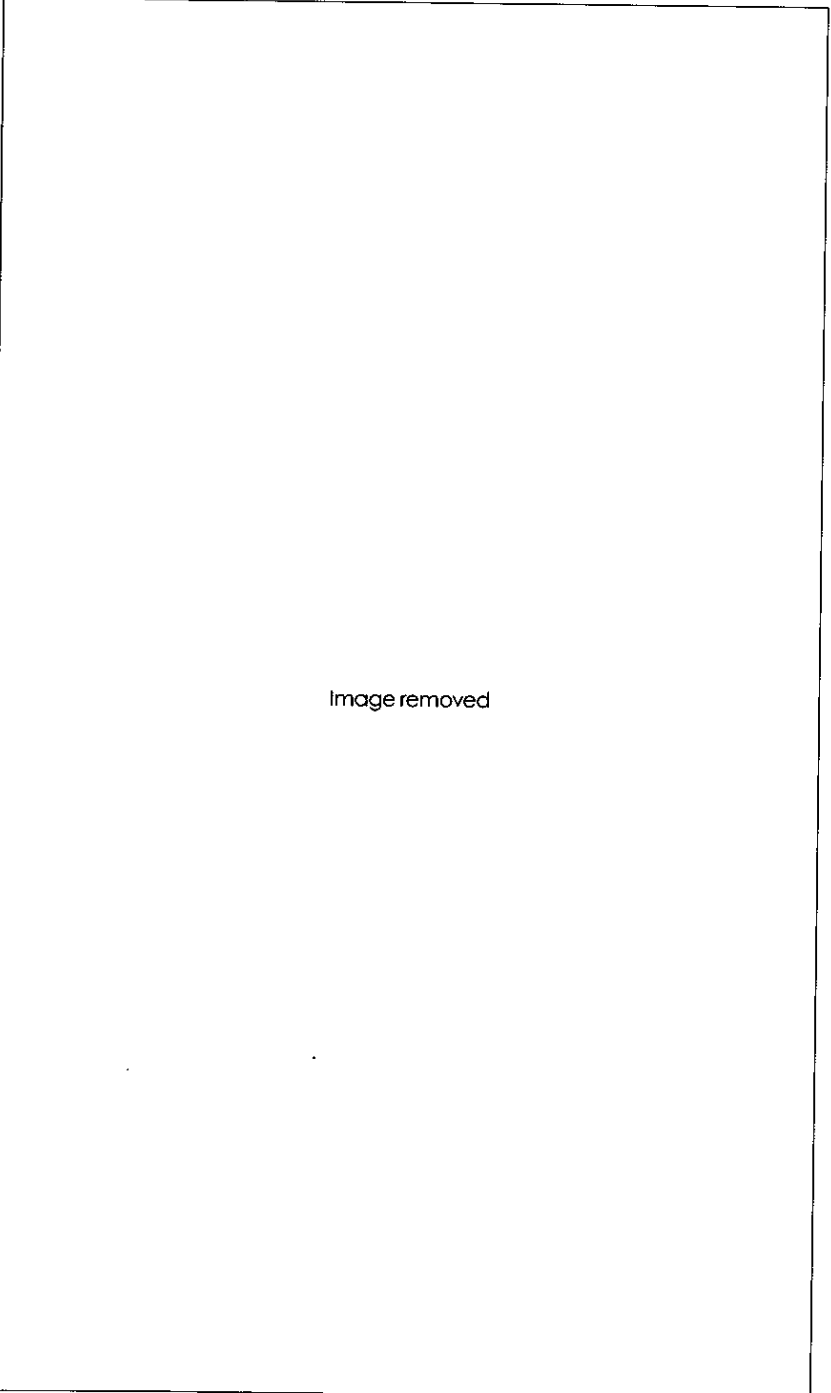


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Overview

MITIE is in an exciting position. We are a business with tremendous capability that is able to provide clients with the widest range of solutions to help them meet their strategic business and property challenges. Clients want us to do more. More strategic engagement, broader geographic coverage, capital investment, integrated service delivery and leading management information systems. Clients want partners that they trust and can rely on as their businesses adapt to the changing economic climate in both good times and bad.

MITIE is now a high volume transactional outsourcing business. We have the capability and technical infrastructure to manage the transfer of thousands of people in very short timescales. We manage clients' compliance, risk, employment and legislative requirements while delivering innovative solutions, efficiently.

We have ambitious plans. As our clients grow and diversify so will we. We have a robust and challenging growth plan that recognises the importance of our expanding markets and opportunities and supports the development of our business overseas.

This will not however be at the cost of what has made MITIE such a success. We are passionate about keeping the spirit of innovation and empowerment that has made MITIE flexible enough to provide exactly what our clients need. We want our people to identify new markets and to be ready to develop them. We know that our future success depends on our ability to recruit and retain good people, so we will always have incentive schemes that promote and reward excellent performance.

Above all we will always put our clients first. Having clients who really value what we do and who want to develop long-term relationships does not happen by chance. Spending time with clients, listening to their issues and helping them to construct solutions is what we do best.

Our strategy

Our strategy has seven elements all of which contribute to delivering stakeholder value through a focus on sustainable profitable growth.

We provide value for all of our stakeholders; clients; employees; shareholders; the communities in which we operate; and other organisations we deal with. Growth provides benefits for our stakeholders, and our commitment is to growth in profits that is sustainable. By sustainable we mean that we grow profits every year and that we do it the right way. We care about our impacts on the environment and on society. We are a responsible business because we believe that is the right way to be. All of these strategic elements influence the way we do things. From our corporate responsibility (CR) plans to performance management for our people, we measure ourselves on our contribution to the following seven areas of strategic focus, which are covered in further detail throughout this report:

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Seven strategic elements

1. Clients

Deliver value to our clients by providing world-class service

2. People

Recruit, motivate and retain the best talent in the industry

3. Risk

Take a long-term view to protect our business and manage risk

4. Responsibility

Act responsibly and build a reputation that enhances our brand to all stakeholders

5. Integration

Leverage our strong position to secure more integrated and larger scale contracts

6. Profitability

Focus on growing a profitable business, maintaining margins

7. Acquisitions

Support our growth with selective acquisitions

Our market opportunity

Market conditions are attractive for MITIE as our ability to deliver cost and carbon reductions for our clients comes to the fore. Current economic conditions have provided further impetus for change in the industry as clients see the tangible benefits that outsourcing delivers, in the form of lower costs, more innovation and improved value for money. As the market has evolved we have successfully positioned the Group as a partner of choice for our clients, having continued to secure and retain large contracts throughout the year. Our ongoing investment in people, systems and technical capabilities gives us confidence that we can drive economies of scale for our business and that of our clients going forward.

We offer a number of differentiated capabilities to our clients, which will help them to introduce further efficiencies throughout their organisations. We have built the capability to manage any size portfolio of buildings or assets and have the ability to deliver this across multiple regions. We offer a tried and tested capability to manage large scale transactional activity for our clients, which drives efficiency in their back office structures, particularly in the areas of supply chain, employment and payroll management. Energy and carbon efficiency is becoming an integral part of all our contracts and is increasingly embedded in everything we do. Technology also has an important part to play and the investments we are making now will ensure that we offer the most efficient service in the marketplace, now and in the future.

In the private sector we have seen high levels of activity across our client base as they respond to the efficiency challenges faced by every organisation. This has resulted in an increasing level of private sector tender activity for all services and we see this trend continuing as businesses seek to consolidate acquired operations or enhance efficiency in existing structures. The public sector faces the prospect of considerable pressure on expenditure in the coming years. We believe that this will create significant opportunities for the outsourcing market as contracts will tend to become larger and broader in scope.

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Chief Executive's strategy review

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Our strategy Acquisitions

Acquisitions are a key part of our strategy and they support our long-term growth plans. Our two significant acquisitions in 2009 are now integrated into the Group.

MITIE's acquisition strategy seeks to enhance shareholder value by introducing new and scalable capabilities that build long-term revenues, maintain margin levels and fit with the MITIE brand. A number of key factors drive our acquisition framework, including sector priorities, business differentiators, capability gaps, and market and brand stretch.

The acquisition of Dalkia FM introduced the CarbonCare concept and brand to MITIE. We have subsequently launched MITIE CarbonCare across our Group and it now forms a core part of our important and growing carbon management programme.

Logo removed

Our strategy Clients

The satisfaction of our clients is central to our strategy of delivering sustainable profitable growth. We have invested time this year improving our understanding of our clients needs in order to reinforce our client strategy.

Our clients see consolidation as the way forward and are looking to outsource more aggressively as they seek to cut costs and enhance carbon efficiency. They want to be clear about what the benefits are and how they can be realised. That's why we are introducing new technology that reduces costs for us and our clients and allows us to provide a smoother delivery of integrated services. We are helping our clients either by consolidating their supplier bases within specific service lines or by bundling services together, or a combination of the two.

Our clients tell us that sustainability and carbon targets are increasingly important issues. We have responded by launching CarbonCare, which will see energy management become a part of every service we offer.

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£42m

Our strategic approach to outsourcing has allowed us to save our client £42m over five years by integrating their cleaning services with just one supplier across their entire UK portfolio. We are harmonising work process across their business, with one supplier and one specification, delivering one look and feel to the whole estate.

Allison Emerson Head of Account for Lloyds Banking Group, and **Dave Wilkins** Project Manager

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-15%

We successfully reduced North Somerset's schools' energy spend by over 15%. CarbonCare offers a full range of integrated services that help organisations manage down their energy use and carbon footprint. Our expertise ranges from measuring carbon exposure, developing comprehensive energy strategies, eliminating waste, identifying effective clean energy alternatives, to challenges with a more human dimension like encouraging behavioural change in the workforce.

Mike Sewell Marketing Director,
Technical Facilities Management

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We anticipate higher levels of tender activity to result in the medium term. Whilst this may not have any material effect on our anticipated performance during the current year, we believe that in subsequent years we will benefit from the efficiency agenda that is expected to impact central and local government.

Investment in our capability

Acquisitions

In 2009 we utilised our strong financial position to make two strategically important acquisitions, Dalkia FM and EPS Ltd, which are trading well. The acquisition of Dalkia FM was made in August 2009 and we are particularly pleased with the progress made by our teams in creating a fully integrated technical FM business that complements the capabilities and skills of our traditional soft FM services business.

Acquisitions will continue to feature as part of our growth strategy but our approach will always be to acquire businesses that have strong management teams with similar cultural values to ours. We want to acquire businesses for fair prices that complement our existing capabilities and enhance what we are able to offer our clients, particularly in terms of property and estate management, environmental and carbon consultancy. We will properly integrate each acquisition so that clients will be able to receive seamless support from MITIE as we develop.

Operational development

The operations of MITIE have been realigned as a result of the acquisitions of Dalkia FM and EPS Ltd so that with effect from 1 April 2010 we are structured into four divisions. These are Facilities Management, Technical Facilities Management, Property Management and Asset Management.

We have moved some of the elements of the Asset Management business to other divisions to reflect market changes and client preferences.

The Technical Facilities Management business is a stand alone division providing a range of services for clients that have a preference for facilities management with an energy and technical emphasis. Our engineering contracting operations have moved from Asset Management to Property Management allowing the residual Asset Management division to focus on providing energy performance services, infrastructure and asset investment solutions to clients that are looking to optimise performance in a rapidly evolving energy environment.

Chief Executive's strategy review**People**

As our business is dependent upon having motivated, quality people we have a talent management programme in place to ensure that we have the right people with the skills our clients value. MiFuture is the programme that formalises our approach to talent management and ranges from work experience and an innovative graduate programme, to talent mapping for our top managers and bespoke coaching programmes for senior management.

Increasingly, our clients are asking us to have the capability to support them across all of the countries in which they operate. MITIE is able to respond to this demand and has expanded its management team to enhance its international expertise through the targeted recruitment of key people and the development of its international supply chain. As the scale and complexity of our clients' needs increase both in the UK and abroad, we have also selected a team of people who will be dedicated to large-scale, integrated contracts and this specialised group will be at the forefront of MITIE's strategic outsourcing opportunities.

We are committed to fostering and developing a culture of employee involvement in the business through communication with employees. We embrace new technologies and see real value in social networking, recognising the influence it has on our people and industry as it becomes an increasingly important part of our lives. We are at the forefront of social networking and encourage all our employees and stakeholders to expand their networks in new and innovative ways. Twitter, Facebook, YouTube, RSS, MiNet and SMS are all utilised as part of our employee communications. The Group also communicates with employees through the use of: mailings and updates; employee-focused initiatives; business-specific intranet sites; and broadcasts of financial presentations.

The importance of recognising and rewarding our people cannot be underestimated. We have further expanded our MITIE Stars programme to reward exceptional performance by our people and in 2008 introduced MITIE's Got Talent as a Group-wide talent contest to encourage employee engagement and recognition. In November 2009 we launched MitieRewards which is our brand new employee benefit rewards scheme available to all employees.

The Group's culture of employee equity involvement is a significant driver in the Group's growth performance and assists in attracting and retaining our employees. We continue to operate: the MITIE Long Term Incentive Plan to incentivise and reward senior employees of MITIE; the Executive Share Option Scheme for certain other employees below Board level and the Savings Related Share Option Scheme which is open to all eligible employees of the Group.

Technology

Our technology infrastructure provides us with the platform to support our clients, our contracts and our business. Clients increasingly want real time information on the performance of their assets and estates that is available online and accessible 24 hours a day. This capability will be increasingly important as we develop our business in the UK and overseas.

Over the last three years, we have invested in our systems to ensure that they are robust and can support us as we grow. Our investment has been focused on back office support through the roll-out of a new finance and human resources administration system and on operational systems. We have developed a client facing management information suite that has the capacity to provide comprehensive asset performance data to our clients and our teams to enable the most efficient FM solution to be tailored to their needs. We see these developments as critical to MITIE and create differentiation of our service offering within the marketplace.

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Our strategy
People

419

MITIE prides itself on developing new talent and this is demonstrated through our practice of employing and providing vocational training for apprentices. We are one of the largest employers of apprentices in the UK, currently employing 419 trade apprentices across our business and many more in short-term service apprenticeships.

Four of MITIE's prize-winning apprentices:
**Callum Wilson, Edwin Mensah, Rachel Green,
Thomas Mizuro**

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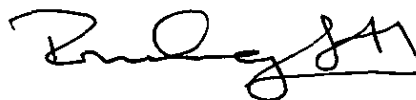
Looking forward

We are very positive about MITIE's future prospects and remain committed to our strategy of delivering sustainable profitable growth. Further market consolidation and the continued drive for efficiency, change and enhanced service levels will drive the growth of the business. This will be reinforced by the ongoing shift to integrated contracts with greater complexities and which are increasingly energy focused.

We are continuing to invest in our business, principally in the areas of sales, geographic expansion, talent management and technology. We have created a step change in our capabilities this year as a result of the investments we have already made, leaving us in a strong position to deliver substantial growth.

We have excellent visibility of future revenues, a growing long-term order book and an unprecedented level of bid opportunities. We have experienced an extremely positive start to the new financial year with new contract awards which demonstrate our ability to provide complex integrated services utilising MITIE's extensive capabilities. We are at an exciting stage in the evolution of our business and we look forward to a year of opportunity and strong growth.

Ruby McGregor-Smith
Chief Executive



Outsourcing is a people-based business and we are acutely aware of how critical our people are to our business. Recruiting and retaining the right people is also one of our biggest challenges. As MITIE has shifted from single service delivery to a solutions-driven approach, we have made significant investments in attracting, training and retaining the right people. Our apprentice and graduate programme are also important elements of our talent management.

Looking forward, we remain focused on talent identification, movement and succession planning as we challenge and motivate our management teams to keep pace with the business' increasing commercial complexity

Marketplace overview

Serving a broad range of clients and markets

Private sector

55% £0.9bn Contribution to Group and value

Sector	Market size pa	MITIE share*
Finance and professional	£5bn	4.6%
Manufacturing	£5bn	2.1%
Technology and communications	£4bn	3.5%
Retail	£5bn	2.8%
Property management	£6bn	3.0%
Utilities	£8bn	0.8%
Transport and logistics	£11bn	0.9%
Construction	£9bn	0.5%
Leisure	£6bn	0.4%

The drive to reduce costs and a focus on sustainability are the two principal areas of focus for all our clients at present.

Organisations are seeking to drive down their costs through integrated services, supplier rationalisation, retendering and innovation. In addition, consolidation drives the market to consider the structure of its cost base and bring new and extended outsourcing opportunities.

The ability to deliver integrated services, our unrivalled coverage across the UK and our technology platform are increasingly becoming key differentiators for our private sector clients. Some of our clients are also seeking alternative approaches to outsourcing by taking a 'whole life' view and linking the initial capital expenditure to the lifetime operating expenditure of their contracts.

There is still considerable impetus for change in the private sector as clients look to increase efficiency in both cost and carbon. The financial and professional services sector was one of the first to react to economic conditions and has been at the forefront of a number of large scale contracts that have increased geographical coverage or increased the range of services and sometimes both. This trend continues with a number of current large scale opportunities.

Other sectors are also changing procurement models and we have seen considerable tender activity in retail, transport and utilities. We have benefited from these changes and are seeing particularly high levels of private sector tenders.

Public sector

45% £0.8bn Contribution to Group and value

Sector	Market size pa	MITIE share*
Government	£7bn	4.0%
Social housing	£10bn	2.4%
Education	£13bn	1.4%
Healthcare	£11bn	1.1%

We expect opportunities in the public sector to expand as Government seeks to reduce expenditure and improve service levels and sustainability. The reduction of the fiscal deficit in the UK will be a priority for the Government in the coming years and MITIE is well-positioned to support this agenda. Consequently we continue to focus on and invest in our client proposition in this important market.

In simple terms, increasing levels of outsourcing have the ability to reduce costs and increase innovation, delivering more for less. It is likely that outsourcing will be used to create new services models and to improve the efficiency of public sector services. Shared services models could be developed to reduce the costs of management and administration of Government with support services benefiting from a private sector approach that has consistently demonstrated improvements to productivity over the long-term within Government.

We expect partnerships between the public and private sector to be important in the transformation of the Government estate and they will support the achievement of Sustainable Operation of Government Estate (SOGE) targets. The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme will also affect many public sector offices. The CRC, which came into force in April 2010, is a huge part of the Government's pledge to reduce greenhouse gas emissions by at least 80% from 1990 levels by 2050. The scheme will see organisations with total half-hourly metered electricity consumption greater than 6,000 mega watt hours a year (equivalent to approximately £460,000 electricity spend) forced to buy allowances for each tonne of carbon dioxide (CO₂) they emit and be placed in a league table according to their energy performance.

These anticipated changes present a significant opportunity for MITIE and we are continuing to invest in our sales proposition in the public sector. We are recruiting and training sector specialists to help with bids and manage contracts, tailored to the needs of each of the sectors we focus on and extending our reach into the public sector. Our ability to create innovative, fit-for-purpose solutions that satisfy the Government's green objectives and need for cost reduction positions us particularly well in this space.

* Based on pro-forma numbers in respect of the acquisitions during the year.

Graphic
removedOur strategy
Integration

The market continues to demonstrate an appetite for integration, either through the amalgamation of a number of service lines through one contract or through horizontal integration across a service line to create economies of scale.

The outsourcing model is changing towards larger, integrated contracts and MITIE is moving with the market. Integrated contracts now account for over 57% of our total contracts and we are seeing integration across services and also within services as clients seek to simplify their procurement strategies and reduce costs. Our integrated contracts operate with one team focused on the clients' needs. Our technology platform and management processes all support seamless service delivery and reporting.

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7:1

MITIE designed and installed the mechanical and electrical systems in the newly renovated National Audit Office building. In addition to our contract to maintain the M&E systems in the years to come, we also commenced on-site operations of the integrated facilities management in November 2009. As well as delivering seven essential services, we have introduced a number of measures which support them on their path to achieving government sustainability targets.

Mel Williams Contract Manager and **Manjit Parmar**
Contract Facilities Manager

Logo removed

International markets

There has recently been increased demand from our UK private sector clients for MITIE to expand its UK delivery capability to other regions. European procurement teams are now taking the lead for cross border procurement activity and we expect an international mix going forward. We have developed an international strategy with a number of our key clients and have invested in a senior management team with extensive overseas experience. They will be working closely with our partners in Service Management International (SMI) to develop opportunities for MITIE. SMI is a specialist provider of international facilities service solutions, delivering on-site to blue chip multinationals worldwide.

Research puts the value of the EMEA (Europe, Middle East and Africa) integrated services market at about £30bn and growing rapidly. Clients are looking for a different type of response that provides compliance as an integrated part of a solution comprising management skills, a technology platform that allows visibility of expense at all locations and for the organisation as a whole and solid competence in service delivery.

The key considerations are geography, competencies, management capabilities and the ability to operate locally. Client procurement drivers in this area are less about the individual services and more about reducing the cost base, increasing efficiency and finding greater agility in a framework of risk management and corporate compliance.

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Operating review

Throughout this financial year MITIE has operated in three divisions. Facilities, Property and Asset Management. With effect from 1 April 2010 we are operating as four divisions. The commentary and financial data below reflects the performance in the organisational structures that applied during the period to 31 March 2010. The comparatives and proforma analysis for the segmental financial performance for both structures are shown in Note 3 to the Consolidated Financial Statements.

Facilities Management

Read about our new contract wins
24-26

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The Facilities Management division delivers facilities consultancy, management and integrated service delivery to our clients. It has expertise and service delivery capability in the areas of business services, catering, client services, facilities services, PFI services, security, cleaning and environmental services, pest control, waste management and landscaping.

As customers continue to look for cost savings from their property portfolios, MITIE is well placed to lead and meet the different and changing needs of the facilities management market. Economic pressures are encouraging customers to expand the traditional portfolio of outsourced facilities services in order to find further cost savings from areas that may not have been previously considered. Customers are now looking to all their assets to create value within their organisations and MITIE has been able to assist customers by combining our flexible and broad range of expertise in asset, energy and property management alongside our FM capabilities.

MITIE is uniquely placed to successfully deliver very large scale, national contracts within the FM industry. MITIE has a presence on virtually every high street in Britain providing services for supermarkets, banks and other retail chains across the UK.

Alan... streamlining and boosting productivity for a business in the process of transition

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MITIE had a long-term partnership with Somerfield prior to securing the contract to provide cleaning for the enlarged portfolio of all the Co-operative Group stores after they acquired Somerfield. MITIE bid for six different regional tenders and was awarded the contract for the entire national estate on the back of our ability to streamline management and productivity which translated into significant savings for the Co-operative Group.

78

78 contractors and sub-contractors to one supplier

3,200

1 Ezi-tracker that drives pay and invoicing, allowing us to seamlessly mobilise 3,200 staff members

£3.5m

£3.5m investment in machinery that saves time and reduces accidents

2,650

2,650 stores with separate management channels simplified to one national helpdesk

12

12 types of liquid chemicals per store to just one liquid and one concentrated powder, saving storage, transport and mitigating their carbon footprint

£5m

£5m per annum – savings Co-op can reinvest in its business

Graphic removed

Our strategy
Clients
People
Risk
Responsibility
Integration

Image removed

Our experience and national delivery capability will allow us to capitalise on this position and increase our market share as smaller regional contracts continue to be combined to help clients maximise their savings.

With green issues being higher on the FM agenda than ever, CarbonCare, MITIE's market-leading energy offering has already helped to secure new work across the division and we expect it to be an important differentiator in MITIE's service offering going forward.

During the year, Facilities Management has continued to focus on increasing the integration across the division in the way we bid and operate our contracts. Additional work secured during the year has come from existing customers that want to contract out larger packages of work to gain the economies of scale involved in rationalising their supply chains. This has come in the form of expanding regional contracts into larger national ones as well as customers adding extra services onto multi-service contracts or transitioning to a full FM service in an effort to realise the maximum amount of cost savings. With a retention rate for rebid contracts in the year at 87%, we are demonstrating that the investment that we have made in customer relationship management and in our larger integrated multi-service and FM contract capabilities, particularly during the last 18 months, is paying off.

Operating review

Property Management

Read about our new contract wins
24-26

Property Management has expanded its capabilities to offer an integrated property management service. Clients are increasingly looking for a broader range of services that include mechanical and electrical, energy and more general facilities management services in addition to the traditional services such as maintenance, refurbishment, painting, roofing, interior fit-out, fire protection and plumbing and heating.

The social housing market is developing rapidly and we have made a strategic shift in the way we operate. Clients want to form long-term relationships with partners who work collaboratively to provide estate management, planned and responsive maintenance, capital projects, environmental improvements and help to address fuel poverty.

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Imo

MITIE is now ranked seventh in the UK social housing market. It operates as an integrated national business with the capability to support our clients property strategies, collect property information and perform stock condition surveys as well as manage projects and maintenance contracts across the UK. The acquisition of EPS Ltd has added considerable expertise especially in the South East of England. One of the major attractions of EPS Ltd was its IFS housing management software that we are adopting and upgrading as the standard across the social housing business.

This will allow us to manage all the data related to our social housing activities and is accessible to clients via a web portal so they can see real time reporting and process information.

IFS technology also supports planning and scheduling, budgets, cost reports, tenant liaison, environmental impacts and satisfaction levels. We are well placed to expand our market share in this market.

The specialist businesses have had a mixed year. The businesses that predominantly work in the repair and maintenance market, painting, and roofing have made good progress. The more cyclical businesses such as interior fit-out, fire protection and plumbing have suffered from the general downturn in construction activity across the UK, although there are some signs that activity levels in those markets are increasing.

From 1 April 2010 the Engineering Contracting businesses have become part of the Property Management division.

This move enhances the capabilities of the division in terms of mechanical and electrical services contracting which is increasingly becoming part of the capital works, frameworks and fit-out projects that we are involved with. The results of that business are reported within Asset Management for the year ended 31 March 2010. The impact of the transfer in financial terms from 1 April 2010 is shown in Note 3 to the accounts.

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Paul... improving homes, local communities and businesses

Graphic
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MITIE won a contract with Crawley Borough Council to deliver reactive maintenance and void refurbishments to half of their 8,153 housing stock. This ten-year contract starts in April 2010 with an estimated value of £3m per annum. From April 2012, the contract will be extended to cover planned and cyclical works, adding a further £8.4m per annum for the remaining term. MITIE will help improve homes in the area as well as supporting local people and businesses. From providing job and training opportunities to supporting community events and initiatives, we'll be an active member of the local community.

System Thinking delivering on the Crawley Borough Council contract

An innovative repairs service that is designed to fix problems **permanently**, on the **first** repair, at the customer's **convenience**

Emphasis on thinking about **how** and **why** work is delivered

MITIE has a proven track-record in **Systems Thinking** and **reducing costs**, **increasing performance** and **increasing client satisfaction** with this innovative delivery model

Graphic
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Our strategy
Clients
People
Risk
Responsibility

Paul Castle Maintenance technician

ge removed

Operating review

Asset Management

Read about our new contract wins
24-26

Graphs removed

The Asset Management division provides the integration, management and maintenance of technical assets to meet the challenges of the low-carbon economy including: energy design, generation and certification, infrastructure projects, building services and mechanical and electrical engineering. Following its acquisition in August 2009 we integrated Dalkia FM with our Engineering Maintenance business to form Technical Facilities Management. There is a separate operational review of Technical Facilities Management in this section.

Asset Management operates across a broad span of public and private sector markets. Our business this year has been driven increasingly by new economic and technology initiatives that are enabling our customers to optimise their performance in a rapidly evolving energy landscape.

Image removed

**Waste-to-energy:
turning a liability into an asset**

The traditional method of waste management is becoming increasingly detrimental to the environment and businesses alike. In fact, it is one of the most expensive problems any organisation has to deal with. The good news is that smart engineering and new technologies can turn waste streams into valuable revenue streams; as valuable as oil or gas when it comes to generating energy while alleviating pressure on our natural resources and environment. MITIE has considerable expertise in these waste-to-energy technologies. We are, for example, investigating the potential use of thermal technology at an aquaculture centre, using organic waste to generate heat, which is then converted to refrigeration. We are also looking at the conversion of medical waste to produce heat for a leading London hospital. In addition to conventional thermal waste-to-energy systems, there are some very promising new technologies on the horizon.

Image removed

Steve... contributing to creative problem solving and systems integration

Logo removed

MITIE has developed a creative solution to computer room cooling for Eland House in Westminster which redirects waste heat from the servers to the domestic hot water system. We already held the FM contract for the Department for Communities and Local Government that occupies the building and were commissioned to design, construct and maintain their energy system as well. Our solution integrates several technologies to create maximum efficiency. Cooling units, using chilled water from an air source heat recovery system, provide conditioned air to the cold aisle face of each data cabinet, and heat rejection from the cabinets is coupled to the kitchen calorifiers to provide hot water.

1.3

Power usage effectiveness of 1.3 (against an average of 2.5, and maximum efficiency of 1.0)

35,000m²

35,000 m² commercial office building

32%

Forecast 32% CO₂ reduction in comparison to conventional systems

77.2%

Data centre infrastructure efficiency of 77.2% representing a significant performance improvement over the original system

Steve Hogan Engineer

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Our strategy
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Ken and Paul... enabling buildings and their tenants to minimise their environmental impact

Logo removed

MITIE Technical Facilities Management works with NB Real Estate which is the property manager for The Co-operative Insurance Society (CIS) portfolio. This consists of £2.5bn of property assets and incorporates 18 commercial buildings spanning almost a million square feet. MITIE delivers technical facilities management and energy services for a number of the buildings in their portfolio. Using a dynamic shared-savings CarbonCare business model, everyone involved in running the buildings, including the tenants, have a stake in reducing energy consumption and carbon emissions, and can benefit from the energy cost savings generated.

Savings:

10%

10% targeted energy reduction on a £1.1m energy bill

9

Nine-year contract with year-on-year energy reductions guaranteed

£110,000

£110,000 saving delivered in year one

£145,000

£145,000 saving delivered in year two

Sustainability:

100%

100% green, renewable electricity procured for the buildings

Simplification:

4

Four bills a year for the client which cover all their M&E services, energy expenses and a contingency fund

Security:

Pre-agreed limit on tenants' energy bill to ensure they receive no surprises

Graphic removed

Our strategy
Clients
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Responsibility
Integration

Image remove

Technical Facilities Management

Technical Facilities Management focuses on facilities management that is led by technology, engineering and energy requirements. It comprises the integrated operations of our Engineering Maintenance business and Dalkia FM.

The division was formed following the acquisition in August 2009 of Dalkia FM services in the UK by combining it with existing MITIE capabilities and MITIE now has the largest Technical Facilities Management team in the UK. This was part of the Asset Management division until 31 March 2010, from which point it has traded separately as a new operating division of MITIE. This places MITIE in a leading position in the FM and engineering maintenance markets in the UK. It also elevates our competitive advantage in providing MITIE with a critical mass for a wide range of Energy Services including the provision of CRC Energy Efficiency Scheme management solutions as well as a further platform to cross-sell MITIE services.

A specialist integration team worked alongside our newly appointed management team from August 2009. A detailed plan set out the objectives of establishing clear management control, providing clarity to clients and our people and defining the work streams necessary for effective integration, financial management, communication and rebranding. Once established, the integration was reviewed weekly to ensure milestones were met and that priority was given to communication and the redefinition of the enlarged business.

We now have a unified operating structure and a single brand in the UK marketplace. Moving forward in 2010 we will continue to develop the business in areas including effective talent mapping, enhanced contract management, single quality assurance procedures, taking the best from previous systems, together with a class leading approach to the delivery of mobile services and energy data management.

Our new TFM business is extremely well placed to meet the challenges facing our clients in the management of their technical assets and in their response to increased regulations around carbon emissions in a capital constrained environment.

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New contract summary

Our recent contract awards

Private sector

Finance and professional services

Client	Contract	Timeframe	Value	Division
Santander	Integrated facilities management for the UK head office portfolio of 33 buildings in England, Scotland and Northern Ireland	3 years	£90m total	FM
	Mechanical and electrical services	3 years	£4.8m pa	AM
Lloyds BG	MITIE is the sole provider of cleaning services across the entire property portfolio, cleaning the entire estate, including 3,100 bank branches and major offices across the UK. This contract will help Lloyds to harmonise work and deliver one consistent look and feel across their entire estate. MITIE is delivering significant savings to Lloyds over five years	5 years	ND	FM
Global credit card provider	Landscaping and cleaning for ten sites across London and Brighton	2 years	£2m total	FM
Large UK financial institution	Mechanical and electrical contract for the maintenance of critical buildings in the South East and North of England	3 yrs + 2 yr extension	£17m pa	AM
Friends Provident	FM contract for their entire property portfolio and includes guaranteed energy savings	7 years	£2.5m pa	AM
European investment bank	Extensive modifications to the infrastructure of a fully operational building occupied by a large European investment bank	ND	£5m total	PM
Investment management business	Fit out of two floors covering 13,000 square feet. Works included meeting rooms, general office space, reception area and staff breakout facilities	17 weeks	£2.3m total	PM

Retail sector

Client	Contract	Timeframe	Value	Division
The Co-operative Group	Renewed our existing cleaning contract with the Co-operative Group and extended it into a major national contract where we will service all Co-operative Group and Sainsbury's stores, growing from 600 stores and head office cleaning to more than 2,600 stores around the UK and the entire Group's estate.	3 years	£63m total	FM
British retail grocery chain	Added to our work with the cleaning of five extra distribution centres and expanded to a national contract to clean stores, increasing the portfolio from 176 to 320 stores nationally	2-3 years	£16.8m total	FM
	Work on an energy savings project which includes an efficient lighting refit of selected stores across the property portfolio	ND	£1.3m total	AM
Marks & Spencer	Retained and expanded our security work to provide specialist retail security officers and event security to stores and offices in the South and East of the UK	3 years	£29m total	FM
Leading department store	Two mechanical and electrical contracts	3 years	£4m pa	AM
Major pharmaceutical retailer	Facilities management with a broad range of services across the property portfolio	5 years	£5m pa	AM
Clarks	Retail portfolio contract as well as the total facilities management contract including services to the Head Office and distribution centre	3 years	£1.3m total	AM
Primark	Completed our 60th store development with Primark at Bristol Broadmead; this refurbishment of an iconic 1950s building has subsequently won the Oracle Retail Week Store Design of the Year Award	ND	ND	AM
Metrocentre	Refurbishing a 20,000 square metre roof at the Metrocentre	6 months	£1.8m total	PM

Transport and logistics sector

Client	Contract	Timeframe	Value	Division
Virgin Trains	A range of cleaning services for 17 stations and offices nationwide along with window and deep cleaning across the entire Virgin Trains rail network	2 years	£2.7m total	FM
Eurotunnel	Freight, scanning and chocking services	3 years	£12m total	FM
Global freight business	Portfolio of FM services to the client's estate, including cleaning and securing depots in several regions	2 years	£4.8m total	FM
First Great Western	Cleaning of trains and 156 stations across the UK	3 years	£12.6m total	FM
Transport services company	Retained our depot security work on the London Underground as a subcontractor providing specialist track trained security staff to operate over the entire track and corporate office portfolio of the London Underground	2 years	£9m total	FM

Technology and communications sector

Client	Contract	Timeframe	Value	Division
Pharmaceutical company	Waste management and recycling nationally for this major organisation	3 years	£18m total	FM
Leading independent clearing house	Fitting out two floors of their offices	3 months	£3m total	PM
Cable & Wireless	Refurbishment of their Glasgow offices	1 year	£1.4m total	PM
Large telecommunications company	Designed, supplied, installed and will maintain a new computer room cooling system incorporating 800 advanced energy-efficient fans. The fans run at lower temperatures than the previous system, saving electricity and reducing the cooling load on the refrigerant system. MITIE is funding the £1.9m capital cost, which will be repaid by the client as a unitary charge over the contract term, with guaranteed cost and carbon savings	18 months	£1.9m total	AM
E.ON	Working to help tackle fuel poverty and meet local authority carbon targets – MITIE has designed and installed ground source heating as a key renewable technology for a housing estate in Gloucestershire	ND	ND	AM
Ethos Energy	Signed a letter of intent to design, build and operate a waste-to-energy plant using Advanced Thermal Treatment (ATT) based on the proven Ethos pyrolysis and gasification technology	ND	ND	AM

Property sector

Client	Contract	Timeframe	Value	Division
Land Securities	Soft services facilities management for the prestigious new building, One New Change in London	3 years	£6m total	FM

Support services sector

Client	Contract	Timeframe	Value	Division
Capita	Total facilities management contract to manage the entire supply chain for Capita's national property portfolio as well as provide integrated services and strategic expertise across the contract	6 years	£140m total estimated	FM
Vertex	The ingredients food service team will work alongside our security, engineering and cleaning specialists at multiple sites across the UK	3 years	£3.5m total	FM

Leisure sector

Client	Contract	Timeframe	Value	Division
Thomas Cook	Multi-site catering contract which expands on our cleaning provision at their Manchester site. The contract will see our ingredients food service team providing staff restaurants, cafes, delis and hospitality across the UK including sites in Peterborough, Preston and Falkirk	3 years	£3.9m total	FM

Utilities sector

Client	Contract	Timeframe	Value	Division
Water and waste water services company	Retained a contract for mechanical and electrical services	ND	£2.6m pa	AM
Severn Trent Water	Provide FM services across its 20 sites	5 years	£30m total	FM

Public sector**Education sector**

Client	Contract	Timeframe	Value	Division
University of the Arts in London	Multi-service FM contract to provide cleaning, security and maintenance services	3 years	£7.5m total	FM
Cambridgeshire County Council	Made preferred bidder for FM services as part of the Equitix consortium on the BSF scheme	25 years	£30m total	FM
London Borough of Newham	Facilities management provider for the BSF scheme	25 years	£25m total	FM
Derbyshire County Council	Facilities management provider for the BSF scheme and design, build, operation and maintenance of small-scale wind farms to generate renewable electricity and offset grid electricity.	25 years	£52.5m total	FM
Loughborough University SportPark	Mechanical and plumbing installation on a £12m new-build project, utilising renewable energy by means of Ground source heating. SportPark at Loughborough University is the new home for the national governing bodies of many sports and the scheme comprises four buildings with three buildings of three, four and five storeys linked through glazed circulation spaces	1 year	£1.8m total	PM
Suffolk County Council	Redecoration and repair works to schools in the County	4 years	£1m pa	PM
Penwith College, Cornwall	Installed a Northwind 100 wind turbine, the first use of this model in England	ND	ND	AM

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New contract summary**Public sector continued****Social housing sector**

Client	Contract	Timeframe	Value	Division
Plymouth Community Homes	Major improvement works to over 14,000 homes in Plymouth, as one of four suppliers to refurbish kitchens and bathrooms as part of a framework agreement, which could mean up to 120 jobs and 12 apprenticeships in the city	5 years	£16.5m total	PM
Crawley Borough Council	Reactive maintenance and void refurbishments to half of the 8,153 housing stock. After year two the contract will be extended to cover planned and cyclical works	10 years	£3m pa + further £8.4m pa from year 2	PM
Enfield Homes	Planned maintenance works to homes in the area, including kitchen and bathroom upgrades, replacement of electrical and heating systems as well as door and window replacements	1 year	£3m total	PM
Sanctuary Housing Association	Awarded a position on the framework for all price bands and Sanctuary regions to refurbish kitchens and bathrooms and perform other work	4 years	ND	PM
City of Edinburgh Council	Replacement of kitchens and bathrooms, including electrical water heating and rewiring all to Scottish Housing Quality standards. A tenants choice redecoration package is included in the contract	4 years	ND	PM
Home Group	Redecoration and repair works	1 year	£1.2m total	PM

Central and local government sector

Client	Contract	Timeframe	Value	Division
Greater London Authority	Involved in an array of energy savings projects and currently bidding for further work within phase 2 and 3 frameworks	ND	£2.4m total	AM
Department of Communities & Local Government	Designed and installed an innovative cooling system at Eland House, for the computer room that redirects waste heat from the servers to the domestic hot water system	ND	ND	AM
British Nuclear Fuels at Sellafield Ltd	Added a cleaning contract to our existing integrated facilities management contract at the Sellafield site	2 years	£3.6m additional	FM
National Audit Office	Full range of facilities management services for the newly refurbished, 21,150m ² building in central London. MITIE also designed and installed all of the mechanical and electrical systems and will maintain them over the life of the contract	5 years	£6.5m total	FM
	Refurbishment of offices	10 months	£16m total	AM
Atomic Weapons Agency PLC	Two separate contracts to provide security as well as cleaning and environmental services to AWE's sites in Berkshire	3 years	£10m total	FM

Healthcare sector

Client	Contract	Timeframe	Value	Division
Bangor Hospital	Project for new electrical infrastructure works as part of the Design for Life framework	ND	£8m total	AM
Royal Free Hampstead NHS Trust	Extension to the original contract to use surplus heat from the energy centre to 1,700 social housing units in the borough of Camden. MITIE will design, build and operate this district heating network	ND	ND	AM

Transport and logistics sector

Client	Contract	Timeframe	Value	Division
Transport for London	12-month extension to our FM contract for hard and soft services	1 year	£7.4m total	FM
	Retained our bus stop cleaning and maintenance contract with TFL London Buses	3 years	£9.2m total	FM

ND = not disclosed

Corporate responsibility

Responsible practice across everything we do

Our unwavering commitment to CR and the successes we have achieved serve to strengthen our reputation as a responsible and ethical business. We utilise our CR capabilities to enhance our working relationships with our clients and suppliers as well as supporting communities and third sector partners, demonstrating to our stakeholders that we have a responsible and sustainable business model.

MITIE relies on the knowledge and skills of its people to deliver its unique range of services. Providing appropriate training and development to support our people is vital to delivering the quality of service demanded by our clients. MITIE is one of the largest employers of trade apprentices in the UK, currently employing 419 across our business. We spent over £4.4m on training this year with over 40,000 training delegate days and we retained 92% of management.

MITIE adopts the highest ethical standards and understands its responsibilities to all of our stakeholders including our employees, clients, suppliers, subcontractors, investors, competitors and the general public.

MITIE is committed to embedding responsible business practice into everyday operations, policies, procedures and practices, and providing opportunities for people to develop their full potential.

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Our strategy
Responsibility

This year we have refined the links between our corporate and CR strategies by introducing new SMART objectives that fully align the five pillars of our CR strategy to our corporate strategy. These objectives appear as KPIs in our CR strategy matrix and in our dedicated CR Report which has further detail on all our CR related activities. A new expanded online account of our CR activities and strategy matrix will be available at www.mitie.com/CR

Picture removed

100%

The 100% organic fertiliser we make from our waste at London's iconic Brewery is re-circulated to the farmers in our supply chain. This is just one of the many sustainable practices we've introduced... 100% of the disposable products we use each year are bio-degradable. We've also reduced energy consumption in the kitchens by half and lowered our carbon footprint by sourcing locally and cutting transport times.

Erling Rugsten Executive Chef

Logo removed

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Corporate responsibility

Our key business principles are published in our policies, which are available at www.mitie.com/cr_policies.

Our impact on the environment is given careful consideration across every aspect of the business. The last 12 months has seen the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme further elevate the issue of energy management onto the boardroom agenda and encouraged businesses to reconsider their energy consumption and identify areas to implement carbon management strategies.

MITIE is providing strategic carbon management to a broad spectrum of clients with advisory and practical support on the interpretation of legislation including the CRC and the delivery of energy reduction measures. We have continued our involvement in landfill avoidance programmes with the development and delivery of a range of recycling and best practice solutions including waste to energy programmes to facilities across the UK.

Since 2006, MITIE has proactively publicised its environmental KPIs addressing the five key impacts of electricity, gas and water consumption, transport emissions and waste creation. Over the coming 12 months MITIE's focus on environmental sustainability will adopt the CarbonCare philosophy engaging in improved practices and strategies for data capture, monitoring and analysis, allowing us to implement environmental management strategies for all of our office facilities and prioritise appropriate buildings for attention. This year our normalised CO₂ emissions per employee and emissions per pound of revenue have decreased by one percent and nine percent respectively.

Corporate Responsibility report 2010

For more information about the great things we do look at our CR report or visit the website www.mitie.com/CR

www.mitie.com/cr

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Key Performance Indicators

	Unit	2010	2009	Difference
Total Revenue	£m	1,720	1,522	13%
Average number of employees	Number	53,631	50,054	7%
Total CO ₂ emissions	Tonnes	36,463	34,696	5%
Normalised CO ₂ emissions per employee	Tonnes	0.68	0.69	-1%
Normalised CO ₂ emissions per £m revenue	Tonnes	21	23	-9%
Total water consumption	m ³	18,948	17,843	6%
Normalised water consumption per employee	m ³	0.35	0.36	-3%
Total waste	Tonnes	1,168	933	25%
Total waste per employee	Kg	22	19	16%
Total waste recycled	Tonnes	595	411	45%
Percentage of recycled total waste	%	51	44	16%
Percentage of recycled waste (principal buildings)	%	72	44	64%

This year our emissions have been calculated using the DEFRA Sept 2009 v2 conversion factors to Green House Gases. In accordance with DEFRA guidelines our 2008/09 emissions have been recalculated for ease of comparison.

Health and safety has always been a priority for MITIE and we strive to improve our performance every year. We use management systems and controls to support our occupational health and safety (OH&S) targets, providing comprehensive training across all levels of the organisation and implementing an improvement process to control key risks. Our health and safety performance has improved this year to a rate of three and a half reportable accidents per one thousand employees.

MITIE makes a significant contribution to a variety of communities across the UK. This contribution is demonstrated by numerous initiatives including volunteering, in-kind donations, pro-bono support and sponsorships. Our charity policy directs our main fundraising support to six regional charities, although we also provide support for various other charities that are of particular interest to our people. We contributed over £400,000 to communities across the UK during this financial year.

We have maintained and expanded our seven Construction Skills Centres at schools across the UK designed to provide craft skills and vocational education to approximately 500 students (aged 14-19 years) and further enhanced our multi-award winning Real Apprenticeship scheme with a joint programme in partnership with Jobcentre Plus and London Employer Accord in 2009 entitled 'Raising the Game on Disability'. This programme has been designed to provide training and employment opportunities specifically to unemployed people with physical, mental or learning issues.

In 2009 MITIE also improved its position on the Business in the Community (BITC) CR Index from 81.5% to 88.7%, maintaining its position in the Silver Category and was awarded a new Big Tick in the Skills in the Workplace category of their National Awards for Excellence 2010. And in 2010, Suzanne Baxter, Group Finance Director, was awarded the ICAEW Inspiring Confidence in Business Award by the FD's Excellence Awards supported by the CBI. The award recognises an FD who has made an outstanding contribution to their business through linking sustainability activities to organisational performance, and placing sustainability at the centre of strategy development.

CR is fundamental to MITIE as a business and is a key part of our corporate strategy. This table shows how we link the seven elements of our corporate strategy namely clients, people, risk, responsibility, integration, profitability and acquisitions to the five corporate responsibility pillars of people, service and delivery, environment, health & safety and community.

Business strategy	CR objectives				
	People	Service & Delivery	Environment	Health & Safety	Community
1. Clients - Satisfy clients - Contribute to business needs - Offer value for money - Maintain quality relationships - Support energy and waste reduction to reduce costs	Two Real Apprenticeship programmes with 12 clients, offering 30 placements Record split of gender and ethnicity through ERP system	Engage with top 50 clients Image removed	Demonstrate MITIE capability for delivering environmental improvements Two opportunities for clients to improve their knowledge of MITIE's environmental capability	Share best practice with five clients that have significant operational risks	Three FM Skills Centres at client schools Three top 50 client community projects
2. People - Training & support for career development and maximum potential - Develop and reward to improve retention and motivation - Reinforce MITIE's culture and values	10 Diversity awareness training courses Pledge for 100 Apprenticeships, 530 NVQs and 120 Skills for Life qualifications by July 2010 Image removed	MITIE's culture, values and CR credentials are communicated via talent management programme, inductions, and CR seminars	Four environmental training courses Three environment related volunteer projects	H&S competency framework throughout MITIE	Six World of Work events in schools Employee volunteering policy Image removed
3. Risk - Strategic - Operational - Financial - Compliance - Understand risks and impacts - Manage, mitigate or eliminate risks	Risk assessments, PPE and equipment to MITIE employees for volunteering programmes	Undertake 20 CR audit reviews of suppliers	Impact data monitoring system during 2010 Quarterly MI impacts reviews across MITIE's administrative offices	Implement division specific requirements of MITIE QHSE strategy Image removed	Precautions to mitigate risks with community projects e.g. Real Apprenticeship, Skills Centres, etc
4. Responsibility - Maintain good H&S performance - Supporting communities - Manage and reduce environmental impacts - Train, develop and reward our people - Contribute to MITIE's success	Four CR awareness seminars and five inductions	Climate change event for client participation MITIE family fun day with UN International Year of Biodiversity Image removed	15% office energy and 80% recycling rate by 2013 10% Fleet fuel reduction by 2013 10% telematic tracker systems in Fleet and reduce average CO ₂ vehicle emissions from 147g/km currently	Four client based Health Awareness Days Image removed	Environmental audits of MITIE's Construction Skills Centres Sustainability inputs for Real Apprenticeship programme Image removed
5. Integration Integration for improved efficiency and seamless service with common systems and processes	Four joint MITIE and client employee volunteering events Image removed	Integration across MITIE for client CR initiatives	Sustainability guidance for employees New interactive methods via MITIE intranet Image removed	Integrated H&S plan for each multi-service FM contract	Four employee volunteer projects Image removed
6. Profitability Continuous profitable growth with improved social and environmental impacts	Increase financial potential through client participation in four MITIE volunteering projects	CR KPIs to enhance social responsibility, profitability and reduce environmental impact	Develop and expand CarbonCare, TREEHUGGER™ and other MITIE initiatives Image removed	Develop best practice for top three significant operational risks	Two Real Apprenticeship programmes in conjunction with 12 clients
7. Acquisitions - Selective, value enhancing acquisitions - Acquire quality and complementary businesses	Run CR reviews of prospective acquisition businesses during due diligence process	Verify CR during 100 day integration CR inductions within three months of acquisition Image removed	Acquired businesses adopt MITIE's sustainability commitments Environmental legislation analysis in due diligence	Full H&S due diligence process	Engage acquired businesses in MITIE Skills Centres

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Financial review

A 22-year track record of growth

MITIE has delivered another set of excellent results, building on our 22-year track record of success. We have retained our focus on sustainable profitable growth and a prioritisation of sound cash management, and have seen strong performance from our business despite challenging economic conditions. We have made selective investments, particularly in the areas of technology, our energy and FM propositions and in acquisitions that have enabled us to make a step change in MITIE's capabilities during the year. We enter the new year in a robust financial position, with low gearing, a strong balance sheet and enhanced capacity for future growth.

From 1 April 2010 the structure of the Group was changed and from that date we have operated through four principal trading divisions. This change has principally been driven by the acquisition of Dalkia FM and its integration into the Group. The impact of this change on the segmental analysis of our business going forward is set out in Note 3 to the accounts. The analysis provided below reflects the disclosures in our consolidated statutory accounts and provides details on the performance of the Group in the structure applicable during the year ended 31 March 2010.

Key performance indicators (KPIs)

MITIE uses a set of clear financial and non-financial KPIs to measure and communicate critical aspects of the Group's performance. These KPIs are aligned with the Group's strategic objective of achieving sustainable profitable growth and our financial KPIs are specifically focused on the level and quality of our earnings and cash flows, the control of capital expenditure and the sustainability of dividends. The Group has performed strongly against these measures again this year and has now demonstrated a five-year track record of strength in each of these measures.

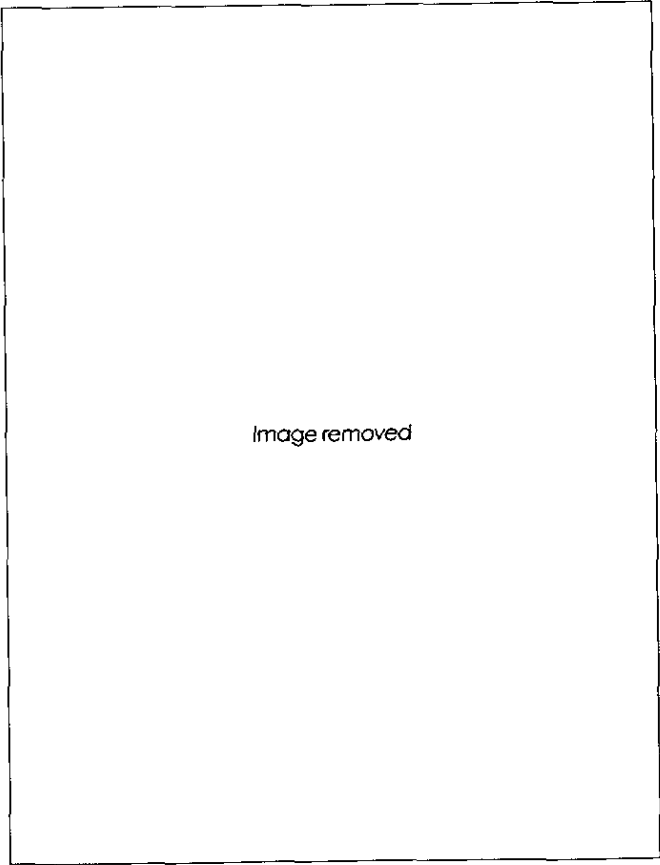


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We continue to review the relevance of our KPIs to our developing business model and will be refining our cash conversion target going forward to 80% of earnings before interest, tax, depreciation and amortisation (EBITDA) to reflect the working capital investment that we expect to be required to support the planned growth in new and larger scale FM style contracts within our operational portfolio. This trend, which is positive from a strategic perspective, will require the support of increased working capital in some instances but will not affect the underlying strength of cash flows in our existing contract portfolio. We remain committed to the prioritisation of strong cash management within our Group.

Sustainable profitable growth

Revenue for the year ended 31 March 2010 increased by 13.0% to £1,720.1m, reflecting organic growth of 0.5% and a contribution of £190.1m from the two acquisitions made by the Group during the year.

The Group maintained its track record of positive revenue growth despite the back drop of challenging economic conditions. We experienced organic revenue growth of 5.5% in our Facilities Management business to £824.6m (2009: £781.8m), where market demands for change and efficiency brought opportunity to the Group. In Property Management, revenues reduced by 1.0% to £295.0m (2009: £297.9m), reflecting an 11.1% reduction in the underlying revenues of the business driven by challenging conditions in certain construction related markets such as interior fit-out, offset by a positive contribution to revenue from the EPS Ltd acquisition made in November 2009 of £30.1m. Finally in our Asset Management division, revenues grew by 35.8% to £600.5m (2009: £442.2m). This division was formed on 1 April 2009 and comprised our traditional engineering services and engineering maintenance businesses.

MITIE has a strong focus on revenue, earnings and cash, which has enabled our 22-year track record of continuous profitable growth.

In these markets with changing risk profiles it is important to achieve revenue growth, and it is crucial to maintain profit margins and be paid on a timely basis for the work we have performed. We have achieved an average EBITDA cash conversion of 96.6% over the past 20 years.

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Financial review

The performance of this business was greatly enhanced by the acquisition of Dalkia FM in August 2009, which added £160.0m to revenue and by the strong results of our traditional engineering maintenance business where organic growth of 15.2% increased revenues to £184.8m (2009: £160.4m) and offset the impact of challenging markets within our engineering services business where revenues fell by 9.3% to £255.7m (2009: £281.8m).

Our order book continued to grow and now stands as £6.4bn (2009: £4.9bn), reflecting organic growth of £0.9bn whilst our acquisitions added £0.6bn.

We have seen a significant improvement in the level of our underlying operating profit during the year. Operating profit before other items increased by 15.5% to £93.0m (2009: £80.5m) and our underlying operating profit (EBITA) margin was enhanced to 5.4% (2009: 5.3%) in the year. Operating profit before other items before the impact of acquisitions grew by 5.3%, to £84.8m, outstripping the rate of growth in revenue. The contribution to operating profit before other items from acquisitions was £8.2m.

We have seen strong margin performance in our Facilities Management business where operating profit before other items grew by 7.0% to £50.5m (2009: £47.2m) and operating profit margins improved to 6.1% (2009: 6.0%). In Property Management, operating profit before other items increased by 12.8% to £20.2m (2009: £17.9m). This was achieved through an increase in underlying profits to £18.6m (2009: £17.9m), driven by improvements in margins before acquisitions to 7.0% (2009: 6.0%) and a contribution of £1.6m from the acquisition of EPS Ltd. Integration costs incurred in respect of the EPS Ltd acquisition were £1.6m. In Asset Management, operating profit before other items grew by 44.8% to £22.3m (2009: £15.4m). The growth in profitability of this division was driven by the acquisition of Dalkia FM which made a contribution of £6.6m to operating profit before other items and by strong growth in the underlying revenues and an enhancement in operating profit margins to 4.8% (2009: 4.4%) in our traditional engineering maintenance business. This improvement offsets a decline of 19.0% in the profitability of our Engineering Services business to £6.8m (2009: £8.4m).

Integration costs incurred in respect of acquisitions were £6.6m and related to restructuring activities, management structure changes, rebranding and technology changes. Integration costs and other acquisition related costs, such as the amortisation of intangibles of £5.3m (2009: £1.9m) which grew in the year in respect of newly identified intangible assets on the Dalkia FM and EPS Ltd acquisitions, are classified as other items within the consolidated income statement of the Group. After the impact of other items, operating profit for the year was £81.1m (2009: £78.6m).

Net finance costs for the year were £1.4m (2009: £2.7m), reflecting an improvement in the year, despite an increase in the Group's average level of net debt. This improvement was attributable to the reduction in LIBOR. The Group has funded its debt at a level of 40 basis points over LIBOR during the year.

The tax charge for the year was £22.2m (2009: £21.5m) representing an improvement in our effective rate of tax on profit of 27.8% (2009: 28.3%).

These results generated a profit after tax for the year of £57.5m (2009: £54.4m), an increase of 5.7% on the prior year.

Cash flow, funding and liquidity

The underlying cash performance of the Group remains strong and in line with our stated KPI which targets the conversion of earnings before interest, tax, depreciation and amortisation (EBITDA) to cash at a rate of 90% on a rolling 12-month basis. Our cash conversion performance for the year ended 31 March 2010 was 95.2% (2009: 97.5%).

Cash conversion measures the success of the Group in converting its operating profit to cash during the year and is an effective measure in demonstrating the quality of the Group's earnings and the effectiveness of its cash management function. MITIE has consistently delivered cash conversion in excess of 90% over the last five years.

As the Group continues to expand its exposure to large scale FM contracts that require the funding of operational costs (generally wages) in advance of payment from clients, we are expecting to increase our investment in working capital to support the introduction of new, larger scale FM contracts into MITIE. This change in the contract portfolio of our Group is expected to create a reduction in the Group's cash conversion and we are therefore rebasing our cash conversion KPI to an 80% target. This in no way reflects a worsening in the underlying cash flows relating to our existing portfolio of contracts but simply reflects the need to invest in working capital to support our strategic growth targets in this area. We will continue to prioritise the cash performance of the Group and to focus on maximising cash conversion within our business.

Net debt has increased to £86.6m (2009: net cash £10.9m) largely due to the impact of the two acquisitions mentioned above. Dalkia FM was funded through a combination of £77.7m of debt and £41.8m of equity raised through a placing of 19 million new Ordinary shares. EPS Ltd was funded entirely with £36.2m of debt.

The Group's committed banking facility of £230.0m remains unchanged and in place until January 2012.

Delivering stakeholder value

Our track record of delivering stakeholder value through earnings and dividend growth continued during the year. Basic EPS before other items, our measure of underlying EPS, increased by 13.4% to 19.5p per share (2009: 17.2p per share) while basic EPS was 16.9p per share (2009: 16.7p per share), an increase of 1.2%. This latter measure showed low growth due to the impact of in year integration costs that are non-recurring and the mid year increase in the number of shares in issue following the share placing in August 2009.

We have a dividend policy that ensures our dividend tracks the underlying growth in our earnings per share and is not distorted by non-cash accounting adjustments or by non-recurring acquisition related costs such as amortisation or integration costs. The final dividend proposed by the Board of 4.1p per share (2009: 3.6p per share) represents an increase of 13.9% which brings the full year dividend to 7.8p per share (2009: 6.9p per share), an increase of 13.0%. This continues to reflect a cover of 2.5 times on an adjusted earnings per share measure in line with our dividend policy.

Pensions

Our financial strength remains unaffected by any significant deficit in our main pension scheme and this maintains our position of strength in the market. The net position of all the pension schemes included on the Group's balance sheet is a deficit of £10.5m (2009: £0.4m). This included a deficit of £6.8m on the principal Group scheme (2009: surplus £3.0m).

The Group also contributes to a number of defined contribution pension schemes as well as making contributions to its customers' defined benefit pension schemes under Admitted Body Local Government status as well as to other arrangements in respect of certain employees who have transferred to the Group under TUPE. The Group's defined benefit pension obligations in respect of schemes in which the Group is committed to funding amounted to £3.7m (2009: £3.4m).

Acquisitions

In accordance with our strategic plan we have made two key acquisitions during the year which have significantly enhanced our capabilities in the areas of Technical Facilities Management and Social Housing.

On 12 August 2009 we acquired the entire issued share capital of Dalkia Energy and Technical Services Limited and Parkersell Limited, together Dalkia Technical Facilities Management (Dalkia FM), from Dalkia plc for total consideration of £119.5m, including directly attributable costs of £3.3m. The transaction was originally structured to include a potential £10.0m of deferred contingent consideration, however, this is not payable. From the date of ownership, Dalkia FM has contributed revenue of £160.0m and operating profit before other items of £6.6m which is in line with our acquisition business case. Integration costs of £5.0m have been incurred in the year ended 31 March 2010. A further £2.0m of integration costs will be incurred in the year ending 31 March 2011, while synergies of £6.0m are expected to be realised in that year. MITIE recognised intangible assets of £29.9m, goodwill of £72.3m and other net assets of £17.3m in relation to the acquisition. The charge in respect of the amortisation of intangible assets was £2.6m for the period ended 31 March 2010.

On 20 November 2009 we acquired the entire issued share capital of Environmental Property Services Ltd (EPS Ltd) from Uberior Holdings Ltd, the EPS senior management team and Alchemy Partners for a maximum consideration of £40.9m (including costs) with an initial consideration of £35.0m (on a cash free basis). From the date of ownership EPS Ltd has contributed revenue of £30.1m and operating profit before other items of £1.6m which is in line with our acquisition business case. Integration costs of £1.6m have been incurred in the year ended 31 March 2010. MITIE recognised intangible assets of £13.3m, £3.7m net liabilities and goodwill of £31.3m in relation to the acquisition.

Further details of these acquisitions can be found within Note 29 to the accounts.

Our entrepreneurial investment model

We remain committed to our entrepreneurial investment model which has significantly enhanced the growth of the Group in the past. We have made an investment in a new start up which has given an equity opportunity to a new senior management team within the Care and Justice marketplace and complements the existing expertise and contracts within our security business.

As announced in August 2009, we purchased certain minority shareholdings of six MITIE subsidiary companies under their respective articles of association and shareholder agreements. The total consideration for all six purchases amounted to £21.2m being satisfied as to £1.1m in cash and as to the remaining £20.1m by the issue of 8.5 million new Ordinary shares of 2.5p each in MITIE valued at 237.75p per share, being the closing market price per MITIE share on 24 July 2009.

MITIE also issued new Ordinary shares in respect of deferred consideration in respect of share purchase agreements signed in 2008. The total consideration in respect of the deferred consideration amounted to £1.3m being satisfied by the issue of 0.5 million new Ordinary shares of 2.5p each in MITIE, valued at 237.75p per share, being the closing market price per MITIE share on 24 July 2009.

Suzanne Boxter
Group Finance Director



Key performance indicators

Consistent performance on all fronts

Non-financial KPI

Financial KPI

Graphic removed

Our strategy
Clients

Retention of existing contracts within Facilities Management %

Graphic removed

Description:

In order to achieve sustainable, profitable growth, we monitor the percentage of existing contracts retained in our Facilities Management division on a rolling 12-month basis.

Target:

Achieve contract retention rates in excess of 90%.

Comment:

Our contract retention rate in our Facilities Management division stands at 87%.

Graphic removed

Our strategy
Integration

Contract types split within MITIE

Graphic removed

Description:

As a substantial portion of our revenue was historically generated through single service contracts, one of our opportunities for growth is through expanding our relationships with existing clients by providing other services. We have seen a trend in the markets towards multi-service and FM contracts over the past few years and we are well positioned to meet the demands of this trend due to our broad range of services.

We measure the percentage of revenue that is generated by these types of contracts in order to measure how well we are performing in this arena. 57% of revenues are now attributable to multi-service and FM contracts.

Graphic removed

Our strategy
Profitability

Group operating profit margin (before other items*)

Graphic removed

Description:

Our operating profit margin (before other items*) provides us with a good indicator of the profitability of our business. Where we have material, non-recurring charges, such as integration costs, we exclude these from our measure.

Target range:

Maintain operating profit margins between 5.0% and 6.0% per annum.

Comment:

We have improved our margin by 0.1% to 5.4%.

Capital expenditure as a % of revenue

Graphic removed

Description:

Our strength lies in the management of people and in the provision of suitable assets to support their work, but our business is not capital intensive. We continue to monitor and control capital expenditure, and target growth and acquisitions in areas that do not require substantial capital expenditure.

Target range:

Maintain below 2.0% of revenue.

Comment:

Our KPI has increased to 1.5% but is well below the 2.0% target level.

* Other items are non-cash or non recurring acquisition related items.

Graphic
removedOur strategy
People**Management retention %**

Graphic removed

Description:

MITIE is a people business and we pride ourselves in creating and nurturing outstanding management. Monitoring how successful we are in retaining our people is an important measure for us.

Target:

Enhance focus on the development and retention of management to maintain a retention rate of over 90%.

Comment:

Our management retention rates are 92% for the year.

Graphic
removedOur strategy
Risk**Reportable accidents
per 1,000, employees**

Graphic removed

Description:

Reportable accidents are defined as fatalities, major injuries and injuries resulting in absence from work of over three days. Our people are our greatest asset. Providing them with a safe environment in which to work is of paramount importance to us, so we use a KPI for reportable accidents to assess our performance.

Objective:

Retain focus on reducing the risk of accidents in our business.

Comment:

Our focus on health and safety has enabled us to reduce reportable accidents to 3.5 per 1,000 employees.

Graphic
removedOur strategy
Responsibility**Carbon dioxide emissions**

Graphic removed

Description:

We are conscious of the impact of our operations on the environment. Our CO₂ emissions are calculated using DEFRA conversion factors following a review of our fuel and utilities usage. The rate of CO₂ emissions per MITIE employee is calculated using the average number of people employed during the year. This year our emissions have been calculated using the DEFRA Sept 2009 v2 conversion factors to Green House Gases. In accordance with DEFRA guidelines our prior year emissions have been recalculated for ease of comparison.

Objective:

Understand and minimise the environmental impact of our operations.

Comment:

Our normalised CO₂ emissions (0.68 tonnes equivalent) per employee are marginally lower than the prior year.

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Graphic
removedOur strategy
Acquisitions**Conversion of EBITDA to cash**

Graphic removed

Description:

The efficiency with which we manage the generation of cash is an important indicator for our business. MITIE is built on a sound understanding of the importance of cash and working capital management and that ethos remains critical to our business. The conversion of the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) to cash is one of the significant cash-flow indicators for MITIE.

Target range:

Over 90.0% of Group EBITDA converted to cash.

Comment:

We have achieved our target this year with 95.2% of Group EBITDA being converted to cash.

The KPI for 2010/11 will be 80% to reflect the changing mix in MITIE's business.

Dividend growth

Graphic removed

Description:

It is important that we continue to target a dividend policy that provides an appropriate return to shareholders with a dividend which grows in line with the underlying earnings of the Group. Dividend cover is calculated by reference to our underlying, cash-based earnings which we measure using our basic EPS before other items*. EPS before other items is 19.5p (2009: 17.2p) giving rise to underlying growth of 13.4%.

Target range:

At least in line with underlying earnings growth at a cover rate of 2.5x times adjusted earnings.

Comment:

Our dividend growth for the year is 13.0%, providing cover of 2.5x times adjusted earnings.

This year we have invested £155.7m in the completion of two third party acquisitions, Dalkia FM and EPS, and £21.2m in minority interest acquisitions in six companies under the MITIE Model. Our strong cash flows, committed banking facilities and strong balance sheet have ensured that these investments can be made against a backdrop of limited gearing, with EBITDA: total debt at 31 March 2010 at 0.84 and interest cover of 57.9 for the year.

Factors that could affect our business

The assessment of risk is part of our culture

Graphic removed

Our strategy
Risk

MITIE's risk is classified into four areas: strategic; operational; financial; and compliance. The assessment of risk is part of our culture and every business segment has a comprehensive risk register that feeds through to the Group risk register which is reviewed by our Board.

We give careful consideration to all the risks in our business and how we can best mitigate those risks, but we are also focused on the key risks, and, correspondingly, opportunities, that help meet our business objectives. Opposite is a summary of the risks that we currently see as critical to our business. On page 45 of the Directors' and governance report there is more detail of our risk identification and management processes.

Image removed

MITIE provides a wide range of hard and soft services on the nuclear waste management and decommissioning site operated by Sellafield Ltd. The Sellafield Contractors Safety Award is awarded each year and MITIE won the top award for demonstrating exceptional management of its health and safety performance on-site over a 12-month period after it scored the highest in an audit evaluating total compliance, areas of innovation and outstanding performance. The inspection looks at other issues including leadership, competence, environmental awareness, employee involvement and development, as well as safety, health and welfare conditions. The award recognises MITIE's consistent standards which are best practice in health and safety risk management.

Logo removed

Strategic risks

Category	Examples of risk	Mitigation
Business development	Adaptability of bid teams to market changes. Pricing of tenders. Agreement of contractual terms and conditions. Changes to scale and scope of contract works.	Relationship management programmes in place with clients and key targets. Investment in and a regular review of bid pipeline. Tender and contractual review process with clearly defined approval process.
Competitive positioning	Investment in new technologies. Attraction and retention of talented people. Bid strategy. Client retention. Maintenance of competitive funding structure.	Focus on innovation. Business case for investment in new technologies. Ongoing recruitment of new talent. Strong relationships with equity and debt funders. Attractive reward and retention models for key teams.
Acquisitions	Strategic and cultural fit. Risk assessment. Due diligence. Synergies. Integration issues. Pension liabilities. Increased gearing. Management.	Experienced due diligence team. Deferred consideration. Post acquisition reviews. Clear strategy.
Trading overseas	Knowledge of local regulations and practices. Exchange rate risk. Management control over operations. People management.	Building overseas knowledge through existing work in some overseas jurisdictions. Involvement of external specialists. Management of foreign currency exposure.

Financial risks

Category	Examples of risk	Mitigation
Market conditions / Economic climate	Client credit risk. Changing customer requirements. Price competition. Change in government policy/spending.	Limits in place to manage exposure to individual customers and sub-contractors. Group-wide credit exposure consolidation tool. Credit insurance. Ongoing dialogue with financial community. Change control procedures.
Counterparties	Availability and cost of funding. Covenants. Credit risk of insurers and funding providers. Defined benefit pension schemes. Client and supply chain exposure.	£230m facility spread across four banks and ongoing relationships with funders. £40m overdraft facility in place. Daily review of bank balances and quarterly review of covenants. Controls over acceptance of counterparty risk. Audit of key counterparties.

Operational risks

Category	Examples of risk	Mitigation
IT/Systems	Availability and confidentiality of systems and data. Payment of employees. Provision of technology based management information solutions to clients.	Investment in innovation. Malicious software protection. Multiple network routes to data centres. Support on all systems. Experienced in-house IT resources.
Finance system	Systems implementation and development programmes. Processing of high volume transactions. Payment of employees and suppliers.	Project team, governance and roll-out plan in place for new developments. Involvement of key business stakeholders. In-house resources maintaining business as usual environment. IT Steering Committee comprising senior executives and relevant professionals.
People	Attraction and retention of talented people. Staff mix. Management training. Legislative compliance.	Competitive remuneration. Employee reward system. Management and personal development plans. Apprenticeship programmes and MITIE talent programmes. Governance and audit structures to ensure legislative compliance.
Sub-contractors and suppliers	Performance of sub-contractors and suppliers affecting client relationships. Counterparty risk including health and safety and insurance. Over reliance on key service providers.	Vetting and induction procedures. Document monitoring. Performance monitoring. Divisional T&Cs in place. Insurance.
Trade disruption	Access to premises. Payment of employees. Nationwide event. Legislation. Contractual obligations. Industrial relations.	Flexible workforce and network access. Business Continuity Plans.
Health, safety and environment	Working at height. Working with electricity, gas or asbestos. Driving. Fire and water management. Slips and trips.	Ongoing training for all staff supported by 96 QHSE professionals. Provision of appropriate equipment and PPE. Specific procedures in place for high risk areas. Internal and external audits.

Compliance risks

Category	Examples of risk	Mitigation
Insurance and material litigation	Insurance covenants. Visibility of claims. Increasing operational scale.	Group and divisional management systems. Annual review of insurance cover. All incidents reported within 48 hours. Risk reduction programmes run in conjunction with insurers.
Regulatory	Jurisdictional legislature and changes to it. Industry licensing. Capital market regulations. Banking covenant compliance.	Departmental responsibility for relevant regulatory requirements. Expert external advisors. Compliance systems in place. Ongoing training and guidance. Conformance monitoring.

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Directors' report

Introduction

The Directors submit their report together with the audited consolidated financial statements of the MITIE group of companies (the Group) for the year ended 31 March 2010. The Directors' report includes the Business review, the Corporate Governance statement, the Remuneration report, the Directors' responsibility statement, all other parts of this Annual Report and Accounts and those documents that are referred to within this report and are available at www.mitie.com/investors_corporate-governance.

Principal activities

MITIE Group PLC is the holding company of the Group. The principal activity of the Company is to provide management services to the Group. The Group's activities are focused on the provision of strategic outsourcing and asset management services in support of the buildings, facilities and infrastructure of its clients. Further details of the subsidiary undertakings of the Company principally affecting the profits or net assets of the Group in the reporting period are listed in Note 35 to the financial statements.

Business review

The Company is required to set out a fair review of the business of the Group during the reporting period (including an analysis of the position of the Group at the end of the reporting period and the principal risks and uncertainties facing the Group). Details of this review are contained in this Directors' and Governance report and the following sections of this Annual Report and Accounts:

- the Chairman's statement on page 6 to 7;
- the Chief Executive's Strategy review on pages 8 to 13;
- the Marketplace overview on pages 14 to 15;
- the Operating review on pages 16 to 23;
- the section dealing with Corporate Responsibility on pages 27 to 29;
- the Financial review on pages 30 to 33;
- the Company's Key Performance Indicators on pages 34 and 35; and
- Factors that could affect our business on pages 36 and 37.

Basis of report

This report (together with the other parts of this Annual Report and Accounts and other documents incorporated by reference) has been prepared, and is published, in accordance with, and in reliance upon, applicable English company law and the liabilities of the Directors in relation to this report are subject to the limitations provided by such law.

Board of Directors

Roger Matthews

Non-Executive Chairman

Chairman of the Nomination Committee
Member of the Remuneration Committee

Roger was appointed as a Non-Executive Director of MITIE Group PLC in December 2006 and was later appointed as Non-Executive Chairman in July 2008. Roger previously held the roles of Group Finance Director of J Sainsbury plc and Group Managing Director and Group Finance Director of Compass Group PLC. Roger is Non-Executive Chairman of LSL Property Services PLC and a Non-Executive Director of Zetar PLC.

Ian Stewart

Non-Executive Deputy Chairman

Ian was appointed as Chief Executive of MITIE Group PLC in 2001 and was appointed as Non-Executive Deputy Chairman on 30 March 2007. Ian was a founding member of MITIE. He is a Non-Executive Director of Generation (UK) Limited, suppliers of scaffolding, access and safety systems.

Ruby McGregor-Smith

Chief Executive

Ruby was appointed as Group Finance Director of MITIE Group PLC in December 2002, later appointed as Chief Operating Officer in September 2005 and subsequently as Chief Executive in March 2007. Prior to joining MITIE, Ruby held a range of senior roles within the support services sector, primarily at Serco Group plc. In addition, she is a Non-Executive Director of Michael Page International plc and Chair of Race for Opportunity, a part of the Business in the Community (BitC) organisation with a focus on diversity in the workplace.

Suzanne Baxter

Group Finance Director

Suzanne was appointed as Group Finance Director of MITIE Group PLC in April 2006. Suzanne is a Chartered Accountant. Prior to joining MITIE, she specialised in mergers and acquisitions related transaction support and also held a number of commercial and operational roles with Serco Group plc. Suzanne holds a seat on the Opportunity Now Advisory Board, a part of the BitC organisation with a focus on gender diversity in the workplace, and is also a member of the Finance and Risk Committee of BitC.

Roger Goodman

Group Corporate Development Director

Roger joined MITIE Group PLC in 1993 and was appointed as an Executive Director in August 2001. Roger is a Non-Executive Director of The Business Services Association and Asset Skills Council, which advocates the growth of the support services industry profile and the development of skills in the sector. In addition, he is Chairman of Networkers International plc.

Bill Robson

Director responsible for Property Management

Bill joined MITIE Group PLC in January 1992 following the acquisition of Trident Maintenance Services Limited and was appointed as an Executive Director in August 2001.

David Jenkins

Senior Non-Executive Director

Chairman of the Audit Committee
Member of the Nomination and Remuneration Committees

David was appointed as a Non-Executive Director in March 2006. David was previously a senior Partner with Deloitte LLP in London having spent over 20 years in Assurance and Advisory Services. David is Chairman of Development Securities PLC and a Non-Executive Director of Renewable Energy Systems Holdings Limited. He is a Governor of Downe House School.

Graeme Polts

Non-Executive Director

Member of the Remuneration Committee

Graeme was appointed as a Non-Executive Director in July 2006. Graeme previously held appointments with Inchcape PLC, RAC Motoring Services and Reg Vardy plc. He is a Non-Executive Director of BEN, the Motor & Allied Trades Benevolent Fund and is Non-Executive Chairman of Bikers Legal Defence Limited. Graeme is Managing Director of Eden (GM) Limited, a motor retail group.

Terry Morgan CBE

Non-Executive Director

Chairman of the Remuneration Committee
Member of the Audit and Nomination Committees

Terry was appointed as a Non-Executive Director in July 2009. He is Chairman of the Remuneration Committee and is a member of the Audit and Nomination Committees. He is currently Chairman of Crossrail and holds positions at Altair Innovations Ltd, M J Gleeson Group PLC and Invest in Thames Gateway London Limited. Terry was previously Chief Executive of Tube Lines Limited and has also held appointments with BAE systems, Rover Group PLC and Lucas Girling Limited.

Larry Hirst CBE

Non-Executive Director

Member of the Audit Committee

Larry joined MITIE as a Non-Executive Director 1 February 2010. He is currently Chairman of IBM Europe, Middle East and Africa and has held a number of senior positions during his career with IBM over the past 32 years. He was previously General Manager, IBM Northern Region and Chief Executive IBM UK & Ireland. Larry is also Non-Executive Chairman of UK Trade and Industry Technology Board, Chairman of e-skills Sector Skills Council, a Commissioner of the UK Commission for Employment and Skills and a UK Business Ambassador.

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Directors' report: corporate governance statement

Compliance with the Code

The Board recognises that the manner in which the Group is governed is critical to the long-term success of the business and is committed to the principles of corporate governance, for which the Board is accountable to shareholders, as detailed in the Combined Code on Corporate Governance 2008 (the Code). This report, together with the Directors' Remuneration report, provides details of key aspects of MITIE's corporate governance environment and explains the manner in which the Board has applied the principles and provisions of good governance as set out in Section 1 of the Code.

Throughout the reporting period, significant consideration has been given to the balance of the Board and its Committees and the Board is conscious of any non-compliance with the Code. As at the date of this report, the membership and composition of MITIE's Board and its Committees is such that it meets substantially the requirements of the Code, with the only exception being that the Board composition reflects a ratio of 4:5 of independent Directors to non-independent Directors compared to a 1:1 requirement under the Code. The Board is satisfied with the balance and composition of the Board following its extensive review during the year. The Board confirms that the Group has complied with the provisions set out in Section 1 of the Code throughout the year other than as noted above, with the exception that:

- the Board did not consist of at least an equal number of independent Non-Executive and Executive Directors (Code A.3) between 1 April 2009 and 1 July 2009 and between 30 September 2009 and 1 February 2010. Further details relating to this non-compliance are provided below;
- the Audit Committee did not consist of at least three independent Non-Executive Directors (Code C.3.1) between 1 April 2009 and 1 July 2009 and between 30 September 2009 and 1 February 2010. Further details relating to this non-compliance are provided on page 42;
- the Nomination Committee did not consist of a majority of independent Non-Executive Directors (Code A.4.1) for the reporting period. Further details relating to this non-compliance are provided at on page 41.

Board structure and operations

Board membership

The membership of the Board as at 31 March 2010 and biographical details of the Directors (including details of committee chairmanships and other positions held) are given on page 39. During the year two Non-Executive Directors were appointed (Terry Morgan CBE and Larry Hirst CBE) and one retired from the Board (Ishbel Macpherson). Terry Morgan succeeded Ishbel as chairman of the Remuneration Committee, and also became a member of the Nomination Committee and both Terry and Larry became members of the Audit Committee. These Board changes occurred in accordance with the Board's pre-existing orderly succession planning. Details of those Directors seeking re-appointment at the 2010 AGM are provided in the Notice of AGM which is also available at www.mitie.com/investors.

Board operations

Matters that are exclusively dealt with by the Board include: setting Group objectives and strategies; approving business plans and budgets and monitoring performance against these; approving material tenders, acquisitions, disposals and business start-ups, including any material transactions outside of the normal course of business; approving the Group's Half-yearly and Annual Report and Accounts; appointing and removing the Chairman, Directors and Company Secretary; and monitoring the Group's corporate governance arrangements. Approvals are managed in accordance with the Group's delegated authorities and matters are also set out in a schedule of matters reserved for the Board which are available at www.mitie.com/investors_corporate-governance.

Board responsibility

There is a clear division between the roles of Chairman and Chief Executive as formally set out in the terms of reference for each of these roles. These terms of reference have been reviewed as part of the review of the job specification of the Chairman. The Chairman is responsible for the effective running of the Board. This includes ensuring that the Non-Executive Directors contribute effectively and that the Board is aware of the views of major shareholders. He is also responsible for ensuring that the Board addresses major challenges faced by MITIE and for the effective performance of the Board and its committees. The Chairman is available to consult with shareholders throughout the year and will be available at the AGM. The Chief Executive is responsible for all aspects of the operation and management of the Group and its business within the authorities delegated by the Board.

The Executive Directors are collectively responsible for proposing strategy and for making and implementing operational decisions. Non-Executive Directors are responsible for exercising their independent skill and judgement and contributing to the formulation of strategy, policy and decision making. The terms of appointment of the Non-Executive Directors' and the Executive Directors' service contracts are available for inspection at MITIE's registered office, the head office and at the AGM. The Senior Independent Non-Executive Director is available to shareholders should they have concerns which have not been resolved through the normal channels of Chairman, Chief Executive or Group Finance Director or for which such contact is inappropriate in the circumstances.

Board balance and independence

During the year, Non-Executive Director independence was considered by the Board. The Board determined that all Non-Executive Directors as at 31 March 2010, with the exception of the Deputy Chairman Ian Stewart, were independent in mind and judgement, and free from any material relationship that could interfere with their ability to discharge their duties effectively. Specific consideration was given to David Jenkins' prior role with Deloitte LLP MITIE's external auditors. The Board determined that David is independent given that he had not been involved in the provision of services to MITIE and the passage of time since his departure from Deloitte LLP in May 2004.

As part of the ongoing review of Board performance the Nomination Committee and the Board specifically reviewed the roles of Chairman and Senior Independent Non-Executive Director, and the composition and chairmanship of each of its committees. The Board and the Nomination Committee recognised that, partly as a result of the changes in Board composition, there was an imbalance in the number of non-independent Directors and independent Non-Executive Directors. The Nomination Committee reviewed the skills, knowledge and experience required to fill this additional position and provided a detailed specification to the external search consultancy engaged to conduct the search process. This detailed search process was concluded on 1 February 2010 when the Board was pleased to announce the appointment of Larry Hirst as an independent Non-Executive Director. The Board was broadly satisfied that its composition was appropriate having regard in particular to the integrity, skills, knowledge and experience of its Directors and the size and nature of the business, and having regard to its desire that the Board does not become too large and unwieldy. The Board as at 31 March was comprised of four independent Non-Executive Directors, a Non-Executive Director deemed non-independent as a result of his prior role as CEO of the Group, the Non-Executive Chairman and four Executive Directors. This will not result in absolute compliance with provision A.3.2 of the Combined Code and whilst the Board remains broadly satisfied with the composition and balance, however, the Board continues to be mindful of the need to maintain a balanced board and continues to keep the matter under careful review.

Board committees

The Board has four formally constituted committees: the Audit Committee; the Executive Committee; the Nomination Committee; and the Remuneration Committee for which the duties and responsibilities are set out in the terms of reference available at www.mitie.com/investors_corporate-governance. Further details in relation to the composition, role and functioning of each committee are set out below. In addition, the Group operates an Executive Board. It is not a formally constituted committee of the Board, operating solely under the delegated powers of the Chief Executive, but is charged with supporting the Chief Executive in the operational management of the Group.

Executive Committee

The Executive Committee members are Ruby McGregor-Smith; Suzanne Baxter; Roger Goodman and Bill Robson. It functions primarily as an approval and signing committee and meets on an ad hoc basis, as and when required, with powers specifically delegated to it by the Board and formally six times per annum with the more widely constituted Executive Board.

Nomination Committee

As at 17 May 2010, the members of the Committee are: Roger Matthews (Committee Chairman); David Jenkins and Terry Morgan. Ruby McGregor-Smith has stepped down from the Committee but continues to attend meetings at the invitation of the chairman. During the reporting period, the Committee met the provisions of the Code if the Chairman is not included and deemed non-independent.

During the year two meetings of the Committee took place. A key function of the Committee is to evaluate the balance and composition of the Board and ensure that new Directors bring the requisite skills, knowledge and experience required for the role being considered. During the year the Committee oversaw the Board succession planning as well as the recruitment of new directors. Appointments recommended to the Board by the Committee are done in accordance with the Committee's appointment and recruitment process.

Remuneration Committee

As at 17 May 2010, the members of the Committee are: Terry Morgan (Committee member and Chairman from 10 July 2009); David Jenkins; Roger Matthews; and Graeme Potts. During the year the Remuneration Committee's members were Ishbel Macpherson (prior to her retirement on 30 September 2009); David Jenkins; Graeme Potts and Terry Morgan all of whom are independent Non-Executive Directors; Roger Matthews, who was independent prior to his appointment as Chairman is no longer deemed independent under the Code. The Committee held eight meetings throughout the reporting period; comprises independent Non-Executive Directors and meets the requirements of the Code.

The key duty of the Remuneration Committee is to make recommendations to the Board on the individual remuneration packages of Executive Directors. As a part of this process the Committee oversaw the administration of the Group LTIP, ESOS and SAYE schemes (as further detailed in the Remuneration Report) and the benchmarking and review of Executive Director remuneration. During the year the Committee has been advised by the external remuneration consultant Kepler Associates in relation to Executive Director remuneration through formal benchmarking with market and industry comparators. Kepler Associates do not have any connection with the Group other than their formal appointment as advisers by the Remuneration Committee. The Board is responsible for reviewing and setting the remuneration of the Non-Executive Directors. The Executive Directors are not involved in discussions concerning their own remuneration. Further details on Executive, Non-Executive Director remuneration and the Company's share schemes are given in the Remuneration report.

Directors' report: corporate governance statement

The Audit Committee

Role of the Committee

The Audit Committee is generally responsible for:

- monitoring and reviewing the integrity of the Group's financial statements and for any formal announcements relating to the Group's financial performance, and for reviewing any significant financial reporting judgements therein;
- monitoring and reviewing the independence and objectivity of the Group's external auditors, the objectivity and effectiveness of the audit process and the effectiveness and implementation of the Group policy on the provision of non-audit services (the Non-Audit Services Policy);
- monitoring and reviewing the integrity and effectiveness of the Group's internal financial controls environment, internal audit function and business risk management structures; and
- making recommendations to the Board on shareholder resolutions for the appointment of, and remuneration for, external auditors.

The terms of reference of the Committee are available at [www.mitie.com/investors_corporate_governance] and include the requirements of Rule 7.21 of the Disclosure and Transparency Rules (DTR) and the Code that the Company has a formally constituted audit committee comprised of independent Non-Executive Directors. The chairman of the Committee will be available at the AGM to answer any questions about the work of the Committee.

Committee composition

The Committee consists entirely of independent Non-Executive Directors and is currently chaired by David Jenkins. During the year the Audit Committee comprised: David Jenkins; Terry Morgan (with effect from his appointment on 1 July 2009); and Larry Hirst (with effect from his appointment on 1 February 2010) and Ishbel Macpherson who ceased to be a member of the Committee upon her retirement from the Board on 30 September 2009.

All members of the Committee are considered as being appropriately experienced to fulfil their duties, whilst David Jenkins continues to be deemed by the Board as at the date of this report, to have significant, recent and relevant financial experience through his qualifications and held appointments.

The Committee ordinarily consists of at least three members and requires two members to be present to be quorate. Due to the board changes throughout the year, the Committee comprised only two members between 31 March 2009 and 1 July 2009 and 30 September 2009 and 1 February 2010 but with effect from 1 February 2010 the Committee's composition meets the requirements of the Code.

Meetings of the Committee

During the year the Audit Committee held three meetings (see summary below). The Audit Committee invited the external auditors, Chairman, Chief Executive, Group Finance Director and Head of Business Risk to attend relevant parts of the meetings of the Committee. The matters under consideration at these meetings included:

- generally monitoring the Group's financial reporting process and the statutory audit of the annual and consolidated Group accounts;
- the Half-yearly Financial Report and Annual Report and Accounts;
- critical accounting policies and judgements;
- the review of the external auditors' audit plan, nature and scope of work and overall summary of key issues and judgements;
- the re-appointment of the external auditors;
- the approval of fees for the external auditors;
- the effectiveness of the external auditors including the appropriateness and skills of the audit team;
- compliance with the Non-Audit Services Policy by the external auditors and maintenance of auditor independence;
- the approval of the Group risk assurance framework and the internal audit plan for the year ending 31 March 2010;
- the review of key internal audit reports and findings; and
- generally monitoring the effectiveness of the internal control, audit and risk management systems and functions.

The Committee also met separately with the external auditors and the Head of Business Risk without the presence of the Executive Directors.

Internal audit function

The remit of the Audit Committee also includes monitoring the internal audit function and the arrangements by which employees may raise concerns regarding any matters of financial reporting or other perceived improprieties across the Group. The Group's internal audit function reports directly to the Group Counsel and the Chairman of the Audit Committee. The Committee continues to review the size of the internal audit function to ensure that it maintains a strong recognition of the increasing size and complexity of the Group and the increasing emphasis placed upon remediation, rectification and re-audit of issues identified through the internal audit programme. During the year 'whistle-blowing' activity has been communicated to the Committee along with the

results of investigations carried out. These investigations have not identified any risks that result in a material, unmitigated exposure to the Group.

External auditors

Prior to 1994, MITIE was audited by BDO Binder Hamlyn who merged their practice with Touche Ross & Co. Since 1994, MITIE Group PLC has been audited by the firm now known as Deloitte LLP (previously Touche Ross & Co, Deloitte & Touche and Deloitte & Touche LLP). Each year the Audit Committee reviews auditor performance in respect of audit services, audit-related services and non-audit services. The Audit Committee is committed to ensuring the independence and objectivity of the external auditors and confirms that the requirements of the Non-Audit Services Policy have been met throughout the year. When considering the appointment of the external auditor, there are no contractual obligations that restrict the Audit Committee's capacity to recommend a particular firm for appointment. The Committee has determined that, providing the work of the external auditors remains entirely satisfactory, formal consideration of a tender process will take place at the Audit Committee's discretion. The lead audit engagement partner is rotated every five years, with the next rotation due in respect of the year ending 31 March 2014.

The Audit Committee has approved a Non-Audit Services Policy that ensures that the Audit Committee has visibility over the levels of non-audit work performed by the Auditors and requires the consent of the chairman of the Audit Committee for any non-audit spend with the auditors that, on an annual basis cumulatively exceeds 50% of the annual audit fee and/or where any item, regardless of amount, is considered significant. The Audit Committee is satisfied that this policy provides sufficient control over the levels of non-audit spend with the Auditors whilst providing sufficient flexibility for the Group Finance Director to approve expenditure on advice below those levels. This policy generally restricts the external auditors from performing work which will result in them auditing their own work, making management decisions for the Group, creating a conflict of interest, finding themselves in the role of advocate for MITIE or creating any potential threat to their independence. Additionally, the external auditors will only be considered for the provision of non-audit services if they are best suited to perform the work in question. Deloitte LLP also maintains its own internal controls designed to safeguard its independence. A summary of the fees paid to the external auditors is given in Note 5 to the financial statements.

Board meetings

Directors are supplied with an agenda and supporting papers for all Board meetings on a timely basis. This ensures that each Director is appropriately briefed and able to discharge their duties properly. Papers submitted regularly for the Board's review include reports on: health and safety; current trading and performance; corporate development activities and matters relating to corporate governance. The Board will also receive, from time to time, detailed presentations from non-Board members on operational matters. The Board, its committees and its Directors have access to the advice and services of the Company Secretary and, where appropriate, external independent legal advice funded by MITIE. In addition to scheduled Board and committee meetings during the year, the Chairman met the Non-Executive Directors on several occasions without the Executive Directors being present.

All Directors are expected, where possible, to attend all Board meetings and the AGM. During the year ended 31 March 2010, there were six scheduled Board meetings. Additional unscheduled Board meetings were held to deal with the review and approval of acquisitions and issues relating to shares and other administrative matters. Dedicated budget review meetings have also been held. Directors' attendance at scheduled Board and committee meetings (Audit, Remuneration and Nomination) of which they are members is shown in the following table:

Director	Board	Audit	Remuneration	Nomination
Number of meetings held in year:	6	3	8	2
R J Matthews	6	–	7	2
I R Stewart	6	–	–	–
R McGregor-Smith	6	–	–	2
S C Baxter	6	–	–	–
N R Goodman	6	–	–	–
W Robson	6	–	–	–
D S Jenkins	6	3	8	2
I J S Macpherson ¹	3	1	4	–
G J Potts	6	–	8	–
T K Morgan CBE ²	4	2	4	–
L Hirst CBE ³	1	1	–	–

¹ Ishbel Macpherson retired from the Board 30 September 2009.

² Terry Morgan was appointed 1 July 2009.

³ Larry Hirst was appointed 1 February 2010.

Directors' report: corporate governance statement

Director appointment, induction and training

Directors are appointed and may be removed in accordance with the Articles of Association of the Company and the provisions of the Companies Acts. All Directors are subject to re-election at intervals of no more than three years in accordance with the Articles of Association and the Code. The Board has a general policy that: all new Directors are subject to election by the shareholders at the first AGM after their appointment; that each new Director receives a tailored induction suitable to their role; and that all new Directors receive a tailored information pack which includes a copy of MITIE's Memorandum and Articles of Association, latest Annual Report and Accounts, committee terms of reference and copies of recent Board minutes and supporting papers. The Notice of AGM contains details of those Directors who are retiring by rotation and are proposed for re-election. As part of the formal Board evaluation, the Board has considered the performance of each Director seeking re-election and is satisfied that they continue to be effective and demonstrate clear commitment to their role.

Board performance

The Board is committed to effective and rigorous review of its performance and that of the committees and individual Directors and accordingly a formal evaluation of the performance and effectiveness of the Board, its committees and of each Director is performed annually. Director performance evaluation for the current year has been carried out using a combination of formal appraisal questionnaires completed by all Board members and through informal meetings and discussions. The results of these reviews are reported to the Board and used to improve the Board's performance. Results of the prior year appraisal process identified an overall level of satisfaction with the performance of the Board and that of its committees and Directors. Notwithstanding this, several further improvements in Board operation have been implemented during the reporting year, including the restructuring of reporting format and content, the greater use of Board briefings by senior management or executive Board members, and have continued to rotate meetings around various Group operational locations.

Directors' interests and rights

Details of the beneficial and non-beneficial interests (including share options) of each Director and connected persons in the Ordinary share capital of the Company are provided in the Remuneration Report. None of the Executive or Non-Executive Directors has a service contract with a notice period greater than 12 months. All Directors have access to management and the operating businesses of MITIE at their request and have secure remote access to Board and other relevant papers held on a dedicated online facility.

Directors' indemnities

The Company maintains Directors' and officers' liability insurance providing appropriate cover for any legal action brought against its Directors and/or officers. The Memorandum and Articles of Association of the Company extend the protection provided to Directors in respect of any litigation against Directors relating to their position as a Director of the Company and specifically provide that the Company may indemnify Directors against any liability incurred in connection with any negligence, default, breach of duty or breach of trust in relation to the Company and that the Company may fund defence costs. Individual Directors would still be liable to pay damages awarded to the Company in any action against them by the Company and to repay their defence costs (to the extent funded by the Company) if their defence was unsuccessful.

Director conflicts

The Board has a formal policy on the declaration and management of director conflicts in accordance with the Articles of Association of the Company. Any potential situation or transactional conflict must be reported as soon as possible to the Chairman, the Chief Executive and the Company Secretary. Where a potential conflict is authorised (under the statutory powers and powers granted under the Articles of Association to the Board), such conflict is kept under ongoing review.

External appointments and commitments

Executive Directors are permitted to accept appointments outside the Group provided permission is sought from the Chairman and the Chief Executive and that the additional appointments do not interfere with the Directors' ability to discharge their duties effectively. The commitments outside the Group of the Executive Directors are detailed in the remuneration report on page 54. Executive Directors are entitled to retain any fees earned from these external appointments.

Statement on Internal Controls

Introduction

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its effectiveness. This system is designed to support the Group's pursuit of achieving its objectives and strategies and also the identification and management of risks that may impact upon MITIE and upon the environment in which the Group operates. The system of internal control is designed to manage rather than eliminate the risk of failing to achieve these objectives and strategies and it will only provide reasonable, and not absolute, assurance against material misstatement and loss.

Internal control framework

The Board and senior management are responsible for maintaining and developing a culture of integrity, competence, fairness and responsibility throughout the Group. Essential to this is the recruitment and retention of highly-skilled individuals who promote the highest standards of integrity, competence, governance and ethical behaviour. Group policies and procedures support the business by providing an operational internal control framework for the Group, each division and operating business to work within. This framework is designed to balance the need for Group-wide consistency and control with the autonomy that local management require to develop and manage each operating business successfully. In order to delegate responsibilities clearly and effectively to the Group's operating businesses and to ensure compliance with the matters reserved for the Board, a formal delegated authorities matrix is issued to all operating subsidiaries that includes both financial and non-financial authorities and matters relating to strategy, contract approval, recruitment, capital expenditure, banking transactions and specific Group policies. Each operating subsidiary is headed by a managing or regional director who has authority to manage their business within this framework of delegated authorities and Group policies and procedures outlined above. To support the business further, the Group has a team of specialist resources with individuals responsible for specific functions including legal, health and safety, IT, insurance, human resources, tax, pensions, purchasing, finance and business risk. Regular dialogue between these functions and the operating businesses provides additional support and forms a key part of the system of internal control.

Monitoring the system of internal control

The Board is responsible for monitoring the Group's system of internal control and for reviewing its effectiveness. Monitoring is carried out throughout the year via the receipt and review of various reports, presentations and discussions with management, as set out above. Specifically, the Audit Committee supports the Board by monitoring and guiding the activities of the internal audit function, including approving the internal audit programme, reviewing regular internal audit reports from the business risk function and via meetings with the Head of Business Risk. The internal audit programme is designed to provide a level of assurance over key risks as identified in the Group risk register and is developed by the Head of Business Risk who reports to the General Counsel and independently to the Audit Committee. The Audit Committee also receives regular reports from the external auditors who contribute a further independent perspective on certain aspects of the internal financial control systems arising from their work. As necessary, the Audit Committee will have dialogue with the Executive Directors on their control responsibilities and in particular, those relating to specific matters reported by internal or external audit.

Risk management

The Board confirms that there is a continuing process for identifying, evaluating and managing significant risks faced by the Group. The Board also confirms that this process has been in place throughout the year under review and up to the date of approval of the Annual Report and Accounts and that this process is monitored by the Board in accordance with the revised guidance on internal control issued by the Financial Reporting Council. The process for identifying, evaluating and managing risks requires the Group and its principal businesses to consider strategic, operational, financial and compliance risks and the effectiveness of the mitigating controls based on a pre- and post-controls risk evaluation. The principal risks identified from this process are recorded on risk registers which are maintained by the Group's Business Risk function. This register is reviewed periodically (at least twice per year) by the Board. The risk register forms the basis of the internal audit programme for each year with risk areas reviewed on an annual to triennial basis dependent upon materiality and inherent risk assessment.

Reviewing the effectiveness of the system of internal control

In line with Turnbull Guidance, the Board performs a formal annual assessment of the operation and effectiveness of the system of internal control and updates this assessment prior to the signing of the Annual Report and Accounts. The Board also holds discussions with senior management and reviews the results of a formal internal controls review and system effectiveness confirmation from each operating subsidiary. The Head of Business Risk attends each Audit Committee meeting to provide regular updates on the effectiveness of the group's internal controls. The Board confirms that management has taken steps during the year to improve further the system of internal control, embed effective controls further into the operations of the Group and to address improvements as they come to management's attention. These steps are monitored at executive level to ensure they are implemented appropriately and that ultimately they are effective.

Statement on Internal Controls

Consolidated accounts preparation and financial reporting

The consolidated accounts of the Group are prepared by the Group Finance function that is responsible for the review and compilation of reports and financial results from each of the operating divisions and subsidiaries within the Group, in accordance with the group internal control and reporting procedures. Each operating division support their report and results submission with a statement of compliance with the Group's principal internal controls which is subject to review and sample audit by the internal audit function. In addition, the representations made by the Board in support of the consolidated financial statements including those in relation to the operating divisions are supported by detailed papers and cascaded reporting requirements throughout the Group, all of which are reviewed by internal audit and presented to the Audit Committee and the Board for final approval.

Internal control systems: information and communication

The Group maintains a number of systems and processes that report relevant information to Group executive management and the Board as necessary. This includes financial and non-financial information regarding business performance, compliance with policy and procedure, relevant regulations and business critical matters. At an operational level each division and business holds regular executive board meetings. To maintain and develop relationships between separate divisions and to address specific matters, regional meetings are also held and are attended by regional representatives of each division. Senior Group management also regularly attend these meetings.

Going concern

The Directors acknowledge the Financial Reporting Council guidance on going concern issued in October 2009. The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Business review as referred to on page 38. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 30 to 33. In addition, Note 24 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed banking facility of £230.0m which expires in January 2012.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Annual Report and Accounts.

Auditors

Disclosure of information to the auditors

Each of the Directors in office as of the date of approval of this Annual Report and Accounts confirms that:

- so far as he/she is aware, there is no relevant audit information (being information required by the auditors in the preparation of their report) of which the Company's auditors are unaware; and
- he/she has each taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

This confirmation is given, and should be interpreted, in accordance with Section 418 of the Companies Act 2006.

Re-appointment of auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and the resolution to re-appoint them will be proposed at the forthcoming AGM.

Directors' report: other information

Financial results and dividends

The profit before taxation for the financial year is £79.7m (2009: £75.9m). The Directors have declared/recommended dividends as follows:

- paid (on 4 February 2010) an interim dividend of 3.7p per Ordinary share (£13.1m)
- recommended a final dividend of 4.1p per Ordinary share (£14.5m)
- total Ordinary dividend of 7.8p per share (2009: 6.9p) (£27.6m)

The final dividend, subject to shareholder approval at the AGM, will be paid on 13 August 2010 to Ordinary shareholders on the register on 25 June 2010. The Company operates a Dividend Re-Investment Plan (DRIP). Further details on the operation of the DRIP can be obtained from the Company registrar.

Capital structure and powers of shareholders

Details of changes to the Company's share capital are given in Note 28 to the financial statements. The Company has a single class of shares – 2.5p Ordinary shares – with no right to any fixed income and with each share carrying the right to one vote at general meetings of the Company. Under the Company's Articles of Association holders of Ordinary shares are entitled to participate in any dividends pro rata to their holding. The Board may propose and pay interim dividends and recommend a final dividend for approval by the shareholders at the AGM. A final dividend may be declared by the shareholders in a general meeting by ordinary resolution, but such dividend cannot exceed the amount recommended by the Board.

Certain shares that are issued as consideration upon acquisition by the Company of the shares of minority shareholders in MITIE Model companies have restrictions placed upon them that both prevent the transfer of such shares and/or attach specific claw-back provisions for periods of up to two years following allotment. Otherwise, there are no specific restrictions on the size of any shareholding or on the transfer of shares, which are both governed by the provisions of the Articles of Association of the Company (available at www.mitie.com/investors_corporate-governance) and prevailing legislation. The Directors are not aware of any agreements between Company shareholders that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital. Details of employee share schemes are set out below and in Note 32 to the Accounts.

The 2009 AGM authorised:

- the Directors to allot (under s80 Companies Act 1985) up to 122,805,320 shares (representing 38% of the issued share capital as at the date of the Notice of AGM) – during the reporting period, the Directors utilised this authority (and the preceding authority) to allot 30,153,652 shares;
- the dis-application (under Sections 94-95 Companies Act 1985) of pre-emption rights over allotted shares up to a total of 16,150,903 shares (representing 5% of the issued share capital as at the date of the Notice of AGM); and
- the Company to make market purchases of its own shares up to a total of 32,301,805 shares (representing 10% of the issued share capital as at 31 March 2009).

Further details of these authorisations are available in the notes to the 2009 Notice of AGM (available at www.mitie.com/investors). Shareholders are referred to the 2010 Notice of AGM (which accompanies this report and/or is available at www.mitie.com/investors) which contains similar such provisions. These provisions have been updated to take account of the implementation of the relevant sections of the Companies Act 2006 which came into effect on 1 October 2009.

In August 2009, the Company announced the acquisition of the entire issued share capital of Dalkia Technical Facilities Management which was part funded through the placement of 19 million 2.5p ordinary shares in the Company which constitutes less than 10% of MITIE's current issued share capital. The proceeds of the placing were used to partly refinance the debt drawn down to satisfy the transaction consideration.

During the year to 31 March 2010 there have been no purchases by the Company of MITIE shares. The exact amount and timing of future purchases will be determined by the Company and will be dependent on market conditions and other factors. It is the Company's present intention to cancel any shares it buys back, rather than hold them in treasury, but this policy will be reviewed on a case-by-case basis. Further details on the proposed renewal of powers for share buyback and the allotment of shares in the Company are provided in the Notice of AGM.

Under the terms of certain shareholder agreements relating to MITIE Model companies and the articles of association of those companies, certain minority shareholders in such companies may provide an option for the purchase by the Company of their minority shares. The mechanism for calculating the price to be paid in respect of such transfer is transparent, on an arms-length basis, and in accordance with the pricing structure generally applicable for other transfers under the MITIE Model. Details of these structures are generally available (to the extent incorporated into the articles of association for individual MITIE Model companies) from Companies House at www.companieshouse.gov.uk.

There are a number of other agreements with provisions that take effect, alter or terminate upon a change of control of the Company such as bank facility agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business or the Group as a whole. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs solely because of a take-over bid.

Directors' report: other information

With regards to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Code, the Companies Acts and related legislation. The Articles may be amended by special resolution of the shareholders. The powers of the Directors are described in the Matters Reserved to the Board (available at www.mitie.com/investors_corporate-governance) and as set out above.

Substantial interests in share capital

As at 17 May 2010 the Company has been notified of the following significant holdings of voting rights in its shares under the Disclosure and Transparency Rules:

	Number of Ordinary shares of 2.5p each	Percentage of share capital
Majedie Asset Management Limited	16,327,802	5.05%
Invesco Limited	16,135,005	4.99%
Mirabaud Investment Management Limited	15,673,517	4.95%
Legal & General Group PLC	12,666,918	3.92%
Fidelity International Limited	10,065,118	3.22%

Shareholder communications

The Board is committed to an ongoing dialogue with institutional and private investors. The principal method of communication between the Board and shareholders remains news announcements, the Interim Management Statements, the Half-yearly Financial Report, the Annual Report and Accounts, the Corporate Responsibility Report and MITIE's website, www.mitie.com. A full programme of formal and informal events, institutional investor meetings and presentations are also held following the Half-yearly Financial Report and Preliminary Results announcements which are led by the Chief Executive and Group Finance Director. The Chairman and Senior Independent Non-Executive Director are available for additional meetings with shareholders upon request. The Company believes that such meetings should be at the instigation of shareholders and should not be at the active solicitation of the Company. During the reporting period, no such requests were received by the Company, although all the Non-Executive Directors were present at the 2009 AGM and made themselves available for direct discussions with shareholders. Latest Group information, financial reports, corporate governance and CR matters, Half-yearly Financial Report and Preliminary Results presentations, major shareholder information and all announcements are made available to shareholders via the MITIE website (www.mitie.com) which has a specific area dedicated to investor relations.

Significant importance is attached to investor feedback on the Group's performance, and as such the Executive Board receives an investor relations report at each meeting detailing corporate news, share price activity, investor relations activity and major shareholder movements. The Board is updated by the Executive Directors on these matters and receives detailed analyst and investor feedback following the Half-yearly Financial Report and Preliminary Results presentations. The AGM also allows shareholders to address and discuss any issues surrounding the Group directly with the Executive and Non-Executive Directors.

Electronic communications

The Directors remain committed to improving and extending the methods in which the Company communicates with its shareholders and wish to move towards an increase in electronic communication. At the 2007 AGM, shareholders approved certain amendments which aligned the Company's Articles of Association with the new provisions of the Companies Act 2006 in relation to electronic shareholder communications. The Board has been disappointed with the level of uptake by shareholders to date and would wish to encourage all shareholders to register to receive communications from the Company electronically – thus realising the environmental and cost benefits of reduced printing and carriage of hard copy reports and other communications. Details on how to register are provided on the inside back cover of this report.

AGM

The 2010 AGM will be held at the offices of MITIE Group PLC, Ground Floor East, Cottons Centre, Cottons Lane, 47/49 Tooley Street, London, SE1 2QG at 2.30pm on 14 July 2010. The Notice of AGM will be available at www.mitie.com/investors on 11 June 2010.

Employee involvement and employee equity-based incentivisation

The Board remains committed to fostering and developing a culture of employee involvement in the business through communication with employees and equity involvement whereby employees are enabled to build a stake in the Company through the Company's various equity-based incentive schemes.

Communication with MITIE's employees continues to have a high priority. The Group communicates with employees through the use of: Group-wide mailings and updates; employee-focused initiatives; the use of Group-wide and business-specific intranet sites; and provision of access to broadcasts of periodic financial presentations. Through the use of their own communication processes each of the Group's businesses is encouraged to ensure that employees are kept informed on Group and individual business developments. The Group continues to operate its group-wide MITIE Stars programme to recognise and reward exceptional performance by its people and in 2008 launched MITIE's Got Talent as a Group-wide talent contest to encourage employee engagement and recognition. The Group CR Report contains further details of these initiatives. Employees remain actively involved in the Group's activities via an employee forum. This year the forum held one meeting. The Board will continue to seek increasing involvement and activity of the employee representatives. Social networking sites are an increasingly important part of engagement and communication with employees.

The Board believes that the Group's culture of employee equity involvement is a significant driver in the Group's growth performance and that this assists in attracting and retaining skilled and committed employees. During the year the Group has continued to operate: the MITIE Long Term Incentive Plan to incentivise and reward senior members of the MITIE management team; the Executive Share Option Scheme for certain other employees below Board level and the Savings Related Share Option Scheme which is open to all eligible employees of the Group. The Board will continue to review and, where appropriate, recommend amendments to equity-incentive schemes, in order to maximise the effectiveness and incentive value of such schemes.

The Group has historically grown by giving entrepreneurial managers the opportunity to create wealth by taking the risk of starting a new business, taking equity stakes at fair value in those new businesses in conjunction with MITIE and then, dependent on a pre-agreed pricing structure, offering to sell that stake to MITIE predominantly in exchange for MITIE shares, at the option of MITIE. This incentivisation scheme typically provides for such managers to elect to offer their stake in their business to MITIE between the fifth and tenth years from the date of establishment of the business. Recipients of shares under this incentivisation scheme are generally restricted from selling the MITIE shares received as consideration for a minimum of two years. The Board believes that this is a unique business model that has driven MITIE's past performance and continues to ensure a close alignment of interest between MITIE shareholders and the management and employees of the Group. It is the Board's current intention to continue to utilise such structures.

Employee involvement, disability and opportunities

The Board remains committed to developing further a culture that encourages the inclusion and diversity of all of the Group's employees through respecting and appreciating their differences and to promoting the continuous development of employees through skills enhancement and training programmes. The Group's employment policies are designed to attract, retain, train and motivate the very best people, recognising that this can be achieved only through offering equal opportunities regardless of gender, race, religion, age, disability, sexual orientation or any other aspect of diversity. Applications from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Group that the training, career development and promotion of disabled persons (including those who become disabled whilst employees of the Group) should, as far as reasonably possible, be identical to that of other employees.

Financial instruments

The Group's financial instruments comprise bank loans, finance leases, overdrafts and performance guarantees. In addition, various other financial instruments such as trade creditors and trade debtors arise from its trade. The use of interest rate swaps and currency derivatives are used to manage interest and currency risk when necessary or material. The principal objective of these instruments is to raise funds for general corporate purposes and to manage financial risk. Further details of these instruments are given in Note 23 to the financial statements.

Payment of creditors

The Group's policy is to comply with the terms of payment agreed with suppliers, preferably on the Group's standard purchasing terms (as notified to suppliers), or otherwise to adhere to the suppliers' standard terms. At 31 March 2010, the Group had 31 days' purchases outstanding (2009: 34 days).

Fixed assets

The Board does not believe that there is any material difference between the book value and the current open market value of the Group's interests in land and buildings.

Events after the balance sheet date

There have not been any significant events since the balance sheet date.

Future developments

The operating review sets out the Board's view on likely future developments of the Group.

Research and development

Given the nature of the Group's activities it does not carry out any material research and development work.

Donations

Donations to charity and community projects made during the year amounted to £110,500 (2009: £184,018). It is the Group's policy not to make political donations, and during the reporting period no political contributions were made (2009: £nil). The total value of community investment is disclosed in more detail on pages 27 and 28 [and in our CR Report 2010 was £392,483 (2009: £603,659)].

Branch offices

The Group operate registered branch offices in the Republic of Ireland and the Isle of Man. Further details of the Group's principal subsidiaries are given in Note 35 to the financial statements.

By order of the Board


Marie-Claire Jones
Company Secretary

17 May 2010

Overview

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Directors' report: statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the accounts

The Directors are responsible for preparing the Annual Report and Accounts. The Directors are required to prepare the financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and have chosen to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

In the case of International Financial Reporting Standards (IFRS) accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with IFRS where applicable. The Directors are also required to: properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and, provide additional disclosures when compliance with the specific IFRS requirements is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

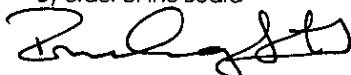
In the case of UK GAAP accounts, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and, state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for: keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company; safeguarding the assets; taking reasonable steps for the prevention and detection of fraud and other irregularities; and the preparation of a Directors' report and Directors' remuneration report which comply with the relevant requirements of the Companies Acts, Listing Rules and Disclosure and Transparency Rules (DTRs).

The Directors are also responsible for the maintenance and integrity of the Company website. Financial statements published by the Company on this website are prepared in accordance with UK legislation which may differ from legislation in other jurisdictions.

To the best of each Director's knowledge: the financial statements, prepared in accordance with the applicable set of accounting standards and contained within this Annual Report and Accounts, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and the management report, which is incorporated into the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties they face.

By order of the Board



Ruby McGregor-Smith
Chief Executive

17 May 2010



Suzanne Baxter
Group Finance Director

17 May 2010

Remuneration report

Introduction

This report has been prepared in accordance with s420 of the Companies Act 2006 and in line with the Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The Remuneration Committee believes in and promotes good governance through the adoption of the Combined Code, compliance with the Listing Rules and due reference to the ABI guidelines. The aforementioned regulations require certain elements of this report to be audited by the Company's auditors and for them to state that the audited information has been duly prepared in accordance with the regulations. The report therefore has been arranged into two sections; Section A: not subject to audit and Section B: subject to audit. The report will be presented for shareholder approval at the forthcoming AGM on 14 July 2010.

Section A: The following information is not subject to audit

Remuneration Committee

Membership

The Remuneration Committee met eight times in the year and is comprised of solely Non-Executive Directors of the Company. The membership of the Remuneration Committee during the year is shown below:

Table 1: meeting attendance record

	Director	No of meetings attended
T K Morgan CBE (Chairman) ¹		4
D S Jenkins		8
G J Potts		8
R J Matthews		7
I S J Macpherson ²		4

Note:

1 Terry Morgan was appointed as Chairman of the Remuneration Committee on 30 September 2009 and attended all Remuneration Committee meetings since his appointment

2 Isabel Macpherson resigned as a director of the Company and Chairman of the Remuneration Committee on 30 September 2009.

Advisers to the Committee

During the year the Committee requested the attendance of and sought advice from Kepler Associates. Kepler Associates provide no other services to the Company. Ruby McGregor-Smith, Chief Executive, attended Remuneration Committee meetings by invitation only, to provide further information to the Committee on the Company's performance and the performance and remuneration of the Executive Directors.

Terms of reference

The terms of reference for the Committee are available on request from the Company Secretary (thecompanysecretary@mitie.com) and from the Company's website. The terms of reference include:

- Shaping and agreeing with the Board the framework of policy for the remuneration of Executive Directors and certain aspects of the remuneration of senior management;
- Determine the total individual remuneration package of each Executive Director with due regard to the performance of the individual in line with the agreed remuneration policy;
- Agreeing Executive Directors' contractual terms;
- Acting on behalf of the Board, in connection with the establishment and administration of the Group's current and/or future share option schemes, including the selection of participants, the setting of option prices and the setting of performance targets;
- Drafting and approving the Directors' remuneration report and any remuneration related resolutions to be put to the shareholders at the Group's Annual General Meeting.

Remuneration report

Remuneration policies and principles

General remuneration principles

The Committee is responsible for formulating remuneration policies and principles that promote the success of the Company in creating value for shareholders over the longer term through alignment with the corporate objectives and business strategy after taking into full account the associated risks. The Committee understands that it is accountable to shareholders for the decisions made on Executive remuneration and seeks to maintain open and constructive communication where changes on remuneration policy are being proposed.

The remuneration policy for the Company's Executive Directors and other Group senior executives is shaped by the requirement to align the interests of the senior executive team with those of MITIE's shareholders. The policy has particular regard to the Company's and the Group's long-standing culture of encouraging equity ownership in order to achieve this alignment.

The Committee, and the Board, continue to believe that the principle of equity incentivisation has been a key driving force in the past success of the Group. Consequently, in order to maintain and further develop MITIE's performance culture, the Committee believes that the remuneration packages of the Executive Directors should continue to contain significant performance-related equity-based elements.

The Remuneration Committee believes exceptional performance should be matched with appropriate remuneration to retain and motivate Directors and management while being mindful of the behaviour that such packages create. The Committee ensures that packages are linked to and support the long-term performance of the Company.

Remuneration policy

The remuneration policy of the Company promotes and embeds the Company's remuneration principles. The Company's policy is:

Performance linked	Company performance determines a significant element of remuneration packages. Only top-end performance can achieve the stretching targets that are reflected in the performance-linked pay elements of the packages.
Shareholder aligned	The discretionary share schemes are based on EPS growth aligning the interests of shareholders and the members of the senior executive team. Bonuses are structured to reward the attainment of the strategic target of sustainable, profitable growth.
Comprehensive and simple	The overall remuneration policy is comprehensive without becoming overcomplicated and encourages Executives to concentrate on growth of the Group.

The Remuneration Committee believes and is satisfied that the remuneration policy is appropriate and takes account of the Group's performance and strategic objectives.

The Committee plans to continue to use this approach and policy as a framework for the setting of future packages, whilst having due regard for the remuneration packages offered across the Group and the external market.

Share Ownership Policy

A share-ownership policy for Executive Directors was introduced in 2007 at the same time as the LTIP. Under this policy, all Executive Directors are required, over time, to build and maintain a shareholding in the Company worth 100% of base salary (150% of salary for any Executive Director who is granted an LTIP award of more than 100% of base salary). The Committee recognises that the principal mechanism for building up this holding will be on the exercise of LTIP awards and accordingly, until such time as the shareholding requirement is met, Executive Directors will be expected to retain no fewer than 50% of shares (net of taxes) that vest under the LTIP.

Table 2: Share ownership update

	Value of target holding as at 1 May 2009 ¹	Number of Ordinary shares owned as at 31 March 2010	Value of holding as at 31 March 2010 ²	Percentage of target holding achieved as at 1 May 2010
R McGregor-Smith	£691,000	399,376 ³	£913,373	132%
S C Baxter	£454,500	112,201 ³	£256,603	56%
N R Goodman	£288,000	993,761	£2,272,731	789%
W Robson	£288,000	1,595,053	£3,647,886	1,266%

Note:

1 On the 1 May each year, the Committee reviews the expected target holding for the Executive Directors, calculated as a percentage of salary;

2 Calculated at a share price of 228.7p being the closing market price on 31 March 2010;

3 Of which a proportion will be sold to settle tax liabilities arising from the accelerated vesting of the 2007 LTIP award.

Key elements of Executive Director Remuneration

The overall package for Executive Directors consists of a fixed element (salary and certain benefits) and a variable element (annual performance-related bonus and long-term equity based incentives) and has been structured in order to align the Executive Directors' packages with the interests of shareholders. The Committee tests the remuneration structure regularly to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. The balance between the fixed and variable elements of the Executive Directors' packages is set out below.

Base salary

Benchmarking is conducted by external remuneration consultants against sector and size comparators, in respect of base salary, total cash (i.e. salary plus bonus) and total remuneration. The Committee also takes account of a range of other factors when determining appropriate salary levels including market conditions and the responsibilities and skills of the individual Directors. As detailed within this report, the Executive Directors received salary increases during the year. The Committee felt the increases were appropriate given the continued growth and performance of the Group, with due consideration of the outcomes of the benchmarking exercise.

Annual bonus

Variable remuneration is designed to drive MITIE's performance, and be aligned to the Group strategic objective of achieving sustainable, profitable growth. The annual bonus rewards short-term Company performance.

Shareholders were consulted during 2009 and approved an amendment to the bonus arrangements for the Executive Directors. Previously, the bonus was earned in full for achieving a single specific performance target. This was replaced with a two-stage bonus scheme: 100% of base salary continues to be earned for the achievement of Group budgeted financial performance, but Executive Directors have the opportunity to earn up to 125% of salary for a 'stretched' level of performance. In light of the increase in maximum bonus opportunity, any bonus earned above 100% of salary is deferred into MITIE Group PLC ordinary shares for two years and is forfeited should the Director leave the business during this period.

During the year under review, MITIE delivered the required stretch target. The Executive Directors were therefore each awarded performance related bonuses amounting to 125% of base salary. 100% of base salary was paid in cash and 25% of base salary deferred into MITIE Group PLC shares.

Share-based incentives

The remuneration package reinforces long-term decision making and sustainable growth through the use of share-based incentives. For Executive Directors and certain senior Group executives, the principal methodologies and schemes designed to support this ethos are the Company's LTIP (as described on page 55) and the Share Ownership Policy (as described on page 52). Vesting of share awards under the LTIP are based on performance measured over three years. This period is considered appropriate to align rewards to Executive Directors with the strategic objectives of the Company. Certain Executive Directors still retain options granted under the ESOS (details of the holdings are set out in Table 4 of Section B below). It is the intention of the Committee not to issue further ESOS options to Executive Directors, although ESOS continues to be used to reward and incentivise certain other members of the senior Group executive and management teams.

Other standard benefits

The other benefits awarded to the Executive Directors consist of contributions to a pension scheme, private healthcare and the provision of a car allowance.

Remuneration report

Executive Directors' Service Contracts

All Directors are appointed for an indeterminate period of office but are subject to re-election at the Annual General Meeting every three years in accordance with the Combined Code.

The Executive Directors' service contracts are available for inspection at MITIE's registered office, the head office and at the AGM. All the Executive Directors have rolling service contracts which provide for a maximum of 12 months' notice from either party. There are no provisions for compensation on termination of employment set out within the contracts of the Executive Directors. The dates of the service contracts of the Executive Directors are set out below:

Table 3: Executive Director's service contracts

	Contract term	Date of agreement	Notice period
R McGregor-Smith	Rolling contract	01-Apr-03	12 months
S C Baxter	Rolling contract	10-Apr-06	12 months
N R Goodman	Rolling contract	01-Apr-03	12 months
W Robson	Rolling contract	01-Apr-03	12 months

Policy on external appointments

The Board recognises that the appointment of Executive Directors to non-executive positions at other companies can be beneficial both for the individual Director and the Group through the broadening of their experience and knowledge. Roger Goodman receives fees of £40,000 per annum in respect of his role as Chairman of Networkers International plc. Ruby McGregor-Smith receives fees of £45,000 per annum in respect of her role as a Non-Executive Director of Michael Page International plc. As set out in the Directors' and Governance Report, Executive Directors are entitled to retain any fees earned from external appointments.

Non-Executive Directors

Non-Executive Directors' fees

The fees for the Non-Executive Directors are set by the Chairman and the Executive Directors and they are reviewed annually. The fee level is designed both to recognise the contribution and responsibilities of the role and to attract individuals with the experience and skills required to contribute to the future development of the Board and the Group. The Non-Executive Directors are paid a basic fee with an additional fee for chairing a committee, together with expenses incurred in carrying out their duties on behalf of the Company. Non-Executive Directors are not eligible to participate in any of the Company's share schemes or the annual bonus scheme, nor do they receive pension or ancillary benefits. Fee levels for the reporting year were maintained at levels paid in the prior year. Further details of fees paid to Non-Executive Directors are provided in Table 1 of Section B below.

Non-Executive Directors' engagement terms

The terms of appointment of the Non-Executive Directors are available for inspection at MITIE's registered office, the head office and at the AGM. The Non-Executive Directors are engaged for a term of three years which is terminable on either three or six months' notice. During the year, the Company changed its policy in respect of notice periods offered to Non-Executive Directors from six months to three months.

Table 4: Non-Executive Directors' engagement terms

	Additional Duties	Date of engagement terms	Contract term	Notice period	Date of leaving
R J Matthews	Appointed Chairman on 31 July 2008; Chairman of Nomination Committee	04-Dec-06	3 years	6 months	-
I R Stewart	Deputy Chairman	30-Mar-07	3 years	6 months	-
D S Jenkins	Senior Independent Non-Executive Director; Chairman of Audit Committee	31-Jan-06	3 years	6 months	-
G J Potts		01-Aug-06	3 years	6 months	-
T K Morgan CBE	Chairman of Remuneration Committee	01-Jul-09	3 years	3 months	-
L Hirst CBE		01-Feb-10	3 years	3 months	-
I J S Macpherson	Chairman of Remuneration Committee	27-Jul-05	3 years	6 months	30-Sep-09

Employee share schemes

Equity-based incentive schemes

The Committee regularly reviews the Company's share-based incentive schemes to ensure their continued effectiveness. The Group operates three equity-based incentive schemes as set out below. The interests of the Executive Directors in each of these schemes is set out in Tables 4 and 5 of Section B below.

SAYE Scheme ('SAYE')

The SAYE Scheme is the Company's non-discretionary option scheme open to all eligible employees and is approved for HMRC purposes. Salary deductions are made and savings are used to purchase the options at the end of the three-year period. No options have been issued to any Directors under the SAYE Scheme. An award may not be granted under the SAYE Scheme after September 2011, when the current scheme expires.

Executive Share Option Scheme ('ESOS')

The ESOS is a discretionary scheme and therefore not open to all employees of the Group. The award of options under the ESOS is generally focused towards employees who are below main Board level and who do not participate in the LTIP. Currently, ESOS is used to reward and motivate employees with continuous service of six months who are part of the leadership team of the Group (includes senior managers, managers and team leaders). The scheme has been approved by HMRC and options over shares to an individual limit of £30,000 can be awarded in the approved element of the scheme. Above £30,000, options are awarded under the unapproved (for HMRC purposes) section of the scheme. Overall, awards are limited to 100% of an individual's base salary. Following changes to the scheme approved by shareholders at the 2007 AGM, the ESOS has a single performance threshold for vesting of the options – average growth in earnings per share over the three-year vesting period must exceed inflation (measured as RPI) plus 4% per annum. The scheme permits the grant of share appreciation rights and the settlement of outstanding unapproved options with share appreciation rights. No price is payable upon award in respect of ESOS.

The share options detailed in Table 4 of Section B were granted to Executive Directors prior to 2007 under the ESOS and the performance conditions that applied at the date of grant required a percentage growth in the Company's earnings per share equal to or in excess of 10% per annum compound over the period from the date of grant of the option to the date on which the option first became exercisable. The performance conditions relating to the awards to Directors detailed below are the same as for any other member of the schemes who received awards at the same time. Since the grant to Ruby McGregor-Smith and Suzanne Baxter detailed in Table 4 of Section B, there have been no grants to Directors under the ESOS (both under the unapproved part and the HMRC-approved part), and it is the Committee's current policy that equity-based incentives for Directors will be based solely upon LTIP awards.

Long-term Incentive Plan ('LTIP')

The LTIP is a discretionary scheme and therefore not open to all employees of the Group. The LTIP is focused on incentivising Executive Directors and senior management. Awards under the LTIP may be made, either through a joint-ownership structure or through direct grants, in the form of nil-cost options, conditional shares or forfeitable shares. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so. An award may not be granted under the current LTIP after 26 July 2017, when the current scheme expires. No payment (other than in respect of any individual recipient electing to pay income tax and national insurance, where appropriate) is required for the grant of an award.

Awards are not transferable, except on death, and are not pensionable. The scheme rules, in line with standard industry practice, contain provision for pro-rata vesting in the event of retirement, redundancy, disability and/or death. In the event of a change of control of the Group, awards will be pro-rated both for time and performance, subject to the discretion of the Committee.

The upper limit on the market value (as at grant) of awards that an individual Executive Director may receive in any financial year is 200% of annual base salary. The Committee intends to use this upper limit only in respect of awards to Ruby McGregor-Smith (the Chief Executive) and Suzanne Baxter (the Group Finance Director) and a limit of 100% of annual base salary will be applied to the other Executive Directors. In exceptional circumstances, such as recruitment, the rules currently allow for awards of up to 250% of any employee's annual base salary.

The Committee continues to believe that EPS is the most appropriate long-term performance measure for MITIE as it is aligned with the Group's strategy and KPIs. This performance criterion has the advantages of simplicity and transparency which the Committee believes enhance the LTIP's effectiveness as an incentive. Awards will normally vest after three years provided that certain performance criteria have been met. All awards are subject to performance conditions that require adjusted EPS, less inflation (measured by the retail prices index – RPI), to exceed certain performance thresholds over a three-year period. Where EPS growth is less than a 'lower performance threshold' no awards will vest; awards vest in full when EPS growth is equal to, or more than, an 'upper performance threshold'; vesting is on a straight-line basis for performance between these levels.

For LTIP awards granted in 2007 and 2008, the lower and upper performance thresholds were RPI + 5% per annum and RPI + 14% per annum respectively. Following consultation with major shareholders during the year, the upper performance threshold was revised to RPI + 10% per annum, first effective for LTIP awards granted in 2009 (i.e. no changes have been made to the performance criteria of LTIP awards granted in earlier years); the lower performance threshold remains at RPI + 5% per annum. The Committee believes the revision to the upper performance threshold is necessary to (i) ensure the LTIP remains motivational in light of the current uncertainty in the general economy, (ii) ensure our policy to deliver upper quartile pay for upper quartile performance is achieved, and (iii) be more competitive with comparators' long-term incentive performance scales.

Remuneration report

As announced on 30 March 2010, the Committee approved the accelerated vesting of LTIP awards granted in 2007, in line with the plan rules. This decision was taken by the Committee after thorough and considered reflection and will not result in any additional costs to the Company. The upper performance threshold applicable to the 2007 LTIP award was assessed to have been achieved and consequently the awards granted in 2007 vested in full. The Committee will assess the extent to which the performance conditions applicable to the award have been satisfied on the normal vesting date of 26 July 2010 and any award that would not have vested on the normal vesting date will be clawed back.

LTIP awards granted to, and exercised by, the Executive Directors are set out in Table 5 of Section B below.

Share dilution

The Company manages dilution rates within the ABI guidelines of 10% of issued Ordinary share capital in respect of all-employee schemes and discretionary schemes (the LTIP, ESOS and SAYE) and 5% in respect of discretionary schemes (the LTIP and ESOS). In calculating compliance with these guidelines the Company allocates available 'headroom' on a ten-year flat-line basis, making adjustments for projected lapse rates and projected increases in issued share capital.

LTIP awards are satisfied through the market purchase of shares held by the MITIE Group PLC Employee Benefit Trust 2007 and the MITIE Group PLC Employee Benefit Trust 2008. The potential dilution of the Company's issued share capital is set out below in respect of all outstanding awards granted under the Company's equity-based incentive schemes which are to be satisfied through the allotment of new shares.

Table 5: Share dilution at 31 March 2010

	Current total dilution
All share plan (maximum 10%)	7.3%
Discretionary share plans (maximum 5%)	3.8%

Total shareholder return

The graph below shows the total shareholder return performance of MITIE shares compared with the FTSE 250 and FTSE 350 Support Services indices over a five-year period to 31 March 2010. The Committee is of the opinion that these comparators provide a clear picture of the performance of MITIE relative to a range of companies of comparable size as well as a specific group of companies within the same sector. Total shareholder return is calculated according to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and assumes that all dividends are reinvested.

The market price of the Company's shares as at 31 March 2010 was 228.7p. The highest and lowest prices during the year were 277.8p and 185.5p respectively.

Graph removed

Audited information

Section B: Information subject to audit

Directors' remuneration

Table 1 provides details of Directors' remuneration paid to or receivable by each person who served as a Director during the year.

Table 1: Directors' remuneration

	Base salary/fees £'000	Performance related bonus earned in year £'000	Performance related bonus deferred in shares £'000 ⁽¹⁾	Salary supplement in lieu of pension contributions £'000	Contributions to pensions schemes £'000	Benefits £'000	2010 Total £'000	2009 Total £'000
Executive Directors								
R McGregor-Smith	461	461	115	92	12	16	1,157	898
S C Baxter	303	303	76	60	42	16	800	636
N R Goodman	288	288	72	–	12	16	676	578
W Robson	288	288	72	–	12	16	676	578
Non-Executive Directors								
R Matthews	140	–	–	–	–	–	140	107
I R Stewart	40	–	–	–	–	–	40	41
D S Jenkins	45	–	–	–	–	–	45	45
G Potts	40	–	–	–	–	–	40	40
T K Morgan CBE ⁽²⁾	34	–	–	–	–	–	34	–
L Hirst CBE ⁽³⁾	7	–	–	–	–	–	7	–
I J S Macpherson ⁽⁴⁾	23	–	–	–	–	–	23	45
Total	1,669	1,340	335	152	78	64	3,638	2,968

Note:

1 25% of bonus to be deferred into MITIE Group PLC 2.5p shares.

2 Terry Morgan CBE was appointed as a Non Executive Director on 1 July 2009. The fees in consideration for the services of Terry Morgan CBE were paid to TKM Management Services Limited.

3 Larry Hirst CBE was appointed as a Non Executive Director on 1 February 2010.

4 Isabel Macpherson resigned as a Non Executive Director on 30 September 2009.

Pension

The pension benefits of Directors who are members of the MITIE Group PLC Defined Benefit Pension Scheme are set out in Table 2 below. The transfer values of the Directors' accrued benefits under the defined benefit pension scheme calculated in a manner consistent with retirement benefit schemes (which do not represent a sum paid or payable to the individual Director) are set out in Table 3.

Table 2: Defined benefit pension scheme benefits

	Accrued pension 31 March 2009 £'000	Increase in accrued pension during the year £'000	Real increase in accrued pension £'000	Accrued pension 31 March 2010 £'000
R McGregor-Smith	11	2	2	13
N R Goodman	27	3	3	30
W Robson	31	3	4	34

Table 3: Defined benefit pension scheme transfer values

	Transfer values 31 March 2009 £'000	Contributions made by the Director £'000	Increase in accrued pension over the year £'000	Transfer value of pension increase (after inflation, net of contributions) £'000	Transfer value 31 March 2010 £'000
R McGregor-Smith	56	9	2	6	103
N R Goodman	413	9	3	44	549
W Robson	367	9	3	37	522

Audited information

The benefits of the Executive Directors who are members of the MITIE Group PLC Defined Benefit Pension Scheme are based on a pensionable salary capped at £123,600. The Company made contributions to the Group's defined benefit scheme on behalf of the three directors who are members of the scheme at a rate of 10% (2009: 10%) of the value of the benefit cap of £123,600. Following consultation with major shareholders in 2009, the Committee approved a revision to the Chief Executive's pension benefit to bring its value into line with market practice and with effect from 1 April 2009, Ruby McGregor-Smith received a salary supplement of 20% of salary.

Suzanne Baxter is not a member of the MITIE Group PLC Defined Benefit Pension Scheme as the scheme was closed to new entrants in 2005, before she joined the Group. It has always been the intention of the Remuneration Committee that the value of the pension benefits provided to Suzanne Baxter should mirror the value of the pension benefits provided to the other Executive Directors under the capped defined benefit arrangements, albeit that her benefits are provided through a separate defined contribution arrangement. Due to the differences in the nature of the Group's defined benefit scheme and the defined contribution scheme established for Suzanne Baxter, the cost to the Company of providing mirrored benefits for Suzanne Baxter is greater than the cost of providing the same value of benefits to the other Executive Directors under defined benefit arrangements. The contributions made by the Company into Suzanne Baxter's defined contribution scheme and the value of accrued benefits under the scheme have been reviewed during the year by the Remuneration Committee to ensure that the value of the benefits provided under that scheme mirror, as far as possible, the capped benefits of the defined benefit pension arrangements provided to the other Executive Directors. Pension contributions for Suzanne Baxter were 13.5% of base salary for the year ended 31 March 2010 (2009: 13.5% of base salary) and were paid into a separate defined contribution pension scheme. With effect from 1 April 2009, Suzanne Baxter received a salary supplement of 20% of base salary, following approval of the Remuneration Committee (see Table 1), in order to bring the value of her overall pension benefit into line with market practice.

Share ownership

In accordance with the Register of Directors' interests, the rights of the Directors to subscribe for and their holdings of shares in MITIE Group PLC are as set out in Tables 4, 5 and 6.

Table 4: Directors' interests in options granted under the MITIE Group PLC 2001 Executive Share Option Scheme

	ESOS options outstanding at 1 April 2009	Granted during the year	Lapsed during the year	Exercised during the year	ESOS options outstanding at 31 March 2010	Exercise price p	Exercisable between	
R McGregor-Smith								
Unapproved scheme	100,000	–	–	–	100,000	162	06-08	06-15
Unapproved scheme	100,000	–	–	–	100,000	191	06-09	06-16
S C Baxter								
Unapproved scheme	35,000	–	–	–	35,000	191	06-09	06-16
Approved scheme	15,000	–	–	–	15,000	191	06-09	06-16

Table 5: Directors' interests in nil-cost options granted under the MITIE Group PLC 2007 Long Term Incentive Plan

	LTIP options outstanding at 1 April 2009 ¹	Granted during the year at 214.25p/share ²	Lapsed during the year	Exercised during the year	LTIP options outstanding at 31 March 2010	Exercise price p	Exercisable between	
R McGregor-Smith	145,440	430,338	–	145,440	–	Nil-cost	03/10	03/11
	409,894		–		409,894	Nil-cost	08/11	08/12
	–		–		430,338	Nil-cost	06/12	06/13
S C Baxter	102,201	282,847	–	102,201	–	Nil-cost	03/10	03/11
	273,262		–		273,262	Nil-cost	08/11	08/12
	–		–		282,847	Nil-cost	06/12	06/13
N R Goodman	94,340	134,422	–	94,340	–	Nil-cost	03/10	03/11
	129,564		–		129,564	Nil-cost	08/11	08/12
	–		–		134,422	Nil-cost	06/12	06/13
W Robson	94,340	134,422	–	94,340	–	Nil-cost	03/10	03/11
	129,564		–		129,564	Nil-cost	08/11	08/12
	–		–		134,422	Nil-cost	06/12	06/13

Note:

- 1 The performance criteria applicable to the 2007 & 2008 awards are lower and upper performance thresholds of RPI+5% p.a. and RPI+14% p.a. respectively
- 2 The Directors acquired a conditional joint beneficial interest with the MITIE Employee Benefit Trust 2008 in the shares awarded under the LTIP in 2008 and 2009. The full beneficial interest will transfer to the Director only if the performance criteria applicable to the award are met. The performance criteria applicable to the 2009 award are lower and upper performance thresholds of RPI+5% p.a. and RPI+10% p.a. respectively
- 3 The options granted in 2007 were approved to vest and were exercised on 30 March 2010. The market price on exercise was 223.9p.

Table 6: Director share ownership

	Number of Ordinary MITIE shares beneficially owned as at 31 March 2010 ¹	Number of Ordinary MITIE shares beneficially owned as at 1 April 2009 (or date of appointment if later)
Executive Directors		
R McGregor-Smith	399,376	183,799
S C Baxter	112,201	10,000
N R Goodman	993,761	899,421
W Robson	1,595,053	1,500,713
Non-Executive Directors		
R Matthews	100,000	60,000
I R Stewart	2,020,000	2,020,000
D S Jenkins	50,000	50,000
G Potts	15,000	15,000
T K Morgan CBE	Nil	–
L Hirst CBE	Nil	–

Note:

¹ Includes shares exercised under the 2007 LTIP on 30 March 2010.

Table 7: Directors' interests in MITIE subsidiary companies (under the MITIE Model) (audited information)

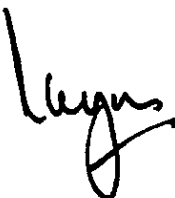
		Number of shares 31 March 2010	Number of shares 1 April 2009
R McGregor-Smith			
MITIE Engineering Services (Edinburgh) Ltd	B Ordinary shares of £1 each	2,000	2,000
MITIE Services (Retail) Ltd	B Ordinary shares of £1 each	4,000	4,000
MITIE Transport Services Ltd	C Ordinary shares of £1 each	900	4,500

Table 7 above details the beneficial interests of the Directors (who were in office on 31 March 2010) in the share capital of certain of the Company's subsidiary companies. The interests of Directors in these subsidiary companies were acquired under the MITIE Model, further details of which are given in the Directors' Report on page 49. No such interests have been acquired by Directors since 2004 and it is the Company's policy that Directors will not be entitled to participate in any MITIE Model investments in the future.

At the general meeting on 28 September 2009, shareholders approved a substantial property transaction under which the Company acquired 3,600 shares in MITIE Transport Services Limited from Ruby McGregor-Smith, for a total consideration of £166,752 which was satisfied by the issue of 70,137 MITIE Group PLC shares and £1.28 in cash.

This report was approved by the Board and has been signed on its behalf by:

Terry Morgan CBE
Chairman Remuneration Committee



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Independent auditors' report to the members of MITIE Group PLC

For the year ended 31 March 2010

We have audited the Group financial statements of MITIE Group PLC for the year ended 31 March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- and have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Group financial statements; and
- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

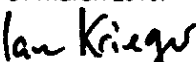
- the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Directors' report: Corporate governance statement in relation to going concern; and
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the parent company financial statements of MITIE Group PLC for the year ended 31 March 2010.



Ian Krieger (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom
17 May 2010

Consolidated income statement

For the year ended 31 March 2010

		2010			2009		
	Notes	Before other items* £m	Other items* £m	Total £m	Before other items* £m	Other items* £m	Total £m
Continuing operations							
Revenue	3	1,720.1	–	1,720.1	1,521.9	–	1,521.9
Cost of sales		(1,444.0)	–	(1,444.0)	(1,261.6)	–	(1,261.6)
Gross profit		276.1	–	276.1	260.3	–	260.3
Administrative expenses		(183.1)	(11.9)	(195.0)	(179.8)	(1.9)	(181.7)
Operating profit	3, 5	93.0	(11.9)	81.1	80.5	(1.9)	78.6
Investment revenue	7	1.8	–	1.8	0.8	–	0.8
Finance costs	8	(3.1)	(0.1)	(3.2)	(2.9)	(0.6)	(3.5)
Net finance costs		(1.3)	(0.1)	(1.4)	(2.1)	(0.6)	(2.7)
Profit before tax		91.7	(12.0)	79.7	78.4	(2.5)	75.9
Tax	9	(25.3)	3.1	(22.2)	(22.2)	0.7	(21.5)
Profit for the year		66.4	(8.9)	57.5	56.2	(1.8)	54.4
Attributable to:							
Equity holders of the parent		66.0	(8.9)	57.1	54.9	(1.8)	53.1
Minority interests		0.4	–	0.4	1.3	–	1.3
		66.4	(8.9)	57.5	56.2	(1.8)	54.4
Earnings per share (EPS)							
– basic	11	19.5p	(2.6)p	16.9p	17.2p	(0.5)p	16.7p
– diluted	11	19.2p	(2.6)p	16.6p	17.0p	(0.5)p	16.5p

* Other items are non-cash or non-recurring acquisition related items as analysed in Note 4.

Consolidated statement of comprehensive income

For the year ended 31 March 2010

	Notes	2010 £m	2009 £m
Profit for the year		57.5	54.4
Other comprehensive income/(expense):			
Actuarial losses on defined benefit pension schemes	33	(13.1)	(12.0)
Tax credit on items taken directly to equity		4.2	2.5
Other comprehensive expense for the year, net of tax		(8.9)	(9.5)
Total comprehensive income for the financial year		48.6	44.9
Attributable to:			
Equity holders of the parent		48.2	43.6
Minority interests		0.4	1.3

Consolidated balance sheet

As at 31 March 2010

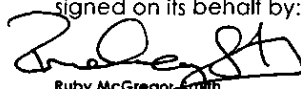
	Notes	2010 £m	2009 £m	
Non-current assets				Overview
Goodwill	12	324.0	201.2	
Other intangible assets	13	67.4	24.4	
Property, plant and equipment	14	54.5	44.1	
Deferred tax assets	20	14.1	7.3	01
Retirement benefit surplus	33	–	3.0	Business review
Total non-current assets		460.0	280.0	
Current assets				
Inventories	15	3.9	2.5	
Trade and other receivables	17	405.6	285.8	08
Cash and cash equivalents	19	23.7	28.5	Governance
Total current assets		433.2	316.8	
Total assets		893.2	596.8	
Current liabilities				38
Trade and other payables	22	(359.3)	(260.2)	Accounts
Current tax liabilities		(15.0)	(13.5)	
Financing liabilities	23	(4.6)	(13.7)	
Provisions	27	(9.9)	(3.2)	
Total current liabilities		(388.8)	(290.6)	
Net current assets		44.4	26.2	
Non-current liabilities				
Financing liabilities	23	(106.2)	(4.5)	
Provisions	27	(11.2)	(17.2)	
Retirement benefit obligation	33	(10.5)	(3.4)	
Deferred tax liabilities	20	(13.1)	(4.5)	
Total non-current liabilities		(141.0)	(29.6)	
Total liabilities		(529.8)	(320.2)	
Net assets		363.4	276.6	

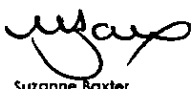
Consolidated balance sheet

As of 31 March 2010

	Notes	2010 £m	2009 £m
Equity			
Share capital	28	8.8	8.1
Share premium account		76.7	24.4
Merger reserve		80.3	67.2
Share-based payments reserve		5.4	4.4
Own shares reserve		(8.1)	(5.2)
Other reserves		0.2	0.2
Retained earnings		192.3	167.4
Equity attributable to equity holders of the parent		355.6	266.5
Minority interests		7.8	10.1
Total equity		363.4	276.6

The financial statements were approved by the Board of Directors and authorised for issue on 17 May 2010. They were signed on its behalf by:


 Ruby McGregor-Smith
 Chief Executive


 Suzanne Baxter
 Group Finance Director

Consolidated statement of changes in equity

For the year ended 31 March 2010

	Share capital £m	Share premium account £m	Merger reserve £m	Share- based payments reserve £m	Own shares reserve £m	Other reserves £m	Retained earnings £m	Attributable to equity holders of the parent £m	Minority interests £m	Total £m
At 1 April 2008	7.9	19.0	60.4	2.9	(2.0)	0.2	143.7	232.1	12.9	245.0
Total comprehensive income	–	–	–	–	–	–	43.6	43.6	1.3	44.9
Shares issued	0.2	5.4	6.8	–	–	–	–	12.4	–	12.4
Dividends paid	–	–	–	–	–	–	(20.8)	(20.8)	(0.2)	(21.0)
Purchase of own shares	–	–	–	–	(3.2)	–	–	(3.2)	–	(3.2)
Share-based payments	–	–	–	1.5	–	–	0.9	2.4	–	2.4
Acquisitions and other movements in minority interests	–	–	–	–	–	–	–	–	(3.9)	(3.9)
At 31 March 2009	8.1	24.4	67.2	4.4	(5.2)	0.2	167.4	266.5	10.1	276.6
Total comprehensive income	–	–	–	–	–	–	48.2	48.2	0.4	48.6
Shares issued	0.7	52.3	13.1	–	–	–	–	66.1	–	66.1
Dividends paid	–	–	–	–	–	–	(24.7)	(24.7)	(0.2)	(24.9)
Purchase of own shares	–	–	–	–	(4.5)	–	–	(4.5)	–	(4.5)
Share-based payments	–	–	–	1.0	1.6	–	1.4	4.0	–	4.0
Acquisitions and other movements in minority interests	–	–	–	–	–	–	–	–	(2.5)	(2.5)
Balance at 31 March 2010	8.8	76.7	80.3	5.4	(8.1)	0.2	192.3	355.6	7.8	363.4

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Consolidated statement of cash flows

For the year ended 31 March 2010

	2010 £m	2009 £m
Operating profit	81.1	78.6
Adjustments for:		
Share-based payment expense	4.0	2.4
Pension charge	3.8	1.5
Pension contributions	(6.3)	(5.5)
Depreciation of property, plant and equipment	16.4	16.2
Amortisation of intangible assets	5.9	2.0
Gain on disposal of property, plant and equipment	(0.4)	(0.8)
Operating cash flows before movements in working capital	104.5	94.4
Decrease/(increase) in inventories	0.2	(0.1)
(Increase)/decrease in receivables	(41.4)	28.6
Increase/(decrease) in payables	36.3	(29.6)
(Decrease)/increase in provisions	(1.2)	1.1
Cash generated by operations	98.4	94.4
Income taxes paid	(22.2)	(18.6)
Interest paid	(3.4)	(2.2)
Additional pension contribution	(0.5)	-
Net cash from operating activities	72.3	73.6
Investing activities		
Interest received	1.9	0.8
Purchase of property, plant and equipment	(21.7)	(15.0)
Purchase of subsidiary undertakings	(157.9)	(2.2)
Purchase of other intangible assets	(5.8)	(9.0)
Disposals of property, plant and equipment	3.1	2.8
Net cash outflow from investing activities	(180.4)	(22.6)
Financing activities		
Repayments of obligations under finance leases	(2.2)	(1.6)
Proceeds on issue of share capital	3.1	1.9
Proceeds from share placing	41.8	-
Repayments of loan notes on purchase of subsidiary undertakings	-	(1.2)
Bank loans raised/(repaid)	90.0	(40.0)
Purchase of own shares	(4.5)	(3.2)
Equity dividends paid	(24.7)	(20.8)
Minority dividends paid	(0.2)	(0.2)
Net cash inflow/(outflow) from financing	103.3	(65.1)
Net decrease in cash and cash equivalents	(4.8)	(14.1)
Net cash and cash equivalents at beginning of the year	28.5	42.6
Net cash and cash equivalents at end of the year	23.7	28.5
Net cash and cash equivalents comprise:		
Cash at bank	23.7	28.5
	23.7	28.5

Consolidated statement of cash flows

For the year ended 31 March 2010

	Notes	2010 £m	2009 £m
Reconciliation of net cash flow to movements in net (debt)/funds			
Net decrease in cash and cash equivalents		(4.8)	(14.1)
Bank loans (raised)/repaid		(90.0)	40.0
Repayments of loan notes on purchase of subsidiary undertakings		–	1.2
Increase in finance leases		(2.7)	(0.6)
(Increase)/decrease in net debt during the year		(97.5)	26.5
Opening net funds/(debt)		10.9	(15.6)
Closing net (debt)/funds	26	(86.6)	10.9

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Notes to the consolidated financial statements

For the year ended 31 March 2010

1. Basis of preparation and significant accounting policies**Basis of preparation**

The Group's financial statements for the year ended 31 March 2010 are prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

As more fully detailed in the Directors' report: Corporate Governance statement, the Group's financial statements have been prepared on a going concern basis.

The Group's financial statements have been prepared on the historical cost basis, except for certain financial instruments which are required to be measured at fair value.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009 except for the adoption in the year of:

- IFRS 8 'Operating Segments'; the Group determined that the operating segments are the same as those reported under the previous standard (IAS 14 'Segment Reporting'). The Group has also early adopted the Improvement to IFRS 8 issued in April 2009 which clarified that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision maker;
- IAS 1 (Revised) 'Presentation of Financial Statements'; adoption of this standard has resulted in the inclusion of the statement of comprehensive income and the consolidated statement of changes in equity as primary statements;
- IFRS 2 'Share-based Payment – Vesting Conditions and Cancellations'; the standard has been amended to change the definition of vesting conditions and to clarify the accounting treatment of cancellations by parties other than the entity. The adoption of this amendment did not have a material impact on the financial performance or position of the Group and therefore no restatement was required; and
- IFRS 7 'Financial Instruments: Disclosures'; the standard has been amended to require additional disclosure of the basis of fair value measurements and liquidity risks.

The following amendments and interpretations are also effective for the first time in the current year but have had no impact on the results or financial position of the Group:

- IFRIC 13 'Customer Loyalty Programmes';
- IFRIC 15 'Agreements for the Construction of Real Estate';
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation';
- IFRIC 18 'Transfers of Assets from Customers';
- IAS 27 (Revised) 'Consolidated and Separate Financial Statements';
- Amendments to IAS 32 and IAS 1 'Puttable Financial Instruments and Obligations Arising on Liquidation';
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments'; and
- Amendments resulting from May 2008 Annual Improvements to IFRSs.

The following standards and interpretations have been issued but are not yet effective (and in some cases have not yet been adopted by the EU):

- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement';
- IFRIC 17 'Distributions of Non-cash Assets to Owners';
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments';
- IFRS 3 (Revised) 'Business Combinations'; and consequential amendment to: IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investments in Associates' and IAS 31 'Interests in Joint Ventures';
- IFRS 9 'Financial Instruments – Classification and Measurement';
- Amendments to IFRS 2 'Group Cash-settled Share-based Payment Transactions';
- IAS 24 (Revised) 'Related Party Disclosures';
- Amendments to IAS 32 'Financial Instruments: Presentation – Amendments relating to classification of rights issues';
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items'; and
- Amendments resulting from April 2009 Annual Improvements to IFRSs.

1. Basis of preparation and significant accounting policies

The Directors do not anticipate that the adoption of these standards and interpretations will have a material financial impact on the Group's financial statements in the period of initial application, except in respect of the impact on the treatment of the acquisition of subsidiaries when IFRS 3 (Revised 2008) comes into effect for business combinations for which the acquisition date is on or after 1 April 2010.

Significant accounting policies under IFRS

The significant accounting policies adopted in the preparation of the Group's IFRS financial information are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of MITIE Group PLC and all its subsidiaries. The financial statements of the parent Company and subsidiaries are prepared in accordance with UK Generally Accepted Accounting Practice (with the exception of Dalkia FM companies). Adjustments are made in the consolidated accounts to bring into line any dissimilar accounting policies that may exist between UK GAAP and IFRS.

All inter-company balances and transactions, including unrealised profits arising from inter-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Interests of minority shareholders are measured at the minority's proportion of the net fair value of the assets and liabilities recognised.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Cost of acquisition includes all deferred amounts that become payable in the future.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

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Notes to the consolidated financial statements**1 Basis of preparation and significant accounting policies****Intangible assets**

Intangible assets identified in a business acquisition are capitalised at fair value as at the date of acquisition.

Software and development expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably.

Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are reviewed for impairment annually, or more frequently when there is an indication that they may be impaired. Amortisation expense is charged to administrative expenses in the income statement on a straight-line basis over its useful life.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue represents income recognised in respect of services provided during the period (stated net of value added tax) and is earned almost exclusively within the United Kingdom.

Revenue from multi-service contracts consists of various components which operate independently of each other and for which reliable fair values can be established. Each component is accounted for separately as if it were an individual contractual arrangement.

Revenue from long-term contracts represents the sales value of work done in the year, including fees invoiced and estimates in respect of amounts to be invoiced after the year end. Profits are recognised on long-term contracts where the final outcome can be assessed with reasonable certainty. In calculating this, the percentage of completion method is used based on the proportion of costs incurred to the total estimated cost. Cost includes direct staff costs and outlays. Full provision is made for all known or anticipated losses on each contract immediately such losses are forecast.

Gross amounts due from customers are stated at the proportion of the anticipated net sales value earned to date less amounts billed on account. To the extent that fees paid on account exceed the value of work performed, they are included in creditors as gross amounts due to customers.

Variations in contract work and claims are included to the extent that they have been agreed with the customer.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Operating profit

Operating profit is stated before investment revenue and finance costs.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Any lease incentives are amortised over the lesser of the life of the operating lease or to the first opportunity for termination.

1 Basis of preparation and significant accounting policies

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Retirement benefit costs

The Group operates and participates in a number of defined benefit schemes. In respect of the schemes in which the Group participates, the Group accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only.

In addition, the Group operates a number of defined contribution retirement benefit schemes for all qualifying employees.

Payments to the defined contribution and stakeholder pension schemes are charged as an expense as they fall due.

For the defined benefit pension schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit and loss and presented in the statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the consolidated financial statements

1 Basis of preparation and significant accounting policies

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged so as to write off the cost less expected residual value of the assets over their estimated useful lives and is calculated on a straight-line basis as follows:

Freehold buildings and long leasehold property	– over 50 years
Leasehold improvements	– period of the lease
Plant and vehicles	– 3–10 years

Annually the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs represent materials, direct labour and overheads incurred in bringing the inventories to their present condition and location. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and estimated selling costs. Provision is made for obsolete, slow moving or defective items where appropriate.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises financial assets and liabilities only when the contractual rights and obligations are discharged or expire.

Assets that are assessed not to be individually impaired are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Group's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

Financial assets comprise loans and receivables and are measured at initial recognition at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised where there is objective evidence that the asset is impaired.

The Group uses derivative financial instruments such as interest rate swaps to hedge and manage risks associated with interest. The Group does not currently designate any derivative financial instruments as qualifying for hedge accounting. Such derivative financial instruments are stated at fair value through profit and loss (through investment revenue and finance costs) with fair value determined by reference to market rates.

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Interest bearing bank loans and overdrafts are stated at the amount of the net proceeds after deduction of issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

1 Basis of preparation and significant accounting policies

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

All financial liabilities are held at amortised cost with the exception of derivative financial instruments which are classified as fair value through profit and loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Pre-contract and mobilisation costs

All bid costs are expensed through the income statement up to the point where contract award (or full recovery of costs) is virtually certain. Bid costs incurred after this point are then capitalised within trade and other receivables. On the contract award these bid costs are amortised through the income statement over the contract period by reference to the stage of completion of the contract activity at the balance sheet date.

Once a contract has been awarded, costs directly related to the mobilisation of that contract are treated as an integral part of contract costs and are capitalised where management is satisfied that these costs have been separately identified and providing the profitability of the contract can be reasonably forecast. These capitalised costs are then amortised on a straight-line basis over the life of the contract. If the contract becomes loss making, the costs are written off immediately.

Share-based payments

The Group operates a number of executive and employee share option schemes. For all grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested before 1 April 2005.

2. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 1 above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Revenue is recognised for certain project based contracts based on the stage of completion of the contract activity. This is measured by comparing the proportion of costs incurred against the estimated whole-life contract costs except where this would not be representative of the stage of completion.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of cash-generating units and also the selection of appropriate discount rates to use in order to calculate present values. The carrying value of goodwill is £324.0m (2009: £201.2m) at the balance sheet date; see Note 12. Management do not consider that any reasonably foreseeable change in the key assumptions would result in an impairment.

Retirement benefit obligations

The calculation of defined benefit obligations is dependent on material key assumptions including discount rates, mortality rates, future returns on assets and future contribution rates. The present value of defined benefit obligations at the balance sheet date is £180.1m (2009: £126.1m); see Note 33.

Notes to the consolidated financial statements**2. Critical accounting judgements and key sources of estimation uncertainty**

The sensitivity of defined benefit obligations to changes in principal actuarial assumptions is shown below:

	Change in assumption	Increase/ (decrease) in liability £m
Discount rate	+0.5%	(17.9)
	-0.5%	18.6
Inflation	+0.5%	14.2
	-0.5%	(13.5)
Mortality rate	+1 year	4.0

3. Business and geographical segments**Business segments**

The Group manages its business on a service division basis. These divisions are the basis on which the Group reports its primary segmental information.

On 1 April 2009 we rebranded our three operating divisions to Facilities Management (previously Facilities Services), Property Management (previously Property Services) and Asset Management (previously Engineering Services). Further we elected to enhance our Asset Management proposition through its combination with our Engineering Maintenance business, which had previously been a part of our Facilities Services business. The acquired business of Dalkia Technical Facilities Management (Dalkia FM) was incorporated into Asset Management with effect from 12 August 2009 and Environmental Property Services Limited (EPS Ltd) was incorporated into Property Management with effect from 20 November 2009. The financial data below reflects the performance of our three divisions in the organisational structures that applied during the year.

Business segments – structure during the year

	2010				2009			
	Revenue £m	Operating profit before other items* £m	Margin %	Profit before tax £m	Revenue £m	Operating profit before other items* £m	Margin %	Profit before tax £m
Facilities Management	824.6	50.5	6.1	48.8	781.8	47.2	6.0	44.3
Property Management	295.0	20.2	6.8	17.9	297.9	17.9	6.0	17.1
Asset Management	600.5	22.3	3.7	13.0	442.2	15.4	3.5	14.5
Total	1,720.1	93.0	5.4	79.7	1,521.9	80.5	5.3	75.9

* Other items are analysed in Note 4.

With effect from 1 April 2010, the acquired Dalkia FM business and our Engineering Maintenance business were restructured to bring together our technical facilities management proposition within a new operating division branded Technical Facilities Management which generated £344.8m of revenue and £15.5m of operating profit before other items in the year ended 31 March 2010. Furthermore, the Engineering Contracting offering of our Asset Management business, which generated £201.2m of revenue and £4.9m of operating profit before other items in the year ended 31 March 2010, was combined with our Property Management business to consolidate its proposition. A proforma analysis of the financial results of the business for the year ended 31 March 2010 is set out below.

3. Business and geographical segments

Business segments – structure from 1 April 2010

	2010			
	Revenue £m	Operating profit before other items* £m	Margin %	Profit before tax £m
Facilities Management	824.6	50.5	6.1	48.8
Technical Facilities Management	344.8	15.5	4.5	6.3
Property Management	496.2	25.1	5.1	23.0
Asset Management	54.5	1.9	3.5	1.6
Total	1,720.1	93.0	5.4	79.7

* Other items are analysed in Note 4.

The tables below show the movements of revenue and operating profit before other items which reflect the acquisitions of Dalkia FM and EPS Ltd, the organic growth of the underlying businesses, the movement of the Engineering Maintenance business to form Technical Facilities Management and the combination of our Engineering Contracting business with Property Management to reflect the new structure of the Group from 1 April 2010:

Revenue £m	2009	Engineering Maintenance	Acquisitions	Organic	2010	Engineering Contracting	2010 – structure from 1 April 2010
Facilities Management	781.8	–	–	42.8	824.6	–	824.6
Technical Facilities Management	–	160.4	160.0	24.4	344.8	–	344.8
Property Management	297.9	–	30.1	(33.0)	295.0	201.2	496.2
Asset Management	442.2	(160.4)	–	(26.1)	255.7	(201.2)	54.5
Total	1,521.9	–	190.1	8.1	1,720.1	–	1,720.1

Operating profit before other items* £m	2009	Engineering Maintenance	Acquisitions	Organic	2010	Engineering Contracting	2010 – structure from 1 April 2010
Facilities Management	47.2	–	–	3.3	50.5	–	50.5
Technical Facilities Management	–	7.0	6.6	1.9	15.5	–	15.5
Property Management	17.9	–	1.6	0.7	20.2	4.9	25.1
Asset Management	15.4	(7.0)	–	(1.6)	6.8	(4.9)	1.9
Total	80.5	–	8.2	4.3	93.0	–	93.0

* Other items are analysed in Note 4.

The revenue analysis above is net of inter segment sales which are not considered significant.

No single customer accounted for more than 10% of external revenue in 2010 or 2009.

The Group has early adopted the Improvement to IFRS 8 issued in April 2009 which clarified that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision maker and consequently no segment assets are disclosed.

Geographical segments

Predominantly all of the Group's operations are located in the United Kingdom and the Channel Islands. The Group considers all operations form part of that single reportable geographical segment.

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Notes to the consolidated financial statements**4. Other items**

The Group separately identifies and discloses non-cash or non-recurring acquisition related items (termed 'other items'). Presenting the results excluding other items provides a meaningful analysis of the underlying trading result of the Group and is consistent with the way that financial performance is reported to the Board of Directors.

	2010 £m	2009 £m
Administrative expenses		
Restructuring costs relating to integration of Dalkia FM and EPS Ltd	6.6	–
Amortisation of acquisition related intangibles	5.3	1.9
	11.9	1.9
Finance costs		
Unwinding of discount on deferred contingent consideration	0.1	0.6
Other items	12.0	2.5

5. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2010 £m	2009 £m
Depreciation of property, plant and equipment	16.4	16.2
Amortisation of intangible assets	5.9	2.0
Gain on disposal of property, plant and equipment	(0.4)	(0.8)
Staff costs (Note 6)	878.6	763.6

A detailed analysis of auditors' remuneration is provided below:

	2010 £'000	2009 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	50	45
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries	550	418
Total audit fees	600	463
Tax services	47	61
Other services	28	30
Non-audit fees	75	91
Total	675	554

In addition to the amounts shown above the auditors received fees of £16,000 (2009: £16,000) for the audit of the Group pension scheme and £97,000 (2009: £23,000) of fees were incurred in relation to acquisitions and have been included in acquisition costs. Including these amounts, total non-audit fees payable to the Company's auditors were £188,000 (2009: £130,000) representing 31% (2009: 28%) of the year's total audit fees.

6. Staff costs

Number of people	2010	2009*
The average number of people employed during the financial year was:		
Facilities Management	46,239	44,394
Property Management	2,770	2,716
Asset Management	4,622	2,944
Total Group	53,631	50,054

* Re-presented in the structure which applied during the year, see Note 3.

The number of people employed at 31 March was:

Total Group	56,579	51,486
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Their aggregate remuneration comprised:	2010 £m	2009 £m
Wages and salaries	797.7	695.5
Social security costs	65.9	57.3
Other pension costs	11.0	8.4
Share-based payments (Note 32)	4.0	2.4
	878.6	763.6

Details of Directors' remuneration and interests are provided in the audited section of the Directors' remuneration report and should be regarded as an integral part of this Note.

7. Investment revenue

	2010 £m	2009 £m
Interest on bank deposits	1.6	0.7
Other interest receivable	0.1	0.1
Fair value movement on derivative financial instruments	0.1	-
	1.8	0.8

8. Finance costs

	2010 £m	2009 £m
Interest on bank overdrafts and loans	3.0	2.5
Interest on obligations under finance leases	0.3	0.3
Fair value movement on derivative financial instruments	-	0.6
Unwinding of discount on deferred contingent consideration	0.1	0.6
Total interest expense	3.4	4.0
Less: amounts included in the cost of qualifying assets	(0.2)	(0.5)
	3.2	3.5

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying an average capitalisation rate of 0.9% (2009: 4.9%) to expenditure on such assets.

Notes to the consolidated financial statements**9. Tax**

	2010 £m	2009 £m
Current tax	23.8	21.4
Deferred tax (Note 20)	(1.6)	0.1
	22.2	21.5

Corporation tax is calculated at 28.0% (2009: 28.0%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2010 £m	2009 £m
Profit before tax	79.7	75.9
Tax at the UK corporation tax rate of 28.0% (2009: 28.0%)	22.3	21.3
Expenses not deductible for tax purposes	0.2	1.1
Tax losses not recognised/previously unrecognised	(0.2)	(0.5)
Prior year adjustments	(0.1)	(0.4)
Tax charge for the year	22.2	21.5

In addition to the amount charged to the consolidated income statement, deferred tax relating to retirement benefit costs and share-based payments amounting to £4.2m has been credited directly to equity (2009: £2.5m).

10. Dividends

	2010 £m	2009 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2009 of 3.6p (2008: 3.2p) per share	11.6	10.1
Interim dividend for the year ended 31 March 2010 of 3.7p (2009: 3.3p) per share	13.1	10.7
	24.7	20.8

Proposed final dividend for the year ended 31 March 2010 of 4.1p (2009: 3.6p) per share	14.5	11.6
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The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11. Earnings per share

Basic and diluted earnings per share have been calculated in accordance with IAS 33 'Earnings Per Share'.

The calculation of the basic and diluted EPS is based on the following data:

	2010 million	2009 million
Number of shares		
Weighted average number of Ordinary shares for the purpose of basic EPS	338.4	318.3
Effect of dilutive potential Ordinary shares: share options	6.0	4.0
Weighted average number of Ordinary shares for the purpose of diluted EPS	344.4	322.3

The weighted average number of Ordinary shares in issue during the year excludes those accounted for in the Own shares reserve which were purchased in the market and held by the MITIE Group PLC Employee Benefit Trust to satisfy options under the Group's LTIP share option scheme. During the year 1.7m shares were purchased at a cost of £4.5m. The Own shares reserve represents the cost of 3.3m (2009: 2.2m) shares in MITIE Group PLC.

Following the acquisition of Dalkia FM, 19.0m new Ordinary shares of 2.5p each were placed on 12 August 2009 with certain institutional and other qualified investors. 9.0m Ordinary shares of 2.5p were also allotted in August in respect of acquiring minority interests (see Note 29).

12. Goodwill

	£m	
Cost		
At 1 April 2008	203.3	
Change in fair values of subsidiaries acquired in prior years	(0.1)	
Change in deferred contingent consideration for subsidiaries acquired in prior years	(11.7)	01
Acquisition of minorities	9.7	
At 1 April 2009	201.2	
Acquisition of subsidiaries	103.6	
Acquisition of minorities	18.7	
Change in deferred contingent consideration for subsidiaries acquired in prior years	0.5	
At 31 March 2010	324.0	08
Accumulated impairment losses		
At 1 April 2008	-	
At 1 April 2009	-	
At 31 March 2010	-	
Carrying amount		
At 31 March 2010	324.0	38
At 31 March 2009	201.2	

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. Goodwill has been allocated to CGUs in the following business segments, which is how goodwill is monitored by the Group internally.

Cost	2010 £m	2009* £m
Facilities Management	151.3	139.8
Property Management	72.6	41.0
Asset Management	100.1	20.4
	324.0	201.2

* Re-presented in the structure which applied during the year, see Note 3.

The Group tests goodwill at least annually for impairment.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Board for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 2% (2009: 2%) per annum. This rate does not exceed the average long-term growth rate for the relevant markets.

The rates used to discount the forecast cash flows from CGUs, which are based on the Company's Weighted Average Cost of Capital, are as follows:

	2010 %	2009 %
Facilities Management	9.4	10.6
Property Management	9.4	10.6
Asset Management	9.4	10.6

No reasonably foreseeable change in the key assumptions would result in an impairment.

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Notes to the consolidated financial statements**13. Other intangible assets**

	Acquisition related		Software and development expenditure £m	Total £m
	Customer relationships £m	Other £m		
Cost				
At 1 April 2008	14.0	–	6.6	20.6
Additions	–	–	9.5	9.5
At 1 April 2009	14.0	–	16.1	30.1
Additions	34.2	8.9	5.8	48.9
At 31 March 2010	48.2	8.9	21.9	79.0
Amortisation				
At 1 April 2008	3.7	–	–	3.7
Charge for the year	1.9	–	0.1	2.0
At 1 April 2009	5.6	–	0.1	5.7
Charge for the year	4.3	1.0	0.6	5.9
At 31 March 2010	9.9	1.0	0.7	11.6
Carrying amount				
At 31 March 2010	38.3	7.9	21.2	67.4
At 31 March 2009	8.4	–	16.0	24.4

Customer relationships are amortised over the remaining period of the contract, which currently ranges between six and eight years. Other acquisition related intangibles include acquired software and are amortised over their useful lives which currently range from three to ten years. Software and development costs are amortised over their useful life of between five and ten years, once they have been brought into use.

14. Property, plant and equipment

	Freehold properties £m	Leasehold properties £m	Plant and vehicles £m	Total £m
Cost				
At 1 April 2008	4.8	7.3	70.5	82.6
Additions	0.3	0.2	16.6	17.1
Disposals	–	–	(21.7)	(21.7)
At 1 April 2009	5.1	7.5	65.4	78.0
Additions	–	1.0	25.6	26.6
Acquired with subsidiaries	–	–	2.9	2.9
Disposals	–	–	(10.3)	(10.3)
At 31 March 2010	5.1	8.5	83.6	97.2
Accumulated depreciation and impairment				
At 1 April 2008	0.6	1.8	35.0	37.4
Charge for the year	0.1	1.0	15.1	16.2
Disposals	–	–	(19.7)	(19.7)
At 1 April 2009	0.7	2.8	30.4	33.9
Charge for the year	0.1	0.9	15.4	16.4
Disposals	–	–	(7.6)	(7.6)
At 31 March 2010	0.8	3.7	38.2	42.7
Carrying amount				
At 31 March 2010	4.3	4.8	45.4	54.5
At 31 March 2009	4.4	4.7	35.0	44.1

The net book value of plant and vehicles held under finance leases included above was £8.3m (2009: £4.7m).

Additions to fixtures and equipment during the year amounting to £4.9m (2009: £2.1m) were financed by new finance leases.

15. Inventories

	2010 £m	2009 £m
Work-in-progress	1.0	1.3
Materials	2.9	1.2
	3.9	2.5

16. Financial assets

	2010 £m	2009 £m
Trade receivables (Note 17)	230.3	159.5
Amounts recoverable on contracts (Note 18)	110.5	87.3
Other debtors	17.0	5.6
Cash and cash equivalents (Note 19)	23.7	28.5
	381.5	280.9

All financial assets are classified as loans and receivables. Amounts recoverable on contracts include applications for payment from customers which have no fixed payment terms until invoiced.

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Notes to the consolidated financial statements**17. Trade and other receivables**

	2010 £m	2009 £m
Amounts receivable for the sale of services	241.0	166.0
Allowance for doubtful debt	(10.7)	(6.5)
	230.3	159.5
Amounts recoverable on contracts (Note 18)	110.5	87.3
Other debtors	17.0	5.6
Prepayments and accrued income	47.8	33.4
	405.6	285.8

Ageing of trade receivables:

	2010 £m	2009 £m
Neither impaired nor past due	165.8	111.7
Not impaired and less than three months overdue	57.9	43.2
Not impaired and more than three months overdue	11.7	7.5
Impaired receivables	5.6	3.6
Allowance for doubtful debt	(10.7)	(6.5)
	230.3	159.5

Movement in the allowance for doubtful debt:

	2010 £m	2009 £m
Balance at the beginning of the year	6.5	4.6
Impairment losses recognised	6.2	2.3
Amounts written off as uncollectable	(0.6)	(0.3)
Amounts recovered during the year	(1.4)	(0.1)
	10.7	6.5

Before accepting new customers, the Group uses external credit scoring systems to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring are updated as appropriate. The maximum exposure to credit risk in relation to trade receivables at the balance sheet date is the fair value of trade receivables.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debt. The average credit period taken on sales of services was 38 days (2009: 33 days).

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

18. Amounts recoverable on contracts

	2010 £m	2009 £m
Contracts in progress at the balance sheet date		
Amounts due from contract customers included in trade and other receivables	110.5	87.3
Amounts due to contract customers included in trade and other payables	(0.8)	(1.1)
	109.7	86.2
Contract costs incurred plus recognised profits less recognised losses to date	964.9	930.0
Less progress billings	(855.2)	(843.8)
	109.7	86.2

At 31 March 2010, retentions held by customers for contract work amounted to £17.7m (2009: £18.5m).

19. Cash and cash equivalents

	2010 £m	2009 £m
Cash and cash equivalents	23.7	28.5
	23.7	28.5

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of the assets approximates their fair value.

Included in cash and cash equivalents are deposits totalling £7.3m (2009: £7.3m) held by the Group's insurance subsidiary, which are not readily available for the general purposes of the Group.

The credit risk on liquid funds and financial instruments is limited because the counterparties are banks with high credit-ratings assigned by recognised international credit-rating agencies and are managed through regular review.

20. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Business combinations £m	Share-based payments £m	Short-term timing differences £m	Tax losses £m	Total £m
At 1 April 2008	0.3	(2.8)	(3.0)	2.0	3.7	0.2	0.4
Credit/(charge) to income	0.1	(1.3)	0.5	(0.2)	(0.2)	1.0	(0.1)
Credit/(charge) to equity	–	3.3	–	(0.8)	–	–	2.5
At 1 April 2009	0.4	(0.8)	(2.5)	1.0	3.5	1.2	2.8
(Charge)/credit to income	(1.0)	(0.8)	1.5	0.6	0.9	0.4	1.6
Credit to equity	–	3.7	–	0.1	–	–	3.8
Acquisition of subsidiaries	0.4	–	(12.0)	–	4.4	–	(7.2)
At 31 March 2010	(0.2)	2.1	(13.0)	1.7	8.8	1.6	1.0

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2010 £m	2009 £m
Deferred tax assets	14.1	7.3
Deferred tax liabilities	(13.1)	(4.5)
Net deferred tax asset	1.0	2.8

The Group has unutilised income tax losses of £5.2m (2009: £5.6m) that are available for offset against future profits. In addition the Group has £0.5m (2009: £0.5m) of capital losses. Deferred tax assets have not been recognised in respect of £nil (2009: £1.7m) of these losses as their recoverability is uncertain.

21. Financial liabilities

	2010 £m	2009 £m
Trade creditors (Note 22)	179.1	156.5
Other creditors	15.5	8.1
Accruals and deferred income	100.2	51.2
Financing liabilities (Note 23)	110.8	18.2
	405.6	234.0

All financial liabilities are held at amortised cost with the exception of derivative financial instruments which are included within financing liabilities and are classified as fair value through profit and loss (see Note 23).

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Notes to the consolidated financial statements**22. Trade and other payables**

	2010 £m	2009 £m
Payments received on account	4.1	1.6
Trade creditors	179.1	156.5
Other taxes and social security	60.4	42.8
Other creditors	15.5	8.1
Accruals and deferred income	100.2	51.2
	359.3	260.2

Trade creditors and accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 31 days (2009: 34 days).

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

23. Financing liabilities

	2010 £m	2009 £m
Bank loans	100.0	10.0
Loan notes*	3.5	3.5
Derivative financial instruments	0.5	0.6
Obligations under finance leases (Note 25)	6.8	4.1
	110.8	18.2
Included in current liabilities	4.6	13.7
Included in non-current liabilities	106.2	4.5
	110.8	18.2

* £1.9m of loan notes are supported by a bank guarantee.

The banking facilities are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements.

All borrowings are in sterling and are measured at amortised cost. The Directors estimate that the carrying amount of the Group's borrowings approximates their fair value.

Included in non-current liabilities are £100.0m of bank loans (2009: £nil), £4.6m (2009: £2.9m) of obligations under finance leases (see Note 25) and £1.6m (2009: £1.6m) of loan notes which are repayable up to 2013.

Derivative financial instruments are measured at fair value; fair value measurements are classified into three levels, depending on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities; Level 2 fair value measurements are those derived from other observable inputs for the asset or liability; and Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data.

We consider that the derivative financial instruments fall into level 2.

	2010 %	2009 %
The weighted average interest rates paid during the year on the overdrafts and loans outstanding were as follows:		
Overdrafts	2.0	4.4
Bank loans	0.9	4.9
Loan notes	-	3.0

At 31 March 2010, the Group had available £121.2m (2009: £220.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facilities have an expiry date of January 2012. The loans carry interest rates which are currently determined at 0.4% over LIBOR. Details of the Group's contingent liabilities are provided in Note 30.

24. Financial risk management objectives

The Group's Treasury function monitors and manages the financial risks relating to the operations of the Group. These risks include credit risk, foreign currency risk, liquidity risk and market risk.

Credit risk

The Group's credit risk to all of its banks and financial counterparties is monitored on an ongoing basis and formally reported quarterly. The value of business placed with financial institutions is reviewed on a daily basis.

The Group's principal financial assets are bank balances and cash and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. In addition, where appropriate, certain debts are subject to credit insurance.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Foreign currency risk

The Group has very limited trading transactions in foreign currency and considers the need to hedge its exposures appropriately. It does not currently have any significant foreign currency balances or financial instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash flow projection model which considers the maturity of the Group's assets and liabilities and the projected cash flows from operations. Bank facilities which allow for appropriate headroom in the Group's daily cash movements are then arranged.

The tables below summarise the maturity profile (including both interest and principal cash flows) of the Group's financial liabilities:

At 31 March 2010	Within one year £m	In the second to fifth years £m	Total £m
Trade creditors	179.1	–	179.1
Other creditors	15.5	–	15.5
Accruals and deferred income	100.2	–	100.2
Financing liabilities	7.0	108.3	115.3
Financial liabilities	301.8	108.3	410.1

At 31 March 2009	Within one year £m	In the second to fifth years £m	Total £m
Trade creditors	156.5	–	156.5
Other creditors	8.1	–	8.1
Accruals and deferred income	51.2	–	51.2
Financing liabilities	13.7	4.5	18.2
Financial liabilities	229.5	4.5	234.0

Financial assets at 31 March 2010 and 31 March 2009 have a maturity of less than one year.

Market risk

The Group's activities expose it to the financial risks of interest rates. The Group's Treasury function reviews its risk management strategy on a regular basis and will appropriately enter into derivative financial instruments in order to manage interest rate risk. Group policy is not to trade in financial instruments.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit after tax for the year ended 31 March 2010 and reserves would decrease/increase by £0.3m (2009: £0.1m).

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity. The capital structure of the Group consists of net (debt)/funds per Note 26 and equity per the consolidated statement of changes in equity.

The Group's capital structure is reviewed regularly. The Group is not subject to externally imposed regulatory capital requirements with the exception of those applicable to the Group's captive insurance subsidiary.

Notes to the consolidated financial statements**25. Obligations under finance leases**

	Minimum lease payments		Present value of lease payments	
	2010 £m	2009 £m	2010 £m	2009 £m
Amounts payable under finance leases:				
Within one year	2.5	1.5	2.2	1.4
In the second to fifth years inclusive	5.2	3.3	4.6	2.7
	7.7	4.8	6.8	4.1
Less: future finance charges	(0.9)	(0.7)	–	–
Present value of lease obligations	6.8	4.1	6.8	4.1
Less: Amount due for settlement within 12 months	(2.2)	(1.2)	(2.2)	(1.2)
Amount due for settlement after 12 months	4.6	2.9	4.6	2.9

The average remaining lease term is 35 months (2009: 33 months). For the year ended 31 March 2010, the average effective borrowing rate was 4.2% (2009: 5.8%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations approximates their carrying amount. The Group's obligations under finance leases are protected by the lessors' rights over the leased assets.

26. Analysis of net (debt)/funds

	2010 £m	2009 £m
Cash and cash equivalents (Note 19)	23.7	28.5
Bank loans	(100.0)	(10.0)
Net (debt)/cash before loan notes and obligations under finance leases	(76.3)	18.5
Loan notes (Note 23)	(3.5)	(3.5)
Obligations under finance leases (Note 25)	(6.8)	(4.1)
Net (debt)/funds	(86.6)	10.9

27. Provisions

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2009	11.0	9.4	20.4
Unwinding of discount on deferred contingent consideration	0.1	–	0.1
Utilised during the year	(2.0)	(3.0)	(5.0)
Other movements in the year	3.8	1.8	5.6
At 31 March 2010	12.9	8.2	21.1
Included in current liabilities			9.9
Included in non-current liabilities			11.2
			21.1

27. Provisions

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2008	20.9	8.3	29.2
Unwinding of discount on deferred contingent consideration	0.6	–	0.6
Utilised during the year	(1.2)	(3.3)	(4.5)
Other movements in the year	(9.3)	4.4	(4.9)
At 31 March 2009	11.0	9.4	20.4
Included in current liabilities			3.2
Included in non-current liabilities			17.2
			20.4

During the year £1.3m of deferred contingent consideration in respect of the purchase last year of the minority shareholdings in MITIE Interiors Limited, MITIE Property Services (Eastern) Limited, and MITIE Technology & Infrastructure Limited was settled by the issue of new MITIE shares. £0.7m of deferred contingent consideration in respect of the acquisition in 2007 of Robert Prettie was settled in cash.

Provision is made for deferred contingent consideration, which may become payable up to 2013 subject to profit targets being attained, at the best estimate of the Directors. A total of £3.5m was provided in respect of acquisitions made during the year (Note 29).

The provision for insurance claims represents amounts payable by MITIE Reinsurance Company Limited in respect of outstanding claims incurred at the balance sheet dates. These amounts will become payable as each year's claims are settled.

28. Share capital

Ordinary shares of 2.5p	Number million	£m
Authorised		
At 31 March 2009 and 31 March 2010	500.0	12.5
Allotted and fully paid		
At 1 April 2009	323.0	8.1
Issued for placing	19.0	0.5
Issued for acquisitions	9.0	0.2
Issued under share option schemes	2.2	–
At 31 March 2010	353.2	8.8
At 1 April 2008	316.8	7.9
Issued for acquisitions	4.8	0.1
Issued under share option schemes	1.4	0.1
At 31 March 2009	323.0	8.1

On 12 August 2009 19.0m new Ordinary shares of 2.5p each were placed with certain institutional and other qualified investors by UBS Limited and Investec Bank plc acting as joint bookrunners and joint brokers, giving rise to share premium of £41.3m.

During the year 9.0m (2009: 4.8m) Ordinary shares of 2.5p were allotted in respect of acquiring minority interests at a mid-market price of 237.8p (2009: 218.8p) giving rise to share premium of £8.0m (2009: £3.6m) and a merger reserve of £13.1m (2009: £6.8m).

During the year 2.2m (2009: 1.4m) Ordinary shares of 2.5p were allotted in respect of share option schemes at a price between 95p and 220p (2009: 95p and 220p) giving rise to share premium of £3.0m (2009: £1.8m).

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Notes to the consolidated financial statements**29. Acquisition of subsidiaries****Purchase of Dalkia Technical Facilities Management**

On 12 August 2009 MITIE acquired 100% of Dalkia Energy and Technical Services Limited and Parkersell Limited, together Dalkia Technical Facilities Management (Dalkia FM), for total consideration of up to £130.0m. The transaction was accounted for by the purchase method of accounting as shown below.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	1.2	28.7	29.9
Deferred tax asset/(liability)	2.7	(6.4)	(3.7)
Property, plant and equipment	4.8	(2.4)	2.4
Inventories	1.6	(0.4)	1.2
Trade and other receivables	63.8	(4.0)	59.8
Trade and other payables	(39.3)	(2.8)	(42.1)
Current tax liability	(0.3)	–	(0.3)
Net assets acquired	34.5	12.7	47.2

Goodwill	72.3
Total consideration	119.5

Satisfied by

Cash	116.2
Deferred contingent consideration	–
Directly attributable costs	3.3
Total consideration	119.5

Net cash outflow arising on acquisition

Cash consideration	119.5
Net cash outflow	119.5

Purchase of Environmental Property Services Ltd

On 20 November 2009 MITIE acquired 100% of Environmental Property Services Limited (EPS Ltd) for a maximum consideration of up to £40.9m with an initial consideration of £36.8m. The transaction was accounted for by the purchase method of accounting. Below we provide provisional information on the acquisition.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	5.8	7.5	13.3
Deferred tax asset/(liability)	0.1	(3.6)	(3.5)
Property, plant and equipment	1.8	(1.3)	0.5
Inventories	0.4	–	0.4
Trade and other receivables	19.2	(0.6)	18.6
Cash and cash equivalents	3.5	–	3.5
Trade and other payables	(19.6)	(1.3)	(20.9)
Loans	(2.3)	–	(2.3)
Net assets acquired	8.9	0.7	9.6

29. Acquisition of subsidiaries

	Fair value £m
Goodwill	31.3
Total consideration	40.9

Satisfied by

Cash	36.8
Deferred contingent consideration	3.5
Directly attributable costs	0.6
Total consideration	40.9

Net cash outflow arising on acquisition

Cash consideration	37.4
Cash and cash equivalents acquired	(3.5)
Loan acquired	2.3
Net cash outflow	36.2

The goodwill arising on the acquisition of Dalkia FM and EPS Ltd is attributable to the underlying profitability of the companies, expected profitability arising from new business and the anticipated future operating synergies arising from assimilation into the Group.

Provision is made for deferred contingent consideration at the Directors' best estimate of the likely future obligation. Deferred contingent consideration of up to £3.5m, which may become payable in 2010 subject to certain profit targets being attained, is included above. No deferred contingent consideration is payable in respect of the purchase of Dalkia FM.

Dalkia FM contributed £160.0m to revenue and £6.6m to the Group's operating profit before other items for the year. EPS Ltd contributed £30.1m to revenue and £1.6m to the Group's operating profit before other items for the year. If the acquisitions had taken place at the start of the year, the Group's revenue and operating profit before other items would have been approximately £1,870m and £100m respectively.

Purchase of minority interests

	MITIE Cleaning Services Ltd £m	MITIE Engineering Maintenance (North) Ltd £m	MITIE Engineering Projects Ltd £m	MITIE Engineering Services (Midlands) Ltd £m	MITIE Transport Services Ltd £m	MITIE McCartney Fire Protection Ltd £m	Total £m
Minority interests	0.5	0.8	0.4	0.2	0.5	0.1	2.5
Goodwill	4.8	4.6	1.3	1.4	6.5	0.1	18.7
Total purchase consideration	5.3	5.4	1.7	1.6	7.0	0.2	21.2
Shares issued – MITIE Group PLC	4.7	5.3	1.6	1.5	6.8	0.2	20.1
Cash consideration	0.6	0.1	0.1	0.1	0.2	–	1.1
Total purchase consideration	5.3	5.4	1.7	1.6	7.0	0.2	21.2

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Notes to the consolidated financial statements**30. Contingent liabilities**

The Company is party with other Group companies to cross guarantees of each other's bank loans, commitments and overdrafts of £270.0m (2009: £265.0m).

The Company and various of its subsidiaries are, from time to time, party 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.

Deferred contingent consideration relating to acquisitions has been accrued at the Directors' best estimate of the likely future obligation of £12.9m (2009: £11.0m) per Note 27. The actual amounts payable may vary up to a maximum of £32.4m (2009: £31.0m) dependent upon the results of the acquired businesses.

In addition, the Group and its subsidiaries have provided guarantees and indemnities in respect of performance, issued by financial institutions on its behalf, amounting to £23.4m (2009: £20.6m) in the ordinary course of business. These are not expected to result in any material financial loss.

31. Operating lease arrangements**The Group as Lessee**

	2010 £m	2009 £m
Minimum lease payments under operating leases recognised in income for the year	9.6	4.7

At the balance sheet date, the Group had total outstanding aggregate commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010 £m	2009 £m
Within one year	7.6	3.6
In the second to fifth years inclusive	15.2	8.2
After five years	4.0	3.7
	26.8	15.5

32. Share-based payments**Equity-settled share option schemes**

The Company has four share option schemes:

The MTIE Group PLC Long Term Incentive Plan (LTIP)

The LTIP was introduced in 2007. The awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management. Where offered as options the exercise price is nil. The vesting period is three years. If the awards remain unexercised after a period of four years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the Group. Before the awards can be exercised, a performance condition must be satisfied; the number of awards that vest is determined by a sliding scale above the Retail Price Index per annum compound growth in earnings per share over a three-year period.

The MTIE Group PLC 1991 Executive share option scheme

The Executive share option scheme exercise price is equal to the average market value of the shares over the five day period immediately preceding the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group. No options have been granted under this scheme since August 2001.

The MTIE Group PLC 2001 Executive share option scheme

The Executive share option scheme exercise price is equal to the average market value of the shares over the five day period immediately preceding the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group. Before options can be exercised, the performance condition that must be satisfied is that the percentage growth in earnings per share over a three-year period must be equal or greater than 10.0% per annum compound in respect of awards prior to July 2007 and 4.0% above the Retail Price per annum thereafter.

32. Share-based payments

The MITIE Group PLC 2001 SAYE scheme

The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares on the day preceding the date on which invitations to participate in the scheme are issued. For options granted prior to September 2008, the vesting period is five years. For options granted in September 2008 and thereafter, the vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the Group.

Details of the share options outstanding during the year are as follows:

	2010		2009	
	Number of share options (million)	Weighted average exercise price (in p)	Number of share options (million)	Weighted average exercise price (in p)
Outstanding at beginning of the year	17.3	162	13.8	163
Granted during the year	5.4	139	6.7	155
Forfeited during the year	(1.8)	172	(1.8)	176
Exercised during the year	(2.8)	108	(1.4)	129
Outstanding at the end of the year*	18.1	162	17.3	162
Exercisable at the end of the year	2.2	163	2.2	144

* Included within this balance are 0.3m (2009: 0.6m) options that have not been recognised in accordance with the transitional provisions of IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

The Group recognised the following expenses related to share-based payments:

	2010 £m	2009 £m
Long Term Incentive Plan share options	2.4	1.1
2001 Executive share options	0.7	0.6
2001 SAYE share options	0.9	0.7
	4.0	2.4

The weighted average share price at the date of exercise for share options exercised during the year was 234p (2009: 201p). The options outstanding at 31 March 2010 had exercise prices (other than nil in the case of the LTIP) ranging from 117p – 254p (2009: 95p – 254p) and a weighted average remaining contractual life of 4.6 years (2009: 4.7 years). In the year ended 31 March 2010, options were granted in June, July and August 2009 in respect of the LTIP, SAYE and Executive share option schemes. The aggregate of the estimated fair values of the options granted on those dates is £4.7m. In the year ended 31 March 2009, options were granted in June, July and September 2008 in respect of the LTIP, Executive and SAYE share option schemes. The aggregate of the estimated fair values of the options granted on those dates is £4.0m.

The fair value of options is measured by use of the Black-Scholes model. The inputs into the Black-Scholes model are as follows:

	2010	2009
Share price (p)	133–230	133–230
Exercise price (p)	0–254	0–254
Expected volatility (%)	27–36	27–30
Expected life (years)	3–6	3–6
Risk-free rate (%)	2.42–5.25	4.17–5.25
Expected dividends (%)	1.43–3.30	1.43–3.15

Expected volatility was based upon the historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the consolidated financial statements**33. Retirement benefit schemes****Defined contribution schemes**

The Group operates a number of defined contribution retirement benefit schemes for qualifying employees. The assets of the schemes are held separately from those of the Group in funds controlled by the scheme providers. The Group paid employer contributions of £7.2m (2009: £2.9m) during the year.

Defined benefit schemes**Group defined benefit scheme**

The Group operates a defined benefit pension scheme called the MITIE Group PLC Pension Scheme where MITIE Group PLC is the principal employer following the merger of the MITIE Group PLC Passport Pension Scheme with the MITIE Group PLC Pension Scheme in May 2008.

The assets of the scheme are held separately from the Group. Contributions to the scheme are charged to the income statement so as to spread the cost of pensions over the employees' working lives with the Group.

Under the scheme, the employees are entitled to retirement benefits varying between 0 and 66 % of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided. The schemes are funded schemes.

The most recent actuarial valuation of the Group scheme's assets and the present value of their defined benefit obligations was carried out at 1 April 2008 by Mr Chris Bamford, Fellow of the Institute of Actuaries, from AON Consulting Limited.

Other defined benefit schemes

Grouped together under 'Other schemes' is one (2009: one) scheme in which the Group is a participating employer and a number of schemes to which the Group makes contributions under Admitted Body status to our customers' defined benefit schemes in respect of certain TUPE employees. These valuations are updated by the actuaries at each balance sheet date. The present values of the defined benefit obligations, the related current service cost and past service cost were measured using the Projected Unit Credit Method.

For the Admitted Body Schemes (principally the West Midlands Pension Fund), which are all part of the Local Government Pension Scheme, the Group will only participate for a finite period up to the end of the contracts. The Group is required to pay regular contributions as decided by the relevant Scheme Actuaries and detailed in the schemes' Schedule of Contributions. In a number of cases contributions payable by the employer are capped and any excess recovered from the body that the employees transferred from. In addition, in certain cases, at the end of the contract the Group will be required to pay any deficit (as determined by the Scheme Actuary) that is remaining for its notional section of the scheme.

	Group schemes		Other schemes	
	2010 %	2009 %	2010 %	2009 %
Key assumptions used for IAS 19 valuation:				
Discount rate	5.60	6.60	5.60	6.60
Expected return on scheme assets:				
Equity instruments	8.00	8.00	8.00	8.00
Debt instruments	5.00	5.00	5.00	5.00
Property	7.50	7.50	7.50	7.50
Other assets	4.50	3.50	4.50	3.50
Expected rate of salary increases	4.50	4.00	Up to 4.50	3.50
Inflation	3.50	3.00	3.50	3.00
Future pension increases	3.50	3.00	3.50	3.00

The overall expected return on assets is calculated as the weighted average of the expected return of each asset class. The expected return on equities is the sum of dividend growth and capital growth net of investment expenses. The return on gilts and bonds is the current market yield on long-term bonds. The expected return on property has been set equal to that expected on equities less a margin. The expected return on other assets is the rate earned by the scheme on cash and alternate assets.

The sensitivity of defined benefit obligations to changes in principal actuarial assumptions is shown in Note 2.

33. Retirement benefit schemes

Amounts recognised in administrative expenses in respect of these defined benefit schemes are as follows:

	2010			2009		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Current service cost	(2.9)	(1.0)	(3.9)	(2.2)	(1.3)	(3.5)
Interest cost	(5.0)	(3.2)	(8.2)	(5.0)	(3.2)	(8.2)
Expected return on scheme assets	5.1	3.2	8.3	6.3	3.9	10.2
	(2.8)	(1.0)	(3.8)	(0.9)	(0.6)	(1.5)

Amounts recognised in the consolidated statement of comprehensive income are as follows:

	2010			2009		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Actual return on scheme assets	19.6	14.9	34.5	(14.9)	(9.1)	(24.0)
Expected return on scheme assets	(5.1)	(3.2)	(8.3)	(6.3)	(3.9)	(10.2)
Actuarial (losses)/gains on liabilities	(26.7)	(12.6)	(39.3)	11.3	10.9	22.2
	(12.2)	(0.9)	(13.1)	(9.9)	(2.1)	(12.0)

The cumulative amount of actuarial loss recognised since 1 April 2004 in the consolidated statement of comprehensive income is £23.6m (2009: £10.5m).

The amounts included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes are as follows:

	2010			2009		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	101.4	61.5	162.9	77.3	45.8	123.1
Present value of defined benefit obligations	(108.2)	(71.9)	(180.1)	(74.3)	(51.8)	(126.1)
(Deficit)/surplus in scheme	(6.8)	(10.4)	(17.2)	3.0	(6.0)	(3.0)
Contract adjustment	–	6.7	6.7	–	2.6	2.6
Net pension (liability)/asset	(6.8)	(3.7)	(10.5)	3.0	(3.4)	(0.4)

Notes to the consolidated financial statements**33. Retirement benefit schemes**

Movements in the present value of defined benefit obligations were as follows:

	2010			2009		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
At 1 April	74.3	51.8	126.1	78.7	50.7	129.4
Service cost	2.9	1.0	3.9	2.2	1.3	3.5
Interest cost	5.0	3.2	8.2	5.0	3.2	8.2
Contributions from scheme members	0.9	0.5	1.4	1.8	0.5	2.3
Actuarial gains and losses	26.7	16.8	43.5	(11.3)	(4.2)	(15.5)
Benefits paid	(1.6)	(1.1)	(2.7)	(2.1)	(1.4)	(3.5)
Contract transfers	–	(0.3)	(0.3)	–	1.7	1.7
At 31 March	108.2	71.9	180.1	74.3	51.8	126.1

Movements in the fair value of scheme assets were as follows:

	2010			2009		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
At 1 April	77.3	45.8	123.1	88.6	52.3	140.9
Expected return on scheme assets	5.1	3.2	8.3	6.3	3.9	10.2
Actuarial gains and losses	14.5	11.7	26.2	(21.2)	(13.0)	(34.2)
Contributions from the sponsoring companies	5.2	1.6	6.8	3.9	1.6	5.5
Contributions from scheme members	0.9	0.5	1.4	1.8	0.5	2.3
Benefits paid	(1.6)	(1.1)	(2.7)	(2.1)	(1.4)	(3.5)
Contract transfers	–	(0.2)	(0.2)	–	1.9	1.9
At 31 March	101.4	61.5	162.9	77.3	45.8	123.1

The analysis of the scheme assets at the balance sheet date was as follows:

	2010			2009		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Equity instruments	56.7	44.7	101.4	32.6	29.8	62.4
Debt instruments	22.2	10.2	32.4	17.3	8.5	25.8
Property	11.4	5.1	16.5	12.8	4.5	17.3
Other assets	11.1	1.5	12.6	14.6	3.0	17.6
At 31 March	101.4	61.5	162.9	77.3	45.8	123.1

The pension schemes have invested in property occupied by the Group with a fair value of £3.9m (2009: £3.2m) generating rental of £0.3m (2009: £0.3m). At 31 March 2010 the pension schemes held no MITIE Group PLC shares (2009: 17,000). The pension schemes have not invested in any other assets used by the Group. Transactions between the Group and the pension schemes are conducted at arm's length.

The mortality for the Group schemes is based upon up to date tables which project mortality improvements in the future. For a male aged 65.0 years the expected life is 87.4 years (2009: 87.3 years) and for a female aged 65.0 years the expected life is 89.8 years (2009: 89.7 years). Mortality for the other schemes is that used by the relevant scheme actuary.

33. Retirement benefit schemes

The history of experience adjustments is as follows:

	Group schemes				
	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets	101.4	77.3	88.6	83.2	74.0
Present value of defined benefit obligations	(108.2)	(74.3)	(78.7)	(82.7)	(72.2)
(Deficit)/surplus in the scheme	(6.8)	3.0	9.9	0.5	1.8
Experience adjustments on scheme liabilities	(0.1)	11.3	12.0	(3.2)	(8.2)
Percentage of scheme liabilities	0.1%	(15.3)%	(15.2)%	3.9%	11.4%
Experience adjustments on scheme assets	14.5	(21.2)	(4.1)	(0.5)	9.3
Percentage of scheme assets	14.3%	(27.4)%	(4.8)%	(1.0)%	12.6%
	Other schemes				
	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets	61.5	45.8	52.3	61.4	-
Present value of defined benefit obligations	(65.2)	(49.2)	(54.7)	(61.4)	-
(Deficit)/surplus in the scheme	(3.7)	(3.4)	(2.4)	-	-
Experience adjustments on scheme liabilities	(0.7)	10.9	5.2	(1.0)	-
Percentage of scheme liabilities	1.0%	(22.2)%	(10.0)%	1.6%	-
Experience adjustments on scheme assets	11.7	(13.0)	(6.0)	-	-
Percentage of scheme assets	19.0%	(28.4)%	(11.5)%	-	-

The estimated contributions expected to be paid to the Group schemes during the current financial year are £5.0m (2009: £5.0m) and to other schemes £1.6m (2009: £1.6m).

As at 31 March 2010, contributions of £2.4m (2009: £1.4m) due in respect of the current reporting period had not been paid over to the schemes.

34. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note.

The Company purchased 3,600 C Ordinary shares in the capital of MITIE Transport Services Limited from Ruby McGregor-Smith, a Director of MITIE, for a total consideration of £166,752 by the allotment of 70,137 Ordinary shares of MITIE. This was approved for the purposes of Section 190 of the Companies Act 2006 by shareholders at the EGM on 28 September 2009.

No other material contract or arrangement has been entered into during the year, nor existed at the end of the year, in which a Director had a material interest. No balances were outstanding at the year end.

Amounts paid to key management personnel are given in the audited section of the Directors' remuneration report. MITIE's Long Term Incentive Plan (LTIP) was also offered to a small group of key senior management.

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Notes to the consolidated financial statements**35. Principal subsidiaries**

The companies set out below are those which were part of the Group at 31 March 2010 and in the opinion of the Directors significantly affected the Group's results and net assets during the year. Principal subsidiaries are incorporated in the United Kingdom and are held directly or indirectly by MITIE Group PLC.

Division	Activities	Principal subsidiaries	At 31 March 2010 % Voting rights owned	At 31 March 2010 % Ownership Interest	At 31 March 2010 % Nominal value owned
Facilities Management	Our Facilities Management division delivers facilities consultancy, management and service delivery to our clients. Within the division, during the year ended 31 March 2010 we recognised four principal business lines which were: Facilities Management, which comprises our managed services, business services, client services and PFI businesses; Cleaning and Environmental, which encompasses our cleaning, landscaping and pest control businesses; Security and Catering.	MITIE Facilities Services Ltd	100.0%	100.0%	100.0%
		MITIE Cleaning & Environmental Services Ltd (formerly MITIE Cleaning & Support Services Ltd)	99.2%	99.2%	99.2%
		MITIE Security Holdings Ltd	93.9%	93.9%	99.9%
Property Management	Our Property Management division provides property maintenance and project management services, including a complete range of repair, refurbishment, redecoration and fit-out expertise for both the private and public sector with a focus on social housing.	MITIE Property Services (UK) Ltd	79.9%	79.9%	79.9%
		Robert Prettie & Co Ltd	100.0%	100.0%	100.0%
		Environmental Property Services Ltd	100.0%	100.0%	100.0%
Asset Management	Our Asset Management division provides the integration, management and maintenance of technical assets to meet the demands of the low-carbon economy including; energy design, generation and certification, infrastructure projects, building services and mechanical and electrical engineering. On 1 April 2009, our Engineering Maintenance business was combined with Asset Management to further enhance our market proposition in this area.	MITIE Asset Management Ltd (formerly MITIE Engineering Holdings Ltd)	100.0%	100.0%	100.0%
		MITIE Technical Facilities Management Ltd (formerly Dalkia Energy & Technical Services Ltd)	100.0%	100.0%	100.0%

The companies listed above represent the principal subsidiary companies of the Group. A full list of subsidiary companies will be annexed to the next annual return.

Independent auditors' report to the members of MITIE

We have audited the parent company financial statements of MITIE Group PLC for the year ended 31 March 2010 which comprise the Company Balance Sheet and the related notes 36 to 49. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 March 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of MITIE Group PLC for the year ended 31 March 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ian Krieger

Ian Krieger (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom
17 May 2010

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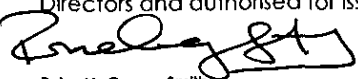
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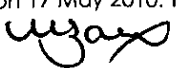
Company balance sheet

As of 31 March 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Tangible assets	39	25.6	17.1
Investments in subsidiary undertakings	40	627.5	471.4
Total fixed assets		653.1	488.5
Current assets			
Debtors	41	57.7	33.1
Total current assets		57.7	33.1
Total assets		710.8	521.6
Current liabilities			
Creditors: amounts falling due within one year	42	(147.0)	(112.3)
Provisions	44	(9.9)	(2.4)
Total current liabilities		(156.9)	(114.7)
Net current liabilities		(99.2)	(81.6)
Total assets less current liabilities		553.9	406.9
Long-term liabilities			
Creditors: amounts falling due after more than one year	43	(101.6)	(1.6)
Provisions	44	(4.6)	(8.6)
Total liabilities		(263.1)	(124.9)
Net assets		447.7	396.7
Capital and reserves			
Share capital	45	8.8	8.1
Share premium account	46	76.7	24.4
Merger reserve	46	80.3	67.2
Share-based payments reserve	46	6.1	4.4
Own shares reserve	46	(8.1)	(5.2)
Other reserves	46	0.3	0.3
Profit and loss account	46	283.6	297.5
Equity shareholders' funds		447.7	396.7

The financial statements of MITIE Group PLC, company registration number SC 19230, were approved by the Board of Directors and authorised for issue on 17 May 2010. They were signed on its behalf by:


 Ruby McGregor-Smith
 Chief Executive


 Suzanne Baxter
 Group Finance Director

Notes to the Company financial statements

For the year ended 31 March 2010

36. Significant accounting policies**Basis of accounting**

The separate financial statements of the Company are presented as required by company law. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

As more fully detailed in the Directors' report: Corporate governance statement, the Company's financial statements have been prepared on a going concern basis.

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Investments

Fixed asset investments in subsidiaries are shown at cost less any provision for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged so as to write off the cost of the assets over their estimated useful lives and is calculated on a straight-line basis as follows:

Plant and vehicles 3–10 years

Software and development costs 5–10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of tangible fixed assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to the profit and loss account, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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.

Notes to the company financial statements**36. Significant accounting policies****Financial instruments**

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account where there is objective evidence that the asset is impaired.

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables are measured at amortised cost.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Share-based payments

The Company operates a number of executive and employee share option schemes. For all grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes model and the corresponding expense is recognised on a straight-line basis over the vesting period. Options over the Company's shares awarded to employees of the Company's subsidiaries are accounted for as a capital contribution within the carrying value of investments in subsidiary undertakings.

Pensions

Pension costs represent amounts paid to one of the Group's pension schemes. For the purposes of FRS 17 'Retirement Benefits' the Company has been unable to identify its share of the underlying assets and liabilities of the Group defined benefit pension scheme on a consistent and reasonable basis. Therefore the Company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 33 to the consolidated financial statements sets out the details of the IAS 19 'Employee Benefits' net pension liability of £10.5m (2009: £0.4m).

37. Profit for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. MITIE Group PLC reported a profit after taxation for the financial year ended 31 March 2010 of £10.1m (2009: £53.1m), which includes £4.7m of non-distributable profits that arose from internal restructuring during the year.

The auditors' remuneration for audit services to the Company was £50,000 (2009: £45,000).

Detailed disclosures of Directors' remuneration and share options are given in the audited section of the Directors' remuneration report contained in the consolidated financial statements.

38. Dividends

	2010 £m	2009 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2009 of 3.6p (2008: 3.2p) per share	11.6	10.1
Interim dividend for the year ended 31 March 2010 of 3.7p (2009: 3.3p) per share	13.1	10.7
	24.7	20.8
Proposed final dividend for the year ended 31 March 2010 of 4.1p (2009: 3.6p) per share	14.5	11.6

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

39. Tangible fixed assets

	Plant and vehicles £m	Software and development costs £m	Total £m
Cost			
At 1 April 2009	3.1	15.5	18.6
Additions	4.7	5.8	10.5
Disposals	(0.4)	–	(0.4)
At 31 March 2010	7.4	21.3	28.7
Accumulated depreciation			
At 1 April 2009	1.4	0.1	1.5
Charge for the year	1.2	0.6	1.8
Disposals	(0.2)	–	(0.2)
At 31 March 2010	2.4	0.7	3.1
Carrying amount			
At 31 March 2010	5.0	20.6	25.6
At 31 March 2009	1.7	15.4	17.1

Borrowing costs of £0.2m (2009: £0.5m) were capitalised during the year as part of software and development costs.

40. Investments in subsidiary undertakings

	£m
Shares at cost	
At 1 April 2009	483.0
Additions	159.9
Disposal (due to internal restructuring)	(5.5)
Capital contribution re share-based payments	1.7
At 31 March 2010	639.1
Provision for impairment	
At 1 April 2009	11.6
At 31 March 2010	11.6
Carrying amount	
At 31 March 2010	627.5
At 31 March 2009	471.4

Details of the acquisitions in the year are provided in Note 29 of the consolidated financial statements and a listing of principal subsidiaries in Note 35. Additions to the cost of investments of £159.9m include those incurred to obtain associated intangible assets in the form of non-compete agreements valued at £4.1m.

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Notes to the company financial statements**41. Debtors**

	2010 £m	2009 £m
Amounts owed by subsidiary undertakings	52.5	26.9
Other debtors	1.5	0.6
Corporation tax	1.7	1.3
Prepayments and accrued income	2.0	4.3
	57.7	33.1

The Directors consider that the carrying amount of debtors approximates their fair value.

42. Creditors: amounts falling due within one year

	2010 £m	2009 £m
Overdraft	114.2	71.6
Bank loans	–	10.0
Loan notes	1.9	1.9
Trade creditors	2.8	3.8
Amounts owed to subsidiary undertakings	18.6	19.0
Other taxes and social security	3.4	2.2
Accruals and deferred income	6.1	2.7
Deferred tax	–	1.1
	147.0	112.3

The Directors consider that the carrying amount of creditors approximates their fair value.

The Company's bank overdrafts are part of the Group's banking arrangements and are offset against credit balances within the Group. The Company has adequate liquidity to discharge all current obligations.

43. Creditors: amounts falling due after more than one year

	2010 £m	2009 £m
Loan notes	1.6	1.6
Bank loans	100.0	–
	101.6	1.6

44. Provisions

	Deferred contingent consideration £m	Deferred tax £m	Total £m
At 1 April 2009	11.0	–	11.0
Utilised during the year	(2.0)	–	(2.0)
Other movements in the year	3.9	1.6	5.5
At 31 March 2010	12.9	1.6	14.5
Falling due within one year			9.9
Falling due after more than one year			4.6
			14.5

Details of provisions are provided in Note 27 of the consolidated financial statements.

45. Share capital

Ordinary shares of 2.5p	Number million	£m
Authorised		
At 31 March 2009 and 31 March 2010	500.0	12.5
Allotted and fully paid		
At 1 April 2009	323.0	8.1
Issued for placing	19.0	0.5
Issued for acquisitions	9.0	0.2
Issued under share option schemes	2.2	-
At 31 March 2010	353.2	8.8
At 1 April 2008	316.8	7.9
Issued for acquisitions	4.8	0.1
Issued under share option schemes	1.4	0.1
At 31 March 2009	323.0	8.1

Details of movements in share capital during the year are provided in Note 28 of the consolidated financial statements.

46. Reserves

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Profit and loss account* £m	Total £m
At beginning of year	8.1	24.4	67.2	4.4	(5.2)	0.3	297.5	396.7
Shares issued	0.7	52.3	13.1	-	-	-	-	66.1
Purchase of own shares	-	-	-	-	(4.5)	-	-	(4.5)
Share-based payments	-	-	-	1.7	1.6	-	0.7	4.0
Profit for the year	-	-	-	-	-	-	10.1	10.1
Dividends paid to shareholders	-	-	-	-	-	-	(24.7)	(24.7)
Balance at 31 March 2010	8.8	76.7	80.3	6.1	(8.1)	0.3	283.6	447.7

* £192.4m is non-distributable, £187.7m having arisen from internal restructuring in the year ended 31 March 2008 and £4.7m in the current year.

47. Contingent liabilities

Details of contingent liabilities have been given in Note 30 of the consolidated financial statements.

Notes to the company financial statements**48. Share-based payments****Equity-settled share option schemes**

The Company has four share option schemes as described in Note 32 of the consolidated financial statements.

The Company recognised the following expenses related to share-based payments:

	2010 £m	2009 £m
Long Term Incentive Plan share options	2.0	1.1
2001 Executive share options	0.2	0.1
2001 SAYE share options	0.1	0.0
	2.3	1.2

The fair value of options is measured by use of the Black-Scholes model. The inputs into the Black-Scholes model are as described in Note 32 of the consolidated financial statements.

49. Related parties

The Company makes management charges to all of its subsidiaries, whether they are wholly-owned or otherwise, and receives dividends from its subsidiaries, according to their ability to remit them. Other details of related party transactions have been given in Note 34 of the consolidated financial statements.

Shareholder information

Results

2011 Interim management statement	14 July 2010
2011 Half-yearly results	22 November 2010

Dividends

2010 Half-yearly dividend 3.7p paid	4 February 2010
2010 Final dividend 4.1p (proposed)	
2010 Final ex dividend date	23 June 2010
2010 Final dividend record date	25 June 2010
2010 Final dividend last date for receipt/ revocation of DRIP mandate	12 July 2010
2010 Final dividend payment date	13 August 2010

Annual General Meeting

2010 Annual General Meeting	14 July 2010 2.30pm
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Company details

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Registrars

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Telephone: 0871 664 0300*

Website: www.mitie-shares.com

*calls cost 10p a minute plus network extras, lines are open 8.30am–5.30pm Mon–Fri

Dividend reinvestment plan (DRIP)

MITIE has set up a dividend reinvestment plan (DRIP) to enable you to build your shareholding by using your cash dividends under a standing election to buy additional shares in MITIE. If you would like to receive further information, including details of how to apply, please call Capita Registrars on 020 8639 3402 or contact them by sending an email to: shares@capitaregistrars.com

MITIE online share portal

MITIE has launched a shareholder portal where shareholders can register and can:

- access information on shareholdings and movements;
- update address details;
- view dividend payments received and register bank mandate instructions;
- sell MITIE shares;
- complete an online proxy voting form; and
- register for e-communications allowing MITIE to notify shareholders by email that certain documents are available to view on its website. This will further reduce MITIE's carbon footprint as well as reduce costs.

If you wish to register, please sign up at: www.mitie-shares.com

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Corporate website

This report can be downloaded in PDF format from the MITIE website, which also contains additional general information about MITIE. Please visit: www.mitie.com

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**A big thank you to the 94 MITIE
people who appear in this report,
and to the other 56,485 who
made this another great year
for the Group.**

You make us who we are.

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