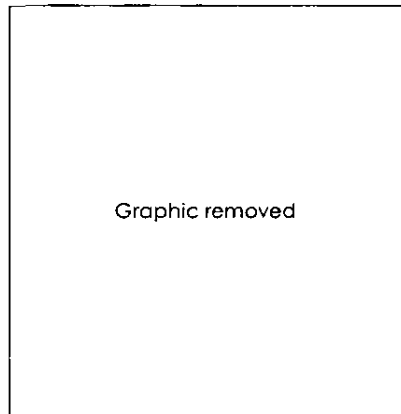


**MITIE Group PLC
Annual Report and Accounts 2012**

**The strategic outsourcing
and energy services company**

SC019230



#25 MITIE

**25 years...
never stop looking forward.**

SATURDAY



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14/07/2012

#69

COMPANIES HOUSE

Graphics removed

To mark the 25th year of MITIE, we asked photographer Ed Robinson to document how far we've come and what we stand for today through a series of 25 images...

You can keep up to date with all things MITIE during our milestone year by following us across our social media channels.

facebook.com/mitiepeople
twitter.com/mitie_group_plc
youtube.com/user/MITIEGroupPLC

#25mitie

**Over the last 25 years
our entrepreneurial spirit
and passionate people
have been a constant
force driving us forward.**

**We've certainly adapted
and changed over the
years, and will continue
to do so for years to come.**

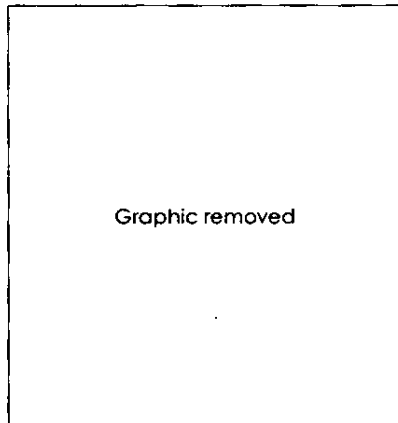
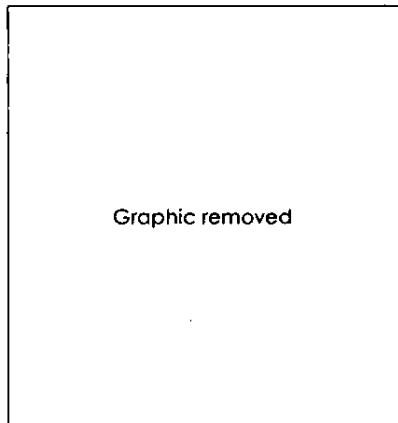
**Keeping in-step with
what our customers need,
and delivering beyond
their expectations is what
makes us special...**

it's what makes us MITIE.

Introduction

This year...

20 More on our work with Essex County Council



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More on our work with NMK



Directors' report
The Directors present the Annual Report and Accounts for the year ended 31 March 2012. References to 'MITE', the 'Group', the 'Company', 'we', or 'our' are to MITE Group PLC or to MITE Group PLC and its subsidiary companies where appropriate. The Directors' Report that 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 that report are subject to the limitations and restrictions provided by such law.

Legal disclaimer
The Annual Report and Accounts contains forward-looking statements. Such statements do not relate strictly to historical facts and can be identified by the use of words such as 'anticipate', 'expect', 'intend', 'will', 'project', 'plan', and 'believe' and other words of similar meaning in connection with any discussion of future events. These statements are made by the Directors of MITE in good faith based on the information available to them as at the date of approval of the Annual Report and Accounts for the year ended 31 March 2012 and will not be updated during the year. These statements, by their nature, involve risk and uncertainty because they relate to, and depend upon, events that may or may not occur in the future. Actual events may differ materially from those expressed or implied in this document and accordingly all such statements should be treated with caution. Nothing in this document should be construed as a profit forecast.

MITIE Entrepreneurs

We have never lost sight of our entrepreneurial culture

At MITIE, entrepreneurialism has always been at the heart of our organisation. MITIE stands for Management Incentive Through Investment Equity. Since we started 25 years ago, we've been partnering with entrepreneurs to grow businesses and we're as passionate about this today as we were when we started.

Graphic removed

The 'MITE Model' is for entrepreneurial management teams who have an idea for growing a business as a part of MITE. It's structured so that the management team takes an equity stake of up to 49% in a business which they grow over a five to ten year period, and is eventually acquired by MITE in full.

MITE has supported over 100 start-up businesses to grow using the MITE Model, with a 95% success rate. It has shaped our entrepreneurial culture, supported our excellent track record of growth, and provided the basis for hundreds of people to develop successful careers in outsourcing.

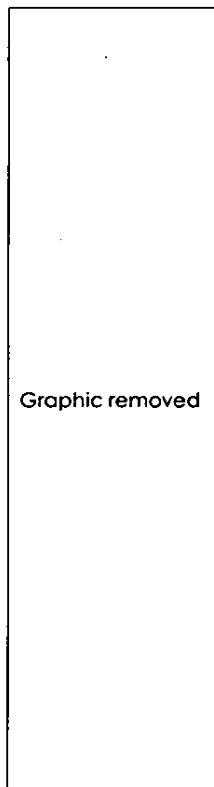
In 2011 we launched a £10m fund to encourage more entrepreneurs to join us. We have spent nearly half of that fund and have plans to launch another one soon. We're looking to start businesses that expand the range of services we offer to our existing clients, or that will lead us into new markets. Our range of services is incredibly broad and we're open to all ideas that fit with MITE's strategy and have the potential to attract a growing client base.

We are always looking to enter rapidly growing markets that have huge potential for outsourcers to provide new and innovative solutions.



Care and Custody

After working in the Justice sector for many years, Colin, Paul and Alex started MITE's Care and Custody, business three years ago. The business supports a core part of MITE's justice strategy.



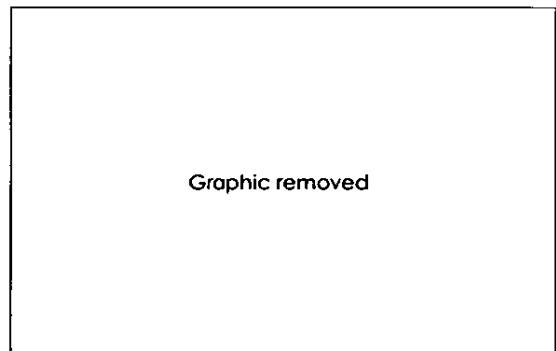
MITE Millions event

In May, six entrepreneurs pitched for their share of our £10m entrepreneurial fund.

www.mitie.com/entrepreneurs

Client Services

Debra and David started MITE's Client Services business five years ago. They now create exceptional, memorable experiences at their clients' sites across the UK.



100+

MITE has supported over 100 start-up businesses

95%

The MITE model has a 95% success rate

£10m

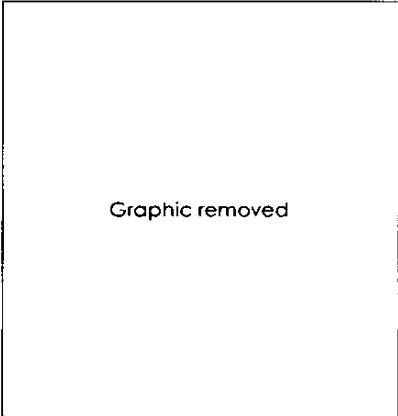
Entrepreneurial fund launched in 2011

Our business

Shaping our business to meet the needs of our customers...

**We specialise in
strategic outsourcing and energy services,
bringing together the expertise and capabilities of
MITIE to help our clients achieve their organisations' goals
and make their property portfolios more efficient.**

We operate through our four divisions..



Graphic removed

**...where there is a growing shift in focus towards
Energy Services
which currently contribute around
34% of group revenue.**

More detail in our Operating Review:
30—31

...underpinned by a model designed to generate value through efficiency

**In simple terms what we do is to
find out what our clients want and use
our people and technology to help them
get it as efficiently as possible.**

**Whether that is lower occupancy costs,
energy performance improvements or
international outsourcing solutions.**

Organising people

Our core skill is efficiently
managing and motivating a large
and diverse skilled workforce.

Graphic removed

Technology

We integrate, analyse and
then act upon our own and
our clients' data to make sure
we provide the best service,
at the appropriate time,
for the right cost.

Client strategy

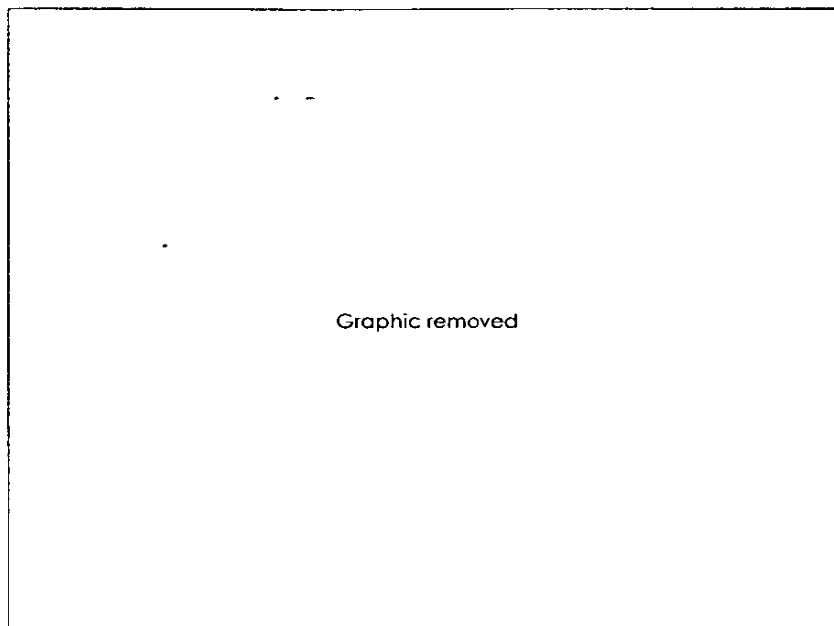
We listen to our clients to
find out what is really important
to their organisations and
help them achieve it.

Driven by market expertise

All of our markets have a unique set of requirements and these
requirements are continually changing as clients respond to
what is going on around them. Our teams make it their job
to know what is happening and make sure that the advice
and services we provide are the best they can be.

More detail in our Marketplace Overview:
28–29

Chairman's statement



Overview

Our strategy to focus on organic growth and develop our integrated facilities and energy management capabilities is progressing exceptionally well.

This is a reflection of the significant and continuous investments we have made in key sectors over the last few years.

During the year we saw the award of a number of transformational contracts which have enhanced our business.

Our energy capability is now a core part of our client proposition and we are the second largest energy services company in the UK.

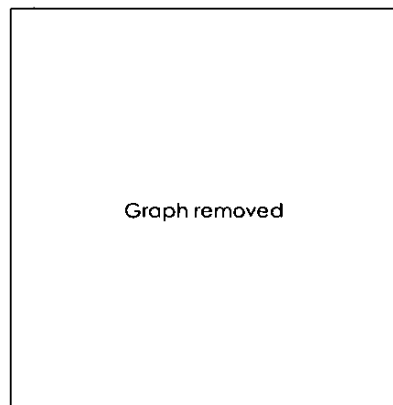
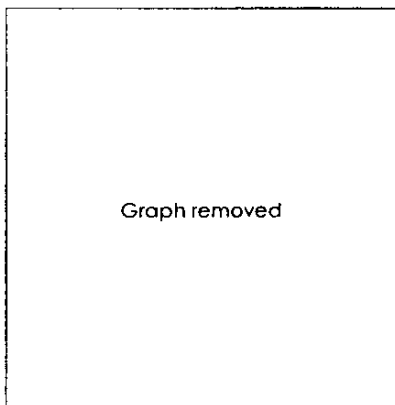
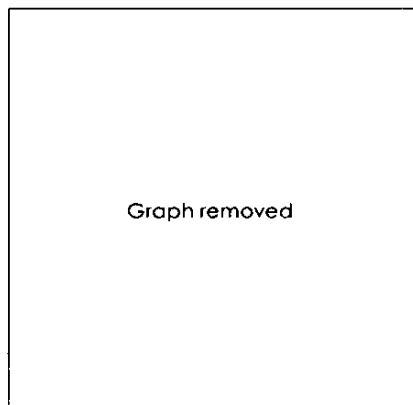
This has resulted in strong organic revenue and operating profit growth during the year. More importantly, we are well placed to deliver further organic growth in these key areas going forward, as is evident in both our record order book and large pipeline of sales opportunities.

We have also made a number of niche acquisitions which will help us to enter new and specialist markets. Utilyx provides a specialist energy and carbon consultancy and Direct Enquiries is the UK's leading access and disability consultancy. True to our entrepreneurial roots, we continue to use the original MITIE Model to start and grow innovative businesses and it remains a key differentiator for the group.

These developments leave us in a strong position as we enter the new financial year.

A transformational year... and strong organic growth

This has been a transformational 25th year for MITIE, with excellent progress on all of our key strategic objectives, and sector-leading organic growth.



Results

During the year, revenues grew by 5.9% to £2,002.5m (2011: £1,891.4m). Operating profit before other items* increased by 7.2% to £111.7m (2011: £104.2m excluding the pension credit of £4.1m), reflecting a margin* of 5.6% (2011: 5.5%). Profit before tax increased by 8.9% to £94.5m (2011: £86.8m). Basic earnings per share increased by 10.2% to 20.5p (2011: 18.6p) and earnings per share before other items remained flat at 22.6p (2011: 22.6p).

We have retained our strong focus on cash, reporting cash inflows from operations of £110.2m (2011: £102.5m) for the year, which represents excellent conversion of EBITDA to cash of 83.7% (2011: 86.7%). The balance sheet remains extremely robust with net debt at the year end at 0.81x EBITDA at £106.9m (2011: £76.5m).

We have committed bank facilities of £250m until September 2015 along with £100.2m equivalent of US Private Placement debt. Both of these facilities leave us in a strong position to take advantage of value-creating acquisition opportunities as they arise.

We have seen strong growth in our order book, which increased by 26% during the year and now stands at a record £8.6bn (2011: £6.8bn).

Our sales pipeline currently stands at £11.2bn (2011: £11.4bn) and our forward revenue visibility is excellent, with contracted revenue for the year ending 31 March 2013 at 83% of budgeted revenue (prior year: 81%).

* Excludes non-recurring pension credit of £4.1m in 2011

Dividend

It is now the Board's policy to grow the dividend broadly in line with the underlying earnings of the group. The final dividend proposed by the Board has increased by 6.1% to 5.2p per share (2011: 4.9p per share). This brings the full year dividend to 9.6p per share (2011: 9.0p per share), an increase of 6.7%. The dividend cover is 2.4 times adjusted earnings per share.

Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 7 August 2012 to shareholders on the register at 22 June 2012.

Board and corporate governance

Corporate governance remains an important and committed area of focus for the Board. The priorities in 2012 were the continued execution of our growth strategy, the ongoing review of performance and risk and the composition of the Board. We also focused on the senior talent pipeline, which will ensure we have the skills, experience and diversity to deliver our ambitious plans. This strong culture of governance is explained further in our Corporate Governance Statement.

Ian Stewart retired as a Non-Executive Director and Deputy Chairman on 21 May 2012. In 1987, Ian co-founded MITE with David Telling. Throughout those 25 years, Ian has been instrumental in building and growing the business that MITE is today. We thank him for his invaluable contribution to the Board and the Company, and wish him well for the future.

People

We would like to extend a huge thank you to all of our people and welcome those who joined us during the year. We are one of the UK's largest private sector employers with 63,569 people and remain focused on providing opportunities for all of our people to succeed in their careers.

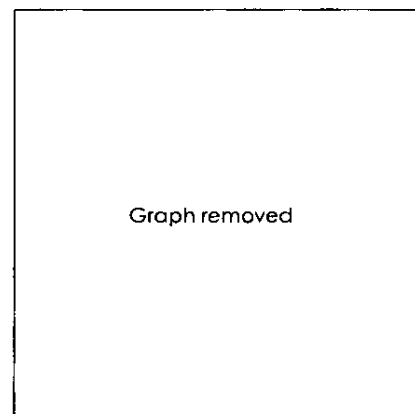
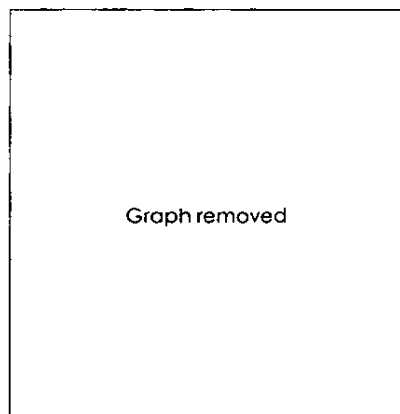
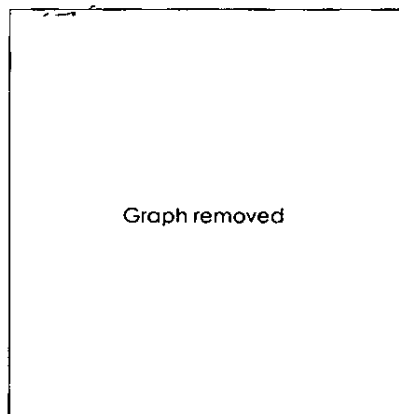
Outlook

MITE is very well positioned to capitalise on the momentum in growth we have seen over the past year. There are exciting opportunities in our markets as organisations look for greater operating and energy efficiencies. We have strong relationships with our diverse, high-quality client base in both the public and private sectors and we are committed to continually providing them with better quality services, innovation and efficiencies.

Our focus remains on achieving organic growth in our primary market of the UK, supplemented by selective acquisitions and the development of our integrated business model overseas. We will continue to invest in our people, technology and new markets, all of which differentiate us as a business.

Financially robust, we have a clear strategy for the development of our business, supported by a record order book and buoyant sales pipeline. We are confident that we will continue to build on what is an exceptional track record.

Roger Matthews
Chairman

Chief Executive's strategy overview

Graphic 1

Looking to the future

The last 25 years have been quite a journey... one that's seen MITIE grow from a start-up to an established company with a leading market position and over 63,000 employees.

Ruby McGregor-Smith looks back on the factors that have driven MITIE to continued success – and ahead to the opportunities of the future.

Graphics removed

1987

MITIE is formed by David Telling and Ian Stewart

1988

MITIE Group PLC is listed on the London Stock Exchange

1989-1995

MITIE develops the cleaning, engineering and property services businesses into national companies through MITIE Model start-ups

1996-2000

MITIE established facilities management, maintenance, security and document management businesses

2001

Ion Stewart is appointed Chief Executive. Catering, landscaping and PR businesses established

2003

Acquisitions in cleaning, security and pest control MITIE Model businesses

removed

Graphics removed

2005-2006

Acquisition of three further security companies, including the largest acquisition to that date of Initial Security, creating nationwide security coverage

2007

Ruby McGregor-Smith is appointed Chief Executive. Surpass £1bn annual revenues for the first time

2009

Acquired Dalkia FM – a UK-wide technical facilities management business, and subsequently launched CarbonCare

2010

The award of our first pan-European integrated FM contract with Rolls-Royce, operating across the UK and in six European countries

2011

Awarded a series of transformational contracts with a total value between £0.7bn and £1.3bn. Launched a £10m Entrepreneurial Fund

Ruby McGregor-Smith named Business Leader of the Year at the Orange UK National Business awards

2012

The award of our largest ever contract with Lloyds Banking Group

Market capitalisation reaches £1bn and revenues surpass £2bn

Ruby McGregor-Smith honoured with a CBE for services to business and diversity in business

Chief Executive's strategy overview

What drives MITE's success, year after year?

I don't think of MITE as 25 years old, but as a young dynamic company. We are still keen on breaking barriers, pushing against 'no can do' attitudes and are as enthused and energised as ever by the opportunities around us. We are driven by the same thing now as we were at the very beginning – a passion for the innovative thinking that can help clients to get where they want to be, quickly and cost-efficiently.

By taking on those services which are not core to our clients' operations, we improve standards and save them money, giving our clients more choices over how to spend their budgets. Getting the specification and agreed service levels absolutely right are the keys to a successful contract. Our skill base lies in mobilising teams and transferring people from the client's organisation to ours, no matter how large or small the contract. We also deliver what we say we'll deliver, precisely when we say we'll deliver it. To some extent, we can do this by drawing on experience and know-how developed over the last quarter-century. However, our success is also down to continually investing in innovative IT solutions that transform the notion of customer service.

Whether we are delivering integrated facilities management or any of our specialist single services, clients appreciate what we do and come back for more – which is why we've grown every year since 1987.

Price

1980
In-house

1990
Single service
Security
M&E
Catering
Cleaning
Maintenance
Pest control

Graphic removed

2000
Bundled services
Broader cost savings
Single point contact
Standardised provision
Best practice

Graphics removed

2010
Integrated FM
Integrated delivery
Management information systems
Property management
Overseas
Add-on specialist services:
Consultancy
Supply chain
Project management

2015
Strategic outsourcing
Buildings management and services
BPO
Technology
Data management
Asset investment
Energy/carbon

Outsourcing market evolution

Each of our clients is at a different stage of this journey above. They all have different needs which are changing at their own individual pace – it's our job to meet those needs as and when they change.

Value

Graph removed

Evolving markets and client relationships

We have continued to build on the excellent client relationships we have in our key markets during the year.



Find out more about some of our developing customer relationships:

Sellafield:
38

Diageo:
22

Ministry of Justice:
34

Essex County Council:
20

Are your markets changing, and if so how?

Our markets are changing at the fastest rate we have seen in over two decades.

As the graphic on the previous page illustrates, there has been a general shift in outsourcing, from the time in the 1980s when most services were carried out by in-house teams to the early years of this century which saw a rise in bundled services, integrated facilities management (FM) and strategic outsourcing.

What is new is the pace of change. Our clients' business models are changing, and they are changing fast. Clients have always wanted more for less, but now they want a lot more for a lot less, driven by pressures to transform their infrastructure, reduce their energy consumption and save money at the same time. Many clients do not want to be concerned with delivering services beyond their core businesses, so this is creating increased opportunities for us, particularly with large organisations. Equally, many of our clients still rely on us for our specialist single services and we remain focused on helping all our clients, whatever their needs.

The New contract summary on page 25 shows how these opportunities have translated into contracts during the year, a number of which are particularly significant in terms of the scope and scale of services they offer.

In April this year we signed a £775m, five year contract to deliver integrated facilities and energy management for Lloyds Banking Group (LBG). The LBG estate encompasses over 3,000 buildings and as part of the contract we will welcome an extra 3,000 people to the MTIE team. Our relationship with LBG began as a single service cleaning contract in 1987 when we first started, so this is a fine example of how a good working relationship can blossom into a great and much more extensive one.

In addition, the year saw a successful rebid with the Cumbrian Collaboration, with the new expanded contract to provide integrated FM and energy services valued at over £200m over five years. Our new contract with Diageo is another example of how a single service contract can grow into an expanded deal that could be worth over four times the original amount.

In the public sector, we were proud to secure some similarly significant contracts in the last 12 months. In January, we entered into a new partnership agreement with the Prison Service to bid for the management of nine prisons. It's an agreement that signals a new approach to competition for the Prison Service and will harness the expertise and experience of both organisations to compete for and manage 15-year prison contracts. During the year, we were appointed to the Ministry of Justice's (MoJ) Total Facilities Management Framework and subsequently awarded two major contracts: for Her Majesty's Courts and Tribunal Service in the South of England; and for Brixton and Isis prisons.

The total value will be £200m-£455m over five to seven years. Furthermore, we formed a ten year partnership with Essex County Council to service over 350 sites, with a total value of up to £100m.

In energy services, which provides some 34% of our revenues, among several other important projects we were appointed to deliver a landmark £35m energy centre in Scotland. More than 1,200 homes in Fife will receive all their heat and hot water from a new energy centre powered by MTIE enterprise and 38,000 tonnes of waste wood.

Following our appointment to the NHS Carbon and Energy Fund, which will enable NHS Trusts to upgrade their energy infrastructure and save energy, we have been appointed preferred bidder to develop a new energy centre at Addenbrooke's Hospital in Cambridge. The innovative centre will save £4.6m in annual energy costs, which is equivalent to hiring 217 extra nurses each year. It will also save almost 30,000 tonnes of CO₂ each year and help the Cambridge NHS Trust to surpass their sustainability targets.

However, this doesn't mean we are focused only on new or large clients. Every contract is important to us, none more so than repeat business from existing clients. We value our smaller clients enormously, many of whom are at an early stage in the journey towards large-scale outsourcing – and we are the perfect partners to help them take the next steps in line with their chosen strategies.

Chief Executive's strategy overview

Our strategy

A strategy to deliver stakeholder value through a focus on sustainable, profitable growth lies at the heart of our business. The strategy has worked well and is largely unchanged, although each year the areas of focus can change.

1

Clients

Provide world-class services to attract new clients and retain and expand contracts with existing clients

2

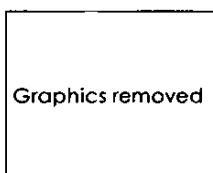
People

Recruit, motivate, retain, train and develop the best talent in the industry

4

Responsibility

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



3

Risk

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

5

New markets

Expand our capabilities in complementary markets and different countries and increase the proportion of our energy services revenues

6

Operational excellence

Improve the operational efficiency of everything we do

7

Acquisitions

Support our growth with selective acquisitions

Does this mean you're changing strategy?

Although the size of contracts have changed, the fundamentals of our strategy remain the same – to provide value for all our stakeholders through a focus on sustainable, profitable growth. As the graphic explains, we continue to focus on clients, people, risk, responsibility, new markets, operational excellence and acquisitions.

However, it's fair to say that as markets and opportunities evolve we will fine-tune the strategy to meet new challenges as they arise. Energy services will be a strong focus for us in the years ahead and international opportunities will also continue to be central to our plans. We go wherever our clients need us to go, and in more and more instances they are asking us to provide the same high quality services overseas that they already access in the UK.

In terms of acquisitions, we purchased two companies during the year: Ufilyx, the leading energy and carbon specialists; and Direct Enquiries, the UK's leading access and disability consultants. Both acquisitions bring great expertise into MITIE and we were delighted to welcome all the people into MITIE.

 Case studies of our acquisitions:
18

How can a company as large as MITIE still be entrepreneurial?

MITIE stands for Management Incentive Through Investment Equity and the spirit of entrepreneurialism has always been at the heart of our organisation.

Of course, that's a lot easier for a company with a few dozen employees than it is for one the size we are today, but we're still as passionate about entrepreneurialism as we were on day one. Over the years, we've supported over 100 start-up businesses to grow using the MITIE Model, which helps talented management teams turn ideas into reality. Start-ups keep you young, fresh and innovative, and the teams have huge amounts of energy. It's structured so that the management team takes an equity stake of up to 49% in a business which they grow over a five to ten year period before being acquired by MITIE in full.

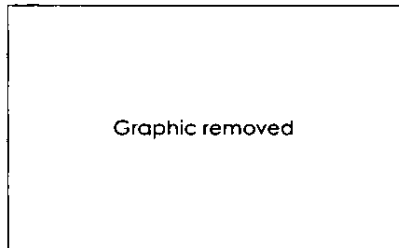
In 2011, we launched a £10m fund to encourage more entrepreneurs to start-up businesses and during 2011 we invested nearly half of that money. In order to encourage another group of entrepreneurs to come to us with ideas, in May 2012 we hosted a 'Dragons' Den' style event where entrepreneurs pitched their ideas to a panel of expert judges. The entrepreneur with the best pitch on the day secured an investment to start a business. As always, we look to start businesses that expand the range of services we offer to our clients, or that will lead us into new markets. Our entrepreneurial model is one of the best ways to do this, as well as being core to our culture.

How do you motivate over 63,000 people?

As we grow as a business, we are dedicated to creating an environment in which each and every individual can flourish – recognising and rewarding performance, nurturing talent and providing career opportunities.

We understand what makes people tick and we know how important it is that they feel valued. Equity participation has always been at the heart of our business and is in place to varying degrees across the organisation – share schemes certainly promote loyalty because they align people with the objectives of the business. During the year we launched a new voluntary all-employee share plan, which will run alongside the existing Save as You Earn Scheme we currently offer. This gives everyone another chance to invest in our company and save for their future. We also continue to grow and enhance MITIE Rewards, a fantastic benefits scheme for all our people that is a gateway to making savings and gaining discounts at over 2,500 retailers.

An environment where hard work is rewarded
'MITIE Rewards' is open to all our people and is one of the many ways they are rewarded. It's a gateway to making savings and gaining discounts at over 2,500 retailers across the UK. From chain stores and niche retailers, to everyday expenses like mobile phone and utility bills, the savings potential is endless.



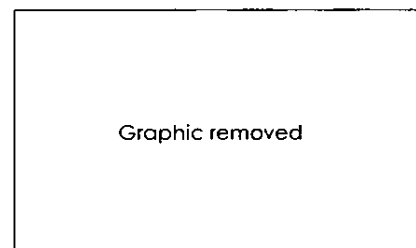
We know what capabilities we need to grow our business and are very focused on spotting and developing the potential talent we have within our organisation. We have a very clear view of our talent pipeline for key roles across the business and have put processes in place to ensure our key talent is in the right place at the right time.

We've always prided ourselves on being different and one step ahead in the way we communicate with our people. Social media frightens some organisations but we embrace it wholeheartedly – Facebook and Twitter are how our people choose to communicate. So it makes absolute sense for us to communicate with them via these channels. The use of social media is just one of the things that strike people when they join MITIE, especially if they've transferred in from another organisation. It is also one of the many reasons we are an employer of choice for Generation Y. If you tweet, please join in at #25mitie!

This year we have continued to grow our use of social media to strengthen our brand and connect with customers, our people and other stakeholders. We have introduced a new Facebook page aimed at our people and have seen our followers triple on Twitter.

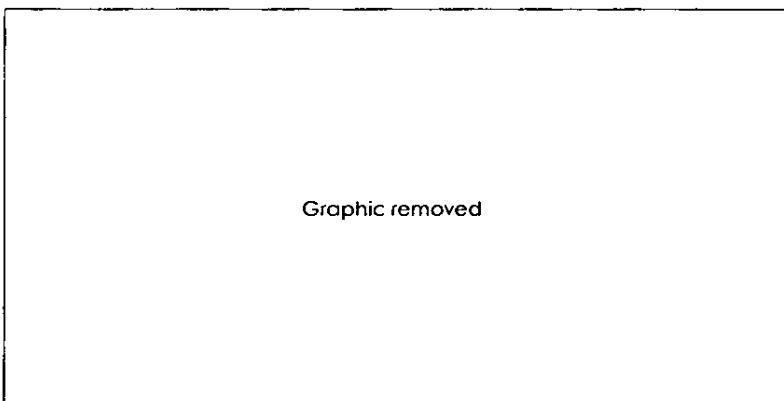
Along with our You Tube channel which has featured our MITIE's Got Talent and Stars competitions along with a range of corporate videos, our social media channels have helped us to break down communication barriers allowing us to communicate, engage and build relationships with people across the industries we work in and we can only see them becoming more and more important. We are also using an enterprise social network which is allowing our sales teams to work smarter and collaborate across the country.

On the subject of people, one of the most important things for any business to succeed is to have inspirational leaders. For people to develop and succeed in their careers, they need mentors who will support and believe in them. Ian Stewart has stepped down from the Board after 25 years of dedicated service to MITIE. For me personally, the support, encouragement and advice I have had from Ian throughout my time at MITIE has been invaluable. I would like to thank him for being an inspiration and mentor to me and so many others. His is a shining example of leadership.



Ian Stewart retirement

Ian co-founded MITIE with David Telling in 1987. Throughout those 25 years, Ian has been instrumental in building and growing the business that MITIE is today.



Chief Executive's strategy overview

How do technology and innovation play a part at MITE?

Technology and innovation are real points of difference for us. We have made significant investments in innovative IT solutions that transform the notion of customer service and are fundamental to our ability to deliver the most efficient services.

In particular, MiWorld, our web based management information platform, gives clients 'live' visibility over exactly what we're doing for them, when and how well. MiWorld presents an overview of the client's portfolio in one centralised location, whether that's a PC, laptop or tablet, it helps them identify asset and facility performance issues which can be acted upon to improve efficiencies and reduce costs. MiWorld helps to support our clients' strategies, by combining the FM service costs with their property related expenditure such as utility expenditure and leases, and presenting the total costs of occupancy across their entire portfolios, which can be used to benchmark performance.

Our use of PDAs (personal digital assistants) across the majority of our contracts has enabled us to introduce vastly different working practices. PDAs help us to schedule our mobile workforce much more efficiently, making sure our people are always focusing on doing what they do best – delivering great service.

To date, we've invested significantly in MiWorld, PDAs and other service enhancing technologies. During 2012 that will increase further, and there is a lot more to come in future years too.

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The role of technology
Technology is a real point of difference for us. For example, MiWorld gives clients real time control over exactly what we're doing for them, when and how well.

We have also recently launched Operation Exodus which aims to re-engineer all of our processes to make them electronic over the next two years. Delivering an efficient and cost effective operation to our clients is a top priority. Using the benefits of technology, we want to make all of our processes simpler and more efficient for our people, our customers and our supply chain.

Working more collaboratively with our suppliers is also really important when it comes to innovation. In many cases we work in close consultation with our suppliers, involving them in our process to create tailored solutions for our clients. Our suppliers are also using us to test new and pioneering products that they are bringing to the market, for example through our supplier innovation days. In partnership with our supply chain, we can offer our clients even more forward-thinking solutions.

In what direction do you see outsourcing going – and how is MITE placed to meet the challenge?

In a business climate like we have today, it's not easy to predict market trends. But one thing is crystal clear – we're going to see a lot more about 'intelligent' outsourcing. Of course, service delivery remains an absolute essential, and self-delivery across a broad platform creates advantages in terms of integration and added value, not only in price but also in service quality. But we see the future lying in assembling data and understanding how the separate strands of corporate real estate functions interact.

Until now, this is an area that has not been exploited – but there are new 'linkages' emerging on many levels... between FM costs and energy provision, for example, as well as between projects and FM, energy and projects, agile working regimes and property costs (such as leases, rates and valuations), and between all these elements of real estate cost and the increasing economic and legislative demands.

How can we exploit this situation for our clients? By developing new models for outsourcing that are based on synergies between cost centres and a new, deep understanding of the effect that each one has on all the others. This approach will be built on the intelligent aggregation of data and real knowledge of Total Operating Costs, and will be driven by new technologies.

We're well placed to assist clients with such an exciting development. We already have extensive service delivery capability – and we're investing in skills and technology to expand this even further. As always, the thing that will set us apart is our ability to create opportunity for our clients in different and often ground-breaking ways.

And what about the next few years?

The world is a very different place today compared to how it was in 1987. Our markets and clients are evolving at an unprecedented speed, and this is changing both the nature and the scale of the opportunities we face.

The last 12 months have seen the award of a number of contracts that are transforming our business. This success is an endorsement of our strategy to invest in our integrated facilities and energy management capabilities, which will underpin the continued growth of our business.

Our sales pipeline is strong and our order book stands at record levels. We are optimistic about the opportunities for growth, but recognise the wider uncertainties in the global economy and in some of our more cyclical markets. As governments and businesses seek cost and energy efficiencies, our track record for service delivery, innovation and efficiency will continue to differentiate us.

Times change but quality endures. Looking ahead, I am confident that the track record of sustainable, profitable growth that we have maintained for 25 years will continue. We are more passionate and excited about the future than we have ever been.

Ruby McGregor-Smith cbe
Chief Executive

@RUBYMS

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MiTec

Our approach to total security management is driven by technology, risk resilience and future-proofed solutions. We designed and built MiTec, our industry leading technology centre, to offer a highly secure communications hub. It is the central point of our technology operations, linking our security personnel with electronic security and response services.

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#02²⁵

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Non-financial key performance indicators

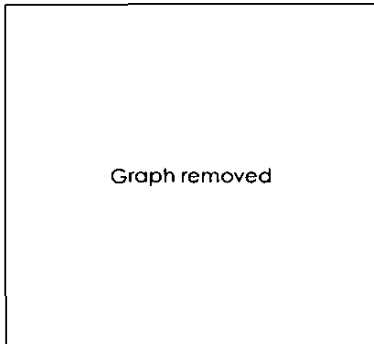
Monitoring and managing performance

We look at a range of indicators to assess our performance against our stated strategy. These include KPIs that are aligned to each of the elements of our strategy, as well as the financial indicators that we as a business are focused on.

1 2 3 4 5 6 7

Our strategy

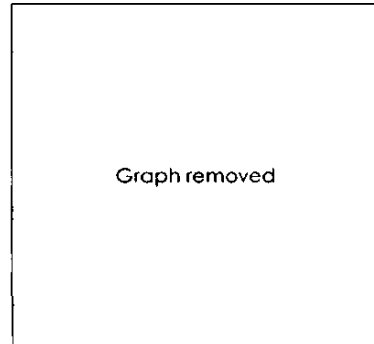
Clients



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 a record 94.0%



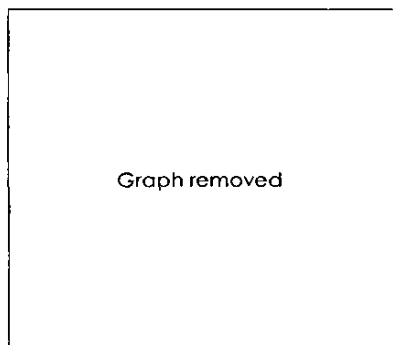
Description:
As a substantial portion of our revenue was historically generated through single service contracts, one of our opportunities for growth is through expanding our relationships with existing clients by providing other services. We have seen a trend in the markets towards multi-service and 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.

Comment:
59% of revenues are now attributable to multi-service and integrated FM contracts

1 2 3 4 5 6 7

Our strategy

Risk



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.

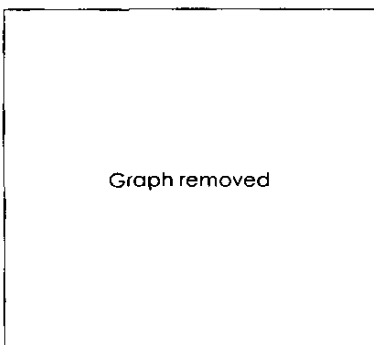
Objective:
Retain focus on reducing the risk of accidents in our business.

Comment:
Reportable accidents were 3.4 per 1,000 employees during the year.

1 2 3 4 5 6 7

Our strategy

Responsibility



Description:
Emissions are calculated using the Defra guidance on how to measure and report GHG emissions and apply the 2010 guidelines for company reporting. Last year's total CO₂e emissions have been recalculated using CO₂e for Scope 1 (direct emissions, gas and transport) and Scope 2 (indirect energy, purchased electricity) but excludes landlord managed energy and expensed business fuel (part of Scope 3). We have also restated the 2010 data to allow for changes to the property portfolio and acquisitions. The rate of CO₂e emissions per MITE employee is calculated using the average number of people employed during the year.

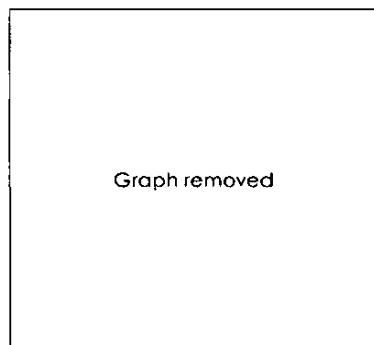
Objective:
Understand and minimise the environmental impact of our operations.

Comment:
Emissions per employee are lower than the prior year.

1 2 3 4 5 6 7

Our strategy

New Markets



Description:
Sustainability will be an increasingly competitive advantage for us going forward as our clients look to us to help them improve their performance and reduce their costs.

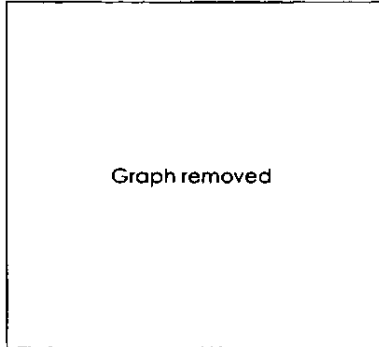
Target:
Energy services related revenue in excess of 30% each year.

Comment:
Energy services accounted for 34% of revenues during the year.

1 2 3 4 5 6 7

Our strategy

People

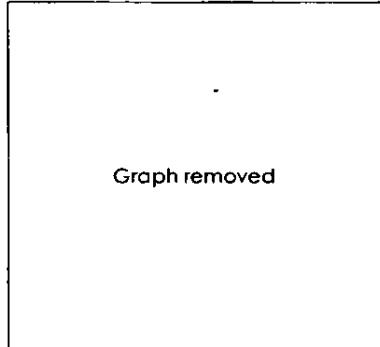


Description:

We are focused on long-term recurring revenue streams. At the start of each financial year, we calculate the percentage of our budgeted revenues that are already contracted.

Comment:

At the start of the financial year 2013, 83% of budgeted revenues were secured, our highest level ever and a reflection of the impact of our success in contract bids in 2012.



Description:

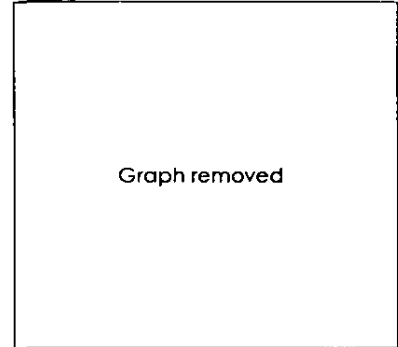
Our forward order book shows the total value of future revenues secured by contractual agreements and it is a key part of our focus on building long-term recurring revenues.

Target:

We aim to grow our order book at least in line with revenue growth.

Comment:

Our order book grew by 26% during the year to a record level of £8.6bn.



Description:

MITE is a people business and we pride ourselves in creating and nurturing outstanding managers. 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 80%.

Comment:

Our management retention rate was 82.5% for the year.

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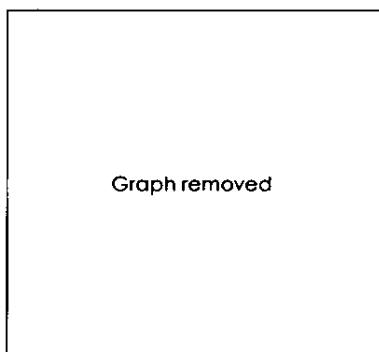
Accounts

1 2 3 4 5 6 7

Our strategy

Operational efficiency

More detail in our Divisional Review:
20—29



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Description:

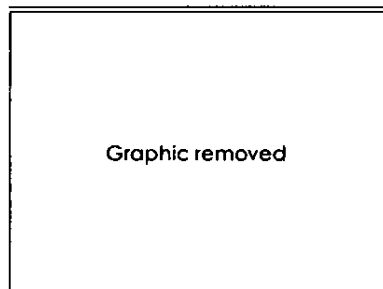
We see increasing opportunities in international markets as our clients look to expand procurement and we benefit from diversifying our revenue base.

Target:

Increase our proportion of international revenues.

Comment:

Our international revenues were 2.4% of the total group revenue.



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All of our divisions are focused on operating more efficiently, and use many different measures to assess performance.

From a group perspective, the best way to assess our productivity is our group operating profit margin, which is also one of our key financial performance indicators and found on the following page.

1 2 3 4 5 6 7

Our strategy

Acquisitions

More detail in our Divisional Review:
20—29



Logos removed

This year we invested £16.6m in the acquisitions of Utilityx and Direct Enquiries, and £14.6m in minority interest acquisitions in five companies under the MITE Model.

Our strong cash flows, committed financing facilities and strong balance sheet have ensured that these investments can be made against a backdrop of limited gearing, with net debt to EBITDA at 31 March 2012 at 0.81.

Non-financial key performance indicators

Utiyx

Utiyx was acquired by MITIE in January 2012. It provides services that manage the business impact of energy consumption and rising energy costs, including strategic planning, procurement and risk management. Established in 2000, Utiyx purchases a significant proportion of the UK corporate energy market on behalf of its clients, which come from the industrial, commercial and public sectors. The business has a reputation for excellence and innovation, having introduced products and concepts to the market such as flexible risk managed electricity purchasing, open-book agreements and end-user Power Purchase Agreements. Utiyx also provides specialist services to generators and developers of renewable energy projects.

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#04|25

Direct Enquiries

MITIE acquired a majority stake of Direct Enquiries in December 2011. It is the UK's leading access and disability consultancy company and provides a range of services to major companies and public sector organisations, which allow them to minimise their risk and maximise the benefits of embracing equality. It provides audits around access for disabled people, supported by compliance reviews covering fire risk as well as health and safety. The company also operates free to use online directories, Directenquiries.com, Inclusivebritain.com and Inclusivelondon.com – the Mayor of London's official information portal for the 2012 games and its legacy. These sites provide access information for people with specific access requirements such as disabled and older people and parents with children.

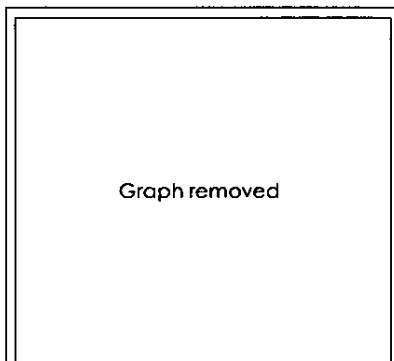
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Financial key performance indicators

Delivering sustained profit growth

Our financial KPIs are focused on the quality of our earnings and cash flows, the control of capital expenditure and the sustainability of dividends. We have performed strongly against these measures again this year.

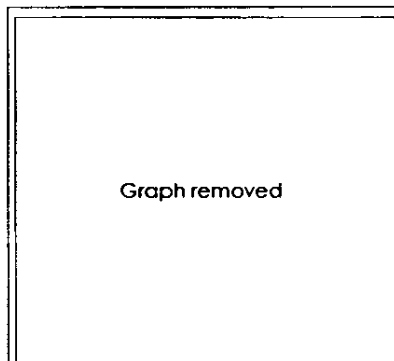


Description:
Our operating profit margin before other items* provides us with a good indicator of the profitability of our business. Where we have material restructuring and acquisition related items, such as non-recurring integration costs, we exclude these from our measure.

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

Comment:
We have maintained our margin within the target range, at 5.6%.

*other items are restructuring and acquisition related items
*excludes non recurring pension credit of £4.1m in 2011



Description:
The efficiency with which we manage the generation of cash is an important indicator for our business. MITE 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 earnings before interest, tax, depreciation and amortisation (EBITDA) to cash is one of the significant cash flow indicators for MITE.

Target range:
Over 80.0% of EBITDA converted to cash.

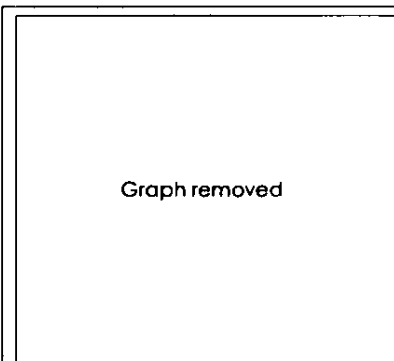
Comment:
We have achieved our target this year with 83.7% of EBITDA being converted to cash.



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:
Capital expenditure was 1.3% of revenue.



Description:
It is now the Board's policy to grow the dividend broadly in line with the underlying earnings of the group. The final dividend proposed by the Board has increased by 6.1% to 5.2p per share (2011: 4.9p per share). This brings the full year dividend to 9.6p per share (2011: 9.0p per share), an increase of 6.7%. The dividend cover is 2.4 times adjusted earnings per share.

Target range:
Broadly in line with underlying earnings growth.

Comment:
Our dividend growth for the year was 6.7%, broadly in line with underlying earnings growth.

Essex County Council

In December, MITIE signed a ten year contract with Essex County Council, to deliver transformational outsourcing services which include facilities, property and energy management. MITIE will be working in partnership with Lambert Smith Hampton to provide estate management services to the Council including strategic asset management and new ways of working that deliver sustainable improvements for Essex.

#06²⁵

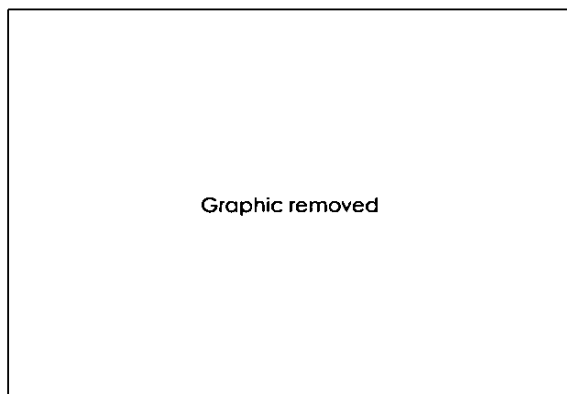
Revolutionising local authority outsourcing

Overview of services provided

Under the new contract MITIE will employ more than 500 people to service over 350 sites including Essex County Hall, offices, libraries, community centres and depots across 145,000 square metres. MITIE's integrated delivery model will provide a wide range of services across the Council's portfolio including: maintenance, cleaning, security, catering, waste management and mail and distribution services.

A partnership model

Essex County Council awarded MITIE the contract because of its strategic, efficient and sustainable service model that will deliver significant savings compared to its historic cost of service delivery. MITIE's technology platform, MiWorld, will provide the Council with a business intelligence solution that integrates their management information across the estate. MITIE's sustainable solution also includes guaranteed reductions in energy consumption within three years. MITIE is fully committed to investing in the development of Essex by employing apprentices and ensuring at least 25% of sub-contracted work is placed with local SMEs.



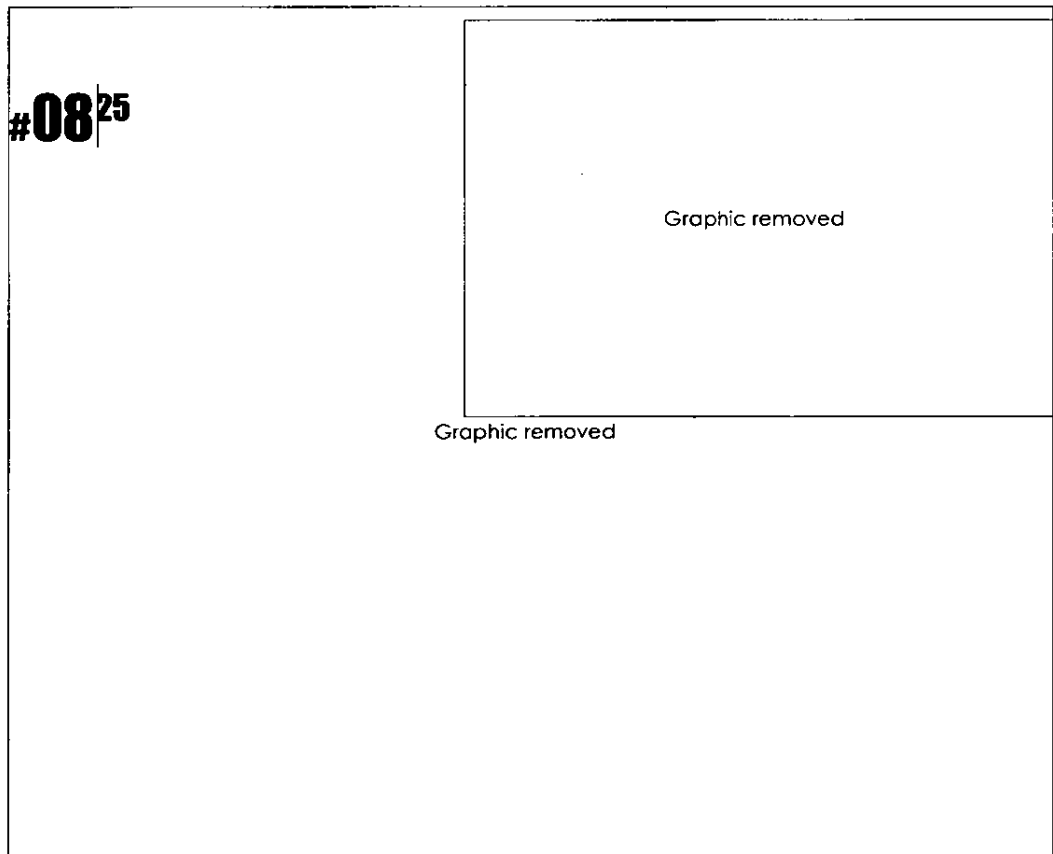
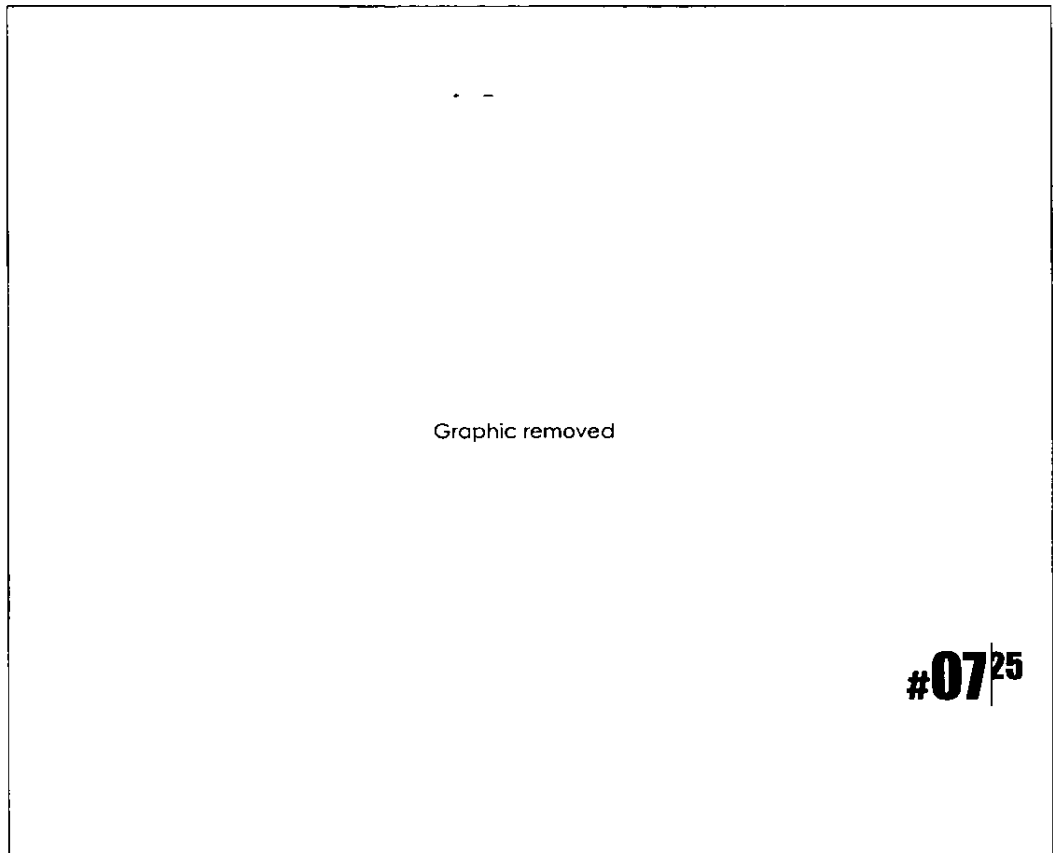
£80-100m

total contract value

10

year partnership

20



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Diageo

In September, we were awarded a contract with the world's leading premium drinks business, Diageo. MITE will work with Diageo to provide integrated facilities management and hospitality services throughout its entire UK and Irish property portfolio.

#09²⁵

A tailored mix of specialist services that is just the tonic for Diageo

£100-120m

total contract value

5

year partnership

Overview of services provided

MITE's integrated facilities management services will be delivered at over 70 sites across the UK and Ireland including all Diageo's manufacturing, packaging and distillery sites, and its global headquarters in London. The FM services include: cleaning, catering, security, front of house, reception, portage, and mechanical and electrical engineering maintenance.

A shift in strategy

MITE has been providing integrated FM to Diageo's Irish operations since it acquired Dalkia FM in Ireland in June 2010. Diageo recently conducted a strategic review and decided to move to a fully integrated, self-delivered outsourcing model across the UK and Ireland. Following this review, Diageo awarded MITE this transformational contract because of MITE's international coverage, technology platform and energy services capabilities, all of which have been tailored to fit Diageo's unique requirements.

We will continue to work closely with Diageo to explore the potential opportunities in Europe, in addition to these two important territories.

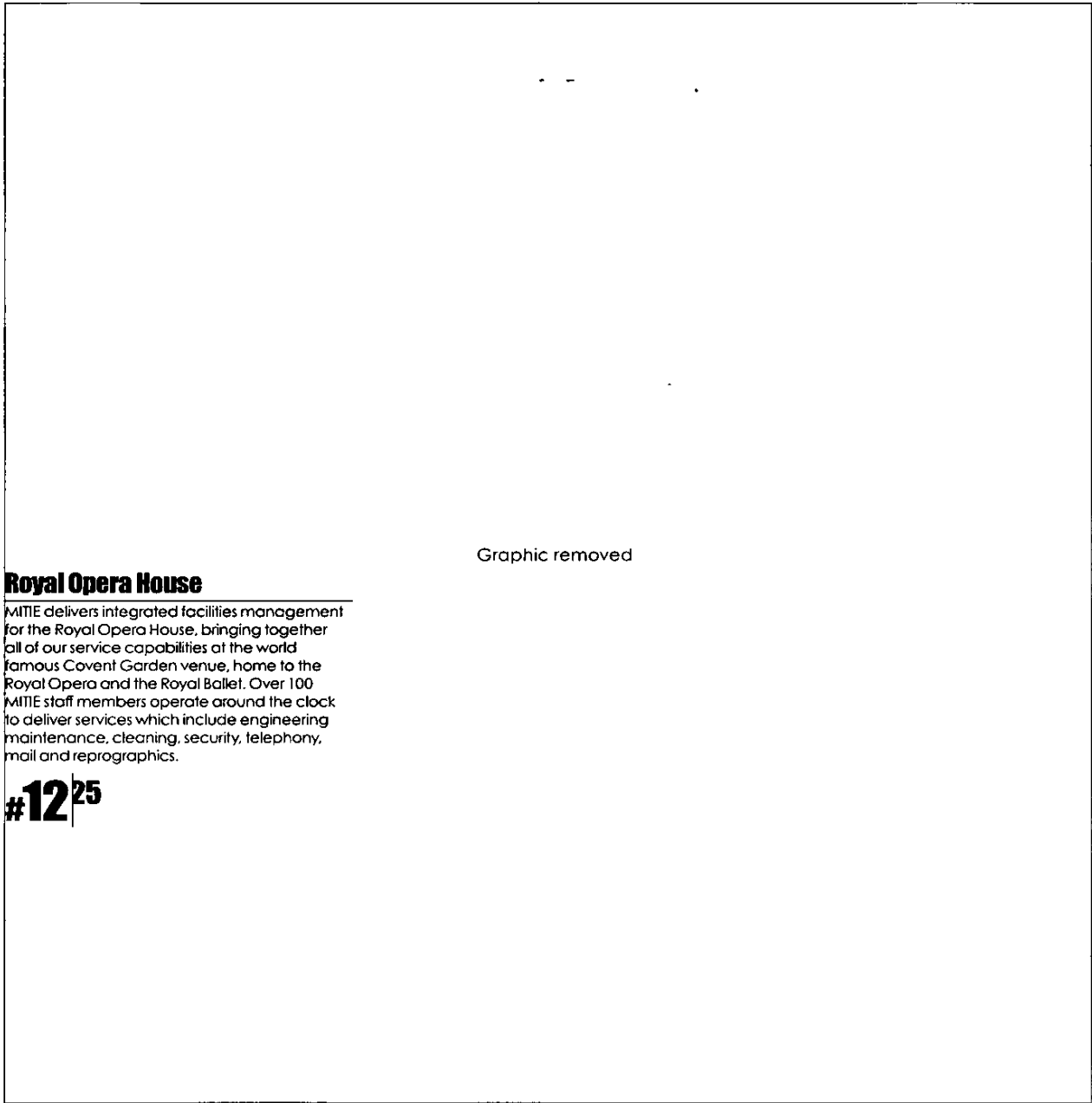
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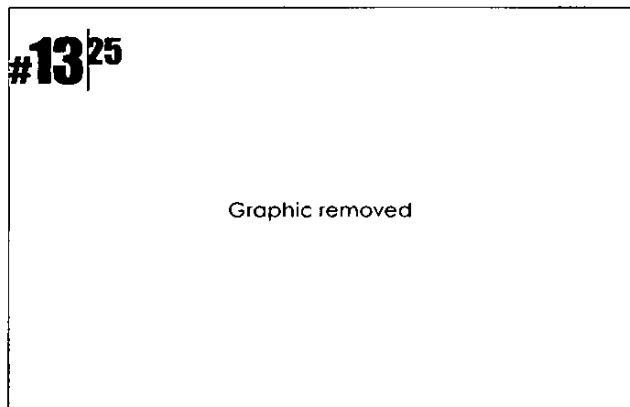


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Royal Opera House

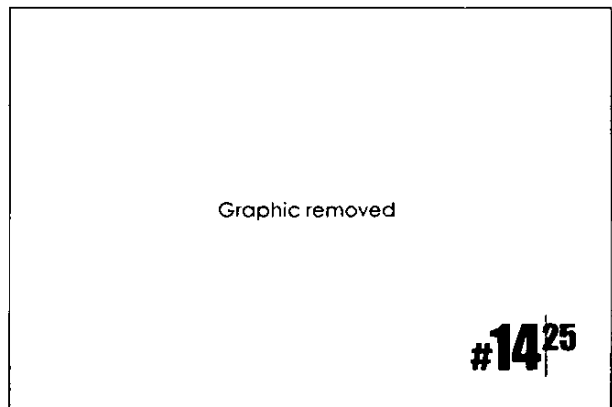
MTIE delivers integrated facilities management for the Royal Opera House, bringing together all of our service capabilities at the world famous Covent Garden venue, home to the Royal Opera and the Royal Ballet. Over 100 MTIE staff members operate around the clock to deliver services which include engineering maintenance, cleaning, security, telephony, mail and reprographics.

#12²⁵



#13²⁵

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#14²⁵

New contract summary

Some more of our recent successes

We have continued to build on the excellent client relationships we have in our key markets. This summary shows a selection of contracts that we have retained, expanded and been awarded during the year.

Private sector

Finance and professional services

Client	Contract	Timeframe	Total value
Lloyds Banking Group	Awarded a transformational contract to deliver integrated facilities and energy management, providing services across the bank's entire UK branch and office estate. Services to be delivered include catering, reception, reprographics, engineering maintenance, cleaning, security, minor capital reactive works, office space management and a range of other services	5 years + 1 year	£775m - £930m
Friends Life	Total facilities management including all hard and soft FM services as well as energy management, all supported by an innovative technology platform	5 years	£28m
LV=	Manage and deliver building repair services as part of a dual-supplier solution for the UK's largest friendly society and provider of insurance. Services include plastering, decorating and replacing damaged kitchens and bathrooms	4 years	£20m
Allianz Insurance	Secured a contract to provide building repair services to Allianz insurance customers nationwide, managing and delivering domestic and commercial property insurance claims	3 years	ND

Technology and communications

Client	Contract	Timeframe	Total value
BT Group	Security services contract including keyholding and response work	3 years	£9m
Channel 4	Expanded our contract and now provide integrated facilities management, with services including reception, reprographics, cleaning, waste, landscaping, security and engineering maintenance	3 years	£8m
Worldpay	Integrated facilities management contract to run across Worldpay's four UK sites, including its headquarters in London, including maintenance and engineering, fabric maintenance, security, helpdesk, catering, cleaning, pest control, waste management, reception and post room	3 years	£6m

Retail

Client	Contract	Timeframe	Total value
Diageo	Expanded our technical FM contract to provide integrated facilities management and hospitality services across Diageo's UK and Irish property portfolio	5 years	£100m - £120m
Primark	Awarded a variety of engineering services retail fit-out projects for stores across the UK	ND	£6m

Transport

Client	Contract	Timeframe	Total value
Airline Operators Committee at Heathrow Airport	Hold baggage screening services at Terminals 1, 2, 3 and 4	3 years	£17m
Birmingham Airport	Awarded a contract to provide soft facilities management services including airport cleaning, pest control, waste management and window cleaning	3 years	£6m

ND = Not disclosed

New contract summary

Private sector continued

Utilities

Client	Contract	Timeframe	Total value
Cumbrian Collaboration	Retained and significantly expanded an integrated FM and energy services contract with the Cumbrian Collaboration (includes Sellafield Limited, the Nuclear Decommissioning Authority, Direct Rail Services, Low Level Waste Repository Limited and International Nuclear Services)	5-7 years	£200m - £280m

Leisure

Client	Contract	Timeframe	Total value
Odeon	Awarded a contract to provide cleaning and environmental services for Odeon's chain of over 100 cinemas nationally	3 years	£14m

Property management

Client	Contract	Timeframe	Total value
Derwent London	A design and build project to provide high quality office space with a complete refurbishment including new reception and entrance facing Clerkenwell Green	8 months	£11m

Manufacturing

Client	Contract	Timeframe	Total value
Flowserve	Awarded a property services contract to deliver a range of roofing services and carry out an internal refurbishment of the Flowserve offices and canteen	1 year	£3m

Public sector

Central government

Client	Contract	Timeframe	Total value
Ministry of Justice	Awarded total facilities management contracts for Her Majesty's Courts and Tribunal Service (HMCTS) in the South of England, and two prisons at Brixton and Isis	5-7 years	£200m - £455m

Local government

Client	Contract	Timeframe	Total value
West Midlands Construction Framework	Minor works and maintenance contract for all non-housing capital expenditure and maintenance primarily within the Birmingham City Council South area. This contract is also available to 13 other local authorities within the region	4-8 years	£160m - £350m
Essex County Council	Transformational outsourcing contract which includes facilities and property management as well as energy services, working in partnership with Lambert Smith Hampton to provide estate management services	10 years	£80m - £100m
City of London	Awarded a contract providing cleaning and environmental services at the offices of City of London	3 years	£4m

Education

Client	Contract	Timeframe	Total value
Cambridge University	Awarded a contract to provide mechanical, electrical, public health and specialist services for a new 10,000m ² building for the Department of Materials, Science and Metallurgy in Cambridge	18 months	£11m
Coventry University Enterprises	Awarded a contract to provide total security management	3 years	£5m
University of Greenwich and the Greenwich Foundation	Selected to provide security services at the University and Foundation's various campuses and heritage attractions	3 years	ND

ND = Not disclosed

Public sector continued

Health

Client	Contract	Timeframe	Total value
St George's Healthcare NHS Trust	Awarded a technical facilities management contract to provide specialist maintenance services across the hospital including M&E, fabric maintenance and projects services to the 20 buildings in the Trust's estate. This adds to our existing portfolio of services, which includes cleaning, catering and helpdesk activities, bringing total annual revenues to approximately £15m	5 years	£10m
Birmingham Primary Care Trust and Birmingham Community Healthcare NHS Trust	Retained a contract to provide cleaning and environmental services for both Trusts	3 years	£8m
Midland Heart	Awarded a contract to provide security response services across its Midlands property portfolio, offering an out of hours mobile caretaker service to residents in over 32,000 properties	3 years	ND

Social housing

Client	Contract	Timeframe	Total value
Lewisham Homes	A contract to deliver home improvement works to over 13,000 social housing tenants as part of a major works programme, including kitchen and bathroom improvements, boiler and system replacements and upgrades for disabled access	5 years	£40m
Milton Keynes Council	Retained a contract to provide responsive repairs and voids	5 years	ND
Barnet Homes	Awarded a contract to provide gas services, boiler installations and maintenance of commercial heating systems on 8,800 properties	10 years	£26m

Energy services

Private and public sector contracts

Client	Contract	Timeframe	Total value
NHS Carbon and Energy Fund	Accepted as a partner in the £200m capital fund which enables NHS Trusts to upgrade their energy infrastructure to save energy, carbon and money	ND	£200m framework
Cambridge University Hospitals NHS Foundation Trust	Appointed preferred bidder to develop a major new innovation centre to power the world famous Cambridge Biomedical Campus (Addenbrooke's Hospital)	ND	ND
Ore Valley Housing Association	Appointed to deliver an energy centre in Cardenden, Fife, which will create Scotland's largest energy self-sufficient community, where more than 1,200 homes will receive all their heat and hot water from an energy centre powered by 38,000 tonnes of waste wood	ND	£35m
O-Gen Plymtrek	Energy services company formed by MITE, O-Gen UK and the Una Group, to develop an energy centre in Plymouth which will convert waste wood into renewable heat and power	10 years	ND
Camden Council	Innovative energy scheme to provide surplus heat from a hospital energy plant to 1,500 council tenants in Camden Council	15 years	ND
Royal Marsden Hospital	Awarded a contract to design, install and operate a new energy centre which will almost halve annual carbon emissions	ND	ND
Waitrose	Contracts to develop and operate biomass energy centres at the East Cowes and Bracknell stores	ND	ND
South West Water	Selected to install 30 photovoltaic systems on clean and waste water treatment plants	3 months	£3m

ND = Not disclosed

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Marketplace overview

Exciting opportunities in changing markets

We work closely with clients in both the private and public sectors, primarily in the UK but increasingly in other European countries too. The trend towards integrated services is a long-term one, and has been clearly identified in previous Annual Reports. What is different now is the speed of change and the scale of contracts – more clients are asking more and more of us.

In addition to helping them improve efficiency while reducing costs by outsourcing non-core services to us, we also enable clients to reduce the amount of energy they use as well as the price they pay for it.

Private sector

As companies continue to seek cost reductions in order to compete in tough market conditions, they are focusing on the further outsourcing of non-core services. Increased demand is being driven by integrated Facilities Management (FM) and energy services.

Our organic growth is based on excellent client relationships. We have worked alongside many of our clients for a number of years, building trust and mutual respect that has translated into increased business. There are many opportunities for us to repeat the growth achieved with existing clients such as Rolls-Royce, Vodafone and Diageo while also exploring the potential of new relationships.

We see significant integrated FM opportunities in the financial services and retail sectors, and were pleased to see potential become reality with our appointment to service a £775m transformational contract for Lloyds Banking Group.

The majority of financial and retail sector clients operate with single-service contracts and we anticipate that the next phase of outsourcing is likely to see a shift towards integrated property and energy management.

Public sector

The public sector remains under pressure, with central government and local authorities in the UK streamlining their cost bases in a trend that is likely to continue for the foreseeable future – and this is creating significant opportunities for outsourcing. The UK Government's 2011 Parliamentary White Paper on Open Public Services made clear that there remains a strong political will to introduce greater competition and reform into more areas of public services.

We remain predominantly focused on the justice, social housing, education and health sectors.

The Home Office and Ministry of Justice (MoJ) have a five year strategic plan which runs from 2010 to 2015. As part of this, they have savings targets of 25% over four years and have initiated a number of programmes to meet that goal.

Our own MoJ pipeline stands at some £1bn, with many key contracts due to be decided during 2012. Against a backdrop of full prisons and the rising costs of the justice process, there are specific and extensive outsourcing opportunities in areas such as FM,

£8.6bn

The current value of our secured order book

34%

Current revenue we generate from energy services

£450bn

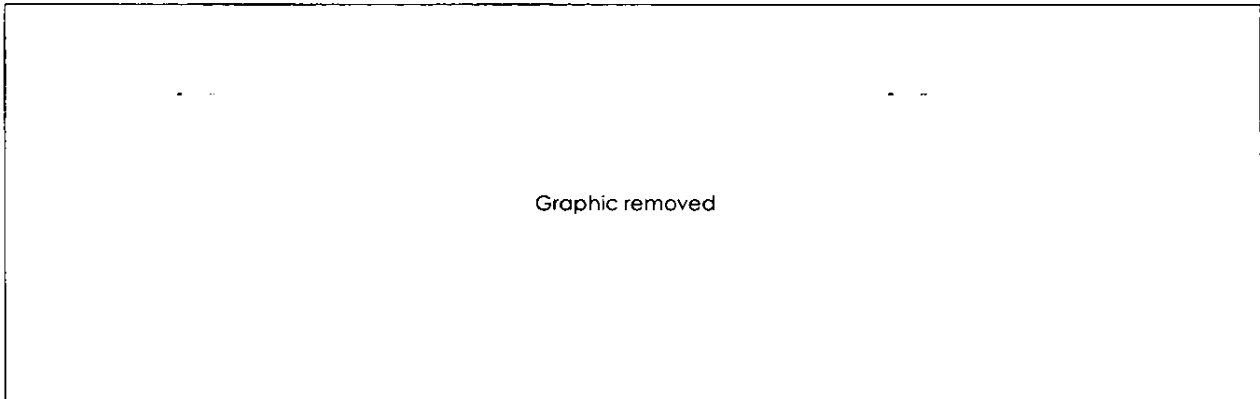
UK's total energy efficiency spend by 2025

prisons management, electronic monitoring, community payback and probation trusts. Home Office market opportunities include police services and immigration removal centres.

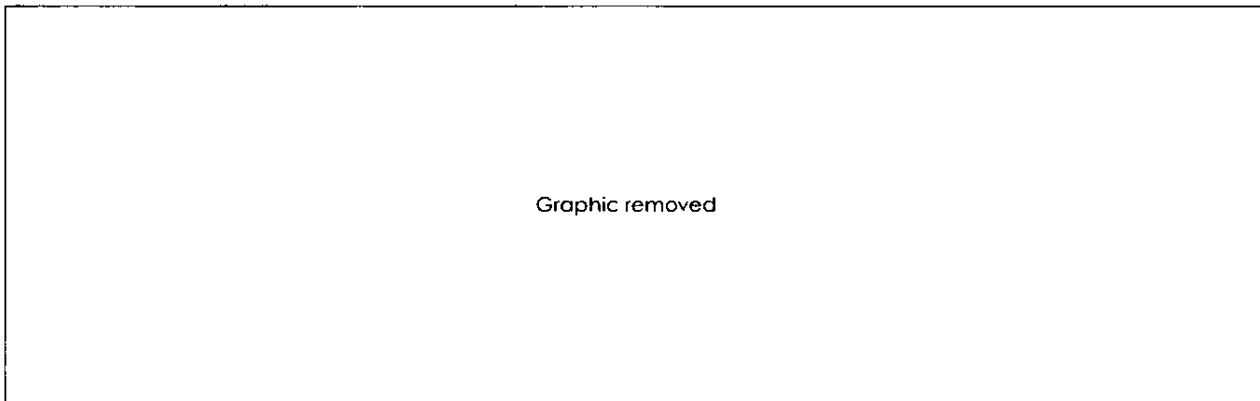
In the health sector, we are seeing a range of opportunities, including a growing portfolio of energy services work to upgrade ageing infrastructure. Increasingly, there is also a strong community element to these projects. For example, for Camden Council, we developed an innovative energy scheme to supply up to 1,500 council tenants with surplus heat from our energy plant at the Royal Free Hospital in Hampstead.

To date, we have seen limited momentum within local authorities to combine more services and rationalise their estates.

However, the pipeline of outsourcing opportunities for the delivery of local public services remains strong across the UK.



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In January 2012, the City of Edinburgh Council recommended MITE as the preferred bidder for its integrated facilities management contract, a proposed seven year partnership which would have generated significant benefits to Edinburgh creating 200 new jobs, 50 apprenticeships and with guaranteed savings of between £51m and £114m. Members of the City of Edinburgh Council subsequently voted not to approve the proposed contract. Whilst a disappointing outcome, our proposal offered a model of the future of outsourcing and we will continue to invest in this area to support its future growth.

Energy services

Our energy services business already accounts for 34% of our revenue and may rise even further as demand grows in both the public and private sectors for energy and carbon strategies, driven by macroeconomic, environmental and legislative factors.

Reduced consumption and diversified energy supply are major objectives for all clients. The UK alone must spend £450bn on energy efficiency measures and supply infrastructure by 2025.

Across the EU, there are an estimated 700-1040 active energy service contracts with a market value of €6.7bn to €8.5bn. This is expected to grow to around €25bn by 2020. Energy management is now accepted as central to an effective FM service – in fact our energy services capability is part of every contract we operate and is absolutely fundamental to our larger bids.

Already the second largest energy services company in the UK, we are well-positioned for rapid growth. Our strengths are based around six core capabilities: decentralised energy; renewable energy; energy consumption reduction; carbon compliance; data management; and the introduction of innovative ideas and initiatives that raise awareness.

International and new markets

We go where our clients need us to go, and as they increasingly take a pan-European approach to procurement we have expanded our services beyond the UK.

Our work with Rolls-Royce now spans the continent and demonstrates our ability to provide integrated FM and energy services across borders.

The opportunity is clear: 43% of our top 100 clients have international operations – and we are positioned to help them access the same efficiencies they enjoy in the UK.

Our European capability was initially provided via a partnership with Service Management International (SMI). During 2011 we acquired the remaining 50% of SMI's equity capital. The SMI platform self-delivers and supply-chain manages FM portfolio services to multinational blue-chip clients across 23 countries. SMI's established supply chain of affiliates have an annual collective turnover of US\$8.5bn and employ 280,000 people worldwide. In August, SMI was appointed as a preferred bidder for a contract with Givaudan to provide integrated FM in several European countries.

We currently have direct delivery capability in France, Germany, Poland and Norway – and are targeting further growth in Europe as we see further opportunities emerge in this market.

In the UK, we are constantly looking at ways to expand our range of services, not only by using our entrepreneurial model to enter new markets but also through value-creating acquisitions where appropriate.

Operating review

Good opportunities in existing markets and beyond

As the outsourcing market evolves, our business has had to remain flexible and grow with the market.

We offer the largest range and broadest coverage of facilities and energy management services in the UK. Those services are delivered through our four operating divisions. We remain focused on being specialists in every service that we provide, so that our clients receive the highest quality, whether it is one or 100 things we do for them.

The demand for integrated facilities management is a key driver for our business, and these contracts bring together specialist services from all of our divisions.

Facilities Management

Our FM division is responsible for delivering the following specialist single services, either individually or in multi-service, bundled contracts:

Security; Cleaning; Catering; Document management and reprographics; Reception and front of house; Waste management; Environmental services; Landscaping; Pest control; Disabled access consulting and auditing

Clients include:

Logos removed

We have continued to win new business and have improved our client retention rate to a very strong 94%. We have performed particularly well in the financial services, transport and retail sectors, where we see significant opportunities.

Our investments in customer service remain a key differentiator. In our cleaning and environmental services business, we have a Lean Six Sigma team which is helping to make our processes more efficient. Our Total Security Management business has added new service lines such as employee screening, electronic locking and unlocking and lone worker monitoring and protection. Having successfully positioned the business as a risk-based security provider, we are increasingly working with our clients to consult on their enterprise wide security risk – incorporating technology, remote monitoring and manned guarding into a holistic solution.

We are differentiated by our ability to self-deliver the majority of FM services, and always look at adding new services to our portfolio and develop our existing businesses. Our size, scale, high street and national presence and broad range of services enables us to deliver substantial cost savings and sustainable, innovative solutions to organisations of all sizes.

Divisional performance summary

Facilities Management

	2012	2011	Growth
Revenue	£937.3m	£882.2m	+6.2%
Operating profit before other items	£61.9m	£56.2m	+10.1%
Operating profit margin	6.6%	6.4%	+0.2pp
Order book	£4.9bn	£4.1bn	+19.5%

Technical Facilities Management

	2012	2011	Growth
Revenue	£472.8m	£437.1m	+8.2%
Operating profit before other items	£26.9m	£24.6m	+9.3%
Operating profit margin	5.7%	5.6%	+0.1pp
Order book	£2.1bn	£1.4bn	+50.0%

Property Management

	2012	2011	Growth
Revenue	£524.3m	£509.7m	+2.9%
Operating profit before other items	£20.2m	£21.4m	-5.6%
Operating profit margin	3.9%	4.2%	-0.3pp
Order book	£1.4bn	£1.2bn	+16.7%

Asset Management

	2012	2011	Growth
Revenue	£68.1m	£62.4m	+9.1%
Operating profit before other items	£2.7m	£2.0m	+35.0%
Operating profit margin	4.0%	3.2%	+0.8pp
Order book	£0.2bn	£0.1bn	+100.0%

Technical Facilities Management

Our TFM division focuses on delivering integrated facilities management and a range of technical and energy services:

Energy management; Mechanical and electrical engineering maintenance; National mobile services; Specialist technical services; CarbonCare energy services; Lighting design, projects and maintenance; Building management systems and controls



Energy reduction is one of the key drivers of MITIE's growth. Our CarbonCare offering forms a fundamental part of MITIE's overall energy services capabilities and has helped successfully establish MITIE as a leading energy services business. A significant number of CarbonCare services are provided by TFM and this has been further strengthened by the acquisition of Ufityx. The ongoing demand in this area is driving continued strong performance within TFM.

The market move towards integrated FM is also a major driver for TFM as the technical maintenance of critical infrastructure for our clients is key to their operations. Consequently, our technical expertise underpins the overall integrated FM offering and the delivery of these contracts is undertaken predominantly through our TFM division.

We have made further investments in our national mobile services offering, which delivers a fast and responsive mobile technical FM service across the UK and is developing well. We have also been working with leading lighting manufacturers to create a new service model that embraces the initial design of LED installations. LED retro-fit projects capability and ongoing support for LED installations. The growth of cloud computing and increase in data-intensive sites is also providing significant opportunities to monitor and maintain this plant and equipment.

Property Management

Our PM division provides a full suite of project management and property services:

Property maintenance; Building refurbishment; Interior fit-out; Insurance claims validation and repairs; Roofing; Plumbing and heating; Mechanical and electrical engineering contracting; Plastering and dry-lining; Painting and repairs; Fire protection; Residential and new house fit-out



Several of the services provided by the Property Management division are exposed to highly cyclical markets and face ongoing challenges as a result of the difficult economic environment in the UK.

Our Built Environment business provides mechanical and electrical engineering contracting services along with interior fit-out, combining a consult and build solution that gives clients assurance of costs and operational certainty.

Our social housing business is developing well, with an integrated property maintenance solution which provides consistency, stability and value for money.

The focus for our niche businesses and projects will remain on providing core trades for both fixed-term and one-off projects as well as working with other parts of MITIE on multi-discipline project work.

Asset Management

Our AM division deploys efficient technologies to develop secure and sustainable decentralised energy infrastructure:

Energy centre development; Low-carbon data centre development; Renewable energy generation; Energy services company management; Community infrastructure; Energy performance contracting



We are now an established investor in and developer of decentralised energy assets and strategies. In a market which still offers significant potential for future growth, our clients are reaping the economic, social and environmental benefits of decentralised energy. The ability to achieve sustainability targets whilst retaining funding for core services, and without upfront capital investment, is a compelling argument in the current economic climate.

We are currently working on major decentralised energy projects, operating an end-to-end service from the design and development of energy assets and strategies through to the longer term operation of them. We continue to see opportunities in the data centre market and have completed several major data centre projects during the year.

We are recognised as one of the few providers in the UK that has the track record, scale and expertise to deliver substantial decentralised energy strategies that will guarantee availability over a sustained contract term.

125 Old Broad Street

125 Old Broad Street is a 26 floor tower in the heart of the square mile in the City of London. The team prides itself on its exceptional service whilst managing a busy complex, delivering security personnel, access and egress control and front of house concierge.

#15²⁵

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Rolls-Royce, Norway

Our pan-European facilities and energy management contract with Rolls-Royce continues to develop, with additional capabilities to be added to the contract in 2012.

#18²⁵

#19²⁵

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Ministry of Justice

MITIE was awarded two contracts with the Ministry of Justice (MoJ) in October 2011, following its appointment to the MoJ's Total Facilities Management Framework in September 2011. The total facilities management contracts are for Her Majesty's Courts and Tribunal Service (HMCTS) in the South of England, and for two prisons, Brixton and Isis. This is the most that could have been awarded to MITIE through this tender process.

#20²⁵

Supporting the Ministry of Justice across its estate

£210m

minimum contracted revenue over five years

5

year contract with a possible two year extension

Overview of services provided

The contracts are for fully integrated facilities management and commenced in February. They encompass security, cleaning, maintenance and project works.

A focus on justice

MITIE has made significant investments in the justice sector, focusing solely on opportunities with the MoJ, the UK Border Agency and the police market. The contract to provide total facilities management for the courts in the South of England is MITIE's most strategically important with the Government and is also its largest in the public sector. We have a long track-record of supporting the MoJ and its estate and look forward to building on this relationship further in the coming years.

NMK, Norway

The Nordic Maritime Competence Centre (NMK) in Alesund, Norway, is a world-leading marine training centre, which occupies five floors over 23,000m² and accommodates up to 900 people. Delegates from all over the world visit the site every day to attend training courses. MITIE delivers integrated FM at the facility, as well as a commercial catering solution that includes a restaurant, coffee bar, hospitality and event catering.

#21²⁵

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Cumbrian Collaboration

During the year we were successful in retaining and expanding a contract to provide integrated facilities management and energy services to the Cumbrian Collaboration. The Cumbrian Collaboration includes Sellafield Limited, the Nuclear Decommissioning Authority (NDA), Direct Rail Services, Low Level Waste Repository Limited and International Nuclear Services.

#24²⁵

A growing partnership in Cumbria

Overview of services provided

The expanded contract covers over 500 buildings across a range of sites in the UK, with major activity in Sellafield, Cumbria and Cheshire. Over 500 people are employed as part of the contract and the services provided will include: facilities management, building maintenance; security; cleaning; waste management; catering and other FM and energy services.

A long lasting partnership

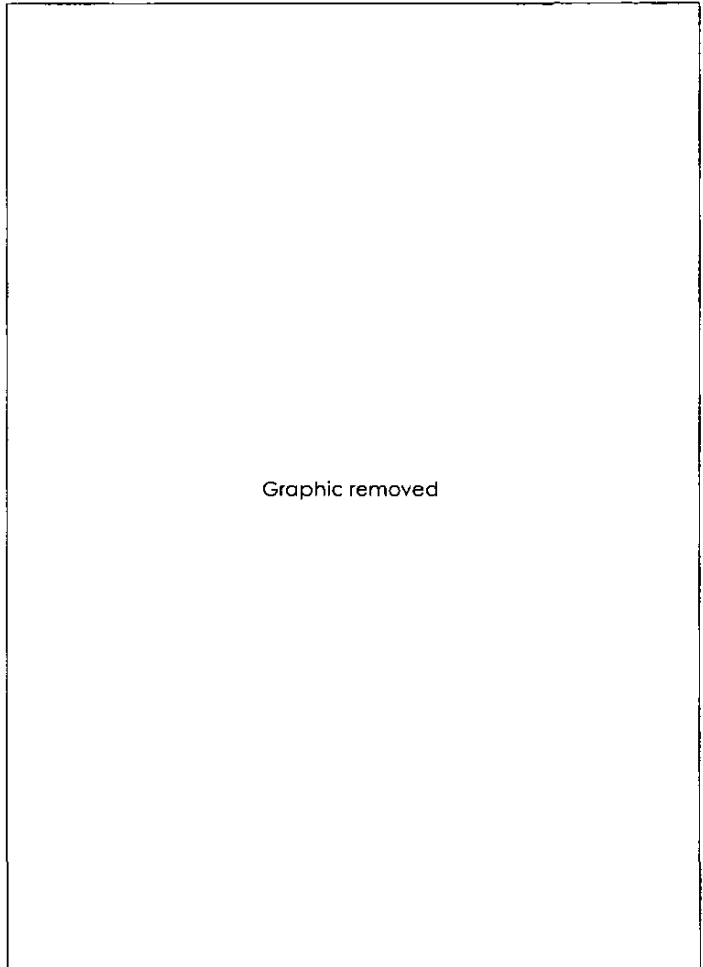
This award builds on MITIE's 11-year relationship with both Sellafield Limited and the NDA and is a testament to the quality of service and strong health and safety record that has been delivered by the MITIE team. The contract was tendered through the Government Procurement Service (formerly the Office of Government and Commerce Buying Solutions) Facilities Management Framework Agreement.

£200-280m

total contract value

5

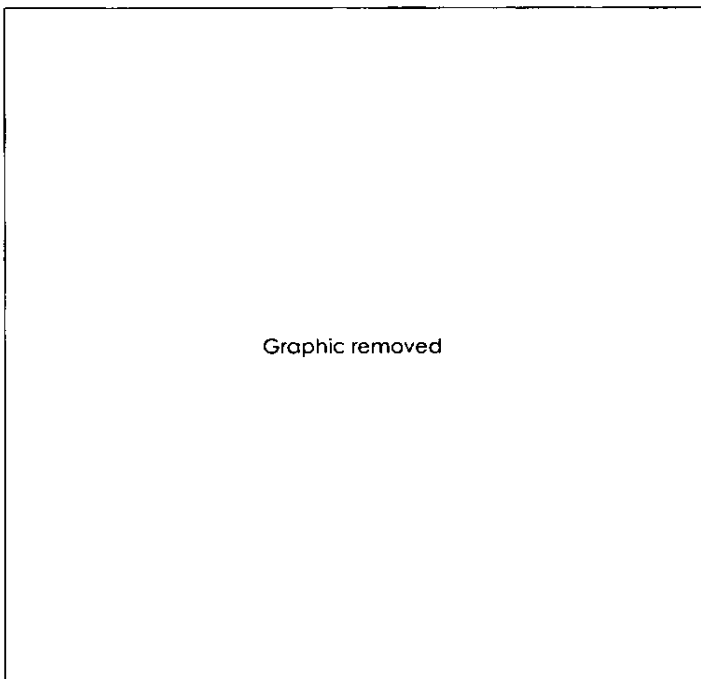
year partnership with a possible two year extension



Sustainability overview

Committed to addressing the key issues

Everyone expects more of companies now – higher standards of business ethics, more attention to social issues like fairness in the workforce, and real evidence of a commitment to tackling climate change. This is a challenge, there's no doubt about that, but it's one that MITIE is more than ready to meet.



We've always believed that a more sustainable business is a better business, and we have plenty to show for that in terms of what we've achieved. We've helped bring about big improvements in the sustainability standards of our supply chain, reached some of our environmental impact targets one year early, initiated genuinely valuable and multi award-winning community projects, and we've developed the single biggest competitive advantage we have – our own people – by creating some of the best training programmes you'll find anywhere in our industry.

Last year, we re-aligned our sustainability strategy behind six key areas, directly aligned with our corporate strategy drivers; because everything we do to make MITIE a more successful business should also help make it a more sustainable one – and vice versa.

FM Skills Centre

The Skills Centres provide students with the opportunity to combine class-based learning with practical work experience, whilst working towards a vocational qualification in Facilities Services. At the Leeds Co-operative Academy, a multi-service MITIE support team has been in place since September 2011 to support and mentor students to reach their potential and enhance their employability.

#25²⁵

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Sustainability overview

1 Looking after our clients properly

Make sure we have the right processes and systems in place to nurture relationships with clients and add the most value possible.

What we've focused on

Satisfaction surveys

Regular key client surveys to measure our performance and our Net Promoter score, recording responses into our CRM system for maximum knowledge sharing.

Industry trend surveys

Strategic client surveys to monitor key industry trends.

Enriching partnerships

Extend both our own and our clients' community footprints via the Real Apprentice and our FM and Construction Skills Centres.

What we achieved

9.3%

Our Net Promoter score is 9.3% – and we've updated our CRM system with the survey results.

100%

100% of the clients surveyed told us cost certainty and service quality were top of their agenda.

4

We ran four Real Apprentice programmes and opened the Co-operative Academy of Leeds FM Skills Centre.

What we've noticed

We're building longer term relationships with most of our clients – by helping them extend their reach in the community and making sure we listen to them when it comes to their priorities.

But our Net Promoter score shows there's still work to be done.

2 Operating our contracts smarter

Make sure all our people, and as many of the suppliers we work with as possible, understand the commercial impact of operating as efficiently as possible so that we can maximise value for all stakeholders.

What we've focused on

Employee participation

Raise awareness on fuel consumption across the organisation to help achieve 10% fuel reduction by 2013. Increase management awareness of, and participation in, sustainable practices via e-learning programmes and interactive workshops.

Supply chain management

Audit 40 major suppliers a year requiring 100% to meet or exceed our sustainability audit targets within 12 months.

What we achieved

13%

We've achieved 13% fuel reduction through proactive fleet management and targeted communication campaigns, which means we've achieved our 2013 target one year early.

8%

8% of our employee population has participated in courses and e-learning on sustainability topics.

55

We audited 55 suppliers across the group and, working with Trucost, analysed 90% of our spend to identify hot spots in carbon emissions.

What we've noticed

General awareness of our sustainability capabilities is relatively high throughout the organisation, but participation could be improved. While all our efforts so far have produced great results, we know that the next part will be the toughest and we will look to concentrate on changing people's behaviours and mind sets to improve long-term performance.

3 Using fewer natural resources

Make sure our people understand MITIE's environmental impact in terms of natural resource use and how important the reduction of this is – both from our own internal perspective and from that of external stakeholders, as well as the role they can play in improving it.

What we've focused on

Transport optimisation

Reduce average fuel consumption by 10% by 2013.

Utility management

Reduce our office energy consumption by 15% by 2013.

Waste management

Reach 80% recycling rate across our office estate by 2013.

What we achieved

130g CO₂/km

Our average car fleet emission is 130g CO₂/km, down from 140g CO₂/km.

72%

We've increased our tracking ability to 72% of our fleet.

16%

We've achieved 16% reduction in office energy consumption, which means we've reached our 2013 target one year early.

What we've noticed

We're really proud to have hit two out of three targets a full year ahead of our deadline. But we still need to carry on challenging our ways of doing things – especially engaging our people to raise awareness of how everyone can make a difference.

	Resource	Units	2010 restated baseline*	2011	2012	% change against baseline
Scope 1	Gas and fleet transport fuel	Tonnes of CO ₂ e	42,779	44,093	43,310	1.2%
Scope 2	Electricity	Tonnes of CO ₂ e	3,870	3,587	3,765	-3%
Scope 1 and 2	Intensity	Tonnes of CO ₂ e/employee	0.87	0.81	0.75	-14%
	Intensity	Tonnes/£m	27.12	25.21	23.50	-13%
Scope 3 Upstream	Energy and business car travel	Tonnes of CO ₂ e	13,399	12,807	12,991	-3%
	Water	Tonnes of CO ₂ e	9	9	11	22%
	Created waste	Tonnes	1,436	994	1,336	-7%
	Intensity	Kg/employee	27	17	21	-22%
	General waste	Tonnes	989	606	859	-13%
	Recycled waste	Tonnes	447	388	477	7%
	% Recycled			31%	39%	36%

4 Doing more for our clients with less, wherever they are in the world

Make sure all our businesses understand our high sustainability standards – including the use of innovative low carbon technologies – so our clients can benefit from them.

What we've focused on

Client awareness

Measure in what percentage of our markets around the world we are recognised as a 'green' brand.

Employee awareness

Increase employee understanding of the group's sustainability capabilities via internal marketing and communications, measuring extent of comprehension via employee surveys to set a baseline for 2012.

What we achieved

63%

63% of our clients saw us as a 'green' brand.

56%

56% of our employees have a good understanding of MTIE's sustainability strategy.

93%

We achieved Gold status in the BITC CR Index and scored 93%.

What we've noticed

Externally, we need to enhance our communications around our service offering to help clients in their sustainability agenda. Internally, we need to encourage more participation in sustainable practices and clearly communicate what we can offer clients.

5 Nurturing our people's talents

Make sure we have the right talent pipeline to fulfil all the business' future needs.

What we've focused on

Performance management

Setting clear behavioural expectations via an updated performance management framework.

Leadership programme

Understand what the vital steps are for leadership and management development, defining what support is required at each level.

Engagement

Create a year-round people engagement plan that will establish a core set of measures pan-MTIE, against which future progress will be tracked.

What we achieved

1

One new performance review process – designed with one very simple and clear goal: a great review is all about the discussion.

100% achieved

Having carried out extensive research to find out what people at MTIE thought of our leadership style today and how it could be improved, we've achieved our target when it comes to leadership.

3.8

Our overall engagement score is 3.8/5.

What we've noticed

This year was about setting baselines and putting new processes in place. We now need to measure progress and extend the reach of our leadership programme and succession planning to incorporate early career talent. We will also be acting on the results of our engagement survey, and reporting on improvements regularly throughout the year.

6 Enabling our people to work safe, and go home safe

Make sure the well-being of our people, and by extension our clients, is safeguarded while at work so they can all go home safe at the end of the day.

What we've focused on

Performance management

Provide improved Management Information through a new incident management platform to enable more effective measurement of a better range of health and safety-related KPIs.

Leadership

Launch the third phase of our health and safety risk management leadership programme to embed the correct leadership attributes within our management.

Engagement

Launch the third phase of our Work Safe Home Safe! campaign to deliver improved employee engagement.

What we achieved

1

One new platform – we now use Airsweb to report all accidents, incidents and near misses.

78

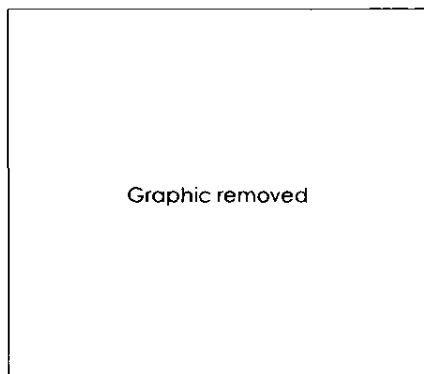
We held eight leadership workshops with a total of 78 participants.

4

We introduced four new focus areas – electrical work, working at height, driving and slips and trips.

What we've noticed

We're pretty proud of our health and safety culture – over the last year we've improved incident rates, employee awareness and engagement, as well as health and safety leadership; but we realise there is no place for complacency and so we want to continue our year on year improvement. Going forward we're keen to keep up the good work and make our new systems work harder for us.



You can read more about what we're doing in all of these areas and see our latest performance data at:

mtie.com/sustainability2012

GHG Emissions data for 1 April 2011 to 31 March 2012 in line with financial accounting period.

*2010 data has been restated in line with improved management information and to include a full year of extrapolated Dalkia FM and EPS acquisition data to enable year on year comparison.

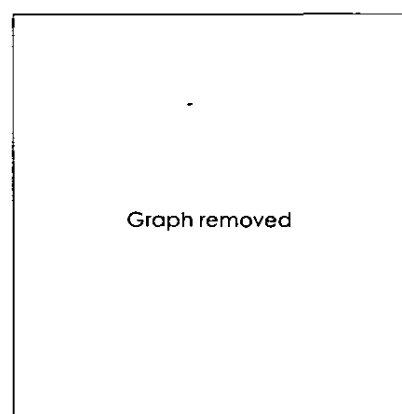
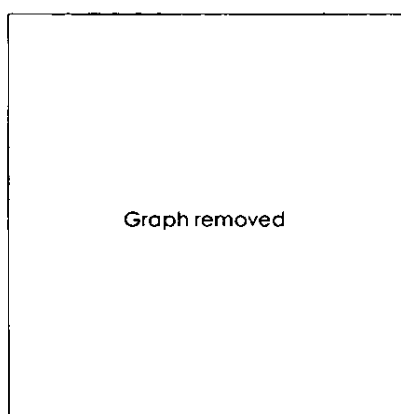
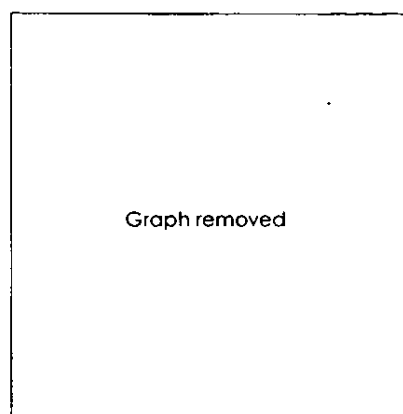
Financial review

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Strong financial performance

MITIE has delivered another set of excellent financial results, with strong revenue growth, a record order book, good cash conversion and the maintenance of a strong balance sheet. We are focused on both organic and acquisitive growth but our organic growth stands out this year and is sector-leading. The award of a number of transformational contracts has resulted in a significant uplift in our order book and a record level of secured revenues for the new financial year.

We enter the new financial year in a strong position with low leverage, a strong balance sheet and long-term committed financing facilities which will support future growth.



Financial performance

Revenue

Revenue for the group increased by 5.9% in the year ended 31 March 2012 to £2,002.5m (2011: £1,891.4m) largely driven by strong organic growth of 5.4%. The increase in revenue during the year is attributable to organic growth of £102.2m, the full year impact of the prior year acquisition of Dalkia FM in Ireland of £6.2m, and £2.7m from the in-year acquisitions of Uilityx Holdings Limited ('Uilityx') and Direct Enquiries Holdings Limited ('Direct Enquiries').

Proforma prior year revenue including the full year effect of acquisitions made in the year ended 31 March 2011 was £1,897.6m.

Revenue by division:

	2012 £m	Total growth %	Organic growth %
Facilities Management	937.3	6.2	5.5
Technical Facilities Management	472.8	8.2	7.6
Property Management	524.3	2.9	2.9
Asset Management	68.1	9.1	9.1
Total revenue	2,002.5	5.9	5.4

Operating profit before other items

Operating profit before other items* for the group increased by 7.2% to £111.7m (2011: £104.2m), reflecting an improvement in the operating profit margin* to 5.6% (2011: 5.5%). Operating profit before other items in the prior year included non-recurring income of £4.1m arising from an amendment to the past service cost of certain defined benefit pension schemes following the change from RPI to CPI for the valuation of certain pension scheme liabilities. Our operating profit and related growth statistics exclude the £4.1m from the prior year result in order to illustrate the operational performance of the group.

The increase in operating profit before other items* is attributable to organic growth of £7.0m, the £0.4m full year impact of the acquisition of Dalkia FM in Ireland and £0.1m from the acquisition of Uilityx and Direct Enquiries during the current financial year. The organic growth in operating profit before other items* was 6.7%.

Operating profit before other items by division:

	2012 £m	Margin %	Growth %
Facilities Management	61.9	6.6	10.1
Technical Facilities Management	26.9	5.7	9.3
Property Management	20.2	3.9	(5.6)
Asset Management	2.7	4.0	35.0
Operating profit before other items*	111.7	5.6	7.2

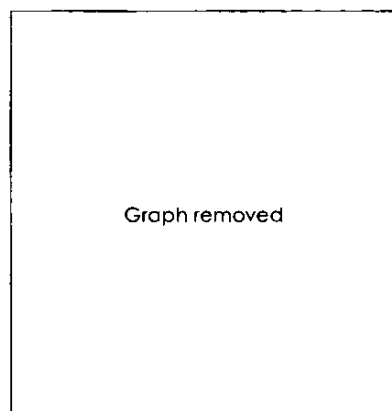
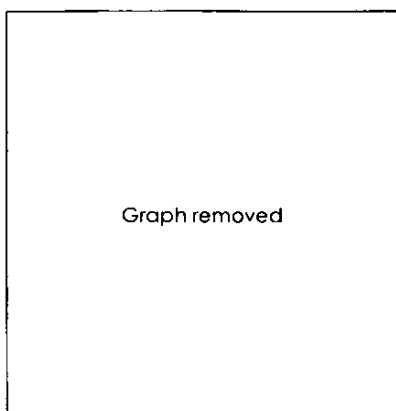
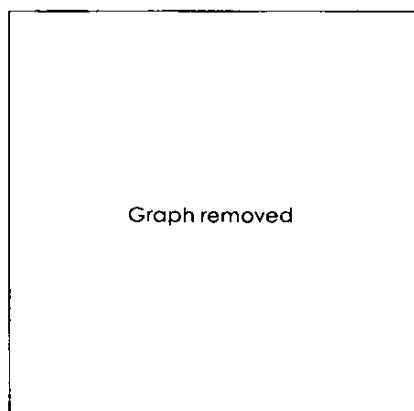
Other items

Other items for the year were £10.0m (2011: £18.8m) and comprised the amortisation of acquisition related intangible assets of £9.1m (2011: £8.9m) and other acquisition related and restructuring items of £0.9m (2011: £9.9m) incurred during the year.

After the impact of other items, the operating profit* for the year was £101.7m (2011: £85.4m).

* Operating profit before other items in the year ended 31 March 2011 included non-recurring income of £4.1m arising from an amendment to the past service cost of certain defined benefit pension schemes following the change from RPI to CPI for the valuation of certain pension scheme liabilities. Operating profit before other items, margin, and related growth statistics stated exclude the £4.1m from the prior year result in order to reflect the underlying operational performance of the group.

Financial review



Finance costs

Net finance costs for the year were £7.2m (2011: £2.7m). During the year, MITIE completed the negotiation of its refinancing activities and secured new committed banking facilities of £250m which are available for drawdown until September 2015. This completed an exercise which had seen the introduction of £100.2m equivalent of longer term tenure US private placement loan notes into the group's funding structures in December 2010. The general tightening of credit markets, compared to the favourable conditions which existed when our previous facility was negotiated in January 2007, resulted in a significant increase in the total finance costs incurred during the year. This increase is a result of both higher interest rates and an increase in the fees payable on the arrangement and utilisation of the group's banking facility.

Profit before tax

Profit before tax for the year was £94.5m (2011: £86.8m), an increase of 8.9% on the prior year.

Taxation

The tax charge for the year was £22.4m (2011: £21.4m), an improvement in the effective rate of tax to 23.7% (2011: 24.7%). The improvement in the effective tax rate is largely attributable to the reduction in mainstream UK corporation tax rates.

Profit after tax

Profit after tax for the year was £72.1m (2011: £65.4m), an increase of 10.2% on the prior year.

Earnings per share

Basic EPS before other items was unchanged compared to the prior year at 22.6p per share (2011: 22.6p per share) whilst basic EPS was 20.5p per share (2011: 18.6p per share), an increase of 10.2%. This latter measure showed higher growth due to the absence of material restructuring or acquisition related items during the year.

The measures of diluted EPS are based on a calculation which includes unexercised share options. The substantial increase in MITIE's share price during the year has led to a rise in the number of share options included in this calculation (2012: 9.0m shares; 2011: 6.4m shares). This measure of EPS is sensitive to the number of share options included within it and has caused a marginal decline in reported EPS on that basis.

Dividend

It is now the Board's policy to grow the dividend broadly in line with the underlying earnings of the group. The final dividend proposed by the Board has increased by 6.1% to 5.2p per share (2011: 4.9p per share). This brings the full year dividend to 9.6p per share (2011: 9.0p per share), an increase of 6.7%. The full year dividend reflects a cover of 2.4 times adjusted earnings per share.

Cash flow, funding and liquidity

MITIE places significant emphasis on the management of its cash flow and the maintenance of strong financing facilities. The gearing of the group has remained low and net debt at 31 March 2012 was £106.9m (2011: £76.5m), representing a net debt to EBITDA ratio of 0.81 (2011: 0.65). MITIE has a diverse range of secure funding facilities with committed banking facilities of £250m which are available until September 2015, and a mix of US private placement loan notes. The notes have a total value of £100.2m, with £60.2m US dollar denominated notes maturing in December 2017 and £40m sterling denominated notes maturing in December 2019. The group also has further overdraft facilities of £40m.

Cash inflows from operations increased by 7.5% to £110.2m during the year and we have delivered strong conversion of profit (EBITDA) to cash at a rate of 83.7% (2011: 86.7%), whilst continuing to invest in the organic growth of the group. Cash conversion measures the success of the group in converting operating profit measured by EBITDA to cash and underpins the quality of MITIE's earnings and reflects the effectiveness of our cash management activities.

Key performance indicators (KPIs)

MITIE uses a set of financial and non-financial KPIs to measure and communicate critical aspects of our performance. These KPIs are aligned with our 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.

We have performed strongly against these measures again this year and have demonstrated a long-term track record of strength in each. Details of our financial KPIs are set out on page 19 of this report.

Pensions

Our financial strength remains unaffected by any significant deficit in respect of the defined benefit pension schemes to which the group contributes. The net funding position of all the defined benefit pension arrangements included on the balance sheet is a deficit of £17.3m (2011: £3.0m).

The deficit on the principal group defined benefit scheme at 31 March 2012 was £17.2m (2011: £3.0m). The increase in the deficit was principally driven by the reduction in the discount factor applied in the valuation of scheme liabilities. This factor, which is set by reference to prevailing bond market rates at the year end, moved from 5.6% to 4.9% over the year reflecting the deterioration of bond rates over the year. The deficit calculation is particularly sensitive to changes in the discount factor, as illustrated in note 37 to the accounts. During the year, the group completed the triennial review

and actuarial valuation, as at 31 March 2011, of its principal defined benefit pension scheme. No lump sum contributions to the scheme are required as the result of this valuation exercise. Further details of this valuation can be found in Note 37 to the accounts.

MITIE contributes to a number of defined contribution pension schemes. The group also makes contributions to 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. MITIE's net defined benefit pension obligations in respect of schemes in which it is committed to funding amounted to £0.1m (2011: £0.0m).

Acquisitions

On 10 January 2012, MITIE acquired the leading energy and carbon specialist Utilyx. Utilyx provides a number of services relating to its clients' energy demands including strategic planning, procurement and risk management, all of which are designed to manage the business impact of energy consumption and rising energy costs. The acquisition of Utilyx complements and enhances MITIE's CarbonCare energy services capabilities. Utilyx has an annualised turnover of £9.6m. The total consideration for the acquisition will be up to £16.4m. Initial consideration of £15.2m was paid in cash on completion and the balance (capped at a maximum additional payment of £1.2m) will be paid in cash, dependent on future business performance.

On 6 December 2011, MITIE acquired a majority stake in the UK's leading access and disability consultancy company Direct Enquiries.


Direct Enquiries has an annualised turnover of £1.4m. The initial consideration was £0.2m, paid in cash on completion, with further options to buy the remaining equity for cash, up to a maximum of £8.3m depending on financial performance over a five year period.

MITIE also increased its stake from 50% to 100% in Service Management International for £1.5m. SMI uses a network of FM service providers in 34 different territories to tender global contracts in which MITIE delivers the UK services. Further details of these acquisitions can be found within Note 33 to the accounts.

MITIE's entrepreneurial investment model

In August 2011, MITIE purchased certain minority shareholdings of five MITIE subsidiary companies under their respective articles of association and shareholder agreements in accordance with arrangements under our entrepreneurial investment programme known as the MITIE Model. The total consideration for all five purchases amounted to £14.6m being satisfied by £2.0m in cash and as to the remaining £12.6m by the issue of 5.3m new Ordinary shares of 2.5p each in MITIE Group PLC valued at 238.7p per share, being the closing market price per share on 27 July 2011.

Suzanne Baxter
Group Finance Director



Factors that could affect our business

A summary of the principal risks potentially affecting our business

Following the establishment of our new Enterprise Risk function in 2011, a fundamental review of the way risks are identified, analysed and controlled was undertaken during the year. As a result of this comprehensive review a more streamlined approach to establishing our principal risks has been carried out, resulting in the number of identified risks moving from 19 in the last Annual Report to 12 currently. This improvement in our risk management approach further enhances our ability to develop and grow our business with the assurance that key risks are effectively managed through robust and embedded processes, with management prioritising their resource to address significant areas of risk. The principal risks and uncertainties we face are set out below.

Strategic risks

Category	Areas of risk	Mitigation
Loss of competitive position	Utilising new technologies to drive efficiency improvements. Infrastructure to support growth. Unclear or inappropriate marketing strategy. Insufficient funding.	Focus on clear strategic priorities. Business case for investment in new infrastructure/technologies. Recruitment and retention of talented people. Strong relationships with main funders. Funding sources diversified.
Inadequate contract performance	Bidding and winning large scale contracts. Incorrectly priced tenders. Onerous contract terms and conditions. Services and technologies do not fit the needs of the market. Loss of a material contract.	Relationship management with key targets. Focus on strategic bids. Experienced teams who can adapt to changing markets. Use of internal and external legal specialists. Delegated Board Authorities.
Inability to support development in new markets	Knowledge and familiarity of local legislature, regulations and common practices particularly in new territories. Political risk. Management control over operations.	Local management assigned to provide local expertise. Delegated Board Authority for entry into overseas markets. External specialist advice. Insurance programme in place locally.
Reputational damage caused by employees not working to company values	Inappropriate dealing with stakeholders (employees, clients and supply chain). Inappropriate financial dealings. Anti-competitive behaviour. Bribery and corruption exposure.	Management systems to prevent fraud/economic crime. Whistleblowing and confidential reporting system. Technology solutions to review and analyse transactions. Training in developing a responsible culture.
Market conditions/ economic climate negatively impacting on performance	Customers reduce volume/value of services. Increased price competition. Changes in public spending. Inflation and interest rate uncertainty. Customers going into administration and bad debts. Customers face difficulty raising funds. Volatile equity and bond market.	Spread of client base. Extensive use of credit exposure consolidation tool. Credit insurance. Hedging against adverse interest rate fluctuations.

Regulatory risks

Category	Areas of risk	Mitigation
Non-compliance with legislation	Lack of awareness or action outside of relevant laws and regulations and subsequent changes thereto.	Departmental responsibility for relevant regulatory requirements. Expert external advisors. Specific compliance systems in place. Ongoing training and guidance. Conformance monitoring. Internal and external audits.

Financial risks

Category	Areas of risk	Mitigation
Inadequate liquidity to meet requirements/ obligations	Facility maturity risk. Difficulty in re-financing. Change of credit terms with client and suppliers. Credit control and cash flow management. Terms of borrowing instruments. Increased pension scheme liabilities.	Committed bank facility in place spread across six banks and ongoing relationships with funders. US Private Placement funds of £100m and long term maturity. £40m of overdraft facilities in place. Regular reporting on key indicators. Statements of compliance with borrowing powers. Daily and weekly monitoring of bank balances and net debt. Financial Procedures Manual.
Crystallisation of losses on uninsured risks	Risk of breach of insurance conditions/covenants. Failure to log and/or provide sufficient and complete information for each business activity/risk exposure. Exposure to self-insurance. Failure to adequately control activities.	Group and Division Business Management System. Co-ordination of QHSE, Business Risk and Insurance information. Annual review of insurance cover. Use of expert insurance and other advisers for risk assessment.
Failure of material counterparty or joint venture	Financial instability and failure risk of clients, suppliers, advisers, insurers and funding providers increased in current climate. Funding becomes more expensive or is withdrawn. Breach of banking covenants. Pension scheme counterparties may be underfunded due to poor investment performance.	Legal review of contracts and formal, regular counterparty status assessment. Delegated authority for approval and review of counterparty relationships. Diversification of counterparty base to limit dependencies. Governance of pension schemes.

Operational risks

Category	Areas of risk	Mitigation
Major health, safety or environmental incident	Incident caused by MITE or its sub-contractors. Working at height. Working with electricity, gas, asbestos or other hazardous materials. Driving and vehicle safety. Fire, water and waste management. Food safety. Manual handling and slips, trips and falls.	Ongoing training for all employees supported by QHSE professionals. Provision of appropriate equipment and PPE. Specific procedures in place for high risk areas. Internal and external audits.
Trading position compromised due to system, control or process failure	Failure of critical systems, controls, processes or networks. Network cyber attack. Insufficient data storage. Non-conformance with legislation. Industrial action.	Defined business management systems, policies, control framework and delegated authorities. Malicious software protection. Multiple network routes to data centres. Experienced in-house IT resources. Systems support and back-ups. Diversity and geographic spread of operations. Flexible workforce and network access. Disaster Recovery/Business Continuity Plans. Application of due process. Internal audit, including the use of computer assisted techniques.
Inability to attract and retain talented people	Attraction, motivation, retention and development of talented people. Performance Management. Management training.	Competitive remuneration. Talent management and personal development plans. Succession planning. Mentoring and graduate programme. Leadership development training.

Directors' report

Board of Directors

Roger Matthews

Non-Executive Chairman

Chairman of the Nomination Committee
Member of the Remuneration Committees

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 a Non-Executive Chairman on the board of LSL Property Services PLC and was recently appointed Chairman for Pertemps Network Group Limited. He is also a Non-Executive Director of Zetar PLC and a Trustee of Cancer Research UK.

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 in March 2007. Ian was a founding member of MITIE. Ian has announced his retirement from the Board with effect from 21 May 2012.

Ruby McGregor-Smith CBE

Chief Executive

Ruby was appointed Group Finance Director of MITIE Group PLC in December 2002, was appointed Chief Operating Officer in September 2005 and was appointed the Group's 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. Ruby has been a Non-Executive Director on the board of Michael Page International plc since May 2007, is their Senior Independent Non-Executive Director, chairs their Audit Committee, and is a member of their Nomination and Remuneration Committees. Ruby is also a trustee for Business in the Community (BitC), a business-led charity focused on promoting responsible business practice and until recently chaired Race for Opportunity, a part of the BitC organisation with a focus on diversity in the workplace. Last year Ruby was awarded honorary Doctorates by both Kingston University and The University of the West of England, followed in early 2012 with the honour of a Commander of the Order of the British Empire for her services to business and diversity in business. In March of this year Ruby was announced by the Home Secretary as Chair of the Women's Business Council, a focused, one-year working group aiming to ensure action by government, business and others to maximise women's contribution to economic growth.

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 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 during the year was a member of the Finance and Risk Committee of BitC. She has recently

become a mentor on the ICAEW's Women in Leadership Programme.

Bill Robson

Executive Director

Bill joined MITIE Group PLC in January 1992 following the acquisition of Trident Maintenance Services Limited. He was appointed as an Executive Director in August 2001 and now holds the position of Managing Director of the group's Property Management division.

Larry Hirst CBE

Non-Executive Director

Member of the Audit, Nomination and Remuneration Committees

Larry joined MITIE as a Non-Executive Director on 1 February 2010. He held the position of Chairman of IBM Europe, Middle East and Africa until July 2010 and held a number of senior positions during his 32 year career with IBM including General Manager, IBM Northern Region and Chief Executive, IBM UK and Ireland. Larry was previously appointed as Chairman of e-skills Sector Skills Council. Larry is a Non-Executive Director of ARM Holdings plc and is also Non-Executive Chairman of UK Trade and Industry Technology Board. He is a trustee of the charity Sentebale, an Ambassador to Everywoman, International Advisor to British Airways and a Global Ambassador to Monitise plc.

David Jenkins

Senior Independent 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 was a Governor of Downe House School until completion of his term of appointment in November 2011.

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 Crossrail and President of the Chartered Management Institute. Terry also holds positions as Non-Executive Chairman of the Manufacturing Technology Centre and the National Skills Academy for Railway Engineering. He is also a Non-Executive Director of Boxwood Ltd, and a Trustee of the London Transport Museum. Terry was previously Chief Executive of Tube Lines Limited and has held positions with BAE Systems, Rover Group plc and Lucas Girling Limited.

Graeme Potts

Non-Executive Director

Member of the Audit, Nomination and Remuneration Committees

Graeme was appointed as a Non-Executive Director in July 2006. Graeme was formerly Chief Executive of Reg Vardy plc, a divisional Chief Executive Officer and Executive Director of Inchcape plc and Chief Executive of RAC Motoring Services. He is a Non-Executive Director of BEN, the automotive industry charity, and is Managing Director of Eden (GM) Limited, a motor retail group.

Corporate Governance Statement

The Directors submit their report together with the audited consolidated financial statements of the MITIE group of companies for the year ended 31 March 2012. The Directors' Report includes the Chairman's Statement, the Business Review, the Corporate Governance Statement, the Remuneration Report, the Directors' Responsibility Statement, and those documents that are referred to within the Directors' Report and which are available at www.mitie.com. The Company is required to set out a fair review of the business of the group, including an analysis of the development and performance of the group during the reporting period, the position of the group at the end of the reporting period and the principal risks and uncertainties facing the group. This review is set out in the Business Review on pages 8 to 47 and the Chairman's Statement on pages 6 and 7.

The Directors' Report 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 that report are subject to the limitations and restrictions provided by such law.

Principal group 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 energy 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 39 to the financial statements. The group operates a registered branch office in the Isle of Man.

Governance overview

The Corporate Governance Statement, together with the Directors' Remuneration Report, provides details of key aspects of MITIE's corporate governance environment and the Board has confirmed that the group has complied with all the relevant provisions set out in the UK Corporate Governance Code 2010 (the 'Code') throughout the year.

Our achievements during 2012 are underpinned by a strong culture of governance. In our Corporate Governance Statement we explain how the main principles of good governance are applied and the principal changes we have made to our systems of assurance, risk management and control during the last financial year. The Board recognises that the manner in which the group is governed is critical to its long term success, for which it is accountable to shareholders.

During 2012, the Board, with the help of its committees, has continued to ensure that balanced and sufficient time is spent reviewing and discussing strategy, risk, performance, investor engagement and key matters of governance. This is facilitated by focused planning to ensure that the right information is provided to support the decision making of the Board. Key areas of governance that have been reviewed during the year include:

- Board composition – the Nomination Committee has reviewed the composition of the Board and its Committees and the refreshing of the Board to ensure the rights skills and experience are represented to support the growth of the group. The Board continues to operate a formal Board evaluation and is mindful of the requirement under the Code to carry out an externally facilitated Board evaluation every three years. All Directors with the exception of Ian Stewart will be standing for re-election at this year's Annual General Meeting (AGM).
- Board diversity – MITIE has welcomed the focus on board diversity and the Board continues to believe the issue of diversity should be tackled in a manner that considers all areas of the diversity and inclusion agenda of which gender forms a part.
- External audit tender – the Board took a decision to tender the provision of external audit services to the group and carried out a rigorous review process which involved presentations and responses from four potential providers of audit services.
- Risk and business assurance – following a review of MITIE's risk management systems and internal audit processes, we have introduced an Enterprise Risk Management system to enhance the way in which risk is managed, assessed and measured throughout the group.
- Decision making – the Board has completed its review of delegated authorities to ensure that they continue to be adequate, appropriate and sufficient to support the business in the context of the growth of the organisation and its changing jurisdictional presence.

Directors' report

Board structure and leadership

The role of the Board

The Board is collectively responsible for the long-term success of the Company and accordingly reviews and agrees the strategy for the group proposed by the Executive Directors on an annual basis. In setting the strategy, the Board takes account of key matters such as market trends, competitive environment, private/public sector approach, international aspects, people and talent and the MITIE Model, ensuring at all times that sufficient consideration is given to risk and internal controls. 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 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, management of the group's risk profile and monitoring the group's corporate governance arrangements. Decisions and 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 is available at www.mitie.com/investors_corporate-governance.

Board composition

The membership of the Board as at 31 March 2012 and biographical details of the Directors (including details of committee chairmanships and other positions held) are given on page 48. To comply with relevant provision of the Code, all Directors, with the exception of Ian Stewart, will submit themselves for re-election at the forthcoming AGM and details are provided in the Notice of AGM which is available at www.mitie.com/investors. After serving with MITIE for 25 years, of which 22 have been on the PLC Board, Ian Stewart resigned as a Non-Executive Director with effect from 21 May 2012.

During the year, Non-Executive Director independence was considered by the Board. The Board determined that all Non-Executive Directors as at 31 March 2012, 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.

The Board is comprised of four independent Non-Executive Directors; a Non-Executive Director deemed non-independent as a result of his prior role as Chief Executive of the group, the Non-Executive Chairman and three Executive Directors. The Board has five formally constituted committees: the Audit Committee, the Nomination Committee, the Remuneration Committee, the Investment Committee and the Results Committee for which the duties and responsibilities of each are set out in the terms of reference available on the Investor section of MITIE's website: at www.mitie.com/investors_corporate-governance. The work of the Committees is explained on pages 51 and 52.

The division of responsibilities and leadership

There is a clear division of responsibility between the roles of Chairman and Chief Executive as formally set out in the terms of reference for each of these roles.

The Chairman is a Non-Executive Director and is responsible for the effective running and leadership of the Board, ensuring its effectiveness. He liaises with the Company Secretary on the annual Board plan and agrees and sets the Board agendas. Key matters covered at each Board meeting include: strategy, enterprise risk management, financial and management reporting, investor relations and corporate governance, with updates received from each of the Committee Chairmen. He ensures that sufficient time is allocated to promote healthy discussion and open debate, supported by the right level and quality of information to assist the Board in reaching its decisions. The Chairman encourages openness and fluid communication between Executive and Non-Executive Directors, a culture which has been facilitated by meetings between the Chairman and individual Directors. The Chairman ensures that the Non-Executive Directors contribute effectively and that the Executive and Non-Executive Directors are 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. She is responsible for developing and effectively implementing strategy following approval of the strategic and financial plan by the Board. The Chief Executive's remit includes proposing investment into new business and geographical areas and ensuring at all times that the group's risk profile is appropriately considered. She ensures the timely and accurate disclosure of information to the Board and to shareholders. She leads the Executive Directors and senior management team in the day-to-day running of the group's business under clear delegation of authority from the Board. The Chief Executive maintains regular dialogue with the Chairman on all important Company matters and together they provide coherent leadership of the group.

The Non-Executive Directors

Non-Executive Directors are responsible for exercising their independent skill and judgement. In reviewing the proposals for the strategic direction of the group, the Non-Executive Directors constructively challenge and probe the Executive Directors, offering a breadth of knowledge, experience and individual skills, and are responsible for contributing to the formulation and development of strategy. The Non-Executive Directors monitor high level corporate reporting and satisfy themselves as to the integrity of financial information and the operation of key financial controls. The terms of appointment of the Non-Executive Directors' and the Executive Directors' service contracts are available for inspection at MITE's registered office, the head office and at the AGM. The role of the Senior Independent Director is to make himself 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. The Senior Independent Director in particular reviews information on major shareholders and financial analysis to obtain a balanced understanding of the issues and concerns of shareholders. Explained further below is the Senior Independent Director's role in succession planning and performance evaluation for the Chairman.

The Committees of the Board

The Audit Committee

The Company has a formally constituted Audit Committee comprised of independent Non-Executive Directors who are all considered as being appropriately experienced to fulfil their duties, and the chairman, 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 is generally responsible for:

- monitoring and reviewing the integrity of the group's corporate reporting which includes any formal announcements relating to the group's financial performance, and 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 enterprise risk management structures; and
- making recommendations to the Board on shareholder resolutions for the appointment of, and remuneration for, external auditors.

The Chairman of the Committee will be available at the AGM to answer any questions about the work of the Committee.

During the financial year, the Committee met three times and meetings are attended by the Company's external auditors, the Chairman, the Chief Executive, the Group Finance Director and the Enterprise Risk Director. The matters under consideration at these meetings included:

- generally monitoring the group's corporate reporting process and the statutory audit of the annual 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 tendering of external audit services for the group and the re-appointment of 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 and maintenance of auditor independence;
- the approval of the group risk assurance framework and the internal audit plan;
- 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 meets separately with the external auditors and the Enterprise Risk Director without the presence of the Executive Directors.

The Remuneration Committee

Information about the structure and processes for the Remuneration Committee is included on page 64 within the Remuneration Report.

Directors' report

Board structure and leadership

The Nomination Committee

The Nomination Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies and to consider the need to refresh the skills, experience and diversity represented on the Board to support the growth of the business. It leads the process for appointments to the Board. On an appointment, Directors are made aware of what is expected from them in terms of time commitment, Committee service and involvement outside Board meetings.

All Directors receive a personally tailored induction to MITIE which includes visits to Company and key client sites and they receive an information pack, which includes copies of MITIE's Memorandum and Articles of Association, latest Annual Report and Accounts, Committee terms of reference and copies of recent Board and Committee minutes and supporting papers. Directors are given access to the virtual boardroom which, as well as holding all board reports, holds the Board Handbook containing essential information about the Company; Board and Committee terms of reference; Directors' statutory duties; governance and regulatory guidelines; the group's approved delegated authorities, and an overview of the group's insurance arrangements. The Handbook is reviewed and updated regularly as and when regulatory developments arise. Training and development for Directors continues to be a key focus and additional briefing notes are circulated on matters such as changes in the regulatory and governance environment.

In respect of changes to the membership on the Board or its Committees, the Nomination Committee makes appropriate recommendations following a careful and considered evaluation of the balance of skills, knowledge, experience and term served. It seeks to ensure that the Directors continue to provide the requisite skills, knowledge and experience to support the development and needs of a growing organisation and diversity forms an important part in this process. MITIE welcomes general principles underpinning the need to consider diversity at Board level and sees this as an opportunity to help organisations shift their behaviour around diversity. The Board believes that setting aspirational diversity targets could drive a different behaviour that is not necessarily in the best interests of the organisation and the issue of Board diversity should be tackled in a manner that considers all areas of the diversity agenda. Diversity at Board level has to be balanced against the required skills and experience and should be a natural fit into any recruitment or succession planning and talent management process.

During the year, the Nomination Committee reviewed the composition and chairmanship of the Board and each of its Committees and the Board has determined that all Non-Executive Directors were independent in character and judgement. The membership of the Audit, Nomination and Remuneration Committees were widened to include all the Non-Executive Directors and the Board has confirmed that it is satisfied that its current composition is appropriate having regard in particular to the integrity, skills, knowledge and experience of its Directors and the size and nature of the business.

The Investment Committee

In order to further strengthen the Company's governance structures and facilitate the internal approvals process the Board has approved the terms for the establishment of an Investment Committee which comprises of the Chief Executive and Group Finance Director. The Investment Committee reviews and approves proposals on matters such as acquisitions, disposals, capital expenditure and operational transactions, presented in accordance with the group delegated authorities.

The Results Committee

In addition, the Board has approved the establishment of a Results Committee which comprises of the Chief Executive and Group Finance Director. This Committee assists the Board in approving matters such as interim and final results announcements, other routine, non-material announcements, dividend payments and shareholder communications.

Board effectiveness

Board meetings and meeting attendance

All Directors are expected to allocate sufficient time to the Company to discharge their responsibilities effectively and, where possible, attend all Board meetings and the AGM. Any time commitment matters are addressed by the Chairman with the Director concerned.

During the year ended 31 March 2012, there were six scheduled Board meetings. Additional unscheduled Board meetings were held to deal with the review and approval of material contracts, acquisitions and issues relating to shares and other administrative matters. Information contained in Board papers is generally well presented and over the past 12 months has continued to improve to ensure effective decision making on areas critical to group's development. The Board has introduced an electronic boardroom and all board papers are now distributed electronically which assists in the more efficient delivery of reports. Each year, the Board holds a dedicated strategy meeting and a budget meeting. 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 ¹	Remuneration ¹	Nomination ¹
Number of meetings held in year:	6	3	5	2
R J Matthews	6	–	5	2
I R Stewart	5	–	–	–
R McGregor-Smith CBE	6	–	–	–
S C Baxter	6	–	–	–
W Robson	5	–	–	–
D S Jenkins	5	3	4	1
G J Potts	6	2 of 2	5	1 of 1
T K Morgan CBE	6	3	5	2
L Hirst CBE	6	3	2 of 2	1 of 1

Note:

¹ The membership of the Audit, Nomination and Remuneration Committees were widened during the year to include all the Non-Executive Directors.

To assist with the business conducted at Board and Committee meetings, all Directors are supplied with an agenda and supporting papers for all Board meetings in a timely manner and from time to time, detailed presentations from non-Board members on operational matters. In addition, members receive monthly reports from the Chief Executive and Group Finance Director on the operational and financial performance of the group. During the course of the year, the structure and content of these reports has been reviewed to help improve the quality of information and ensure they continue to provide information that reflects the dynamics of the businesses and the markets within which the Company operates; such reports can also include updates on post-acquisition performance, contract wins and losses, organic growth, management accounts and results.

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Director 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 64. Executive Directors are entitled to retain any fees earned from these external appointments.

Directors' interests

With regards to the appointment and replacement of Directors, the Company is governed by its Articles of Association and the Code, the Companies Acts and related legislation. The Articles may be amended by special resolution of the shareholders.

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 which has operated effectively during the reporting period. 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.

Director 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.

Board evaluation

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.

The Chairman, with the Company Secretary, reviews the evaluation process and has considered the extent to which such a process should be externally facilitated and has reported to the Nomination Committee on its conclusions. This year, it was recommended that the Board continue with an evaluation process that uses a combination of a formal appraisal questionnaire and one-to-one meetings. The questionnaire was separately reviewed and refreshed to ensure that the questions remain meaningful, objective and support an open and transparent process, and focus on Board composition and contributions, meeting processes and the performance of the Chairman (which is reviewed separately and led by the Senior Independent Director).

The conclusions and recommendations flowing from the evaluation are reviewed by the Chairman with the Chief Executive and shared with the Board. It is a constructive process used to improve performance and help shape the future composition of the Board. The Board has confirmed that whilst there is an overall level of satisfaction with the performance of the Board and that of its Committees and Directors, there was a continuing need for the Board to focus on the implementation of the growth strategy and ensuring it has the skills, experience and diversity to achieve it.

Director re-election

As part of the formal Board evaluation, the Board has considered the performance of each Director and is satisfied that they continue to be effective and demonstrate clear commitment to their role. All Directors, with the exception of Ian Stewart, will submit themselves for re-election at the forthcoming AGM.

Board accountability

Risk management and internal control

- The Board is responsible for determining the level of acceptable risk that is appropriate for the group when establishing and operating to achieve the group's strategic objectives. It regularly reviews the effectiveness of the group's risk management programme and systems of internal control. Both the Board and the Audit Committee receive regular updates from the Enterprise Risk Director for the group on potential risks that may impact upon the group and the environment in which it 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 good governance and 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.

Responsibilities are clearly defined and delegated in accordance with the group's delegated authorities and authorisation registers and ensure compliance with the matters reserved for the Board. The 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. Periodically, the Board reviews the delegated authorities to consider the authorities in light of activities within the organisation to ensure that they continue to facilitate the way in which the group operates. 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. To support the business further, the group function 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 enterprise 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

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 and reviewing regular internal audit reports from the Enterprise Risk function. 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 Enterprise Risk Director who reports 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. To further encourage a culture of risk management within the business, the Executive Board regularly reviews the programme of risk management undertaken across the group to demonstrate the importance of the management and assessment of risk at a senior level.

During 2011, MITIE enhanced its approach to risk management, by bringing together existing risk management resources into an Enterprise Risk function, led by an Enterprise Risk Director. This restructured approach allows the Company to strengthen capability and resource through the sharing of best practice across the group.

The Board confirms that there is a continuing process for identifying, evaluating and managing significant risks faced by the group which is monitored in accordance with the revised guidance on internal control issued by the Financial Reporting Council. This work has focused on the assurance framework that exists within the group, the use and compilation of risk registers and an increase in the use of computer assisted audit techniques.

The Board confirms that its risk assessment process has been in place throughout the reporting year and up to the date of approval of the Annual Report and Accounts. The Board considers the nature and extent of the significant risks it takes in setting strategies which are detailed further in the section regarding risk factors that could affect the business on pages 46 and 47. 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 in the group's risk register which is maintained by the group's Enterprise Risk function. This register is reviewed

Directors' report

Board accountability

periodically by the Board and 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. Reported potential economic crimes and whistleblowing activity is communicated to the Audit 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.

Reviewing the effectiveness of the system of internal control

In line with Turnbull Guidance and C.2.1 of the Code, the Board performs a formal annual assessment of the operation and effectiveness of the system of internal control, covering all material controls including financial, operation and compliance controls, 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 Enterprise Risk Director 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 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 they are effective.

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 board and management 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.

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 supports its 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, which are reviewed by either the Group Finance team or internal audit and presented to the Audit Committee and the Board for final approval as appropriate.

External auditor

Each year the Audit Committee reviews auditor performance in respect of audit services, audit related services and non-audit services and is committed to ensuring the independence and objectivity of the external auditors.

During the year, MITE invited tenders for its external audit services. Four audit firms were invited to participate and a formal process of interviews and evaluations followed. The tender process included the review of the Company's existing auditor performance in respect of services provided, audit related services, non-audit related services and independence and objectivity. The Audit Committee concluded that Deloitte LLP should be appointed given the relevant experience of their London team in both the PLC environment and support services sector and their proposal with regard to the execution of the audit plan. The Audit Committee recommended to the Board the continued engagement of Deloitte LLP as the Company's external auditor and has recommended their re-appointment at the AGM. Deloitte LLP has expressed willingness to continue in office as auditors and accordingly the Board is recommending a resolution for re-appointment for approval by shareholders at the forthcoming AGM.

The Audit Committee has approved a Non-Audit Services Policy that ensures that it has visibility over the levels of non-audit work performed by the auditors and requires notification to the Chairman of the Audit Committee for any non-audit spend with the auditors that, on an annual basis cumulatively exceeds 100% 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. Non-audit services provided to the group during the year included taxation services and corporate finance services in relation to acquisitions.

This policy also 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 6 to the financial statements. The Audit Committee confirms that the requirements of the Non-Audit Services Policy have been met throughout the year.

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.

Going concern

The Directors acknowledge the Financial Reporting Council's Going Concern and Liquidity Risk: Guidance for Directors of UK Companies issued in October 2009 and 'An update for Directors of Listed Companies: Responding to increased country and currency risk in financial reports'. 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 pages 8 to 47. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 42 to 45. In addition, Note 27 to the consolidated financial statements includes details of 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 benefits from a large number of long-term contracts with a broad range of public and private customers which provide a strong forward order book of £8.6bn and high visibility of secured work (83% of budgeted revenue) for the financial year ending 31 March 2013. As a consequence, the Directors believe that the group is well placed to manage its business risks successfully. The group's financial forecasts, taking into account possible sensitivities in trading performance, indicate that the group will be able to operate within the level of its committed borrowing facilities.

The group's committed borrowing facilities comprise £100.2m of US Private Placement Loan Notes expiring between December 2017 and December 2019 which were issued in December 2010 and its committed banking facilities. The group renegotiated its banking facilities in March 2011 and its committed facility of £250m will remain in place until September 2015.

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.

Shareholder engagement

The Board is committed to an on-going, proactive dialogue with institutional and private investors and continues to support the introduction of the UK Stewardship Code, applicable to institutional shareholders, to further encourage engagement between the Company and its shareholders. A full programme of formal and informal events, institutional investor meetings and presentations are also held following the Half-yearly and Preliminary Results announcements which are led by the Chief Executive and Group Finance Director.

The Chairman and Senior Independent Director are available for additional meetings with shareholders upon request. The Board encourages the on-going dialogue between the Directors and investors and as such all Directors, with the exception of David Jenkins were present at the 2011 AGM and made themselves available for direct discussions with shareholders. Latest group information, financial reports, corporate governance and sustainability matters, Half-yearly 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 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 also regularly updated and provided with investor feedback, broker updates and detailed analyst reports following the Half-year and Preliminary Results presentations. The Chairman is responsible for ensuring that the Board is made aware of the issues and concerns of the major shareholders. The AGM also allows shareholders to address and discuss any issues surrounding the group directly with the Executive and Non-Executive Directors.

Directors' report

Shareholder engagement

Electronic communications

The Directors remain committed to improving and extending the electronic methods in which the Company communicates with its shareholders, not only allowing the latest information on the group to be provided instantly but recognising the environmental benefits. The Board encourages each shareholder to join the growing number of investors electing to receive their information electronically and further details on how to register are provided on the inside back cover of this report.

AGM

MITIE's AGM will be held on 11 July 2012 at 2.30pm at UBS, 1 Finsbury Avenue, London, EC2M 2PP. As is required by the Code, all Directors, with the exception of Ian Stewart, will be standing for re-election at the AGM.

Other information

Capital structure

Share capital and powers of shareholders

The group is financed through both equity share capital and debt instruments. Details of changes to the Company's share capital are given in Note 31 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.

Share capital authorisations

At the 2011 AGM shareholders authorised:

- the Directors to allot shares up to an aggregate nominal amount of £3,401,672.18 shares, representing one third of the issued share capital plus 16,804,451 outstanding commitment in respect of options granted under MITIE's share schemes (such total equating to 38.0% of the issued share capital as at 31 March 2011).
- the dis-application of pre-emption rights over allotted shares up to an aggregate nominal value equal to £447,234 or a maximum 17,889,365 shares (representing 5% of the issued share capital as at 31 March 2011).

During the reporting period, the Directors utilised both these authorities (and the preceding authority) to allot 9,507,937 shares to an aggregate nominal amount of £237,698 to employees participating in MITIE's share schemes and to minority shareholders in consideration for MITIE Model shares.

- the Company to make market purchases of its own shares up to a total of 35,778,731 shares (representing 10% of the issued share capital as at 31 March 2011).

On 25 May 2011, MITIE commenced a programme to purchase its shares in the market in order to offset shares issued on 17 August 2011, to satisfy the consideration payable for the purchase of minority interests under the MITIE Model. During the financial year to 31 March 2012 the Company purchased 5,400,000 shares (nominal value £135,000 and which equates to 1.49% of the issued share capital at year end) in the market for a total consideration of £12.3m at an average price of 227.5p per share. The highest price paid was 255.9p per share and the lowest price paid was 208.6p per share. It is not MITIE's current intention to operate a formal share purchase programme outside of this arrangement, although it may purchase shares to offset share scheme exercise activity at its discretion.

Further details of these authorisations are available in the notes to the 2011 Notice of AGM and shareholders are referred to the 2012 Notice (both are available at www.mitie.com/investors) which contains similar provisions in respect of the Company's share capital.

Restrictions on the trading of shares

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 36 to the Accounts.

Recipients of MITIE Group PLC shares received under a MITIE investment model are restricted from selling the 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.

The group operates a Share Trading and Insider Dealing Policy which provides a framework to prepare and maintain lists of those persons who have access to inside information relating to MITIE and explains to employees the rules regarding dealing in MITIE Group PLC Shares by MITIE's employees who have been identified as insiders. A list of insider names is held by the Company Secretary and those identified are informed individually and asked to read, understand and follow the procedures detailed in the policy. Lists are maintained electronically and all identified insiders receive an email notification advising of the group's relevant close periods.

Significant interests in MITIE's share capital

As at 18 May 2012 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
Massachusetts Financial Services Company	17,993,365	5.09%
Majedie Asset Management Limited	18,111,472	5.00%
FMR LLC	18,000,006	5.04%
AXA IM SA	18,003,137	4.99%

Details of the Directors' interests in the share capital of the Company are detailed within the Remuneration Report on pages 72 and 73.

Other share matters

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 and employee share plans. None of these are considered to be significant in terms of their likely impact on the normal course of the business for the group. 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 takeover bid.

Employees

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.

Equity-based incentives

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 and the Savings Related Share Option Scheme which is open to all eligible employees of the group. In addition, following shareholder approval at the 2011 AGM, MITIE launched a Share Incentive Plan to all eligible employees in January 2012.

Directors' report

Employees

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 the Company. In 2011, the group launched a £10m Entrepreneurial Fund to back management teams with innovative ideas for starting mutually owned businesses. The Board remains committed to supporting growing businesses through the Fund which builds on a long history of partnering with management teams to start up new business ventures. During the year, the Company has invested over £4m from the Entrepreneurial Fund, in the form of MITIE Model start-ups, second generation equity schemes and other equity incentive based businesses.

Under the terms of certain shareholder agreements and articles of association relating to MITIE Model 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. In consideration for these purchases, the Company generally has the option to settle payment in cash or in MITIE shares.

On 17 August 2011 the Company announced the purchase of certain minority shareholdings in five of its subsidiary companies: MITIE Cleaning Services Limited, MITIE Engineering Maintenance (Caledonia) Limited, MITIE Landscapes Limited, MITIE Property Services (UK) Limited (MPSUKL) and MITIE Transport Services Limited in accordance with the respective articles of association and shareholders' agreements of those companies. The total maximum consideration for all five transactions amounted to £14.6m, being satisfied as to £2.0m in cash and as to the remaining £12.6m by the issue of 5,265,964 new ordinary shares of 2.5p each valued at 238.7p per share, being the closing market price per MITIE share on 27 July 2011. As a result of these acquisitions, MITIE now owns 100% of the issued share capital of all five companies with the exception of MITIE Landscapes Limited of which 89% of the issued share capital will be owned. The selling shareholders gave certain warranties and assurances relating to past and future performance of the relevant subsidiary companies. The shares issued in consideration are being held in safe custody for a maximum period of two years and may be sold to meet any claims that the Company may have in the future in relation to those warranties and assurances. 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.

As part of the arrangements to purchase shares in MPSUKL the Company entered into an agreement to purchase shares held by Kenneth Robson (a relative of William Robson, an Executive Director of the Company) in MPSUKL. Kenneth Robson served notice on MITIE to sell 40,000 B ordinary shares in MPSUKL at the same time as other shareholders, for a total consideration of £0.5m. This equated to 1.11% of MPSUKL's issued share capital. Shareholders approved the substantial property transaction at a general meeting held on 10 November 2011 and an application was made to the UK Listing Authority and the London Stock Exchange in respect of the consideration shares due to Kenneth Robson.

Recipients of shares under this incentive scheme are generally restricted from selling the MITIE shares received as consideration for a minimum of two years. On 10 November 2011 shareholders also approved three new equity participation schemes under the MITIE Model which gives entrepreneurial managers the opportunity to create wealth by taking the risk of taking equity stakes in new businesses or more mature businesses in conjunction with MITIE and then, dependent on a pre-agreed pricing structure, offering to sell that stake to MITIE between the fifth and tenth years from the date of establishment of the business. Shareholders approved the introduction of the schemes allowing certain employees to share in any additional value which they help to create. At this year's AGM the Board is seeking a general approval from shareholders that allows the Company to enter into such schemes pursuant to the Listing Rules.

Communication with employees

Communication with MITIE's employees remains a high priority. The group communicates with employees through the use of group-wide mailings, employee magazines and updates, employee-focused initiatives, media networks and the provision of access to broadcasts of periodic financial presentations.

We are also committed to developing our use of social media tools as an effective way of communicating with our people because we recognise that these methods can provide great ways of allowing our people to give us feedback, share ideas and engage with the wider MITIE community.

Our social media tools are supported by a group-wide intranet system which improved communications and information sharing across the business and includes blog updates by the Executive Board members and functional teams.

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 and social networking sites continue to play an important part of engagement and communication with employees.

The group continues to operate its group-wide MITIE Stars programme to recognise and reward exceptional performance by its people. The MITIE's Got Talent, group-wide talent contest continues to be supported and encourages employee engagement and recognition. The group Sustainability Report contains further details of these initiatives and is available from www.mitie.com.

Employees remain actively involved in the group's activities via an employee forum. This year the forum held two meetings and included presentations by senior management or functional heads as requested by the employee representatives. The Executive Board will continue to seek increasing involvement and activity of the employee representatives. During the year, the group launched an employee engagement survey in certain parts of the group to gather feedback on the employee experience.

Employee diversity and inclusion

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 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.

Further information can be found within the group's dedicated Sustainability Report which can be found at www.mitie.com.

Financial matters

Financial results and dividends

A detailed commentary on the financial results of the group for the year is contained within the financial review on pages 42 to 45 of this report. The profit before taxation for the financial year is £94.5m (2011: £86.8m).

- The Directors declared an interim dividend of 4.4p per Ordinary share with a total value of £15.5m (2011: £14.4m) which was paid to shareholders on 6 February 2012.
- The Directors recommend a final dividend of 5.2p per Ordinary share with a total value of £18.4m based upon the number of shares issued as at 16 May 2012 (2011: £17.5m). The final dividend for the year will be paid on 7 August 2012, subject to shareholder approval at the AGM, to ordinary shareholders on the register on 22 June 2012.
- The total dividend per Ordinary share for the year ended 31 March 2012 is 9.6p (2011: 9.0p).

The Company operates a Dividend Re-Investment Plan (DRIP) which allows shareholders to build their holding by using the cash dividend to purchase additional shares in MITIE. Further details on the operation of the DRIP are included at the back of this report and are available from MITIE's Registrar.

During the reporting period, the trustees of the Company's Employee Benefit Trusts waived dividends on shares held.

Directors' report

Financial matters

Financial instruments

The group's financial instruments include bank loans, finance leases, overdrafts, US private placement loan notes 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 26 to the financial statements.

Events after the balance sheet date

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

Payment of creditors

The group manages its procurement and supply chain with increasing consideration of its impact on the Company's profitability, reputation and sustainability objectives and is committed to proactively developing mutually beneficial and sustainable trading relationships with all of our stakeholders, based on a foundation of trust and co-operation. The group's Ethical Business Practices Policy provides a framework and demonstrates our values and commitment to developing and implementing ethical business practices throughout the organisation.

The group's policy is to comply with the terms of payment agreed with suppliers on the group's standard purchasing terms as notified to suppliers. Notification of these terms is issued with each generated purchase order and a copy of the group's standard purchasing terms can be found at www.mitie.com/suppliers. At 31 March 2012, the group had 35 days' purchases outstanding (2011: 36 days).

Future developments

The operating review sets out the Board's view on the 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 £160,648 (2011: £190,738). The total value of community investment was £541,401 (2011: £534,015).

The Directors of MITIE Group PLC confirm that they do not and will not make political donations.

By order of the Board


Marie-Claire Haines
Company Secretary
21 May 2012

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;
- 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; and,
- make an assessment of the Company's ability to continue as a going concern.

In the parent company accounts, the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Principles. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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).

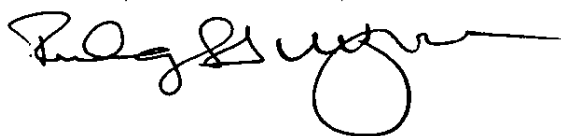
The Directors are also responsible for the maintenance and integrity of the Company website. Financial statements published by the Company on this website are prepared in accordance with UK legislation which may differ from legislation in other jurisdictions.

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 CBE
Chief Executive
21 May 2012

Suzanne Baxter
Group Finance Director
21 May 2012



Directors' remuneration report

Introduction

This report has been prepared on behalf of the Board 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 and covers all Directors who served on the Board during the reporting period. The Remuneration Committee believes in and promotes good governance through the adoption of the Code, compliance with the Listing Rules and due reference to other guidelines which together should provide shareholders with a practical framework and reference point.

Certain elements of this report need 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 11 July 2012.

Section A: The following information is not subject to audit

Remuneration policies and principles

Membership

The Remuneration Committee met five times in the year and is comprised of solely Non-Executive Directors of the Company. The members of the Remuneration Committee are Terry Morgan CBE (Committee Chairman), David Jenkins, Graeme Potts, Larry Hirst CBE and Roger Matthews. Ruby McGregor-Smith CBE, Chief Executive and the Group HR director attended Committee meetings by invitation only, to provide further information on the Company's performance and the performance and remuneration of the Executive Directors.

Advisers to the Committee

During the year the Committee requested the attendance of and sought advice from Kepler Associates appointed by the Committee in 2007. Kepler Associates provide no other services to the Company.

Terms of reference

The terms of reference for the Committee are available on the Company's website and 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;
- determining 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 plans, including the selection of participants, the setting of option prices and the setting of performance targets; and,
- drafting and approving the Directors' remuneration report and any remuneration related resolutions to be put to the shareholders at the group's AGM.

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, are aligned to the corporate objectives and business strategy and take 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 an open and constructive dialogue where changes to 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 and individual performance 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, continues 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 Committee continues to believe that exceptional performance should be matched with appropriate remuneration to attract, retain and motivate Directors and management and 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 the Executive 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 to align the interests of the senior executive team with those of shareholders. Bonuses are structured to reward the attainment of the strategic target of long-term 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 Committee believes, and is satisfied that, the remuneration policy is appropriate and takes account of the group's performance and strategic objectives and will 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

The Company operates a share ownership policy to encourage the build-up of equity in the Company by both its Executive Directors and senior executives. Under this policy, all Executive Directors are required, over time, to build and maintain a target 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. On the 1 May each year, the Committee reviews the expected target holding for the Executive Directors, calculated as a percentage of salary.

Table 1: Share ownership update

	Number of ordinary shares owned as at 31 March 2012	Value of target holding at 1 May 2011 based on % of salary as at 31 March 2012	Value of holding as at 31 March 2012 ¹	Percentage of target holding achieved as at 31 March 2012
R McGregor-Smith CBE	564,268	£765,000	£1,577,129	100%
S C Baxter	212,538	£487,500	£594,044	100%
W Robson	1,622,686	£320,000	£4,535,407	100%

Note:

¹ Calculated at a share price of 279.5p being the closing market price on 31 March 2012.

The key elements of Executive Director remuneration

The overall package for Executive Directors consists of a fixed element (salary and certain benefits) and a variable performance-related element (annual performance-related bonus and long-term equity-based incentives) and has been structured 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 and other benefits

The Committee's advisers provide an annual review of total remuneration relative to sector and size comparators and including base salary, annual bonus, long-term incentives and pension. The Committee considers this review and 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 and in the context of salary increases across the organisation as a whole.

The Executive Directors received salary increases during the year averaging less than 4% and took account of the range of factors described above, the continued growth and performance of the group and the performance of the individual Executive Directors, with due consideration of the outcomes of the benchmarking exercise. For the current year, the Remuneration Committee approved salary increases averaging 3%.

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

Directors' remuneration report

The key elements of Executive Director remuneration

Annual bonus

Performance-related remuneration is designed to drive MITIE's performance and be aligned to the group strategic objective of achieving long-term sustainable, profitable growth. The annual bonus rewards mainly short-term Company performance but also has a link to longer-term performance through a link to strategic targets and partial delivery in MITIE Group PLC shares.

For the 2011/2012 performance year, Executive Directors had the opportunity to earn bonuses of up to 125% of salary, with any bonus earned above 100% of salary deferred into MITIE Group PLC shares for two years and forfeited should the Director leave the business during this period. Up to 100% of salary is earned for the achievement of group budgeted profit growth and the remaining 25% of salary is assessed on a series of non-financial strategic targets. In setting the non-financial strategic targets, the Committee had due consideration of the longer-term success of the Company and the aligning of interests with shareholders and continues to believe that the performance targets for the annual bonus are sufficiently stretching for the maximum bonus payment.

During the year under review, MITIE achieved the profit growth target in full and 100% of base salary will be paid in cash. The Remuneration Committee decided that significant overall progress had been achieved on the non-financial strategic targets and therefore awarded a further 25% of base salary, deferred into MITIE Group PLC shares for two years.

For the 2012/13 performance year, the Remuneration Committee has approved two changes to the annual bonus scheme structure. A sliding scale has been introduced into the element of the bonus based on financial targets which will pay out 90% of salary for threshold performance to 110% of salary at stretch. The upper end of the scale is intended to reward the achievement of exceptional financial performance and the sliding scale in general to ensure that bonus pay-outs are not unduly sensitive to small changes in performance. Given the extension of the financial performance targets, the Committee feels that a modest uplift in the bonus opportunity for financial performance from 100% to 110% of salary is appropriate. In addition, the bonus opportunity for the Chief Executive on the strategic objectives element has been increased by 25% to 50% of salary. This increase recognises her significant influence on the achievement of these objectives. Overall the maximum bonus opportunity for the Chief Executive will therefore increase to 160% of base salary while the maximum opportunity for the other Executive Directors will increase to 135% of base salary. Any bonus amount over 100% of base salary will be deferred in shares for a two year period.

Share-based incentives

The remuneration package reinforces long-term decision making and sustainable profitable growth through the use of share-based incentives. For Executive Directors and certain senior executives, the principal tools designed to support this ethos are the Company's LTIP (as described on page 68) and the Share Ownership Policy (as described on page 65). Vesting of share awards under the LTIP is based on performance measured over three years which 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 5 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.

Details of Executive Directors participation in the Group's share schemes are set out below.

Executive Directors' service contracts

All Directors are appointed for an indeterminate period of office but are subject to annual re-election at the AGM in accordance with the 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 2: Executive Director's service contracts

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

Independent auditor's report to the members of MITIE Group PLC

For the year ended 31 March 2012

We have audited the group financial statements of MITIE Group PLC for the year ended 31 March 2012 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 39. 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 auditor's 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 auditor

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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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.

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:

- 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 in relation to going concern;
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matters

We have reported separately on the parent company financial statements of MITIE Group PLC for the year ended 31 March 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Colin Hudson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
21 May 2012

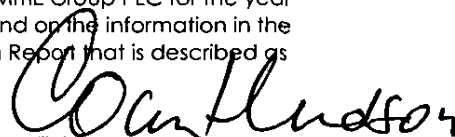


Table 7: Director share ownership

	Number of Ordinary MITIE shares beneficially owned as at 31 March 2012 ¹	Number of Ordinary MITIE shares beneficially owned as at 1 April 2011 (or date of appointment if later)
Executive Directors		
R McGregor-Smith CBE	564,268	341,071
S C Baxter	212,538	71,230
W Robson	1,622,686	1,555,835
Non-Executive Directors		
R Matthews	100,000	100,000
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	0	0
L Hirst CBE	25,000	25,000

Note:

¹ A proportion of the shares were sold on 30 September 2011 to settle tax liabilities arising from the vesting and exercise of the 2008 LTIP award.

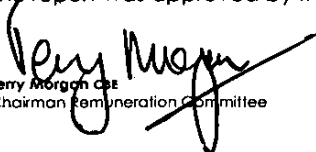
Table 8: Directors' interests in MITIE subsidiary companies (under the MITIE Model)

	Number of shares 31 March 2012	Number of shares 1 April 2011
R McGregor-Smith CBE		
MITIE Transport Services Ltd	C Ordinary shares of £1 each	- 900

Table 8 above details the beneficial interests of the Directors (who were in office on 31 March 2012) in the share capital of certain of the Company's subsidiary companies. These interests were acquired under the MITIE Model, further details of which are given in the Corporate Governance Statement on page 60. 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.

On the 17 August 2011, MITIE Group PLC acquired the remaining minority interest in MITIE Transport Services Limited, including Ruby McGregor-Smith's holding of 900 C Ordinary shares of £1 each. The consideration of £38,106 was paid in 11,523 MITIE Group PLC ordinary shares of 2.5p each and £10,600 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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Directors' remuneration report

Share ownership

Table 5: Directors' interests in options granted under the MITIE Group PLC 2001 Executive Share Option Scheme

	ESOS options outstanding at 1 April 2011	Granted during the year	Lapsed during the year	Exercised during the year	ESOS options outstanding at 31 March 2012 ¹	Exercise price p	Exercisable between	
R McGregor-Smith CBE								
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

Note:

¹ The market price of the Company's shares as at 31 March 2012 was 279.5p. The highest and lowest prices during the year were 288.3p and 196.1p respectively.

Table 6: Directors' interests in nil-cost options granted under the MITIE Group PLC 2007 Long Term Incentive Plan

	Year of grant ¹	LTI options outstanding at 1 April 2011	Granted during the year at 223.24p/share	Lapsed during the year	Exercised during the year ²	LTI options outstanding at 31 March 2012 ³	Exercise price p	Exercisable between	
R McGregor-Smith									
	2008	409,894	–	–	409,894	–	Nil-cost	–	–
	2009	430,338	–	–	–	430,338	Nil-cost	06/12	06/13
	2010	438,989	–	–	–	438,989	Nil-cost	06/13	06/14
	2011	–	446,663	–	–	446,663	Nil-cost	06/14	06/15
S C Baxter									
	2008	273,262	–	–	273,262	–	Nil-cost	–	–
	2009	282,847	–	–	–	282,847	Nil-cost	06/12	06/13
	2010	283,103	–	–	–	283,103	Nil-cost	06/13	06/14
	2011	–	284,638	–	–	284,638	Nil-cost	06/14	06/15
W Robson									
	2008	129,564	–	–	129,564	–	Nil-cost	–	–
	2009	134,422	–	–	–	134,422	Nil-cost	06/12	06/13
	2010	137,072	–	–	–	137,072	Nil-cost	06/13	06/14
	2011	–	280,259	–	–	280,259	Nil-cost	06/14	06/15

Note:

¹ The performance criteria applicable to the 2008 awards are lower and upper performance thresholds of RPI+5% p.a. and RPI+14% p.a. respectively.

The performance criteria applicable to the 2009 and 2010 awards are lower and upper performance thresholds of RPI+5% p.a. and RPI+10% p.a. respectively.

The performance criteria applicable to the 2011 award are lower and upper performance thresholds of 7% p.a. and 13% p.a. respectively.

The Directors acquired a conditional joint beneficial interest with the MITIE Employee Benefit Trust 2008 in the shares awarded under the LTI in 2008, 2009, 2010 and 2011. The full beneficial interest will transfer to the Director only if the performance criteria applicable to the award are met.

² The Committee assessed the extent to which the performance conditions applicable to the 2008 awards had been satisfied and approved the vesting of awards on 30 June 2011. Awards are capable of exercise from 30 June 2011 to 29 June 2012. At the date these awards vested the market price of the Company's shares was 238.94p. This compares to a market price on the date of award on 30 June 2008 of 212.0p.

³ The market price of the Company's shares as at 31 March 2012 was 279.5p. The highest and lowest prices during the year were 288.3p and 196.1p respectively.

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 2011 £'000	Increase in accrued pension during the year £'000	Real increase in accrued pension £'000	Accrued pension 31 March 2012 £'000
R McGregor-Smith CBE	15	2	2	17
W Robson	37	3	1	40

Table 3: Defined benefit pension scheme transfer values

	Transfer values 31 March 2011 £'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 2012 £'000
R McGregor-Smith CBE	126	0	2	15	167
W Robson	596	0	1	21	750

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 two Directors who are members of the scheme at a rate of 10% (2011: 10%) of the value of the benefit cap of £123,600. In addition, the two Directors received a salary supplement of 20% of salary (2011: 20%).

Suzanne Baxter is not a member of the MITIE Group PLC Defined Benefit Pension Scheme. The value of the pension benefits provided to Suzanne Baxter mirror the value of the pension benefits provided to the other Executive Directors under the capped defined benefit arrangements, albeit that her benefits are currently provided through a separate defined contribution arrangement. Following an assessment of the value of her defined contribution pension scheme assets as at 31 March 2011, no pension contributions were required for Suzanne Baxter for the year ended 31 March 2012 (2011: Nil). Suzanne Baxter received a salary supplement of 20% of base salary (2011: 20%).

Given the complexity and on-going annual cost around determining comparable values of pension benefits, the Remuneration Committee approved the decision to allow Suzanne Baxter entrance into the MITIE Group PLC Defined Benefit Pension Scheme, ceasing all further contributions into the defined contribution scheme. Suzanne Baxter entered the scheme in April 2012. There is no change to the value of Suzanne Baxter's total remuneration as the result of this change.

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 to 8 below:

Table 4: Directors' interests in shares purchased under the MITIE Group PLC Share Incentive Plan 2011

	Shares purchased as at 31 March 2011 ¹	Number of partnership shares acquired in year ²	Number of matching shares awarded in year ³	Total number of shares outstanding at 31 March 2012 ⁴
R McGregor-Smith CBE				
Share Incentive Plan	–	527	52	579
S C Baxter				
Share Incentive Plan	–	527	52	579
W Robson				
Share Incentive Plan	–	527	52	579

Note:

1 The Share Incentive Plan was launched in January 2012.

2 Shares were acquired at a market price of 284.55p on 13 March 2012. Executive Directors contributed the full annual amount of £1,500 permitted under the Plan.

3 Shares were purchased in the market at a price of 284.55p on 13 March 2012. Awards of Matching Shares must in normal circumstances be held for at least three years from the date of award and are subject to forfeiture if corresponding Partnership Shares are withdrawn during that period.

4 The market price of the Company's shares as at 31 March 2012 was 279.5p. The highest and lowest prices during the year were 288.3p and 196.1p respectively.

Directors' remuneration report

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	2012 Total £'000	2011 Total £'000
Executive Directors								
R McGregor-Smith CBE	510	510	128	102	13	16	1,279	1,229
S C Baxter	325	325	81	65	-	16	812	790
W Robson	320	320	80	64	13	16	813	778
Non-Executive Directors								
R Matthews	140	-	-	-	-	-	140	140
I R Stewart	46	-	-	-	-	-	46	40
D S Jenkins	53	-	-	-	-	-	53	45
G Potts	46	-	-	-	-	-	46	40
T K Morgan CBE ²	53	-	-	-	-	-	53	45
L Hirst CBE	46	-	-	-	-	-	46	40
Total	1,539	1,155	289	231	26	48	3,288	3,147³

Note:

1 Deferred into MITIE Group PLC 2.5p shares.

2 The fees in consideration for the services of Terry Morgan CBE were paid to TKM Management Services Limited.

3 The prior year total remuneration has been restated to take account of the resignation of N R Goodman.

MITIE business model. During the year the Committee consulted with its shareholders on this issue, and following this has replaced the real EPS growth targets with nominal EPS growth targets for 2011 (and future) LTIP awards.

Accordingly, for LTIPs granted in 2011, the lower performance threshold (at which 25% of an award vests) is 7% per annum and the upper performance threshold is 13% per annum. Awards to all Executive Directors during the year were 200% of salary.

During the year the Committee assessed the outcome of the 2008 LTIP awards. The vesting of these awards was conditional on achieving performance within the following performance scale – the lower performance threshold (at which 25% of an award vests) was RPI + 5% per annum and the upper performance threshold was RPI + 14% per annum. The upper performance threshold applicable to the 2008 LTIP award was assessed to have been achieved and consequently the awards granted in 2008 vested in full on 30 June 2011.

Table 6 in Section B provides details of the LTIP awards granted to, and exercised by, the Executive Directors, as well as the performance targets governing the vesting of LTIP awards granted in prior years.

Share dilution

The Company manages dilution rates within the ABI guidelines of 10% of issued Ordinary share capital in respect of all employee schemes (ESOS and SAYE) and 5% in respect of discretionary schemes (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.

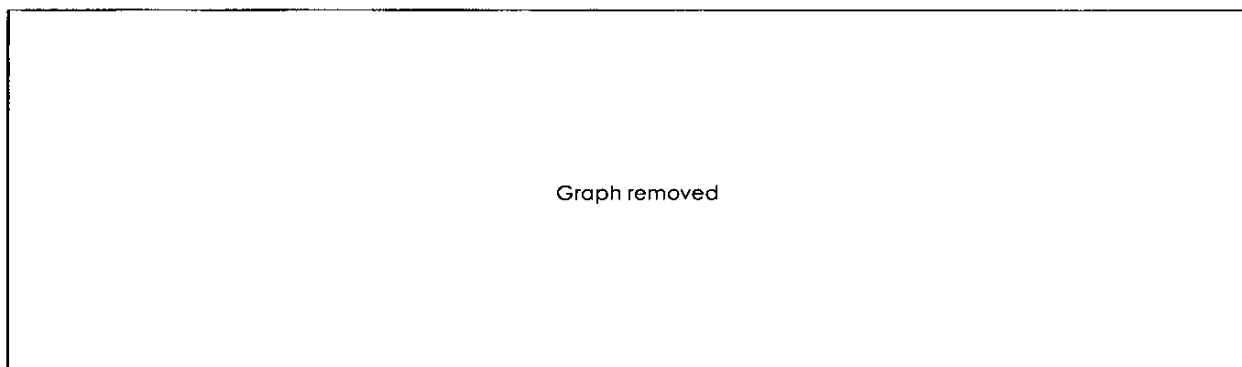
Table 4: Share dilution at 31 March 2012

	Dilution %
All share plan (maximum 10%)	7.2
Discretionary share plans (maximum 5%)	4.4

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 2012. 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 2012 was 279.5p. The highest and lowest prices during the year were 288.3p and 196.1p respectively.



Directors' remuneration report

Employee share schemes

2001 Executive Share Option Scheme (2001 ESOS) and 2011 Executive Share Option Scheme (2011 ESOS)

New 2011 ESOS Plan rules were adopted by shareholders at the 2011 AGM. The 2001 and 2011 ESOS are discretionary schemes and therefore not open to all employees of the group. The award of options under the 2011 ESOS is focused on employees who are below main Board level and who do not participate in the LTIP.

Currently, 2011 ESOS is used to retain, 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 in any single year are limited to 100% of an individual's base salary. Awards made prior to 2011 were granted with a single performance threshold for vesting of average growth in earnings per share over the three-year vesting period in excess of inflation (measured as RPI) plus 4% per annum. In order to ensure a consistent and aligned approach to performance criteria across other MITIE schemes, for awards granted in 2011, the Committee approved a performance threshold based on a nominal EPS measure and accordingly, 2011 awards were granted with a performance measure of 6% per annum compound growth over a three-year performance period. 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 2011 ESOS. The Board continues to believe that ESOS offers incentive and motivation to those employees nominated for awards and proposes to continue with awards on the basis explained above.

The share options detailed in Table 5 of Section B were granted to Executive Directors prior to 2007 under the 2001 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 these grants to Ruby McGregor-Smith CBE and Suzanne Baxter there have been no grants to Directors under the 2001 or 2011 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 rather than being open to all employees of the group, and 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. In exceptional circumstances, such as recruitment, the rules allow for awards of up to 250% of an employee's annual base salary.

The performance criteria for the LTIP is based on growth in the EPS of MITIE. The Committee continues to believe that EPS is a key long-term performance measure for MITIE as it is aligned with the group's strategy and KPIs but recognises that measures need to be reviewed regularly to ensure that they continue to align with the group's strategy and are effective as an incentive. The Committee is currently reviewing the performance criteria for 2012 LTIP awards. Any significant changes will be discussed with major shareholders in advance and disclosed in next year's report.

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 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.

At the time when the LTIP scheme was introduced, RPI growth was considered a broad proxy for underlying economic growth in the UK. For this reason, the EPS performance measure was linked to RPI. However, the Committee believes this is no longer a valid assumption and the correlation between the Company's earnings growth and UK RPI growth is increasingly limited, since RPI-linked year-on-year uplifts to contract values are not a big feature of the

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. Ruby McGregor-Smith CBE receives fees of £51,000 per annum in respect of her role as a Non-Executive Director of Michael Page International plc and is entitled to retain any fees earned.

Non-Executive Directors

Non-Executive Directors' fees

The fee level is designed 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.

Following an external benchmarking exercise, the fees for Non-Executive Directors were increased from £40,000 to £46,000 effective from the 1 April 2011. An increase from £5,000 to £7,000 per annum was also approved and paid to Non-Executive Directors who also chair one of the Committees of the Board. This was the first increase to Non-Executive Director fees since 2006. No increases were made in respect of the Chairman.

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 an initial term of three years which is terminable on either three or six months' notice and thereafter on a rolling term.

Table 3: Non-Executive Directors' engagement terms

	Additional duties	Date of engagement	Initial contract term	Notice period
R J Matthews	Chairman; 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 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

Employee share schemes

MITIE remains committed to fostering a culture of employee involvement in the business through equity participation whereby employees are enabled to build a stake in the Company through the Company's various equity-based incentive schemes. 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.

Equity-based incentive schemes

The group currently operates six equity-based incentive schemes as set out below and the interests of the Executive Directors in each of these schemes are set out in Tables 4 to 8 of Section B below.

2001 SAYE Scheme (2001 SAYE) and 2011 SAYE Scheme (2011 Scheme)

The 2001 and the 2011 SAYE Schemes are the Company's non-discretionary option schemes open to all eligible employees and 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 2001 SAYE Scheme. The 2001 SAYE Scheme expired in September 2011 and future awards may only be granted under the 2011 SAYE Scheme rules following the adoption of new plan rules at the Company's 2011 AGM.

2011 Share Incentive Plan (2011 SIP)

At the 2011 AGM shareholders approved the adoption of the 2011 SIP which allows employees to use their salary to purchase shares in the Company. Eligible employees are offered the opportunity to buy Company shares from pre-tax earnings as part of a regular share purchase plan. Shares are currently purchased monthly using employees' deductions and are placed in trust. All the Executive Directors participate in this scheme with each Director contributing the maximum permitted under the plan rules for which details are set out in Table 4 of Section B.

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**Over 63,000 people...
making MITIE better, everyday.**

Thank you all!

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Shareholder information

Results

2013 Interim management statement	13 August 2012
2013 Half-yearly results	19 November 2012

Dividends

2012 Half-yearly dividend 4.4p paid	6 February 2012
2012 Final dividend 5.2p (proposed)	
2012 Final ex dividend date	20 June 2012
2012 Final dividend record date	22 June 2012
2012 Final dividend last date for receipt/ revocation of DRIP mandate	13 July 2012
2012 Final dividend payment date	7 August 2012

2012 Annual General Meeting

2012 Annual General Meeting	11 July 2012
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Company details

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Website: www.mitie-shares.com

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

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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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Notes to the Company financial statements

52. Share-based payments

Equity-settled share option schemes

The Company has four share option schemes as described in Note 36 of the consolidated financial statements. –

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

	2012 £m	2011 £m
Long Term Incentive Plan share options	1.3	1.3
2001 Executive share options	0.2	0.2
2001 SAYE share options	0.1	0.1
	1.6	1.6

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 36 of the consolidated financial statements.

53. 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 38 of the consolidated financial statements.

49. Share capital

Ordinary shares of 2.5p	Number million	£m
Allotted and fully paid		
At 1 April 2011	357.8	8.9
Issued for acquisitions	5.3	0.1
Issued under share option schemes	4.2	0.1
Share buybacks	(5.4)	(0.1)
At 31 March 2012	361.9	9.0
<hr/>		
At 1 April 2010	353.2	8.8
Issued for acquisitions	3.0	0.1
Issued under share option schemes	1.6	-
At 31 March 2011	357.8	8.9

Details of movements in share capital during the year are provided in Note 31 of the consolidated financial statements.

50. Reserves

	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	8.9	80.6	85.1	7.8	(13.8)	0.3	289.2	458.1
Shares issued	0.2	11.9	8.5	-	-	-	-	20.6
Purchase of own shares	-	-	-	-	(7.4)	-	-	(7.4)
Share buybacks	(0.1)	-	-	-	-	0.1	(12.4)	(12.4)
Share-based payments	-	-	-	1.3	2.9	-	(1.3)	2.9
Profit for the year	-	-	-	-	-	-	32.8	32.8
Dividends paid to shareholders	-	-	-	-	-	-	(32.6)	(32.6)
Balance at 31 March 2012	9.0	92.5	93.6	9.1	(18.3)	0.4	275.7	462.0

* £192.4m is non-distributable, £187.7m having arisen from internal restructuring in the year ended 31 March 2008 and £4.7m in the year ended 31 March 2010.

51. Contingent liabilities

Details of contingent liabilities have been given in Note 34 of the consolidated financial statements.

Notes to the Company financial statements

45. Debtors

	2012 £m	2011 £m
Amounts owed by subsidiary undertakings	43.2	46.2
Other debtors	2.0	0.6
Prepayments and accrued income	6.4	2.5
	51.6	49.3

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

46. Creditors: amounts falling due within one year

	2012 £m	2011 £m
Overdraft	133.5	25.6
Loan notes	1.6	-
Trade creditors	4.7	1.8
Amounts owed to subsidiary undertakings	115.6	116.2
Other taxes and social security	1.7	1.5
Accruals and deferred income	10.7	9.9
Corporation tax	6.4	7.3
	274.2	162.3

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.

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

	2012 £m	2011 £m
Loan notes	-	1.6
Bank loans	5.8	96.8
	5.8	98.4

For details of group borrowings, see Note 26.

48. Provisions

	Deferred contingent consideration £m	Deferred tax £m	Total £m
At 1 April 2011	4.5	1.6	6.1
Utilised during the year	(3.8)	-	(3.8)
Other movements in the year	(0.7)	0.4	(0.3)
At 31 March 2012	-	2.0	2.0
Falling due within one year			-
Falling due after more than one year			2.0
			2.0

Details of the deferred contingent consideration are provided in Note 30 of the consolidated financial statements.

43. Tangible fixed assets

	Plant and vehicles £m	Software and development costs £m	Total £m
Cost			
At 1 April 2011	10.5	26.3	36.8
Additions	4.4	0.4	4.8
Disposals	(0.8)	–	(0.8)
At 31 March 2012	14.1	26.7	40.8
Accumulated depreciation			
At 1 April 2011	4.0	2.6	6.6
Charge for the year	2.1	1.7	3.8
Disposals	(0.6)	–	(0.6)
At 31 March 2012	5.5	4.3	9.8
Carrying amount			
At 31 March 2012	8.6	22.4	31.0
At 31 March 2011	6.5	23.7	30.2

Borrowing costs of £nil (2011: £0.3m) were capitalised during the year as part of software and development costs.

44. Investments in subsidiary undertakings

	£m
Shares at cost	
At 1 April 2011	657.0
Additions	15.5
Capital contribution re share-based payments	1.3
At 31 March 2012	673.8
Provision for impairment	
At 1 April 2011	11.6
Impairment	0.8
At 31 March 2012	12.4
Carrying amount	
At 31 March 2012	661.4
At 31 March 2011	645.4

Details of the acquisitions in the year are provided in Note 33 of the consolidated financial statements and a listing of principal subsidiaries in Note 39. The cumulative cost of non-compete agreements included in investments is £4.6m (2011: £4.6m).

Notes to the Company financial statements

40. 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. Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense. 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 37 to the consolidated financial statements sets out the details of the IAS 19 'Employee Benefits' net pension liability of £17.2m (2011: £3.0m).

41 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 2012 of £32.8m (2011: £32.9m).

The auditor's remuneration for audit services to the Company was £33,000 (2011: £50,000).

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.

42. Dividends

	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2011 of 4.9p (2010: 4.1p) per share	17.1	14.5
Interim dividend for the year ended 31 March 2012 of 4.4p (2011: 4.1p) per share	15.5	14.4
	32.6	28.9
Proposed final dividend for the year ended 31 March 2012 of 5.2p (2011: 4.9p) per share	18.4	17.5

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.

Notes to the Company financial statements

For the year ended 31 March 2012

40. 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 upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. 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.

Company balance sheet

At 31 March 2012

	Notes	2012 £m	2011 £m
Fixed assets			
Tangible assets	43	31.0	30.2
Investments in subsidiary undertakings	44	661.4	645.4
Total fixed assets		692.4	675.6
Current assets			
Debtors	45	51.6	49.3
Total current assets		51.6	49.3
Total assets		744.0	724.9
Current liabilities			
Creditors: amounts falling due within one year	46	(274.2)	(162.3)
Provisions	48	–	(4.5)
Total current liabilities		(274.2)	(166.8)
Net current liabilities		(222.6)	(117.5)
Total assets less current liabilities		469.8	558.1
Long-term liabilities			
Creditors: amounts falling due after more than one year	47	(5.8)	(98.4)
Provisions	48	(2.0)	(1.6)
Total liabilities		(282.0)	(266.8)
Net assets		462.0	458.1
Capital and reserves			
Share capital	49	9.0	8.9
Share premium account	50	92.5	80.6
Merger reserve	50	93.6	85.1
Share-based payments reserve	50	9.1	7.8
Own shares reserve	50	(18.3)	(13.8)
Other reserves	50	0.4	0.3
Profit and loss account	50	275.7	289.2
Equity shareholders' funds		462.0	458.1

The financial statements of MITIE Group PLC, company registration number SC 19230, were approved by the Board of Directors and authorised for issue on 21 May 2012. They were signed on its behalf by:

Ruby McGregor-Smith CBE
Chief Executive

Suzanne Baxter
Group Finance Director



Independent auditor's report to the members of MITIE Group PLC

We have audited the parent company financial statements of MITIE Group PLC for the year ended 31 March 2012 which comprise the Company Balance Sheet and the related notes 40 to 53. 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 auditor's 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 auditor

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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012;
- 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 matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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 and the part of the Directors' Remuneration Report to be audited 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 2012.


Colin Hudson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
21 May 2012

Notes to the consolidated financial statements

39. Principal subsidiaries

The companies set out below are those which were part of the group at 31 March 2012 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 2012 % Voting rights owned	At 31 March 2012 % Ownership interest	At 31 March 2012 % Nominal value owned
Facilities Management	Our Facilities Management division delivers facilities consultancy, management and service delivery to our clients. Services include: security, business services, managed services, catering, client services, PFI, cleaning, landscaping and pest control.	MITIE Facilities Services Ltd	100.0%	100.0%	100.0%
		MITIE Cleaning & Environmental Services Ltd	100.0%	100.0%	100.0%
		MITIE Security Holdings Ltd	94.5%	94.5%	99.9%
Technical Facilities Management	Our Technical Facilities Management division 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.	MITIE Technical Facilities Management Ltd (formerly Dalkia Energy & Technical Services Ltd)	87.9%	87.9%	99.8%
Property Management	Our Property Management division offers an integrated property management service, including mechanical and electrical engineering, energy and more general facilities management services in addition to the traditional services such as maintenance, refurbishment, painting, roofing, interior fit-out, fire protection, plumbing and heating.	MITIE Property Services (UK) Ltd	100.0%	100.0%	100.0%
		MITIE Built Environment 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 challenges of the low-carbon economy including; energy design, generation and certification, infrastructure projects, building services and mechanical and electrical engineering.	MITIE Asset Management Ltd	100.0%	100.0%	100.0%
		MITIE Infrastructure 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.

37. Retirement benefit schemes

The history of experience adjustments is as follows:

	Group scheme				
	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of scheme assets	120.7	114.5	101.4	77.3	88.6
Present value of defined benefit obligations	(137.9)	(117.5)	(108.2)	(74.3)	(78.7)
(Deficit)/surplus in the scheme	(17.2)	(3.0)	(6.8)	3.0	9.9
Experience adjustments on scheme liabilities	(5.3)	(0.5)	(0.1)	11.3	12.0
Percentage of scheme liabilities	3.9%	0.4%	0.1%	(15.3)%	(15.2)%
Experience adjustments on scheme assets	(4.3)	(0.7)	14.5	(21.2)	(4.1)
Percentage of scheme assets	(3.6)%	(0.6)%	14.3%	(27.4)%	(4.8)%
	Other schemes				
	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of scheme assets	10.7	9.8	61.5	45.8	52.3
Present value of defined benefit obligations	(10.8)	(9.8)	(65.2)	(49.2)	(54.7)
Deficit in the scheme	(0.1)	-	(3.7)	(3.4)	(2.4)
Experience adjustments on scheme liabilities	0.2	0.9	(0.7)	10.9	5.2
Percentage of scheme liabilities	(2.0)%	(9.2)%	1.0%	(22.2)%	(10.0)%
Experience adjustments on scheme assets	0.2	(1.3)	11.7	(13.0)	(6.0)
Percentage of scheme assets	1.6%	(13.3)%	19.0%	(28.4)%	(11.5)%

The estimated contributions expected to be paid to the group scheme during the current financial year are £4.6m (2011: £4.0m) and to other schemes £0.4m (2011: £0.3m).

As at 31 March 2012, contributions of £0.7m (2011: £0.8m) due in respect of the current reporting period had not been paid over to the schemes.

38. 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.

During the year, the group derived £9.1m (2011: £5.6m) of construction revenue from contracts with joint ventures and associated undertakings. At 31 March 2012 £1.5m (2011: £nil) of invoices were outstanding.

The Company purchased 40,000 B Ordinary shares in the capital of MITIE Property Services (UK) Limited from Kenneth Robson (a relative of Bill Robson, a Director of MITIE), for a total consideration of £553,600 by the allotment of 227,482 Ordinary shares in MITIE, and £10,600 in cash. This transaction was approved for the purposes of section 190 of the Companies Act 2006 by MITIE shareholders at a General Meeting on 10 November 2011.

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.

The group's key management personnel are the Directors and Non-Executive Directors whose remuneration is disclosed in the audited section of the Directors' remuneration report. The share-based payment charge for key management personnel was £1.0m (2011: £0.8m).

Notes to the consolidated financial statements

37. Retirement benefit schemes

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

	2012			2011		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
At 1 April	117.5	9.3	126.8	108.2	71.9	180.1
Current service cost	4.0	0.4	4.4	4.1	0.3	4.4
Interest cost	6.6	0.1	6.7	6.2	0.7	6.9
Contributions from scheme members	0.6	0.2	0.8	0.8	0.1	0.9
Actuarial gains and losses	11.6	0.9	12.5	1.0	(0.9)	0.1
Benefits paid	(2.4)	(0.3)	(2.7)	(2.2)	(0.4)	(2.6)
Negative past service cost	-	-	-	(3.4)	(0.7)	(4.1)
Contract transfers	-	-	-	2.8	(61.7)	(58.9)
At 31 March	137.9	10.6	148.5	117.5	9.3	126.8

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

	2012			2011		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
At 1 April	114.5	9.8	124.3	101.4	61.5	162.9
Expected return on scheme assets	8.1	0.5	8.6	7.0	0.8	7.8
Actuarial gains and losses	(4.3)	0.2	(4.1)	(0.7)	(1.2)	(1.9)
Contributions from the sponsoring companies	4.2	0.3	4.5	5.4	2.5	7.9
Contributions from scheme members	0.6	0.2	0.8	0.8	0.1	0.9
Benefits paid	(2.4)	(0.3)	(2.7)	(2.2)	(0.4)	(2.6)
Contract transfers	-	-	-	2.8	(53.5)	(50.7)
At 31 March	120.7	10.7	131.4	114.5	9.8	124.3

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

	2012			2011		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Equity instruments	51.6	7.3	58.9	49.8	7.0	56.8
Debt instruments	27.7	2.3	30.0	24.6	1.8	26.4
Property	16.8	0.6	17.4	17.7	0.5	18.2
Other assets	3.1	0.5	3.6	1.8	0.5	2.3
Alternative assets	21.5	-	21.5	20.6	-	20.6
At 31 March	120.7	10.7	131.4	114.5	9.8	124.3

The pension schemes have invested in property occupied by the group with a fair value of £2.5m (2011: £3.9m) generating rental of £0.3m (2011: £0.3m). At 31 March 2012 the pension schemes held nil MITIE Group PLC shares (2011: nil). 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.

37. Retirement benefit schemes

	Group scheme	
	2012 Years	2011 Years
Post retirement mortality:		
Current pensioners at 65 – male	88.0	88.0
Current pensioners at 65 – female	89.0	90.0
Future pensioners at 65 – male	89.0	89.0
Future pensioners at 65 – female	91.0	92.0

Mortality for the other schemes is that used by the relevant scheme actuary.

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.

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

	2012			2011		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Current service cost	(4.0)	(0.4)	(4.4)	(4.1)	(0.3)	(4.4)
Interest cost	(6.6)	(0.1)	(6.7)	(6.2)	(0.7)	(6.9)
Expected return on scheme assets	8.1	0.5	8.6	7.0	0.8	7.8
Negative past service cost	-	-	-	3.4	0.7	4.1
	(2.5)	-	(2.5)	0.1	0.5	0.6

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

	2012			2011		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Actual return on scheme assets	3.8	0.6	4.4	6.3	(0.4)	5.9
Expected return on scheme assets	(8.1)	(0.5)	(8.6)	(7.0)	(0.8)	(7.8)
Actuarial (losses)/gains on liabilities	(11.6)	(0.5)	(12.1)	(1.0)	1.8	0.8
	(15.9)	(0.4)	(16.3)	(1.7)	0.6	(1.1)

The cumulative amount of actuarial loss recognised since 1 April 2004 in the consolidated statement of comprehensive income is £41.0m (2011: £24.7m).

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:

	2012			2011		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	120.7	10.7	131.4	114.5	9.8	124.3
Present value of defined benefit obligations	(137.9)	(10.6)	(148.5)	(117.5)	(9.3)	(126.8)
(Deficit)/surplus in scheme	(17.2)	0.1	(17.1)	(3.0)	0.5	(2.5)
Contract adjustment	-	(0.2)	(0.2)	-	(0.5)	(0.5)
Net pension liability	(17.2)	(0.1)	(17.3)	(3.0)	-	(3.0)

Notes to the consolidated financial statements

37. 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 £7.9m (2011: £8.1m) during the year. As at 31 March 2012, contributions of £0.6m (2011: £0.5m) due in respect of the current reporting period had not been paid over to the schemes.

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.

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 scheme is a funded scheme.

The most recent actuarial valuation of the group scheme's assets and the present value of their defined benefit obligations was carried out as at 1 April 2011 by Chris Vaughan-Williams, Fellow of the Institute of Actuaries, from Aon Hewitt Limited. The next triennial valuation is due as at 1 April 2014.

Other defined benefit schemes

Grouped together under 'Other schemes' is one (2011: 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, 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 is 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.

Assumptions

In the prior year, the UK government has announced that it will use the Consumer Price Index (CPI) measure of inflation rather than the Retail Price Index (RPI) to determine the level of future statutory pension increases. This was treated as a change in defined pension benefits and recognised as a negative past service cost. A credit of £4.1m was recognised in the income statement for the year ended 31 March 2011.

	Group scheme		Other schemes	
	2012 %	2011 %	2012 %	2011 %
Key assumptions used for IAS 19 valuation:				
Discount rate	4.90	5.60	4.90	5.60
Expected return on scheme assets:				
Equity instruments	7.50	8.00	7.50	8.00
Debt instruments	4.50	5.00	4.50	5.00
Property	7.00	7.50	7.00	7.50
Other assets	1.00	1.50	1.00	1.50
Alternative assets	7.50	7.00	7.50	7.00
Expected rate of salary increases	3.70	4.50	3.20	4.00
Retail Price Inflation	3.20	3.50	3.20	3.50
Consumer Price Inflation	2.20	2.70	2.20	2.70
Future pension increases	3.20	3.50	3.20	2.80

36. Share-based payments

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

	2012		2011	
	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	22.5	152	18.1	162
Granted during the year	6.1	111	8.0	140
Forfeited during the year	(1.9)	188	(2.0)	194
Exercised during the year	(5.5)	146	(1.6)	151
Outstanding at the end of the year*	21.2	139	22.5	152
Exercisable at the end of the year	3.3	196	3.0	202

* Included within this balance are 0.1m (2011: 0.2m) 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:

	2012 £m	2011 £m
Long Term Incentive Plan share options	1.4	1.6
Executive share options	0.9	0.9
SAYE share options	0.6	0.8
	2.9	3.3

The weighted average share price at the date of exercise for share options exercised during the year was 243p (2011: 206p). The options outstanding at 31 March 2012 had exercise prices (other than nil in the case of the LTIP) ranging from 117p – 254p (2011: 117p – 254p) and a weighted average remaining contractual life of 4.6 years (2011: 4.4 years). In the year ended 31 March 2012, options were granted in August 2011 in respect of the LTIP and Executive share option schemes. The aggregate of the estimated fair values of the options granted on those dates was £6.1m. In the year ended 31 March 2011, options were granted in June, July and August 2010 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 was £4.4m.

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

	2012	2011
Share price (p)	191–243	191–230
Exercise price (p)	0–254	0–254
Expected volatility (%)	28–36	28–36
Expected life (years)	3–6	3–6
Risk-free rate (%)	1.48–5.25	1.49–5.25
Expected dividends (%)	2.22–4.10	2.22–3.93

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

35. Operating lease arrangements

The group as Lessee

	2012 £m	2011 £m
Minimum lease payments under operating leases recognised in income for the year	13.2	10.1

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:

	2012 £m	2011 £m
Within one year	11.7	9.9
In the second to fifth years inclusive	22.5	17.5
After five years	4.7	5.5
	38.9	32.9

Operating lease payments represent rentals payable by the group for certain of its office properties and hire of vehicles and other equipment. These leases have average durations ranging from three to ten years. No arrangements have been entered into for contingent rental payments.

36. Share-based payments

Equity-settled share option schemes

The Company has four share option schemes:

The MITIE 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 based on growth in earnings per share over a three-year period.

The group also awards performance-related bonuses for Executive Directors which are deferred in shares and are accounted for as a share-based payment charge.

The MITIE 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, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three-year period.

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.

The Share Incentive Plan (SIP)

The SIP was introduced in 2011 and is a non-discretionary scheme open to all eligible UK resident employees. Under the scheme, eligible employees are invited to invest in Partnership Shares which are purchased in the market on their behalf and held in a UK employee benefit trust. One Matching Share is awarded for every ten Partnership Shares purchased and have a holding period of three years. Matching Shares are funded by way of market purchases.

33. Acquisitions

Prior year acquisitions

Purchase of FM business of Dalkia in Ireland

On 25 June 2010, MITIE acquired 100% of DFM Providers Limited (subsequently renamed MITIE Facilities Management Limited) and Dalkia Energy and Facilities Limited (subsequently renamed MITIE Limited), together Dalkia FM in Ireland, for total consideration of up to €12.5m. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). Below we provide final information on the acquisition. The fair value of net assets acquired has not changed since the provisional information presented in the Annual Report and Accounts 2011.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	8.8	(5.8)	3.0
Deferred tax (liability)/asset	(1.1)	0.4	(0.7)
Trade and other receivables	5.4	(0.4)	5.0
Cash and cash equivalents	1.5	-	1.5
Trade and other payables	(4.9)	(0.8)	(5.7)
Current tax liability	(0.2)	-	(0.2)
Net assets acquired	9.5	(6.6)	2.9
Goodwill			7.7
Total consideration			10.6

During the year deferred contingent consideration of £0.9m in respect of the acquisition of Dalkia FM in Ireland was settled in cash due to attainment of certain targets. The remaining £0.9m of deferred contingent consideration was not payable and was recognised in the income statement in accordance with IFRS 3 (revised 2008).

34. Contingent liabilities

The Company is party with other group companies to cross guarantees of each other's bank and other borrowings, commitments and overdrafts of £390.8m (2011: £368.0m).

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 £1.2m (2011: £4.5m) per Note 30. The actual amounts payable may vary up to a maximum of £1.2m (2011: £6.9m) 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 £33.2m (2011: £34.9m) in the ordinary course of business. These are not expected to result in any material financial loss.

Notes to the consolidated financial statements

33. Acquisitions

Purchase of Service Management International Limited

- During the period the group increased its stake in Service Management International Limited from 50% to 100% for total cash consideration of £1.5m, which resulted in goodwill of £1.8m.

Purchase of Direct Enquiries Holdings Limited

During the period the group purchased 51% of the share capital of Direct Enquiries Holdings Limited for cash consideration of £0.2m, which resulted in goodwill of £0.3m. There are further options to buy the remaining equity for cash, up to a maximum of £8.3m depending on the financial performance over a five year period.

Purchase of non-controlling interests

	MITIE Cleaning Services Ltd £m	MITIE Engineering Maintenance (Caledonia) Ltd £m	MITIE Landscapes Ltd £m	MITIE Property Services (UK) Ltd £m*	MITIE Transport Services Ltd £m	Total £m
Shares issued – MITIE Group PLC	1.9	–	–	9.2	1.5	12.6
Cash consideration	0.3	–	1.1	0.5	0.1	2.0
Total purchase consideration	2.2	–	1.1	9.7	1.6	14.6
Non-controlling interests	0.2	–	0.3	2.7	0.2	3.4
Retained earnings	2.0	–	0.8	7.0	1.4	11.2
Total recognised in equity	2.2	–	1.1	9.7	1.6	14.6

* As disclosed in the Half-yearly report for the six months to 30 September 2011, the purchase of 40,000 B Ordinary shares in the capital of MITIE Property Services (UK) Limited from Kenneth Robson (a relative of Bill Robson, a Director of MITIE) was approved for the purposes of section 190 of the Companies Act 2006 by MITIE shareholders at a General Meeting on 10 November 2011. The acquisition was not reflected in the results to 30 September 2011 as approval was not obtained until after the period end, but it has been included in the results to 31 March 2012 and is therefore included in the above disclosure.

The adoption of IAS 27 'Consolidated and Separate Financial Statements' (revised 2008) in the year ended 31 March 2011 has resulted in the difference between the change in non-controlling interests and the consideration paid being recognised in retained earnings. Prior to adoption of the revised standard this amount was recognised in goodwill.

Acquisition related costs included within other items (Note 5) amounted to £1.8m.

Entities acquired during the year contributed £2.7m to revenue and £0.1m to the group's operating profit before other items for the period. If the acquisitions had taken place at the start of the period, the group's revenue and operating profit before other items would have been approximately £2,011m and £112m respectively.

33. Acquisitions

Current year acquisitions

Purchase of Utiyx Holdings Limited

On 10 January 2012, MITIE acquired 100% of Utiyx Holdings Limited for total consideration of up to £16.4m. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). Below we provide provisional information on the acquisition:

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	-	4.6	4.6
Deferred tax asset/(liability)	0.2	(0.7)	(0.5)
Trade and other receivables	3.1	(0.4)	2.7
Cash and cash equivalents	0.7	-	0.7
Trade and other payables	(2.7)	(1.2)	(3.9)
Net assets acquired	1.3	2.3	3.6
Goodwill			12.8
Total consideration			16.4
Satisfied by			
Cash			15.2
Deferred contingent consideration			1.2
Total consideration			16.4
Net cash outflow arising on acquisition			
Cash consideration			15.2
Cash and cash equivalents acquired			(0.7)
Net cash outflow			14.5

The goodwill arising on the acquisition of Utiyx Holdings Limited is attributable to the underlying profitability of the companies in the acquired group, expected profitability arising from new business and the anticipated future operating synergies arising from assimilation into MITIE. None of the goodwill recognised is expected to be deductible for income tax purposes.

Provision is made for deferred contingent consideration at the Directors' best estimate of the likely future obligation. Deferred contingent consideration of up to £1.2m, which may become payable before January 2013 subject to certain profit and other targets being attained, is included above.

Notes to the consolidated financial statements

32. Reserves

Share premium account

The share premium account represents the premium arising on the issue of equity shares (see Note 31).

Merger reserve

The merger reserve represents amounts relating to premiums arising on shares issued subject to the provisions of Section 612 of the Companies Act 2006 (see Note 31).

Share-based payment reserve

The share-based payment reserve represents credits relating to equity-settled share-based payment transactions granted after 7 November 2002 that have not yet fully vested (see Note 36).

Own shares reserve

The group uses shares held in the Employee Benefit Trust to satisfy options under the group's LTIP and SIP share option schemes. During the year 3.1m shares (2011: 2.6m) were purchased at a cost of £7.4m (2011: £5.7m). The own shares reserve at 31 March 2012 represents the cost of 7.8m (2011: 5.9m) shares in MITE Group PLC, with a weighted average of 7.9m (2011: 5.3m) shares during the year.

Other reserves

Other reserves are comprised of the revaluation reserve of £(0.2)m (2011: £(0.2)m), the capital redemption reserve of £0.4m (2011: £0.3m) and other reserves of £0.1m (2011: £0.1m). The movement on the capital redemption reserve relates to the share buybacks that were performed during the year (see Note 31).

Hedging and translation reserve

The hedging and translation reserve represents foreign exchange differences arising on translation of the group's overseas operations, movements relating to cash flow hedges and movements on net investment hedges.

33. Acquisitions

During the year a net cash outflow of £23.9m arose on the acquisitions set out below:

	£m
Utiyx Holdings Limited	14.5
Direct Enquiries Holdings Limited	0.2
Acquisition costs	1.8
Non-controlling interests	2.0
Deferred consideration	3.8
Service Management International Limited	1.3
Other	0.3
Net cash outflow on acquisitions	23.9

31 Share capital

Ordinary shares of 2.5p	Number million	£m
Allotted and fully paid		
At 1 April 2011	357.8	8.9
Issued for acquisitions	5.3	0.1
Issued under share option schemes	4.2	0.1
Share buybacks	(5.4)	(0.1)
At 31 March 2012	361.9	9.0
At 1 April 2010	353.2	8.8
Issued for acquisitions	3.0	0.1
Issued under share option schemes	1.6	-
At 31 March 2011	357.8	8.9

During the year 5.3m (2011: 3.0m) Ordinary shares of 2.5p were allotted in respect of the acquisition of non-controlling interests at a mid-market price of 238.7p (2011: 209.2p) giving rise to share premium of £4.0m (2011: £1.6m) and a merger reserve of £8.5m (2011: £4.8m).

During the year 4.2m (2011: 1.6m) Ordinary shares of 2.5p were allotted in respect of share option schemes at a price between 117p and 254p (2011: 117p and 226p) giving rise to share premium of £7.9m (2011: £2.3m).

During the period 5.4m Ordinary shares of 2.5p were purchased at market prices between 208.6p and 255.9p. These were then cancelled.

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30. Provisions

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2011	4.5	8.2	12.7
Amounts recognised in the income statement	(0.9)	(1.1)	(2.0)
Deferred contingent consideration settled during the period	(3.8)	-	(3.8)
Utilised within the captive insurance subsidiary	-	(2.7)	(2.7)
Amounts recognised through goodwill	1.4	-	1.4
At 31 March 2012	1.2	4.4	5.6
Included in current liabilities			1.2
Included in non-current liabilities			4.4
			5.6

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2010	12.9	8.2	21.1
Amounts recognised in the income statement	0.1	2.5	2.6
Deferred contingent consideration settled during the period	(8.1)	-	(8.1)
Utilised within the captive insurance subsidiary	-	(2.5)	(2.5)
Amounts recognised through goodwill	(0.4)	-	(0.4)
At 31 March 2011	4.5	8.2	12.7
Included in current liabilities			4.5
Included in non-current liabilities			8.2
			12.7

During the year deferred contingent consideration of £2.9m in respect of the acquisition in 2008 of MITIE Tilley Roofing Limited (formerly D W Tilley Limited) was settled in cash due to attainment of profit targets. This was £0.2m higher than the amount provided for at 31 March 2011 due to better than expected performance.

During the year deferred contingent consideration of £0.9m in respect of the acquisition in 2010 of Dalkia FM in Ireland was settled in cash due to attainment of certain targets. The remaining £0.9m of deferred contingent consideration was not payable and was recognised in the income statement in accordance with IFRS 3 (revised 2008).

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.

27. Financial risk management objectives

All financial liabilities, other than financing liabilities, are interest free. Details of financing liabilities are given in Note 26. All financial assets are recoverable within one year, except for those disclosed as non-current in Note 18.

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.

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 per Note 29 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, which is monitored on a regular basis.

28. Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts payable under finance leases:				
Within one year	4.0	2.7	3.8	2.4
In the second to fifth years inclusive	5.4	6.2	4.9	5.7
After five years	-	0.1	-	0.1
	9.4	9.0	8.7	8.2
Less: future finance charges	(0.7)	(0.8)	-	-
Present value of lease obligations	8.7	8.2	8.7	8.2
Less: Amount due for settlement within 12 months	(3.8)	(2.4)	(3.8)	(2.4)
Amount due for settlement after 12 months	4.9	5.8	4.9	5.8

The average remaining lease term is 31 months (2011: 38 months). For the year ended 31 March 2012, the average effective borrowing rate was 3.1% (2011: 2.9%). 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.

29. Analysis of net debt

	2012 £m	2011 £m
Cash and cash equivalents (Note 22)	60.8	130.6
Bank loans (Note 26)	(56.6)	(96.8)
Private placement notes (Note 26)	(100.8)	(97.6)
Derivative financial instruments hedging private placement notes (Note 27)	-	(2.9)
Net debt before loan notes and obligations under finance leases	(96.6)	(66.7)
Loan notes (Note 26)	(1.6)	(1.6)
Obligations under finance leases (Note 28)	(8.7)	(8.2)
Net debt	(106.9)	(76.5)

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27. Financial risk management objectives

Foreign currency risk

The group has limited exposure to transactional foreign currency risk from trading transactions in currencies other than the functional currency of individual group entities. The group considers the need to hedge its exposures appropriately and will enter into forward foreign exchange contracts to mitigate any significant risks.

The group has some exposure to translational foreign currency risk from the translation of its operations in the Republic of Ireland and other European territories. The group considers the need to hedge its exposures appropriately.

In addition, on 16 December 2010, the group issued US\$96.0m and £40.0m of private placement ('PP') notes in the United States Private Placement market and this has been fully hedged into sterling using cross currency interest rate swaps (see Note 26).

Interest rate 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. Having issued US\$96.0m and £40.0m of private placement ('PP') notes in the United States Private Placement fixed rate market on 16 December 2010, the group has swapped US\$48m into floating rate debt (see Note 26).

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 2012 and reserves would decrease/increase by £0.5m (2011: £0.6m).

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 cash and cash equivalents 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.

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. Details of our bank facilities can be found in Note 26.

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

At 31 March 2012	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade creditors	218.9	–	–	218.9
Other creditors	21.5	–	–	21.5
Accruals and deferred income	153.5	–	–	153.5
Financing liabilities	8.6	83.4	106.7	198.7
Financial liabilities	402.5	83.4	106.7	592.6

At 31 March 2011	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade creditors	212.3	–	–	212.3
Other creditors	16.2	–	–	16.2
Accruals and deferred income	133.1	–	–	133.1
Financing liabilities	6.1	122.8	108.0	236.9
Financial liabilities	367.7	122.8	108.0	598.5

27. 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 interest rate risk, foreign currency risk, liquidity risk and credit risk. The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by group policies and reviewed regularly. Group policy is not to trade in financial instruments.

Hedging activities

Cash flow hedges

The group holds a number of cross currency interest rate swaps designated as cash flow hedges. Bi-annual fixed interest cash flows arising over the periods to December 2017 and denominated in US\$ from the US Private Placement market are exchanged for fixed interest cash flows denominated in sterling. The group also holds a number of forward exchange currency contracts designated as hedges of highly probable forecast transactions. All cash flow hedges were assessed as being highly effective as at 31 March 2012.

Fair value hedges

The group holds a number of cross currency interest rate swaps designated as fair value hedges. Fixed interest cash flows denominated in US\$ from the US Private Placement market are exchanged for floating interest cash flows denominated in sterling. All fair value hedges were assessed as being highly effective as at 31 March 2012.

Hedge of net investment in foreign operations

Included in bank loans at 31 March 2012 was a borrowing of €9.5m (2011: €9.5m) which has been designated as a hedge of the net investment in the Republic of Ireland business of Dalkia FM in Ireland and is being used to hedge the group's exposure to foreign exchange risk on this investment. Gains or losses on the translation of the borrowing are transferred to equity to offset gains or losses on the translation of the net investment.

Derivative financial instruments

The carrying values of derivative financial instruments at the balance sheet date were as follows:

	Assets 2012 €m	Assets 2011 €m	Liabilities 2012 €m	Liabilities 2011 €m
Cross currency interest rate swaps designated as cash flow hedges	-	-	(0.7)	(0.8)
Cross currency interest rate swaps designated as fair value hedges	0.7	-	-	(2.1)
Derivative financial instruments hedging private placement notes	0.7	-	(0.7)	(2.9)
Callable interest rate swaps	-	-	-	(0.2)
Forward foreign exchange contracts	-	-	-	(0.1)
	0.7	-	(0.7)	(3.2)
Included in current assets/liabilities	-	-	-	(0.2)
Included in non-current assets/liabilities	0.7	-	(0.7)	(3.0)
	0.7	-	(0.7)	(3.2)

Derivative financial instruments are measured at fair value. Fair values of derivative financial instruments are calculated based on a discounted cash flow analysis using appropriate market information for the duration of the instruments. 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.

The cross currency interest rate swaps are net settled and other contracts are gross settled.

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26. Financing liabilities

	2012 £m	2011 £m
Bank loans	56.6	96.8
Private placement notes	100.8	97.6
Loan notes	1.6	1.6
Derivative financial instruments	0.7	3.2
Obligations under finance leases (Note 28)	8.7	8.2
	168.4	207.4
Included in current liabilities	5.4	2.6
Included in non-current liabilities	163.0	204.8
	168.4	207.4

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

Included in current liabilities are £3.8m (2011: £2.4m) of obligations under finance leases (see Note 28), £nil (2011: £0.2m) of derivative financial instruments (see Note 27) and £1.6m (2011: £nil) of loan notes.

Included in bank loans are £16.6m (2011: £11.8m) of loans denominated in foreign currency.

Private placement notes

On 16 December 2010, the group issued US\$96.0m and £40.0m of private placement ('PP') notes in the United States Private Placement market. The PP notes are unsecured and rank pari passu with other senior unsecured indebtedness of the group. In order to manage the risk of foreign currency fluctuations and to manage the group's finance costs through a mix of fixed and variable rate debt, the group has entered into cross currency interest rate swaps. The swap contracts have the same duration and other critical terms as the borrowings and are considered to be highly effective. The amount, maturity and interest terms of the PP notes are as shown below:

Tranche	Maturity date	Amount	Interest terms	Swap interest
7 year	18 December 2017	US\$48m	US\$ fixed at 3.39%	£ fixed at 3.88%
7 year	18 December 2017	US\$48m	US\$ fixed at 3.39%	£ LIBOR + 1.26%
9 year	18 December 2019	£40.0m	£ fixed at 4.38%	n/a

The weighted average interest rates paid during the year on the overdrafts and loans outstanding were as follows:

	2012 %	2011 %
Overdrafts	1.9	1.9
Bank loans	1.8	1.0
Private placement notes	3.6	3.6
Loan notes	-	-

At 31 March 2012, the group had available £193.4m (2011: £132.3m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facilities have an expiry date of 2015. The loans carry interest rates which are currently determined at 1.3% over LIBOR. Details of the group's contingent liabilities are provided in Note 34.

24. Financial liabilities

	2012 £m	2011 £m
Trade creditors	218.9	212.3
Other creditors	21.5	16.2
Accruals and deferred income	153.5	133.1
Financing liabilities (Note 26)	168.4	207.4
	562.3	569.0
Included in current liabilities	399.3	364.2
Included in non-current liabilities	163.0	204.8
	562.3	569.0

With the exception of derivative financial instruments and the private placement notes, all financial liabilities are held at amortised cost. The Directors estimate that their carrying value approximates their fair value. Derivative financial instruments, which are included in financing liabilities, are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value through profit or loss unless they are designated as hedges for which hedge accounting can be applied (see Note 27). The carrying value of the private placement notes at 31 March 2012 includes a fair value adjustment for interest rate and currency risk of £0.8m (2011: £2.1m). The fair value of the private placement notes is not significantly different from their carrying value.

25. Trade and other payables

	2012 £m	2011 £m
Payments received on account	2.5	3.1
Trade creditors	218.9	212.3
Other taxes and social security	65.0	68.2
Other creditors	21.5	16.2
Accruals and deferred income	153.5	133.1
	461.4	432.9

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 35 days (2011: 36 days).

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

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22. Cash and cash equivalents

	2012 £m	2011 £m
Cash and cash equivalents	60.8	130.6
	60.8	130.6

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.

At 31 March 2012 £6.5m (2011: £7.0m) of cash and cash equivalents were held in foreign currencies.

Included in cash and cash equivalents are deposits totalling £7.6m (2011: £9.1m) 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.

23. 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	Intangible assets acquired £m	Share options £m	Short-term timing differences £m	Tax losses £m	Total £m
At 1 April 2010	(0.2)	2.1	(13.0)	1.7	8.8	1.6	1.0
(Charge)/credit to income	(0.8)	(1.8)	3.2	(0.3)	(5.7)	(0.3)	(5.7)
Credit/(charge) to equity and the statement of comprehensive income	-	0.1	-	(0.2)	0.1	-	-
Acquisition of subsidiaries	-	-	(0.8)	-	1.3	-	0.5
Reallocation	-	0.4	-	-	(0.4)	-	-
At 1 April 2011	(1.0)	0.8	(10.6)	1.2	4.1	1.3	(4.2)
(Charge)/credit to income	(1.0)	(0.5)	3.1	0.3	(2.9)	0.1	(0.9)
Credit to equity and the statement of comprehensive income	-	3.9	-	0.5	-	-	4.4
Acquisition of subsidiaries	-	-	(1.0)	-	-	0.6	(0.4)
At 31 March 2012	(2.0)	4.2	(8.5)	2.0	1.2	2.0	(1.1)

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:

	2012 £m	2011 £m
Deferred tax assets	9.6	9.1
Deferred tax liabilities	(10.7)	(13.3)
Net deferred tax liability	(1.1)	(4.2)

The group has unutilised income tax losses of £8.2m (2011: £5.0m) that are available for offset against future profits. In addition the group has £0.4m (2011: £0.4m) of capital losses.

The UK Government announced a reduction in the UK corporation tax rate from 26% to 24% from 1 April 2012, which was substantively enacted on 26 March 2012. The reduction in the balance sheet carrying value of deferred tax assets and liabilities to reflect the rate of tax at which those assets are expected to reverse has resulted in a deferred tax credit of £0.6m to the income statement. The UK Government has indicated that it intends to enact further reductions in the main tax rate of 1% each year down to 22% by 1 April 2014. Future rate reductions would further reduce the UK deferred tax assets and liabilities recognised but the actual impact will be dependent on the deferred tax position at the time.

20. Amounts recoverable on contracts

	2012 £m	2011 £m
Contracts in progress at the balance sheet date		
Amounts due from contract customers included in trade and other receivables	114.2	94.3
Amounts due to contract customers included in trade and other payables	-	-
	114.2	94.3
Contract costs incurred plus recognised profits less recognised losses to date	770.6	721.3
Less progress billings	(656.4)	(627.0)
	114.2	94.3
Included in current assets	95.6	82.7
Included in non-current assets	18.6	11.6
	114.2	94.3

At 31 March 2012, retentions held by customers for contract work amounted to £15.6m (2011: £15.8m).

Included within Amounts recoverable on contracts are mobilisation costs as detailed below:

	2012 £m	2011 £m
Mobilisation costs		
At 1 April	15.4	5.5
Additions	12.0	12.5
Amounts recognised in the income statement	(6.4)	(2.6)
At 31 March	21.0	15.4
Included in current assets	7.3	4.6
Included in non-current assets	13.7	10.8
	21.0	15.4

21. Financing assets

	2012 £m	2011 £m
Derivative financial instruments (Note 27)	0.7	-
Loans to joint ventures and associates	1.6	-
Infrastructure assets	6.8	-
	9.1	-
Included in current assets	-	-
Included in non-current assets	9.1	-
	9.1	-

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19. Trade and other receivables

	2012 £m	2011 £m
Amounts receivable for the sale of services	287.8	310.4
Allowance for doubtful debt	(5.3)	(6.9)
Trade receivables	282.5	303.5
Amounts recoverable on contracts (Note 20)	114.2	94.3
Other debtors	15.4	14.1
Prepayments and accrued income	117.6	69.8
	529.7	481.7
Included in current assets	507.1	470.1
Included in non-current assets	22.6	11.6
	529.7	481.7

Ageing of trade receivables:

	2012 £m	2011 £m
Neither impaired nor past due	210.6	219.8
Not impaired and less than three months overdue	50.9	67.5
Not impaired and more than three months overdue	22.6	16.9
Impaired receivables	3.7	6.2
Allowance for doubtful debt	(5.3)	(6.9)
	282.5	303.5

Movement in the allowance for doubtful debt:

	2012 £m	2011 £m
Balance at the beginning of the year	6.9	10.7
Impairment losses recognised	1.7	1.0
Amounts written off as uncollectable	(2.0)	(1.9)
Amounts recovered during the year	(1.3)	(2.9)
	5.3	6.9

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 35 days (2011: 40 days).

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

17. Interest in joint ventures and associates

The group's interests in joint ventures and associates are accounted for in the consolidated financial statements using the equity method.

The group's share of net assets of joint ventures and associates as at 31 March 2012 is as follows:

	2012 £m	2011 £m
Non-current assets	3.6	-
Current assets	0.4	-
Current liabilities	(0.4)	-
Non-current liabilities	(3.2)	-
Interest in joint ventures and associates	0.4	-

The group's share of result of joint ventures and associates included in the consolidated income statement was £nil (2011: £nil).

18. Financial assets

	2012 £m	2011 £m
Trade receivables (Note 19)	282.5	303.5
Amounts recoverable on contracts (Note 20)	114.2	94.3
Other debtors (Note 19)	15.4	14.1
Financing assets (Note 21)	9.1	-
Cash and cash equivalents (Note 22)	60.8	130.6
	482.0	542.5
Included in current assets	454.3	530.9
Included in non-current assets	27.7	11.6
	482.0	542.5

With the exception of derivative financial instruments 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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15. Property, plant and equipment

	Freehold properties £m	Leasehold properties £m	Plant and vehicles £m	Total £m
Cost				
At 1 April 2010	5.1	8.5	83.6	97.2
Additions	–	6.1	19.5	25.6
Acquired with subsidiaries	–	1.7	(1.7)	–
Disposals	(0.3)	(0.6)	(11.8)	(12.7)
At 1 April 2011	4.8	15.7	89.6	110.1
Additions	–	0.5	24.8	25.3
Transfers	–	(0.1)	0.1	–
Acquired with subsidiaries	–	–	0.1	0.1
Disposals	–	(0.1)	(9.1)	(9.2)
At 31 March 2012	4.8	16.0	105.5	126.3

Accumulated depreciation and impairment

At 1 April 2010	0.8	3.7	38.2	42.7
Charge for the year	0.1	1.3	16.5	17.9
Transfers	–	1.1	(1.1)	–
Disposals	(0.1)	(0.5)	(9.2)	(9.8)
At 1 April 2011	0.8	5.6	44.4	50.8
Charge for the year	0.1	1.3	17.4	18.8
Disposals	–	(0.1)	(7.3)	(7.4)
At 31 March 2012	0.9	6.8	54.5	62.2

Carrying amount

At 31 March 2012	3.9	9.2	51.0	64.1
At 31 March 2011	4.0	10.1	45.2	59.3

The net book value of plant and vehicles held under finance leases included above was £9.7m (2011: £9.2m).

Additions to fixtures and equipment during the year amounting to £3.6m (2011: £4.6m) were financed by new finance leases.

16. Inventories

	2012 £m	2011 £m
Work-in-progress	4.0	4.1
Materials	1.7	1.4
	5.7	5.5

14. Other intangible assets

	Acquisition related		Total acquisition related £m	Software and development expenditure £m	Total £m
	Customer relationships £m	Other £m			
Cost					
At 1 April 2010	48.2	8.9	57.1	21.9	79.0
Additions	2.4	0.6	3.0	5.0	8.0
Impact of foreign exchange	0.1	–	0.1	–	0.1
At 1 April 2011	50.7	9.5	60.2	26.9	87.1
Additions	3.6	1.0	4.6	7.7	12.3
Impact of foreign exchange	(0.1)	–	(0.1)	–	(0.1)
At 31 March 2012	54.2	10.5	64.7	34.6	99.3
Amortisation					
At 1 April 2010	9.9	1.0	10.9	0.7	11.6
Charge for the year	6.6	2.3	8.9	1.9	10.8
At 1 April 2011	16.5	3.3	19.8	2.6	22.4
Charge for the year	6.7	2.4	9.1	2.0	11.1
At 31 March 2012	23.2	5.7	28.9	4.6	33.5
Carrying amount					
At 31 March 2012	31.0	4.8	35.8	30.0	65.8
At 31 March 2011	34.2	6.2	40.4	24.3	64.7

Customer relationships are amortised over their useful lives based on the period of time over which they are anticipated to generate benefits. These currently range from six to eight years. Other acquisition related intangibles include acquired software, trade names and non-compete agreements 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.

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13. Goodwill

	£m
Cost	
At 1 April 2010	324.0
Acquisition of subsidiaries	11.6
Impact of foreign exchange	0.4
Change in deferred contingent consideration for subsidiaries acquired prior to 31 March 2010	(3.0)
At 1 April 2011	333.0
Acquisition of subsidiaries	14.9
Impact of foreign exchange	(0.4)
Change in deferred contingent consideration for subsidiaries acquired prior to 31 March 2010	0.2
At 31 March 2012	347.7
Accumulated impairment losses	
At 1 April 2010	-
At 1 April 2011	-
At 31 March 2012	-
Carrying amount	
At 31 March 2012	347.7
At 31 March 2011	333.0

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, which align with the business segments, as this is how goodwill is monitored by the group internally.

Cost	2012 £m	2011 £m
Facilities Management	161.6	160.0
Technical Facilities Management	95.5	82.7
Property Management	86.1	85.8
Asset Management	4.5	4.5
	347.7	333.0

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 one year financial budgets approved by the Board, extrapolated for four future years by a growth rate applicable to each unit with a terminal value using a 2% inflationary growth rate assumption.

The pre-tax rates used to discount the forecast cash flows from CGUs range from 8.5% to 9.0% (2011: 9.5% to 10.0%) and are derived from the Company's post-tax Weighted Average Cost of Capital, which was 7.0% (2011: 8.0%) at 31 March 2012, and adjusted for the risks specific to the market in which the CGU operates. All CGUs have the same access to the group's treasury functions and borrowing lines to fund their operations.

No reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill of any of the CGUs.

12. 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:

	2012 £m	2011 £m
Net profit attributable to equity holders of the parent before other items*	79.4	79.1
Other items net of tax*	(7.5)	(13.9)
Net profit attributable to equity holders of the parent	71.9	65.2

Number of shares	2012 million	2011 million
Weighted average number of Ordinary shares for the purpose of basic EPS	351.5	350.5
Effect of dilutive potential Ordinary shares: share options	9.0	6.4
Weighted average number of Ordinary shares for the purpose of diluted EPS	360.5	356.9

	2012 p	2011 p
Basic earnings per share – before other items*	22.6	22.6
Basic earnings per share	20.5	18.6
Diluted earnings per share – before other items*	22.0	22.2
Diluted earnings per share	19.9	18.3

* Other items are analysed in Note 5.

The weighted average number of Ordinary shares in issue during the year excludes those accounted for in the own shares reserve (see Note 32).

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10. Tax

	2012 £m	2011 £m
Current tax	21.5	15.7
Deferred tax (Note 23)	0.9	5.7
	22.4	21.4

Corporation tax is calculated at 26.0% (2011: 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:

	2012 £m	2011 £m
Profit before tax	94.5	86.8
Tax at the UK corporation tax rate of 26.0% (2011: 28.0%)	24.6	24.3
Non-taxable items	(0.3)	0.8
Impact of changes in statutory tax rates	(0.6)	(0.5)
Overseas tax rates	(0.2)	-
Prior year adjustments	(1.1)	(3.2)
Tax charge for the year	22.4	21.4

In addition to the amount charged to the consolidated income statement, tax relating to retirement benefit costs and hedged items amounting to £3.9m has been credited directly to the statement of comprehensive income (2011: charge of £0.1m) and £1.0m (2011: £nil) relating to share-based payments has been credited directly to equity.

11. Dividends

	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2011 of 4.9p (2010: 4.1p) per share	17.1	14.5
Interim dividend for the year ended 31 March 2012 of 4.4p (2011: 4.1p) per share	15.5	14.4
	32.6	28.9
Proposed final dividend for the year ended 31 March 2012 of 5.2p (2011: 4.9p) per share	18.4	17.5

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.

7. Staff costs

Number of people	2012	2011
The average number of people employed during the financial year was:	-	-
Facilities Management	54,503	50,130
Technical Facilities Management	4,632	4,682
Property Management	3,672	3,877
Asset Management	123	171
Total group	62,930	58,860

The number of people employed at 31 March was:

Total group	63,569	61,906
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Their aggregate remuneration comprised:	2012 £m	2011 £m
Wages and salaries	852.4	842.8
Social security costs	70.3	69.0
Other pension costs	10.4	7.4
Share-based payments (Note 36)	2.9	3.3
	936.0	922.5

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.

8. Investment revenue

	2012 £m	2011 £m
Interest on bank deposits	0.4	0.2
Other interest receivable	-	0.2
	0.4	0.4

9. Finance costs

	2012 £m	2011 £m
Interest on bank loans	2.0	1.7
Interest on private placement	3.7	1.1
Facility fees	1.5	0.3
Interest on obligations under finance leases	0.4	0.3
(Gain)/loss arising on derivatives in a designated fair value hedge	(2.8)	2.7
Loss/(gain) arising on adjustment for the hedged item in a designated fair value hedge	3.0	(2.9)
Fair value movement on other derivative financial instruments	-	0.1
Unwinding of discount on deferred contingent consideration	-	0.1
Total interest expense	7.8	3.4
Less: amounts included in the cost of qualifying assets	(0.2)	(0.3)
	7.6	3.1

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 2.7% (2011: 1.4%) to expenditure on such assets.

Notes to the consolidated financial statements

5. Other items

The group separately identified and disclosed restructuring and acquisition related items (termed 'other items').

	2012 £m	2011 £m
Administrative expenses		
Restructuring costs relating to integration of Dalkia FM, EPS Ltd and Dalkia FM in Ireland	-	4.8
Restructuring costs of Property Management businesses	-	4.8
Acquisition costs	1.8	0.3
Deferred consideration not paid	(0.9)	-
Amortisation of acquisition related intangibles	9.1	8.9
	10.0	18.8
Finance costs		
Unwinding of discount on deferred contingent consideration	-	0.1
Other items before tax	10.0	18.9
Tax on other items	(2.5)	(5.0)
Other items net of tax	7.5	13.9

6. Operating profit

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

	2012 £m	2011 £m
Depreciation of property, plant and equipment (Note 15)	18.8	17.9
Amortisation of intangible assets (Note 14)	11.1	10.8
Loss/(gain) on disposal of property, plant and equipment	0.1	(0.1)
Staff costs (Note 7)	936.0	922.5

A detailed analysis of auditor's remuneration is provided below:

	2012 £'000	2011 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	33	50
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	396	625
Other audit related services to the group	-	10
Total audit fees	429	685
Tax services	161	142
Corporate finance services	92	-
Other services	20	261
Non-audit fees	273	403
Total	702	1,088

In addition to the amounts shown above the auditor received fees of £17,000 (2011: £19,000) for the audit of the group pension scheme and trusts.

3. Revenue

	2012 £m	2011 £m
Rendering of services	1,766.4	1,654.5
Construction contracts	236.1	236.9
Total revenue as disclosed in the consolidated income statement	2,002.5	1,891.4
Investment revenue (Note 8)	0.4	0.4
Total revenue as defined in IAS 18	2,002.9	1,891.8

4. 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.

	2012				2011			
	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	937.3	61.9	6.6	60.5	882.2	56.2	6.4	52.6
Technical Facilities Management	472.8	26.9	5.7	15.5	437.1	24.6	5.6	15.5
Property Management	524.3	20.2	3.9	16.0	509.7	21.4	4.2	13.0
Asset Management	68.1	2.7	4.0	2.5	62.4	2.0	3.2	1.6
	2,002.5	111.7	5.6	94.5	1,891.4	104.2	5.5	82.7
Amendment to defined benefit pension scheme past service cost (Note 37)	-	-	-	-	-	4.1	-	4.1
Total	2,002.5	111.7	5.6	94.5	1,891.4	108.3	5.7	86.8

* Other items are analysed in Note 5.

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 2012 or 2011.

The Improvement to IFRS 8 issued in April 2009 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

	2012				2011			
	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
United Kingdom	1,953.8	109.9	5.6	93.1	1,866.4	107.3	5.7	86.1
Other countries	48.7	1.8	3.7	1.4	25.0	1.0	4.0	0.7
Total	2,002.5	111.7	5.6	94.5	1,891.4	108.3	5.7	86.8

* Other items are analysed in Note 5.

Notes to the consolidated financial statements

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.

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.

Measurement and impairment of intangible assets

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of suitable discount rates. Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the 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 and other intangible assets is £413.5m (2011: £397.7m) at the balance sheet date; see Notes 13 and 14. Management do not consider that any reasonably foreseeable change in the key assumptions would result in an impairment.

Measurement of provisions and defined benefit pension obligations

The group's provisions (per Note 30) comprise deferred contingent consideration and insurance reserve. The measurement of provisions and defined benefit obligations requires judgement. In particular, 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 £148.5m (2011: £126.8m); see Note 37.

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

	Change in assumption	Increase/ (decrease) in liability £m
Discount rate	+0.5%	(12.1)
	-0.5%	16.2
Retail Price Inflation	+0.5%	5.8
	-0.5%	(3.0)
Consumer Price Inflation	+0.5%	3.0
	-0.5%	(3.0)
Salary increases	+0.5%	3.5
	-0.5%	(2.8)
Mortality rate	+1 year	4.2

1 Basis of preparation and significant accounting policies

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.

Bid, mobilisation and pre-contract costs

Rendering of services

All bid costs are expensed through the income statement up to the point where contract award or full recovery of the costs is virtually certain.

The confirmation of the preferred bidder for a contract by a client is the point at which the award of a contract is considered to be virtually certain. Costs incurred after that point, but before the commencement of services under the contract, are defined as mobilisation costs. These costs are capitalised and included within trade and other receivables on the balance sheet provided that the costs relate directly to the contract, are separately identifiable, can be measured reliably and that the future net cash inflows from the contract are estimated to be no less than the amounts capitalised.

The capitalised mobilisation costs are amortised over the life of the contract, generally on a straight-line basis, or on a basis to reflect the profile of work to be performed over the life of the contract if the straight-line basis is not considered to be appropriate for the specific contract to which the costs relate. If the contract becomes loss making, any unamortised costs are written off immediately.

Construction contracts

In the case of construction contracts, pre-contract costs that are direct costs associated with securing a contract and which can be separately identified and measured reliably are included in the cost of the contract when the realisation of income from the contract is virtually certain. Their treatment is as for mobilisation costs above.

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. Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

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.

Consolidated statement of cash flows

For the year ended 31 March 2012

	Notes	2012 £m	2011 £m
Financing activities			
Repayments of obligations under finance leases		(3.1)	(3.2)
Proceeds on issue of share capital		9.9	2.7
Repayments of loan notes on purchase of subsidiary undertakings		-	(5.8)
Bank loans repaid		(39.5)	(3.7)
Private placement notes raised		-	100.2
Purchase of own shares	32	(7.4)	(5.7)
Share buybacks	31	(12.4)	-
Equity dividends paid	11	(32.6)	(28.9)
Non-controlling interests dividends paid		(0.2)	(0.2)
Net cash (outflow)/inflow from financing		(85.3)	55.4
Net (decrease)/increase in cash and cash equivalents		(69.5)	106.5
Net cash and cash equivalents at beginning of the year		130.6	23.7
Effect of foreign exchange rate changes		(0.3)	0.4
Net cash and cash equivalents at end of the year		60.8	130.6
Net cash and cash equivalents comprise:			
Cash at bank		60.8	130.6
		60.8	130.6
Reconciliation of net cash flow to movements in net debt			
	Notes	2012 £m	2011 £m
Net (decrease)/increase in cash and cash equivalents		(69.5)	106.5
Effect of foreign exchange rate changes		(0.3)	0.4
Decrease in bank loans		40.2	3.2
Private placement notes raised		-	(100.2)
Non-cash movement in private placement notes and associated hedges		(0.3)	(0.3)
Repayments of loan notes on purchase of subsidiary undertakings		-	5.8
Issue of loan notes on purchase of subsidiary undertakings		-	(3.9)
Increase in finance leases		(0.5)	(1.4)
(Increase)/decrease in net debt during the year		(30.4)	10.1
Opening net debt		(76.5)	(86.6)
Closing net debt	29	(106.9)	(76.5)

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For the year ended 31 March 2012

1 Basis of preparation and significant accounting policies

Basis of preparation

The group's financial statements for the year ended 31 March 2012 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 2011.

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:

- IAS 24 (Revised) 'Related Party Disclosures';
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement';
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'; and
- Amendments resulting from May 2010 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):

- Amendments to IFRS 7 'Financial Instruments: Disclosures' – transfers of financial assets;
- IFRS 9 'Financial Instruments';
- Amendments to IAS 12 'Income Taxes' – recovery of underlying assets;
- IAS 27 (Revised) 'Separate Financial Statements';
- IAS 28 (Revised) 'Investments in Associates and Joint Ventures';
- IFRS 10 'Consolidated Financial Statements';
- IFRS 11 'Joint Arrangements';
- IFRS 12 'Disclosures of Interests in Other Entities';
- IFRS 13 'Fair Value Measurement';
- Amendments to IAS 19 'Employee Benefits';
- Amendments to IAS 1 'Presentation of Financial Statements' – presentation of items of Other Comprehensive Income;
- Amendments to IFRS 7 'Financial Instruments: Disclosures' – offsetting financial assets and financial liabilities; and
- Amendments to IAS 32 'Financial Instruments: Presentation' – offsetting financial assets and financial liabilities.

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 as follows:

- Amendments to IAS 19 'Employee Benefits' will impact the measurement of various components representing movements in the defined benefit pension obligation and associated disclosures, but not the group's total obligation. It is likely that following the replacement of expected returns on plan assets with a net finance cost in the income statement, the profit for the period will be reduced and accordingly other comprehensive income increased.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards and interpretations at this stage.

1 Basis of preparation and significant accounting policies

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 the acquired Dalkia 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. The results, assets and liabilities of joint ventures and associates are accounted for under the equity method of accounting. Where necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring the accounting policies used into line with those used by the group.

Interests of non-controlling interest shareholders are measured at the non-controlling interest's proportion of the net fair value of the assets and liabilities recognised. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for within shareholders' equity. No gain or loss is recognised on such transactions and goodwill is not re-measured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition 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. Acquisition costs incurred are expensed. 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.

Where applicable, the consideration for an acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, measured at fair value at the acquisition date. Subsequent changes in such fair values are adjusted against the cost of acquisition where they result from additional information, obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

Any business combinations prior to 1 April 2010 were accounted for using the standards in place prior to the adoption of IFRS 3 (revised 2008) which differ in the following respects; transaction costs directly attributable to the acquisition formed part of the acquisition costs; contingent consideration was recognised if, and only if, the group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable; and subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Notes to the consolidated financial statements

1. Basis of preparation and significant accounting policies

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 at the date of acquisition.

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 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.

Joint Ventures and associates

The group has an interest in joint ventures which are entities in which the group has joint control of financial and operating policies. The group also has an interest in associates which are entities in which the group has significant influence.

The group accounts for its interest in joint ventures and associates using the equity method. Under the equity method the group's share of the post-tax result of joint ventures and associates is reported as a single line item in the consolidated income statement. The group's interest in joint ventures and associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in the group's share of net assets.

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 predominantly within the United Kingdom.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance sheet date. Revenue from time and material contracts is recognised at the contractual rates as labour hours and tasks are delivered and direct expenses incurred. In other cases, where services provided reflect a contractual arrangement to deliver an indeterminate number of acts over the contract term, revenue is recognised on a straight-line basis unless this is not an accurate reflection of the work performed. Where a straight-line basis is not appropriate, for example if specific works on contracts represent a significant element of the whole, revenue is recognised based on the percentage of completion method, based on the proportion of costs incurred at the balance sheet date relative to the total estimated cost of completing the contracted work.

1. Basis of preparation and significant accounting policies

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.

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.

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 on a straight-line basis over the non-cancellable period for which the group has contracted to lease the asset, together with any further terms for which the group has the option to continue to lease the asset if, at the inception of the lease, it is judged to be reasonably certain that the group will exercise the option.

Foreign currency

The financial statements of each of the group's businesses are prepared in the functional currency applicable to that business. Transactions in currencies other than the functional currency 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.

On consolidation, the assets and liabilities of the group's overseas operations, including goodwill and fair value adjustments arising on their acquisition, are translated into sterling at exchange rates prevailing at the balance sheet date. Income and expenses are translated into sterling at average exchange rates for the period. Exchange differences arising are recognised directly in equity in the group's hedging and translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation shall be recognised in the income statement.

Notes to the consolidated financial statements

1. Basis of preparation and significant accounting policies

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, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. 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.

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

1 Basis of preparation and significant accounting policies

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 (or 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 (or 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 (or 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 fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised 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.

Financial liabilities comprise certain trade and other payables and financing liabilities including bank and other borrowings and are measured at initial recognition at fair value and subsequently at amortised cost with the exception of derivative financial instruments which are either classified as fair value through profit and loss or may be accounted for using hedge accounting. Bank and other borrowings are stated at the amount of the net proceeds after deduction of transaction 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.

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

Notes to the consolidated financial statements

1. Basis of preparation and significant accounting policies

Derivative financial instruments and hedge accounting

The group uses derivative financial instruments including cross currency interest rate swaps and forward foreign exchange contracts to manage the group's exposure to financial risks associated with interest rates and foreign exchange. Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value, determined by reference to market rates, at each balance sheet date and included as financial assets or liabilities as appropriate. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The group may designate certain hedging instruments including derivatives as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges

Hedges are classified as fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item. Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

Hedges are classified as cash flow hedges when they hedge the exposure to changes in cash flows that are attributable to a particular risk associated with either a recognised asset or liability or a forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity within the group's translation and hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges are classified as net investment hedges when they hedge the foreign currency exposure to changes in the group's share in the net assets of a foreign operation. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the group's translation and hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss. Gains or losses on the hedging instrument relating to the effective portion of the hedge accumulated in equity are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation as described above.

Consolidated statement of cash flows

For the year ended 31 March 2012

	Notes	2012 £m	2011 £m
Operating profit		101.7	89.5
Adjustments for:			
Share-based payment expense	36	2.9	3.3
Defined benefit pension charge	37	2.5	3.5
Amendment to defined benefit pension scheme past service cost	37	-	(4.1)
Defined benefit pension contributions	37	(4.5)	(7.9)
Acquisition related items	5	0.9	-
Depreciation of property, plant and equipment	15	18.8	17.9
Amortisation of intangible assets	14	11.1	10.8
Loss/(gain) on disposal of property, plant and equipment		0.1	(0.1)
Operating cash flows before movements in working capital		133.5	112.9
Increase in inventories		(0.1)	(1.6)
Increase in receivables		(45.0)	(70.8)
Increase in payables		25.6	62.0
Decrease in provisions		(3.8)	-
Cash generated by operations		110.2	102.5
Income taxes paid		(24.4)	(14.3)
Facility arrangement fee paid		(2.5)	-
Interest paid		(7.5)	(2.5)
Net cash from operating activities		75.8	85.7
Investing activities			
Interest received		0.4	0.2
Purchase of property, plant and equipment		(21.7)	(21.0)
Purchase of subsidiary undertakings, net of cash acquired	33	(23.9)	(11.8)
Investment in joint ventures and associates		(0.4)	-
Investment in financing assets	21	(8.4)	-
Purchase of other intangible assets	14	(7.7)	(5.0)
Disposals of property, plant and equipment		1.7	3.0
Net cash outflow from investing activities		(60.0)	(34.6)

Consolidated statement of changes in equity

For the year ended 31 March 2012

	Share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Hedging and translation reserve £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total £m
At 1 April 2010	8.8	76.7	80.3	5.4	(8.1)	0.2	-	192.3	355.6	7.8	363.4
Total comprehensive income	-	-	-	-	-	-	(0.4)	64.0	63.6	0.2	63.8
Shares issued	0.1	3.9	4.8	-	-	-	-	-	8.8	-	8.8
Dividends paid	-	-	-	-	-	-	-	(28.9)	(28.9)	(0.2)	(29.1)
Purchase of own shares	-	-	-	-	(5.7)	-	-	-	(5.7)	-	(5.7)
Share-based payments	-	-	-	2.1	-	-	-	1.2	3.3	-	3.3
Acquisitions and other movements in non-controlling interests	-	-	-	-	-	-	-	(4.8)	(4.8)	(1.7)	(6.5)
At 31 March 2011	8.9	80.6	85.1	7.5	(13.8)	0.2	(0.4)	223.8	391.9	6.1	398.0
Total comprehensive income	-	-	-	-	-	-	(0.2)	59.5	59.3	0.2	59.5
Shares issued	0.2	11.9	8.5	-	-	-	-	-	20.6	-	20.6
Dividends paid	-	-	-	-	-	-	-	(32.6)	(32.6)	(0.2)	(32.8)
Purchase of own shares	-	-	-	-	(7.4)	-	-	-	(7.4)	-	(7.4)
Share buybacks	(0.1)	-	-	-	-	0.1	-	(12.4)	(12.4)	-	(12.4)
Share-based payments	-	-	-	(2.3)	2.9	-	-	2.3	2.9	-	2.9
Tax on share-based payment transactions	-	-	-	-	-	-	-	1.0	1.0	-	1.0
Acquisitions and other movements in non-controlling interests	-	-	-	-	-	-	-	(11.2)	(11.2)	(1.9)	(13.1)
At 31 March 2012	9.0	92.5	93.6	5.2	(18.3)	0.3	(0.6)	230.4	412.1	4.2	416.3

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Consolidated balance sheet

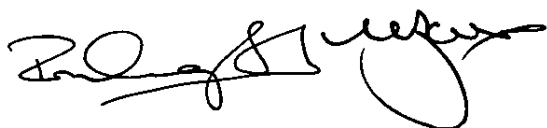
At 31 March 2012

	Notes	2012 £m	2011 £m
Equity			
Share capital	31	9.0	8.9
Share premium account	32	92.5	80.6
Merger reserve	32	93.6	85.1
Share-based payments reserve	32	5.2	7.5
Own shares reserve	32	(18.3)	(13.8)
Other reserves	32	0.3	0.2
Hedging and translation reserve	32	(0.6)	(0.4)
Retained earnings		230.4	223.8
Equity attributable to equity holders of the parent		412.1	391.9
Non-controlling interests		4.2	6.1
Total equity		416.3	398.0

The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2012. They were signed on its behalf by:

Ruby McGregor-Smith CBE
Chief Executive

Suzanne Baxter
Group Finance Director



Consolidated balance sheet

At 31 March 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Goodwill	13	347.7	333.0
Other intangible assets	14	65.8	64.7
Property, plant and equipment	15	64.1	59.3
Interest in joint ventures and associates	17	0.4	-
Financing assets	21	9.1	-
Trade and other receivables	19	22.6	11.6
Deferred tax assets	23	9.6	9.1
Total non-current assets		519.3	477.7
Current assets			
Inventories	16	5.7	5.5
Trade and other receivables	19	507.1	470.1
Cash and cash equivalents	22	60.8	130.6
Total current assets		573.6	606.2
Total assets		1,092.9	1,083.9
Current liabilities			
Trade and other payables	25	(461.4)	(432.9)
Current tax liabilities		(13.2)	(16.6)
Financing liabilities	26	(5.4)	(2.6)
Provisions	30	(1.2)	(4.5)
Total current liabilities		(481.2)	(456.6)
Net current assets		92.4	149.6
Non-current liabilities			
Financing liabilities	26	(163.0)	(204.8)
Provisions	30	(4.4)	(8.2)
Retirement benefit obligation	37	(17.3)	(3.0)
Deferred tax liabilities	23	(10.7)	(13.3)
Total non-current liabilities		(195.4)	(229.3)
Total liabilities		(676.6)	(685.9)
Net assets		416.3	398.0

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Consolidated statement of comprehensive income

For the year ended 31 March 2012

	Notes	2012 £m	2011 £m
Profit for the year		72.1	65.4
Other comprehensive income/(expense):			
Actuarial losses on defined benefit pension schemes	37	(16.3)	(1.1)
Exchange differences on translation of foreign operations		(0.5)	0.5
Gain/(loss) on a hedge of a net investment taken to equity		0.4	(0.4)
Cash flow hedges:			
Losses arising during the year		-	(1.4)
Reclassification adjustment for (losses)/gains included in profit and loss		(0.1)	0.9
Tax credit/(charge) on items taken directly to equity		3.9	(0.1)
Other comprehensive expense for the year, net of tax		(12.6)	(1.6)
Total comprehensive income for the financial year		59.5	63.8
Attributable to:			
Equity holders of the parent		59.3	63.6
Non-controlling interests		0.2	0.2

Consolidated income statement

For the year ended 31 March 2012

	Notes	2012			2011		
		Before other items* £m	Other items* £m	Total £m	Before other items* £m	Other items* £m	Total £m
Continuing operations							
Revenue	3,4	2,002.5	-	2,002.5	1,891.4	-	1,891.4
Cost of sales		(1,686.4)	-	(1,686.4)	(1,593.5)	-	(1,593.5)
Gross profit		316.1	-	316.1	297.9	-	297.9
Administrative expenses		(204.4)	(10.0)	(214.4)	(189.6)	(18.8)	(208.4)
Operating profit	4,6	111.7	(10.0)	101.7	108.3	(18.8)	89.5
Investment revenue	8	0.4	-	0.4	0.4	-	0.4
Finance costs	9	(7.6)	-	(7.6)	(3.0)	(0.1)	(3.1)
Net finance costs		(7.2)	-	(7.2)	(2.6)	(0.1)	(2.7)
Profit before tax		104.5	(10.0)	94.5	105.7	(18.9)	86.8
Tax	10	(24.9)	2.5	(22.4)	(26.4)	5.0	(21.4)
Profit for the year		79.6	(7.5)	72.1	79.3	(13.9)	65.4
Attributable to:							
Equity holders of the parent		79.4	(7.5)	71.9	79.1	(13.9)	65.2
Non-controlling interests		0.2	-	0.2	0.2	-	0.2
		79.6	(7.5)	72.1	79.3	(13.9)	65.4
Earnings per share (EPS)							
- basic	12	22.6p	(2.1)p	20.5p	22.6p	(4.0)p	18.6p
- diluted	12	22.0p	(2.1)p	19.9p	22.2p	(3.9)p	18.3p

* Other items are analysed in Note 5.

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