MITIE Group PLC

Preliminary announcement of results for the year ended 31 March 2010

Strong growth and a step-change in capability

	2010 £m	2009 £m	Growth %
Revenue	**1,720.1**	1,521.9	13.0%
Operating profit before other items*	**93.0**	80.5	15.5%
Profit before tax and other items*	**91.7**	78.4	17.0%

	2010 p	2009 p	Growth %
Basic earnings per share before other items*	**19.5**	17.2	13.4%
Basic earnings per share before acquisition related amortisation	**18.0**	17.1	5.3%
Basic earnings per share	**16.9**	16.7	1.2%
Dividend per share	**7.8**	6.9	13.0%

* Other items are non-cash or non-recurring acquisition related items, being the amortisation of acquisition related intangible assets of £5.3m (2009: £1.9m), restructuring costs of £6.6m (2009: £nil) and non-cash finance charges of £0.1m (2009: £0.6m)

Strong revenue and earnings growth

- Strong revenue growth of 13.0% to £1,720.1m
- Operating profit before other items up 15.5% to £93.0m
- Operating profit margins before other items improved to 5.4% (2009: 5.3%)
- Basic EPS before other items up 13.4% to 19.5p
- Dividend up 13.0% to 7.8p
- Excellent conversion of EBITDA to cash of 95.2% (2009: 97.5%)

Continued investment has driven a step-change in capability

- £155.7m invested on acquisitions of Dalkia FM and EPS Ltd, significantly enhancing our energy offering, enabling the launch of CarbonCare and strengthening our foothold in the social housing market
- Continued investment in sales capability and technology platforms
- Strong balance sheet with low gearing. Net debt of £86.6m and committed banking facilities of £230.0m until 2012 provide opportunity for further acquisitions
- Strengthening of European management capability

Excellent revenue visibility

- Long-term order book increased to £6.4bn (2009: £4.9bn)
- 75% of 2010/11 budgeted revenue secured (2009: 74%)
- Unprecedented tender pipeline to drive acceleration in growth

Outstanding prospects for long-term growth

- Drive for cost and carbon efficiencies creates demand across our markets
- Well-balanced portfolio providing strong growth opportunities: public sector 45% and private sector 55% of 2010 revenue
- Shift towards integrated contracts continues with 57% of revenue within the Group now from either multi-service or FM contracts (2009: 33%)
- Strategic outsourcing opportunities increasingly combine all of MITIE's asset, property and facilities management capabilities

Ruby McGregor-Smith, Chief Executive of MITIE Group PLC, commented:

"MITIE has made excellent progress in the past financial year, creating a step-change in its capabilities with two strategic acquisitions. We have delivered double digit growth in revenue, underlying earnings and dividends.

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

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MITIE will be presenting its preliminary results for the period ending 31 March 2010 at 0930 hrs on Monday 17 May 2010 at UBS Investment Bank, 7th Floor Conference Centre, 1 Finsbury Avenue, London, EC2M 2PP. A live webcast of the presentation will be available online at www.mitie.com/investors at 0930hrs. The recorded webcast of the presentation and a copy of the accompanying slides will also be available on our website later in the day. MITIE expects to publish its Annual Report and Accounts (containing financial statements that comply with IFRS) in June 2010 and copies will be available from MITIE's registered office and on its website www.mitie.com. MITIE's Annual General Meeting will take place at 14.30hrs on 14 July 2010 at MITIE's London office located at Ground Floor East, Cottons Centre, Cottons Lane, 47/49 Tooley Street, London SE1 2QG.

High resolution images are available for the media to download free of charge from www.vismedia.co.uk

Overview

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

Strategy

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

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

Results

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

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

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

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

Dividend

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

Board

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

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

People

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

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

Outlook

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

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

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

Business review

Overview

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

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

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

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

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

Our strategy

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

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

1. Clients: Deliver value to our clients by providing world-class service
2. People: Recruit, motivate and retain the best talent in the industry
3. Risk: Take a long-term view to protect our business and manage risk
4. Responsibility: Act responsibly and build a reputation that enhances our brand to all stakeholders
5. Integration: Leverage our strong position to secure more integrated and larger scale contracts
6. Profitability: Focus on growing a profitable business, maintaining margins
7. Acquisitions: Support our growth with selective acquisitions

Our market opportunity

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

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

In the private sector we have seen high levels of activity across our client base as they respond to the efficiency challenges faced by every organisation. This has resulted in an increasing level of private sector tender activity for all services and we see this trend continuing as businesses seek to consolidate acquired operations or enhance efficiency in existing structures. The public sector faces the prospect of considerable pressure on expenditure in the coming years. We believe that this will create significant opportunities for the outsourcing market as contracts will tend to become larger and broader in scope. We anticipate higher levels of tender activity to result in the medium term. Whilst this may not have any material effect on our anticipated performance during the current year, we believe that in subsequent years we will benefit from the efficiency agenda that is expected to impact central and local government.

Investment in our capability

Acquisitions

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

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

Operational development

The operations of MITIE have been realigned as a result of the acquisitions of Dalkia FM and EPS Ltd so that with effect from 1 April 2010 we are structured into four divisions. These are Facilities Management, Technical Facilities Management, Property Management and Asset Management. We have moved some of the elements of the Asset Management business to other divisions to reflect market changes and client preferences.

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

People

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

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

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

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

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

Technology

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

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

Looking forward

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

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

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

Operating review

Throughout this financial year MITIE has operated in three divisions: Facilities, Property and Asset Management. With effect from 1 April 2010 we are operating as four divisions. The commentary and financial data below reflects the performance in the organisational structures that applied during the period to 31 March 2010. The comparatives and proforma analysis for the segmental financial performance for both structures are shown in Note 2.

Facilities Management

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

Results summary

Facilities Management	**2010 £m**	2009 £m	Change %
Revenue	**824.6**	781.8	+5.5%
Operating profit before other items*	**50.5**	47.2	+7.0%
Operating profit margin	**6.1**	6.0	+0.1ppt

* Other items are analysed in Note 3

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

MITIE is uniquely placed to successfully deliver very large scale, national contracts within the FM industry. MITIE has a presence on virtually every high street in Britain providing services for supermarkets, banks and other retail chains across the UK. Our experience and national delivery capability will allow us to capitalise on this position and increase our market share as smaller regional contracts continue to be combined to help clients maximise their savings.

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

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

During the year our Facilities Management division has retained existing contracts and secured new work across its sectors:

The finance and professional sector has seen significant change in the last year and has offered a number of new opportunities to MITIE. We have secured an integrated facilities management contract with Santander. The contract, which has an estimated value of £90m over the next three years, will cover Santander's UK head office buildings portfolio of 33 sites in England, Scotland and Northern Ireland.

We had already worked for Lloyds and HBOS separately but following their merger to become Lloyds Banking Group (LBG) we have secured the five-year cleaning contract across its enlarged estate. The contract sees over 4,700 people working for MITIE, cleaning the 3,100 bank branches and major offices across the UK.

We have converted several cross-selling opportunities from the Dalkia FM client base, including a two-year contract, estimated at a total value of £2m to provide cleaning and landscaping services to a global credit card provider for ten of its sites in London and Brighton.

Within the government sector, due to the Dalkia FM acquisition we have doubled the scale of our current FM contract for British Nuclear Fuels Ltd at Sellafield, where Dalkia FM used to provide half of the FM services and MITIE the other half. In addition, by adding the previously sub-contracted cleaning service, we have secured additional work with an estimated value of £3.6m over the next two years.

We have also been awarded a five-year facilities management contract by the National Audit Office (NAO) with a total estimated value of £6.5m. Under the new contract, MITIE is responsible for providing a full range of facilities management services to the newly refurbished, 21,150 sq m former Imperial Airways building using a single multi-skilled team. MITIE also designed and installed all of the mechanical and electrical systems in the renovated building and will continue to maintain them over the life of the contract. MITIE is also delivering hospitality, catering and business support services to the 850 NAO employees and the 20,000 guests that are expected to visit the building each year.

During the year we have also secured two separate contracts with the Atomic Weapons Establishment PLC (AWE) to provide security as well as cleaning and environmental services to AWE's sites in Berkshire. Both contracts are for three years and have a total value estimated at around £10m.

In the technology and communications sector, we have secured a three-year national waste management and recycling contract with a major pharmaceutical organisation with a total value of £18m.

In the retail sector, we had a very successful year, renewing our existing cleaning contract with the Co-operative Group and extending it into a major national contract valued at £63m over three years where we will service all Co-operative Group and Somerfield stores. The new contract has grown from cleaning 600 Somerfield stores and the Co-operative Group's head office in Manchester to securing the cleaning contract for the entire Group's estate following the takeover to include more than 2,600 stores around the UK. Previously, the estate had been cleaned by over 70 different contractors across the UK and as part of our successful 12-week contract mobilisation, we managed and transacted the transfer of over 3,000 people from other suppliers into MITIE.

We have also secured new work with a large national supermarket chain, retendering and expanding some of our cleaning work. We have secured a new contract valued at £5.4m over two years which adds five extra distribution centres to our previous contract, taking our total to nine across the country. We have also been successful in a national contract to clean their stores, increasing the portfolio that we clean from 176 to 320 stores nationwide, valued at £11.4m over three years.

We have retained and expanded our security work with Marks and Spencer to provide specialist retail security officers and event security to stores and offices in the south and east of the UK in a contract valued at £29m over three years.

In the education sector we have been awarded a multi-service FM contract with the University of the Arts in London to provide cleaning, security and maintenance services valued at £7.5m over three years.

MITIE has also increased its work on the Building Schools for the Future (BSF) programme during the year, being made preferred bidder for FM services as part of the Equitix consortium on the Cambridgeshire County Council BSF scheme in a 25-year contract valued at £30m. We have also achieved financial close to be the FM provider on the London Borough of Newham in a £25m, 25-year contract and with Derbyshire County Council in a £52.5m, 25-year contract.

In the property sector we have secured a new three-year contract with a total value of £6m to provide soft services facilities management to Land Securities' prestigious new building, One New Change in London.

In the support services sector we have secured a six-year contract with Capita to manage its national property portfolio. The contract will see MITIE operating as a 'managing agent plus' in a contract valued at an estimated £140m over six years. The new partnership will support Capita through an innovative model that will combine the purchasing power and management expertise of MITIE with the in-house knowledge and local expertise of the Capita facilities management team and its existing suppliers. Through the new partnership, MITIE will manage Capita's supply chain and will also provide integrated services and strategic expertise across the contract.

We have also strengthened our relationship with Vertex, a leader in BPO, customer management outsourcing and IT services. Our ingredients food service team will now be working alongside our security, engineering and cleaning specialists at multiple sites across the UK. The new three-year contract has a total value of £3.5m and will see us providing a range of catering services including staff restaurants, cafés, hospitality and vending.

In the transport and logistics sector we have secured new work including a two-year contract with Virgin Trains to provide cleaning for 17 stations and offices nationwide along with periodic window cleaning and deep cleaning across the entire Virgin Trains rail network. The contract employs 86 personnel and has a total estimated value of £2.7m. We have also secured a three-year contract with Eurotunnel to provide freight, scanning and chocking services in a contract with a total value of £12m.

We have secured a two-year contract with an initial total value of £4.8m to deliver a portfolio of FM services for the estate of a global freight business including cleaning and securing depots in several regions around the UK. We have secured a 12-month extension to our FM contract with Transport for London (TFL) for hard and soft services, valued at £7.4m. We have also retained our bus stop cleaning and maintenance contract with TFL London Buses for another three years in a contract with a total value of £9.2m.

We have retained our depot security work on the London Underground as a subcontractor to a transport services business in a two-year contract valued at £9m. MITIE will provide specialist track trained security staff to operate over the entire track and corporate office portfolio of the London Underground.

We have also continued our success in the utilities sector having secured a new five-year contract with Severn Trent Water to provide FM services across its 20 sites in a contract valued at £30m.

In the leisure sector, we have strengthened our relationship with Thomas Cook, one of the world's leading leisure travel groups, by securing a multi-site catering contract in addition to our cleaning provision at their Manchester site. The contract will total £3.9m over a period of three years and will see our ingredients food service team providing staff restaurants, cafés, delis and hospitality for employees across the UK including sites in Peterborough, Preston and Falkirk.

Property Management

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

Results summary

Property Management	**2010 £m**	2009 £m	Change %
Revenue	**295.0**	297.9	-1.0%
Operating profit before other items*	**20.2**	17.9	+12.8%
Operating profit margin	**6.8**	6.0	+0.8ppt

*Other items are analysed in Note 3

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

MITIE is now ranked seventh in the UK social housing market. It operates as an integrated national business with the capability to support our clients property strategies, collect property information and perform stock condition surveys as well as manage projects and maintenance contracts across the UK. The acquisition of EPS Ltd has added considerable expertise especially in the South East of England. One of the major attractions of EPS Ltd was its IFS housing management software that we are adopting and upgrading as the standard across the social housing business. This will allow us to manage all the data related to our social housing activities and is accessible to clients via a web portal so they can see real time reporting and process information. IFS technology also supports planning and scheduling, budgets, cost reports, tenant liaison, environmental impacts and satisfaction levels. We are well placed to expand our market share in this market.

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

From 1 April 2010 the Engineering Contracting businesses have become part of the Property Management division. This move enhances the capabilities of the division in terms of mechanical and electrical services contracting which is increasingly becoming part of the capital works, frameworks and fit-out projects that we are involved with. The results of that business are reported within Asset Management for the year ended 31 March 2010. The impact of the transfer in financial terms from 1 April 2010 is shown in Note 2.

In the social housing sector, we were awarded a £16.5m contract to carry out major improvement works to over 14,000 homes in Plymouth. Plymouth Community Homes selected MITIE as one of four suppliers to deliver kitchen and bathroom refurbishments as part of a five-year framework agreement. It is envisaged that this could mean up to 120 jobs and 12 apprenticeships in the city.

We were also awarded a contract with Crawley Borough Council to deliver reactive maintenance and void refurbishments to half of their 8,153 housing stock. This ten-year contract starts in April 2010 with an estimated value of £3m per annum. From April 2012, the contract will be extended to cover planned and cyclical works, adding a further £8.4m per annum for the remaining term.

We have secured a one-year contract with Enfield Homes, valued at £3.0m, to deliver planned maintenance works to homes in the area. Planned works include kitchen and bathroom upgrades, replacement of electrical and heating systems as well as door and window replacements. We were also awarded a position on a four-year framework to refurbish kitchens and bathrooms for Sanctuary Housing Association.

We have secured a four-year contract with the City of Edinburgh Council to replace kitchens and bathrooms. Also included in the contract is a tenants' choice redecoration package, electrical water heating and rewiring programme.

In the technology and communications sector, we have won a £3m contract to fit-out two floors of a leading independent clearing house over the course of three months in 2010. We refurbished the Glasgow offices of Cable and Wireless through a contract valued at £1.4m.

In the finance and professional services sector, we have won a £7m contract to fit-out premises for a leading property consultant.

We recently carried out extensive modifications to the infrastructure of a fully operational building occupied by a large European investment bank, for a contract value of £5m.

For an investment management business, the interiors division completed a £2.3m fit-out of two floors covering 13,000 sq ft, over the course of 17 weeks. Works included meeting rooms, general office space, a reception area and staff breakout facilities.

In the retail sector, we have won a six-month contract to refurbish the 20,000 sq m roof at the Metrocentre, for a value of £1.8m.

Asset Management

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

Results summary

Asset Management	**2010 £m**	2009 £m	Change %
Revenue	**600.5**	442.2	+35.8%
Operating profit before other items*	**22.3**	15.4	+44.8%
Operating profit margin	**3.7**	3.5	+0.2ppt

*Other items are analysed in Note 3

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

Renewable energy technologies are increasingly part of the education sector mix and an innovative small-scale wind farm model is being deployed to help meet the carbon targets of three schools in Derbyshire Council's Building Schools for the Future programme. We are undertaking the design, build, operation and maintenance of these off-site wind farms, and have guaranteed that the project will generate 300,000 KWh of renewable electricity per annum over the contract term. As part of a state-of-the-art redevelopment for Truro and Penwith College, Cornwall, we have installed a Northwind 100 wind turbine – the first use of this model in England – which its manufacturer, Northern Power, expects to generate 217MWh per annum. We are now partnering Northern Power in introducing the Northwind 100 to fill a noticeable gap in the UK market for medium-scale turbines.

We have also continued to design and deliver buildings that will represent the best possible learning environments for the future. This year we progressed mechanical and electrical services projects for Middlesex, Hertfordshire, Exeter and Plymouth Universities. We have also been involved in the Harris and Chelsea Academies.

This year in the healthcare sector there has also been an exciting extension to the contract secured last year to develop, under a 15-year funding model, a new energy centre for Royal Free Hampstead NHS Trust. In the first phase of a proposed six-phase scheme, we will investigate the opportunity to transport surplus heat from the energy centre to up to 1,700 local social housing units, reducing heating costs for the tenants and CO_2 emissions for the local authority. We are currently in discussions and are advising on the development of a district heating scheme, a prime example of the growing potential of energy being shared across sectors in the decentralised energy market.

Also in the healthcare sector, as part of the Design for Life framework, we commenced an £8m project for new electrical infrastructure works at Bangor Hospital.

In the retail sector we completed our 60th store development with Primark at Bristol Broadmead: this refurbishment of an iconic 1950s building has subsequently won the Oracle Retail Week Store Design of the Year Award.

In the commercial sector, we continue to work with property owners and occupiers to bring existing buildings up to market-leading standards of sustainability and to ensure that new buildings meet increasingly stringent planning requirements. For a large telecommunications company, we designed, supplied, installed and will maintain a new computer room cooling system incorporating 800 advanced energy-efficient fans. The fans run at lower temperatures than the previous system, saving electricity and reducing the cooling load on the refrigerant system. MITIE is funding the £1.9m capital cost, which will be repaid by the client as a unitary charge over the contract term, with guaranteed cost and carbon savings.

In the central government sector, we completed a £16m refurbishment of a listed headquarters building for the National Audit Office, in a very tightly scheduled ten months. For the Department of Communities and Local Government at Eland House in Westminster, we designed and installed an innovative cooling system for the computer room that redirects waste heat from the servers to the domestic hot water system.

In the local government sector we have completed the Djanogly Leisure Centre for Nottingham City Council and have recently secured contracts with Birmingham City Council to install building services at the new Arts Centre and Harborne Leisure Centre.

In science and technology over the past year, we have added three new projects to our data centre development portfolio: for Logicalis, Verizon and Infinity 2, which is the first data centre in Europe to be accredited to the Uptime Institute Tier 4 standard.

In the utilities sector we have been working with E.ON to help tackle fuel poverty and meet local authority carbon targets. The Carbon Emissions Reduction Target (CERT) obliges large power suppliers to help customers improve their energy efficiency, with particular emphasis on households most likely to suffer from fuel poverty. MITIE has designed and installed ground source heating as a key renewable technology for a housing estate in Gloucestershire. We have also signed a letter of intent to design, build and operate a waste-to-energy plant using Advanced Thermal Treatment (ATT) based on the proven Ethos pyrolysis and gasification technology. This will allow 70,000 tonnes of waste to be diverted from landfill per annum and generate 27,300MWh of renewable electricity, avoiding 14,600 tonnes of CO_2 being released into the atmosphere, compared with traditional fossil fuel based electrical generation.

Technical Facilities Management

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

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

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

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

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

In the finance and professional services sector, we were awarded the mechanical and electrical services (M&E) contract by a large UK financial institution, for the maintenance of critical buildings in the South East and North of England. This contract has an annual value of £17m and is for a period of three years with a two-year extension. Friends Provident have awarded us the FM contract for their entire property portfolio. The contract has an annual value of £2.5m for seven years and includes guaranteed energy savings. In addition Santander has awarded us a three-year M&E contract with an annual value of £4.8m.

We have been successful in securing a number of contracts in the retail sector. For a leading department store we have secured a three-year M&E contract for a value of £4m per annum. We are delivering an FM contract providing a broad range of services across the property portfolio for a major pharmaceutical retailer, with an approximate annual value of £5m per annum over five years. We have secured the retail portfolio contract for Clarks, the shoe retailer, for which the total FM contract will include services to the Clarks Head Office and distribution centre, with an annual value of £1.3m over three years. We have conducted work on an energy savings project for a national supermarket chain, which included an efficient lighting refit of selected stores across their property portfolio for the value of £1.3m.

In the Government sector, we have been selected by the Greater London Authority to work on an array of energy savings projects and are currently bidding for further work within Phase 2 and 3 frameworks. The value of the work awarded thus far is £2.4m.

Financial review

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

From 1 April 2010 the structure of the Group was changed and from that date we have operated through four principal trading divisions. This change has principally been driven by the acquisition of Dalkia FM and its integration into the Group. The impact of this change on the segmental analysis of our business going forward is set out in Note 2.

Key performance indicators (KPIs)

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

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

Sustainable profitable growth

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

The Group maintained its track record of positive revenue growth despite the back drop of challenging economic conditions. We experienced organic revenue growth of 5.5% in our Facilities Management business to £824.6m (2009: £781.8m), where market demands for change and efficiency brought opportunity to the Group. In Property Management, revenues reduced by 1.0% to £295.0m (2009: £297.9m), reflecting an 11.1% reduction in the underlying revenues of the business driven by challenging conditions in certain construction related markets such as interior fit-out, offset by a positive contribution to revenue from the EPS Ltd acquisition made in November 2009 of £30.1m. Finally in our Asset Management division, revenues grew by 35.8% to £600.5m (2009: £442.2m). This division was formed on 1 April 2009 and comprised our traditional engineering services and engineering maintenance businesses during the year. The performance of this business was greatly enhanced by the acquisition of Dalkia FM in August 2009, which added £160.0m to revenue and by the strong results of our traditional engineering maintenance business where organic growth of 15.2% increased revenues to £184.8m (2009: £160.4m) and offset the impact of challenging markets within our engineering services business where revenues fell by 9.3% to £255.7m (2009: £281.8m).

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

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

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

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

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

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

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

Cash flow, funding and liquidity

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

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

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

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

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

Delivering stakeholder value

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

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

Pensions

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

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

Acquisitions

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

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

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

Further details of these acquisitions can be found within Note 9.

Our entrepreneurial investment model

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

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

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

Consolidated income statement

For the year ended 31 March 2010

	Notes	2010 Before other items* £m	2010 Other items* £m	2010 Total £m	2009 Before other items* £m	2009 Other items* £m	2009 Total £m
Continuing operations							
Revenue	2	**1,720.1**	**–**	**1,720.1**	1,521.9	–	1,521.9
Cost of sales		**(1,444.0)**	**–**	**(1,444.0)**	(1,261.6)	–	(1,261.6)
Gross profit		**276.1**	**–**	**276.1**	260.3	–	260.3
Administrative expenses		**(183.1)**	**(11.9)**	**(195.0)**	(179.8)	(1.9)	(181.7)
Operating profit	2	**93.0**	**(11.9)**	**81.1**	80.5	(1.9)	78.6
Investment revenue		**1.8**	**–**	**1.8**	0.8	–	0.8
Finance costs		**(3.1)**	**(0.1)**	**(3.2)**	(2.9)	(0.6)	(3.5)
Net finance costs		**(1.3)**	**(0.1)**	**(1.4)**	(2.1)	(0.6)	(2.7)
Profit before tax		**91.7**	**(12.0)**	**79.7**	78.4	(2.5)	75.9
Tax		**(25.3)**	**3.1**	**(22.2)**	(22.2)	0.7	(21.5)
Profit for the year		**66.4**	**(8.9)**	**57.5**	56.2	(1.8)	54.4
Attributable to:							
Equity holders of the parent		**66.0**	**(8.9)**	**57.1**	54.9	(1.8)	53.1
Minority interests		**0.4**	**–**	**0.4**	1.3	–	1.3
		66.4	**(8.9)**	**57.5**	56.2	(1.8)	54.4
Earnings per share (EPS)							
– basic	6	**19.5p**	**(2.6)p**	**16.9p**	17.2p	(0.5)p	16.7p
– diluted	6	**19.2p**	**(2.6)p**	**16.6p**	17.0p	(0.5)p	16.5p

* Other items are non-cash or non-recurring acquisition related items as analysed in Note 3.

Consolidated statement of comprehensive income

For the year ended 31 March 2010

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

Consolidated balance sheet

As at 31 March 2010

	Note	**2010 £m**	2009 £m
Non-current assets			
Goodwill		**324.0**	201.2
Other intangible assets		**67.4**	24.4
Property, plant and equipment		**54.5**	44.1
Deferred tax assets		**14.1**	7.3
Retirement benefit surplus		**–**	3.0
Total non-current assets		**460.0**	280.0
Current assets			
Inventories		**3.9**	2.5
Trade and other receivables		**405.6**	285.8
Cash and cash equivalents		**23.7**	28.5
Total current assets		**433.2**	316.8
Total assets		**893.2**	596.8
Current liabilities			
Trade and other payables		**(359.3)**	(260.2)
Current tax liabilities		**(15.0)**	(13.5)
Financing liabilities		**(4.6)**	(13.7)
Provisions		**(9.9)**	(3.2)
Total current liabilities		**(388.8)**	(290.6)
Net current assets		**44.4**	26.2
Non-current liabilities			
Financing liabilities		**(106.2)**	(4.5)
Provisions		**(11.2)**	(17.2)
Retirement benefit obligation		**(10.5)**	(3.4)
Deferred tax liabilities		**(13.1)**	(4.5)
Total non-current liabilities		**(141.0)**	(29.6)
Total liabilities		**(529.8)**	(320.2)
Net assets		**363.4**	276.6
Equity			
Share capital	8	**8.8**	8.1
Share premium account		**76.7**	24.4
Merger reserve		**80.3**	67.2
Share-based payments reserve		**5.4**	4.4
Own shares reserve		**(8.1)**	(5.2)
Other reserves		**0.2**	0.2
Retained earnings		**192.3**	167.4
Equity attributable to equity holders of the parent		**355.6**	266.5
Minority interests		**7.8**	10.1
Total equity		**363.4**	276.6

Consolidated statement of changes in equity

For the year ended 31 March 2010

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

Consolidated statement of cash flows

For the year ended 31 March 2010

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

Reconciliation of net cash flow to movements in net (debt)/funds	Notes	**2010 £m**	2009 £m
Net decrease in cash and cash equivalents		**(4.8)**	(14.1)
Bank loans (raised)/repaid		**(90.0)**	40.0
Repayments of loan notes on purchase of subsidiary undertakings		**–**	1.2
Increase in finance leases		**(2.7)**	(0.6)
(Increase)/decrease in net debt during the year		**(97.5)**	26.5
Opening net funds/(debt)		**10.9**	(15.6)
Closing net (debt)/funds	7	**(86.6)**	10.9

1. Basis of preparation and changes in accounting policy

The preliminary announcement is based on the Group's financial statements for the year ended 31 March 2010 which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

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

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

2. Business and geographical segments

Business segments

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

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

Business segments – structure during the year

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

* Other items are analysed in Note 3.

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

Business segments – structure from 1 April 2010

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

* Other items are analysed in Note 3.

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

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

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

* Other items are analysed in Note 3.

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

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

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

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

3. Other items

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

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

4. Tax

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

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

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

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

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

5. Dividends

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

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

6. 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:

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

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

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

7. Analysis of net (debt)/funds

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

8. Share capital

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

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

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

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

9. Acquisition of subsidiaries

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

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	1.2	28.7	29.9
Deferred tax asset/(liability)	2.7	(6.4)	(3.7)
Property, plant and equipment	4.8	(2.4)	2.4
Inventories	1.6	(0.4)	1.2
Trade and other receivables	63.8	(4.0)	59.8
Trade and other payables	(39.3)	(2.8)	(42.1)
Current tax liability	(0.3)	–	(0.3)
Net assets acquired	**34.5**	**12.7**	**47.2**
Goodwill			72.3
Total consideration			**119.5**
Satisfied by			
Cash			116.2
Deferred contingent consideration			–
Directly attributable costs			3.3
Total consideration			**119.5**
Net cash outflow arising on acquisition			
Cash consideration			119.5
Net cash outflow			**119.5**

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

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	5.8	7.5	13.3
Deferred tax asset/(liability)	0.1	(3.6)	(3.5)
Property, plant and equipment	1.8	(1.3)	0.5
Inventories	0.4	–	0.4
Trade and other receivables	19.2	(0.6)	18.6
Cash and cash equivalents	3.5	–	3.5
Trade and other payables	(19.6)	(1.3)	(20.9)
Loans	(2.3)	–	(2.3)
Net assets acquired	**8.9**	**0.7**	**9.6**
Goodwill			31.3
Total consideration			**40.9**
Satisfied by			
Cash			36.8
Deferred contingent consideration			3.5
Directly attributable costs			0.6
Total consideration			**40.9**
Net cash outflow arising on acquisition			
Cash consideration			37.4
Cash and cash equivalents acquired			(3.5)
Loan acquired			2.3
Net cash outflow			**36.2**

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

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

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

Purchase of minority interests

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

10. Preliminary announcement

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation.