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growth

MITIE Group PLC
Preliminary results for the year ending 31 March 2008

people + passion

MITIE

19 May 2008

MITIE Group PLC

Preliminary announcement of results for the year ended 31 March 2008

For the year ended 31 March	2008	2007	Growth
	£m	£m	%
Revenue	1,407.2	1,228.8	14.5
Operating profit before amortisation	72.2	59.9	20.5
Profit before tax and other items*	70.6	58.2	21.3
	pence	pence	%
Basic earnings per share before other items*	14.9	12.3	21.1
Basic earnings per share before amortisation	14.7	12.3	19.5
Basic earnings per share	14.3	11.9	20.2
Dividend per share	6.0	5.1	17.6

*Other items represent non-cash charges associated with acquisitions, being the amortisation of intangible assets £1.9m (2007: £1.6m) and non-cash finance charges of £0.8m (2007: £nil)

Highlights

- Strong revenue growth of 14.5% to £1,407.2m; organic growth 10.4%
- Operating profit before amortisation up 20.5% to £72.2m
- Operating profit margins up to 5.1% (2007: 4.9%); underlying margins maintained
- 78% of 2008/09 budgeted revenue secured (2007: 75%)
- Order book up to £4.4bn (2007: £4.1bn)
- Strong balance sheet with low gearing and a net pension scheme surplus
- Three in-year external acquisitions performing well

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

"We have had an excellent year and have delivered record results. Our business is focused on growth through its strength in integrated facilities, property and engineering services. We are confident in our ability to make progress in this economic climate and there are positive trading conditions across all three divisions. We have a record order book and are well positioned to deliver sustainable, profitable growth."

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MITIE will be presenting its preliminary results for the period ending 31 March 2008 at 0930hrs on Monday 19 May 2008 at UBS Investment Bank, Ground Floor Conference Centre, 1 Finsbury Avenue, London, EC2M 2PP.

A live webcast of the presentation will be available online at www.mitie.co.uk/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 2008 and copies will be available from MITIE's registered office and on its website www.mitie.co.uk. MITIE's Annual General Meeting will take place at 12 noon on 31 July 2008 at The Merchants' Hall, The Promenade, Clifton Down, Bristol BS8 3NH.

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

Cautionary statement

The Annual Report and Accounts contain forward looking statements. Such statements do not relate strictly to historical or current 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 MITIE Group PLC in good faith based on the information available to them as at the date of approval of this report 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 report and accordingly all such statements should be treated with caution. Nothing in this report should be construed as a profit forecast.

Chairman's statement

I am delighted to announce that 2008 has been another year of strong growth for MITIE. This year was our 20th year of revenue and profits growth.

Throughout the last year we have continued to forge new relationships and build on long-term partnerships with our clients and are delighted to welcome thousands of new people to MITIE.

We are now well positioned for the next stage in our development with an excellent management team and a well developed strategy in place targeting our three markets of facilities, property and engineering services.

Results

MITIE has had another excellent year, with 14.5% growth in our revenue to £1,407.2m (2007: £1,228.8m). Operating profit before amortisation rose by 20.5% to £72.2m (2007: £59.9m) with profit before tax increasing by 20.0% to £67.9m (2007: £56.6m). Adjusted earnings per share grew by 21.1% to 14.9p per share (2007: 12.3p per share). Underlying operating profit margins were maintained within our target range of 5 - 6% at 5.1% (2007: 5.1%) whilst reported operating profit margins increased from 4.9% to 5.1%.

Dividend

The Board is recommending a final dividend of 3.2p per Ordinary share making a total of 6.0p per share for the year, a 17.6% increase on 2007. This increase is in line with our dividend policy to maintain dividends in line with underlying earnings growth at a cover ratio of 2.5 times adjusted earnings.

The dividend will be paid on 4 August 2008 to shareholders on the register at 4 July 2008.

Pensions

The Group contributes to a range of defined benefit and defined contribution pension schemes. I am pleased to report that the surplus within the defined benefit schemes has continued this year with a net surplus of £7.5m (2007: £0.5m).

Board changes

This will be my last year as non-executive Chairman of MITIE as I will retire at the Company's Annual General Meeting (AGM) on 31 July 2008. I have thoroughly enjoyed the last six years with MITIE. I will leave the Company in a very strong financial position and with excellent prospects to succeed in the future under the stewardship of Roger Matthews, who will be appointed as non-executive Chairman at the close of the AGM. Roger has been a non-executive director since December 2006 and brings with him a wide range of skills and experience from his previous positions as Group Finance Director of J Sainsbury plc and Group Managing Director and Group Finance Director of Compass Group PLC.

Cullum McAlpine, who has been a non-executive director of MITIE since April 2003 and is Chairman of the Audit Committee and senior independent non-executive director, will also retire from the Board at the Company's AGM. I would like to thank Cullum for his support to MITIE and the Board over the past five years.

The following Board changes will also take effect from 31 July 2008. David Jenkins will be appointed as senior independent non-executive director and Chairman of the Audit Committee. Roger Matthews will assume the Chairmanship of the Nomination Committee.

The recruitment of a new non-executive director will commence during the year.

Corporate governance

We are committed to maintaining high standards of corporate governance. The Board recognises that MITIE is expected to act to the highest standards of responsibility at all times and we therefore have in place a set of governance structures and practices designed to ensure that MITIE is run responsibly in the best interests of all its stakeholders.

Outlook

In this my last year as Chairman of MITIE, I would like to wish the management team every success for the future. We enter the new financial year with our business aligned to meet the needs of our ever changing markets. Current economic conditions are requiring businesses to re-evaluate their cost base and to focus resource and attention on reducing risk and uncertainty in volatile markets. This provides us with opportunities as organisations seek to reduce costs through outsourcing.

We are confident that we are well positioned to continue our strategy of delivering stakeholder value by focusing on sustainable, profitable growth through 2008 and beyond.

David C Ord

Chairman

Chief Executive's review

At the end of my first full year as Chief Executive, I am delighted that we have continued our record of double digit growth, increasing revenue by 14.5% in the year. Our operating profit before amortisation has increased by 20.5% and all three of our divisions have performed well, enabling us to maintain our overall underlying operating profit margins within our target range at 5.1%.

In order to deliver value to our stakeholders by delivering future sustainable growth, we have spent the year ensuring that we are well placed to meet the needs of our ever changing markets.

We have aligned our Facilities Services division to focus on growth in the facilities management (FM) and multi-service markets. With the formation of our new FM business, we are now able to compete for the larger FM contracts. The business now provides us with a vehicle that has been created to really understand our clients' FM needs and show how we can match them with MITIE's capabilities.

Our Property Services division has been reorganised to align our specialist skills to the market place in which we operate. We are intent on making each area of our business a truly national offering, focusing on roofing, minor repairs and redecoration, interior fit-out, plumbing and heating, social housing and fire protection.

Our Engineering Services division has also been focusing on aligning the structure of the division with its three main markets: energy; technology and infrastructure; and building services. In the energy markets, we offer a full energy management consultancy for our clients, reducing their carbon footprints through renewable technologies and use of efficient materials. The technology and infrastructure markets concentrate on providing information communications technology services (ICT) as well as power generation and cooling solutions for data centres. The building services market is the more traditional mechanical and electrical contracting arm of the business.

We have had an excellent year and have delivered record results. Our business is focused on growth through its strength in integrated facilities, property and engineering services. We are confident in our ability to make progress in this economic climate and there are positive trading conditions across all three divisions. We have a record order book and are well positioned to deliver sustainable, profitable growth.

Order book

Our forward order book has grown to £4.4bn (2007: £4.1bn). 82% of this order book is within our Facilities Services division, 11% within Property Services and 7% in Engineering Services. This year, we have secured 78% of our budgeted revenue for the year ending 31 March 2009 compared to 75% at the same point last year.

Acquisitions

We continue to seek to acquire businesses that complement or fit within our existing company and in 2008 made three acquisitions. In April 2007, we acquired Jabez Holdings Limited, the holding company of the Robert Prettie plumbing business. In March 2008, we completed the acquisitions of both Catering Partnership Holdings Limited and DW Tilley Limited.

All three acquisitions complement our existing activities:

- Robert Prettie is a Nottingham-based business that works in partnership with local authorities, councils, developers and registered social landlords on kitchen and bathroom installations, heating replacement, gas servicing, maintenance and call-out services. This acquisition has added significantly to the capabilities of our Property Services division in the housing sector and has complemented the existing regional operations.

- Catering Partnership Holdings Limited is a Midlands-based catering company. The company complements the geographical coverage of our existing operations.
- DW Tilley Limited is a national roofing contractor, based in the North East of England. The company complements our existing Property Services division and provides us with a national roofing capability.

Equity incentivisation

We continue to start new businesses and support first generation equity start-ups within MITIE. In October 2007 we started MITIE Client Services Limited. This business operates within the Facilities Services division and will provide clients with high quality, client facing support services including reception, switchboard, helpdesk and events management.

As part of the development of our equity incentivisation model, we have introduced a second generation equity scheme into some of our established businesses to provide an equity opportunity for the new management teams within those businesses whereby management share the risks and rewards of ownership.

Second generation schemes have been set up in our Property Services division and also in the Cleaning, Landscaping and Security businesses within our Facilities Services division. The second generation scheme in our Security business was introduced on 4 October 2007 following shareholder approval at an EGM. The introduction of this scheme is important for the successful development and consolidation of our Security business which has grown rapidly, particularly over the last two years.

Our Long Term Incentive Plan (LTIP) scheme was also introduced in July 2007 following shareholder approval at the AGM. EPS growth targets over three years form the basis of the performance criteria for the LTIP, with shares being offered to a number of key senior management. This scheme ensures that we have market leading reward mechanisms to attract the best management in our sector to MITIE.

Market development

Our markets have always been demanding and will continue to be so. Uncertainty in the general economy creates opportunity for MITIE as customers seek innovation and fresh thinking from their service providers. Our relatively low market share, range of services and integrated delivery makes us an attractive partner.

One way that customers are saving money and increasing efficiency is through enlarging the scope of facilities contracts. The move towards larger multi-service and FM contracts provides us with opportunity due to our unrivalled range of services and wealth of knowledge.

The workplace environment is more demanding than ever for our clients. Issues such as waste and recycling, energy management, carbon footprint and through-life cost asset management all demand forward thinking and integration into their strategic planning.

MITIE is well positioned to take advantage of these current markets and has the capability to provide integrated services through a measured and thought-out approach. We can assist our clients by using the expertise developed within our business in these increasingly complex areas, providing the thought needed to develop integrated solutions that understand the unique needs of each and every client.

In our engineering markets, we are finding that clients are increasingly looking to award contracts on a framework basis. The long-term visibility provided by a framework approach to workload allocation and the continued aggregation of the procurement philosophy of both public and private sector customers continues to work to MITIE's benefit. We are well placed to take advantage of this shift in work type due to our substantial knowledge of key sectors, our national capability and our expertise of renewable technologies.

The engineering sector is also responding to new legislation, in particular the requirement of energy certificates for all buildings that are constructed, sold, rented or occupied. The certificates will show how energy efficient a building is and how much CO_2 it emits into the atmosphere. Responsible contractors within this sector are providing the expertise and innovation to deal with this new requirement. MITIE has invested heavily in resources and is actively involved in the design and application of more efficient forms of energy generation and distribution to the built environment. This commitment and investment ensures that our Engineering Services division is at the forefront when it comes to advising clients and the supply chain on planning regulations and requirements.

Our Property Services division continues to operate in diverse markets. The acquisition of Robert Prettie provides us with the technical ability and expertise to create a service aimed at the wider housing market. We believe this new offering will prove attractive to the sector and provide us with future, sustainable organic growth. The social housing market continues to afford us opportunities to increase our presence in this sector.

International services

MITIE is the UK's market leader in providing facilities, property and engineering services. As our markets are very fragmented, we still only have a relatively small market share in the UK. Our primary focus remains on growing our UK business. Nevertheless, we do have the capability to deliver contracts outside the UK when asked to do so by our increasingly global client base.

Corporate responsibility (CR)

For us, CR is about behaviour and attitude. We aim to ensure that our CR programme involves every area of our business. CR is undoubtedly a differentiator for us, and has been cited as the deciding factor for some clients when awarding us contracts. CR issues, such as reducing the carbon footprint of buildings, create opportunities for us as we have substantial experience in renewable energy technology and energy consultancy.

This year we will publish our third CR report. The report covers our CR programme in detail. We are proud of this year's achievements including gaining a silver award scoring 81.5% in Business in the Community's Corporate Responsibility Index (2007: bronze award with 70.0%) and featuring in the top 100 'Companies that Count' for the second year in a row. The index is a voluntary, self-assessment survey, providing an annual benchmark of how companies manage, measure and report their corporate responsibility.

Our greatest asset is our people

We continue to see our people as being our greatest and most valued asset. Without their commitment and hard work, MITIE would not be successful, so I would like to thank personally all of our people for their efforts over the last twelve months.

We have always recognised and promoted success within MITIE and this year have launched a new recognition scheme called MITIE Stars. The new scheme will be a key tool in recognising excellence within MITIE, helping us to drive performance improvement and support the need for consistency across the organisation.

In MITIE, our success has been built on the strength of our teams. It is unusual for us to single out the contribution of one individual, but on this occasion I would like to extend my personal thanks and those of the Board to David Ord, who will step down as non-executive Chairman of MITIE following our AGM in July 2008. David has been instrumental in supporting the development of the Group since his appointment and I wish him every success in the future.

Ruby McGregor-Smith
Chief Executive

Operating review

Facilities Services

	2008 £m	2007 £m	Increase %
Revenue	**820.4**	732.1	12.1
Operating profit before amortisation	**48.9**	41.5	17.8
Reported operating profit margin before amortisation	**6.0%**	5.7%	0.3pps
Underlying operating profit margin before amortisation	**6.0%**	6.0%	-

Our Facilities Services division combines the operating activities of our broad range of FM services. The division has had a good year with new contract awards across the division increasing revenue by 12.1% to £820.4m (2007: £732.1m) and operating profit growing by 17.8% to £48.9m (2007: £41.5m). Reported operating profit margins increased by 0.3% to 6.0% (2007: 5.7%) whilst underlying operating profit margins were maintained at 6.0% (2007: 6.0%). Our medium-term target range for this division is 6.0% to 7.0%.

Within Facilities Services this year, we have had a focus on consolidation which will allow our businesses to work together more easily and assist them in delivering effective multi-service and FM contracts going forward. We now recognise 5 business lines as follows: Cleaning and Environmental Services which encompasses the cleaning, landscaping and pest control businesses with revenues this year of £269.6m (2007: £236.9m); Facilities Management which comprises the Managed Services, Business Services and PFI businesses which had revenues of £136.4m (2007: £124.0m); Security with revenue of £257.4m (2007: £241.8m); Engineering Maintenance with revenue of £135.2m (2007: £109.7m) and Catering with revenue of £21.8m (2007: £19.7m).

We set out below a range of contract awards.

Within the **government sector**, we have been awarded a five-year contract to provide an FM solution for The Office for National Statistics delivering project management services as well as a full solution to provide facilities services for their UK estate.

We have also recently been awarded a large contract with the Atomic Weapons Establishment to provide security services, where our team will be under the operational and tactical control of the MoD Police to manage access and egress at their Aldermaston and Burghfield sites.

Our national contract with Her Majesty's Courts Service to provide security services continues to expand, with additional revenue secured in the last financial year. This enlarged contract is the largest single manned guarding contract in the UK security industry.

Our focus on the **education sector** has enabled us to win several new cleaning contracts with Carnegie College in Fife, and both Stevenson College and the new Queen Margaret University Campus in Edinburgh.

We have secured a key role in Perth and Kinross Council's Investment in Learning project - a public private partnership agreement between Perth and Kinross Council and Axiom Education (Perth and Kinross) Limited to build five new primary schools and four secondary schools on six campus style sites. We have been appointed as the FM partner to deliver a comprehensive FM service for a 30-year period.

Our contract awards in the **financial and professional services sector** include a major new contract with Barclays to provide cleaning, security and waste management services at more than 50 of their main buildings around the country.

We have extended our existing contract with Willis to deliver facilities services to the new Willis Tower building in the City, which Willis moved into in February 2008. MITIE will deliver all the cleaning and security services on this site, which is 330,000 sq ft in size with 2,000 occupants, from spring 2008.

MITIE has also recently been awarded a contract with Newedge, a company formed by the amalgamation of the brokerage businesses of Calyon and Société Générale. The new contract is for MITIE to deliver a multi-service package of mail and courier services, as well as front of house services, hospitality and café trolley services for their 750 staff.

In addition to the contract with HBOS to provide the cleaning, landscaping and pest control to their high-street branches around the UK, which started in February 2007, we have now extended our contract to provide these services to a further 130 of their major office sites around the country. The contract has doubled in value and now involves over 2,000 MITIE people.

Another valued contract award for MITIE was with the top five international law firm, Linklaters. Having been a client since May 2001 and having already renewed once in 2004, we are very pleased that the contract was extended for a third period in a recent tender exercise. MITIE provides 38 people delivering mail and archiving services in London and Colchester. We also provide several technology solutions on site. Our document management business was recently awarded an exciting new five-year contract with Herbert Smith, delivering mailroom, stationery, reprographics and records management services to their offices in London.

In the **manufacturing and logistics sector**, MITIE has been awarded a specialist health and hygiene contract to clean the Fox's biscuits site, part of Northern Foods.

Working in the **property management sector**, we have been awarded a major contract with NB Entrust to deliver cleaning, pest control and landscaping to 150 sites in the south east as well as delivering the same services along with security and engineering maintenance to a further 70 sites in the south west.

Within the **retail sector**, we have been awarded work at more Somerfield stores to add to our cleaning contract in the south east.

In the **transport sector**, we have secured a prestigious three-year contract to deliver FM consultancy services to Dubai World Central (DWC). DWC is one of the most strategically important commercial infrastructure developments ever launched in the Persian Gulf. DWC, a 140km^2 urban aviation project centred on the world's largest international airport, aims to transform the region into one of the most powerful global centres for logistics, tourism and commerce.

Another great award is with St Pancras International, a flagship contract for our specialist transport team which includes cleaning and pest control.

In May 2007, MITIE's specialist transport security team was re-awarded a three-year contract for the provision of hold baggage screening services for all flights departing from Bristol International Airport.

MITIE has also been awarded a contract with BAA at Heathrow Terminal 5, providing cleaning and waste management for one of the largest single sites in Europe.

In the **utilities sector**, we have been awarded contracts with EDF Energy to clean two power stations in Lincolnshire as well as a new contract with British Nuclear Group involving over 55 MITIE people, providing mail, graphics, reprographics, document production, fleet technical support and signage services.

In addition to the work secured earlier in the year with Cable & Wireless to deliver engineering maintenance services throughout 725 of their sites in the UK and Ireland, MITIE has expanded its relationship to provide an FM service, delivering cleaning, office services, helpdesk and other ancillary services to their UK and Ireland estate, including their Bracknell HQ.

Property Services

	2008 **£m**	2007 £m	**Increase** **%**
Revenue	**285.7**	215.1	32.8
Operating profit before amortisation	**15.0**	10.6	41.5
Operating profit margin before amortisation	**5.3%**	4.9%	0.4pps

Our Property Services division has had a very successful year with good performance in all of its services lines, with particularly pleasing results from Robert Prettie, the heating and plumbing business that was acquired in April 2007. Property Services has increased revenue by 32.8% to £285.7m (2007: £215.1m) reflecting organic growth of 10.0% and revenue of £49.1m from Robert Prettie. Operating profit grew by 41.5% to £15.0m (2007: £10.6m) and operating margins by 0.4% to 5.3% (2007: 4.9%). Our medium-term target range for this division is 4.5% to 5.0%.

We have included some of the contract awards that have contributed to these successful results below:

In the **government sector**, we have been awarded a four-year contract with Suffolk County Council to provide painting, repairs and redecoration of public buildings. Contracts awarded in the **education sector** include a five-year repair and maintenance contract with Sanctuary Management Services at Queen Margaret University in Edinburgh and a contract with the University of Westminster to refurbish an education block. Using our specialist environmental knowledge, we are also installing underfloor heating and solar hot water at a new-build school in Sheffield for Tilen Electrics.

We have been awarded several new contracts within the **financial and professional services sector** including a contract with a leading investment bank situated within the City of London to fit-out 25,000 sq ft of office space for them at Pinners Hall in London and a contract for Bank of Ireland to fit-out its prestigious new headquarters at Bow Bells House, located in EC4.

In **manufacturing and logistics**, we have been awarded a five-year contract with Royal Mail to provide responsive maintenance to their post offices and delivery offices throughout Scotland as well as a 25-week contract to replace the roof of Siemens' main manufacturing plant in Cheshire.

Within the **property management** and **construction sectors**, we have won a further refurbishment contract with Frank Haslam Milan in Derbyshire where we will be plastering sheltered accommodation for landlord Housing 21. Taylor Wimpey has also awarded us a contract to install heating and plumbing in over 500 homes across the West Midlands.

Other work includes a contract with Bramall Construction to provide kitchen, bathroom and heating refurbishment in nearly 500 properties in Sheffield, as well as a contract with Wildgoose Construction Limited in Sheffield for the installation of solar powered hot water in 47 ecological homes. We have been awarded a contract to provide plumbing and heating installations in nearly 500 homes for Bellway Homes in North Nottinghamshire as part of a five-year regeneration project.

We have secured several refurbishment contracts with property companies including a 44-week refurbishment of office space for Helical Bar plc in London as well as a contract to refurbish Bruntwood's office space in Bootle.

We have had a good year in the **social housing sector**, securing a new five-year contract with Dacorum Borough Council to provide all of the repairs and maintenance to the Council's 11,000 homes in Hemel Hempstead, Berkhamsted, Tring and the surrounding villages. In Scotland, we have secured a three-year contract with Hillhead Housing Association and Perthshire Housing Association to provide repairs and maintenance services. We have also provided Hyde Housing Association with internal and external decoration to over 300 of their properties.

We have secured work comprising two ten-month contracts for Flagship Housing Group in Newmarket to provide internal refurbishment and redecoration.

In addition to these great contract awards, our specialist teams will be spending five years painting and redecorating all 2,400 of Trust Housing Association's homes across the country and also working for Fife Housing Association on a one-year internal and external planned maintenance contract.

Within the **transport sector**, we have secured a further five-month contract for passive fire protection at Heathrow Terminal 5 and in the **utilities sector** we are carrying out a four-year contract with BT to upgrade telephone exchanges in the North and South of England and in Scotland.

Engineering Services

	2008 £m	2007 £m	Increase %
Revenue	**301.1**	281.6	6.9
Operating profit before amortisation	**8.3**	7.8	6.4
Operating profit margin before amortisation	**2.8%**	2.8%	-

We have seen steady growth in our Engineering Services division as the business transitions to a lower risk work mix. Contract awards have increased revenues in the division by 6.9% to £301.1m (2007: £281.6m) with operating profit also increasing by 6.4% to £8.3m (2007: £7.8m). Operating margins were maintained at 2.8% (2007: 2.8%). Our medium-term target range for this division is 3.0% to 4.0%.

Our engineering team's traditional work is evolving to meet the changing requirements of our customer base. New government legislation promotes on-site energy generation in new-build developments and reduction in carbon emissions through the use of green technologies. Our new energy offering in these areas makes us an even more attractive partner in the marketplace. This is reflected in some of our latest contract awards:

In the **government sector**, we have been awarded a contract with the National Assembly for Wales' regional headquarters in Aberystwyth. Work has started on the project, with staff set to occupy the building in spring 2009. The contract is for mechanical and electrical works, and includes many environmentally friendly features such as a biomass boiler, ammonia chillers, rainwater harvesting, natural ventilation and controls, solar panels, quietrevolution wind turbine, cooling pond and intelligent lighting. The aim will be to achieve a Building Research Establishment Environmental Assessment Method (BREEAM) rating of Excellent.

As part of our work in the **education sector**, we have been awarded some great new contracts, including a design and build contract for University Campus Suffolk. The new-build campus development in Ipswich sees us integrated straight into the project team to develop the platform design and ensure the client's vision is fully realised. Works include air-cooled chiller plant with heat recovery, chilled beams and a sophisticated lighting control system harvesting sunlight on bright days. The building also features a sedum or 'living' roof, which provides a really natural feel to the campus.

MITIE continues to build on its strong relationship with the University of Bristol with the award of a combined heat and power (CHP) and waste heat recovery project at the University's Langford veterinary campus. The project includes both the supply and installation of a containerised CHP unit with 380kW electrical and 500kW heat output, as well as the provision of infrastructure works at the University. The proposed development will create over £50m of educational and research facilities, and laboratories for the Biological Sciences and Mathematics departments.

We have been awarded the contract on the new-build Melksham Oak Community School in Wiltshire to provide the mechanical and electrical engineering. The school is part of the Building Schools for the Future 'Pathfinder' programme. MITIE's design concepts for the school include good quality internal environment, simple, user friendly systems, low energy and capital costs minimising CO_2 emissions while applying value engineering where possible. It will feature energy efficient heating and lighting together with rainwater harvesting and night time cooling. There will also be a focus on providing a natural environment for learning centred on a natural ventilation strategy.

We have continued to build on our relationship with Standard Life Investments in the **financial and professional services sector,** offering an integrated approach to provide the engineering fit-out and maintenance. This has resulted in us securing three new-build projects with them in Guildford, Ealing and London. The Woodbridge Road project in Guildford sees us utilise geo-thermal energy, generating 137mWh of renewable energy for the building. Our commitment to partnering and substantial knowledge of renewable technologies was instrumental in securing this contract.

We have secured further infrastructure works at Great Ormond Street Hospital in the **healthcare sector**, following our excellent performance as principal contractor on the initial project that was completed in October 2007. The hospital's redevelopment programme continues through to 2012 and our strong relationship with the hospital and their team means we are well placed for future works.

In the **leisure sector**, we have continued our relationship with the world famous The Langham Hotel, London, by recently securing two major projects. Running concurrently, these are the public area works, which consist of a complete mechanical and electrical refurbishment in all public areas, including the main entrance and function rooms. The other project is the guest room fit-out of 161 rooms, which will be taking place in the occupied hotel over the next year.

In the **property management sector**, our recent award at Easter Park, Aldermaston allows us to exploit our in-depth knowledge of geothermal technology, satisfying the client's objective to create 'green' office space for this new-build business park development near Reading. The contract includes the design, build and installation of closed loop borefields and a ground source heat pump system.

Other recent contracts include Salt Quay House, a new office development at Sutton Harbour, Plymouth, which meets the latest environmental standards and includes energy saving initiatives, such as air-conditioning using latest generation heat recovery pumps with thermal wheel air handling units to maximise free cooling.

Our work in the **science and technology sector** has grown by securing a major infrastructure upgrade project in May 2007 with one of the world's largest providers of data centre space. The project, located in London's Docklands area, is now our largest engineering contract and consists of the construction of two new power stations, upgrade of an existing power station and the increase in the cooling capacity to the data centre floors.

The completion and integration of the MITIE project works into the existing data centre infrastructure will provide the client with an increased capacity and increased resilience to the building. This will enable additional space to be sold on the floors and will underpin the current and future service level agreements.

We have also formed an exciting partnership with the wind turbine design company, quietrevolution, to install and integrate its wind turbines across the UK. MITIE has incorporated the use of these turbines as an essential component within many of our low carbon schemes, including the National Assembly for Wales, and this product forms an integral part of Engineering Services' new microgeneration energy offering.

According to an Energy Saving Trust report, it is estimated that small scale wind generation, together with other forms of microgeneration, could provide 30-40% of the UK's electricity needs by 2050.

Another notable contract award is our appointment onto the framework contract for Diamond Light Source at its new scientific facility in Oxfordshire. The contract, initially for three years, will see Engineering Services acting as principal contractor for the installation of beamline cabins including mechanical, electrical and specialist services.

Financial review

Our financial results for the year reflect continuing growth across all of our three divisions with an improved reported margin, helping to deliver strong growth in profits. Our strategy of making acquisitions which complement and strengthen the existing service offerings continues, with three acquisitions made during the year.

	2008	2007	Increase
	£m	£m	%
Revenue	1,407.2	1,228.8	14.5
Operating profit before amortisation of intangibles	72.2	59.9	20.5
Amortisation of intangibles	(1.9)	(1.6)	
	70.3	58.3	20.6
Net investment revenue and finance cost	(2.4)	(1.7)	
Profit before tax	67.9	56.6	20.0
Tax	(20.6)	(17.4)	
	47.3	39.2	20.7
Effective tax rate on continuing operations	30.3%	30.7%	
Basic EPS before other items	14.9p	12.3p	21.1
Basic EPS	14.3p	11.9p	20.2
Dividend per share	6.0p	5.1p	17.6

Key Performance Indicators (KPIs)

Our financial KPIs of profit margins before the amortisation of intangibles, interest and tax (EBITA) and profit to cash conversion levels are important indicators of the trading performance of the Group. We are satisfied that the levels of performance in these measures across the Group are consistent with our medium-term targets. Furthermore, our strategy of operating low capital intensive businesses continues and capital expenditure levels are being managed within the target range of less than 2% of revenue.

Our results support the continued growth in dividends. Our dividend is based on post tax earnings attributable to Ordinary shareholders adjusted to exclude non-cash items associated with acquisitions (amortisation and imputed finance charges) and material non-recurring items such as integration costs. This ensures that dividend payments to shareholders track the underlying operating earnings of our business. This has resulted in a dividend for the full year of 6.0p per share (2007: 5.1p), an increase of 17.6% for the year. This reflects a dividend cover of 2.5 times based on our adjusted EPS measure. Our final dividend for the year ended 31 March 2008 will be paid on 4 August 2008.

Growth in revenue

The year to 31 March 2008 has seen growth across all three of our divisions and our revenue has increased by 14.5% to £1,407.2m (2007: £1,228.8m). We have achieved organic growth across the business of 10.4% (2007: 17.4%). The acquisition of Robert Prettie, which was completed on 2 April 2007, has brought a further £49.1m of revenues to the Group.

Revenue in our Facilities Services division grew organically by 12.1% to £820.4m (2007: £732.1m). In Property Services, revenue grew by 32.8% to £285.7m (2007: £215.1m) reflecting organic growth of 10.0% and revenue of £49.1m from Robert Prettie. In Engineering Services, controlled organic growth increased revenue by 6.9% to £301.1m (2007: £281.6m) reflecting the continued focus on sustainable growth.

Profitability

Operating profit before amortisation of intangibles (EBITA) rose to £72.2m (2007: £59.9m). This includes a charge for share-based payments of £1.5m (2007: £1.1m) which reflects the accounting charges in respect of our Save As You Earn, Executive Share Option and Long Term Incentive Plan schemes. The increase in the share-based payment charge reflects the introduction of the LTIP in July 2007 following shareholder approval at the AGM.

Reported EBITA profit margin increased to 5.1% (2007: 4.9%). Underlying margins were maintained at 5.1% (2007: 5.1%). The reported operating profit margins within Facilities Services were 6.0% (2007: 5.7%) whilst underlying profit margins (before material integration costs in 2007) remained at 6.0%. In Property Services, margins increased to 5.3% (2007: 4.9%) reflecting the change in the mix of work following the Robert Prettie acquisition. Engineering Services' margins remain consistent with the prior year at 2.8% (2007: 2.8%).

The charge in respect of the amortisation of intangible assets arising on acquisitions was £1.9m (2007: £1.6m). The increase is largely due to the amortisation of the intangible assets recognised following the Robert Prettie acquisition. Operating profit after the amortisation of intangibles was £70.3m (2007: £58.3m).

Investment and finance costs for the year were £2.4m (2007: £1.7m) reflecting the increased level of net debt across the Group and the non-cash finance charge of £0.8m (2007: £nil) relating to the unwinding of the discount on deferred contingent consideration in respect of the purchase of Robert Prettie at the beginning of the year. The Group also settled in cash the deferred consideration which had previously been held as loan notes amounting to £8.0m on two prior acquisitions as detailed in the acquisitions section below.

The tax charge for the year was £20.6m (2007: £17.4m), representing an effective rate of tax on our profit on continuing operations of 30.3% (2007: 30.7%).

These results generated a profit after tax for the year of £47.3m (2007: £39.2m), an increase of 20.7% on the prior year. Of this, £45.0m or 95.1% (2007: £37.0m, 94.4%) is attributable to the shareholders of MITIE Group PLC.

Growth in earnings per share (EPS)

Basic EPS before other items increased by 21.1% to 14.9p per share (2007: 12.3p per share). Basic EPS before amortisation rose by 19.5% to 14.7p per share (2007: 12.3p per share). Basic EPS increased to 14.3p per share (2007: 11.9p per share), an increase of 20.2%. Fully diluted EPS increased by 19.5% to 14.1p per share (2007: 11.8p per share).

We have intentionally changed the format of our published consolidated income statement to disclose the impact of non-cash items relating to acquisitions - amortisation and unwinding of discount on deferred contingent consideration. In keeping with the MITIE ethos, we aim to structure acquisitions which encourage business performance through deferred contingent consideration. This is discounted in the balance sheet and unwinds through finance costs in the consolidated income statement. The amount included this year was £0.8m (2007: £nil) and has impacted headline EPS disclosure this year.

Acquisitions

In April 2007, we acquired the plumbing and heating company Robert Prettie. The initial consideration was £8.6m, of which £7.0m was in cash and £1.6m in loan notes. A total of £0.8m of cash has been retained against potential warranty claims. Debt of £3.7m was assumed by MITIE on the acquisition. Deferred consideration on the acquisition up to a maximum £22.8m is payable in a combination of loan notes and cash based on performance over a three-year period. The deferred consideration can be triggered between 2010 and 2012. The fair value of the deferred consideration on the acquisition of £15.3m is included within provisions in the consolidated balance sheet.

In March 2008, MITIE completed the acquisition of the entire issued share capital of both Catering Partnership Holdings Limited and DW Tilley Limited.

The fair value of the total expected consideration payable for Catering Partnership Holdings Limited is £7.5m with initial consideration of £6.6m paid in cash on completion. Deferred consideration of up to £2.3m, payable in cash, is dependent on the future financial performance of the acquired business and is included within provisions in the consolidated balance sheet.

The fair value of the total consideration expected to be paid for DW Tilley Limited is £14.7m. Initial consideration of £7.5m for the equity of the company and £3.6m for the cash balances in the company was paid in cash on completion. Deferred consideration of up to £5.0m, payable in cash, is dependent on the future financial performance of the acquired business and is included within provisions in the consolidated balance sheet.

The Group also acquired some or all of the minority interests in the equity share capital of seven of its subsidiaries. The total maximum consideration payable in respect of those acquisitions is £8.1m. The consideration was largely settled by the issue of new MITIE shares.

In August 2007, the Group also settled deferred consideration of £0.2m in respect of the purchase last year of the minority shareholding in MITIE Engineering Maintenance (South West) Limited. This was settled by the issue of new MITIE shares.

The total number of MITIE Group PLC shares issued in respect of these transactions was 2.4 million.

Other acquisition related transactions include the redemption in cash of £8.0m of loan notes issued in respect of the deferred consideration for the acquisition of MITIE Security (London) Limited (formerly MITIE Trident Security Limited) of £7.0m and The Watch Security Limited of £1.0m.

Pensions

The Group contributes to a range of defined benefit and defined contribution pension schemes. In addition, MITIE makes contributions to its customers' defined benefit pension schemes under Admitted Body Local Government and other arrangements in respect of certain employees who have transferred to the Group under TUPE. The net surplus before tax included in the Group's balance sheet arising from these pension schemes was £7.5m (2007: £0.5m).

Cash flow

The underlying cash flow performance of the Group remains strong, with the conversion of EBITDA to cash of 90.3% (2007: 114.0%). The prior year EBITDA conversion of 114.0% was particularly high due to one-off short-term timing differences at March 2007; the average cash conversion over the past two years was 101.3% reflecting strong cash flow performance, well in line with our current KPI of conversion above

90.0%.

At 31 March 2008, the net debt of the Group was £15.6m (2007: £8.1m) with loans of £50m being drawn at that time (2007: £20m). Deposits held by the Group's reinsurance subsidiary, which are not readily available to the Group, totalled £12.4m at 31 March 2008 (2007: £10.3m).

Group Treasury has responsibility for managing and reducing financial risks and ensuring sufficient liquidity is available to meet foreseeable needs. It operates within policies and procedures approved by the Board which have not changed during the year. Borrowings are arranged centrally by Group Treasury and made available to operating subsidiaries on commercial terms. The Board's ongoing policy is to finance the Group through retained earnings and borrowings.

During the year the Group renegotiated its existing banking facility which was established during the previous year. It extended its committed five-year £150m revolving credit facility to £230m. The principal covenants in respect of this facility remained the same and put a cap on the maximum level of debt within the Group at 3.5 times EBITDA, and require a minimum ratio of profit to interest payable of 3:1. The Group has operated within these covenants throughout the year.

Share buyback

While MITIE did not buy back any shares in the past financial year, we will be seeking shareholder approval to renew the authority to purchase up to 10.0% of the MITIE Group PLC's issued share capital at our next AGM on 31 July 2008. This authority will provide the directors with the flexibility to take advantage of business opportunities as they arise.

Suzanne Baxter

Group Finance Director

Consolidated Income Statement

For the year ended 31 March 2008

	2008 Before other items* £m	2008 Other items* £m	2008 Total £m	2007 Before other items* £m	2007 Other items* £m	2007 Total £m
Continuing operations						
Revenue	1,407.2	–	1,407.2	1,228.8	–	1,228.8
Cost of sales	(1,145.2)	–	(1,145.2)	(999.8)	–	(999.8)
Gross profit	262.0	–	**262.0**	229.0	–	**229.0**
Other administrative expenses	(189.8)	–	(189.8)	(169.1)	–	(169.1)
Amortisation of intangible assets	–	(1.9)	(1.9)	–	(1.6)	(1.6)
Total administrative expenses	(189.8)	(1.9)	**(191.7)**	(169.1)	(1.6)	**(170.7)**
Operating profit	72.2	(1.9)	**70.3**	59.9	(1.6)	**58.3**
Investment revenue	1.2	–	1.2	0.8	–	0.8
Other finance costs	(2.8)	–	(2.8)	(2.5)	–	(2.5)
Unwinding of discount on deferred contingent consideration	–	(0.8)	(0.8)	–	–	–
Total finance costs	(2.8)	(0.8)	(3.6)	(2.5)	–	(2.5)
Profit before tax	70.6	(2.7)	**67.9**	58.2	(1.6)	**56.6**
Tax	(21.4)	0.8	(20.6)	(17.9)	0.5	(17.4)
Profit for the year	49.2	(1.9)	**47.3**	40.3	(1.1)	**39.2**
Attributable to:						
Equity holders of the parent	46.9	(1.9)	45.0	38.1	(1.1)	37.0
Minority interests	2.3	–	2.3	2.2	–	2.2
	49.2	(1.9)	**47.3**	40.3	(1.1)	**39.2**
Earnings per share (EPS)						
– basic	14.9p	(0.6)p	14.3p	12.3p	(0.4)p	11.9p
– diluted	14.7p	(0.6)p	14.1p	12.1p	(0.3)p	11.8p

*Other items are non-cash acquisition related items, being amortisation of intangible assets and unwinding of discount on deferred contingent consideration

Consolidated Statement of Recognised Income and Expense

For the year ended 31 March 2008

	2008 £m	2007 £m
Actuarial gains/(losses) on defined benefit pension schemes	6.8	(4.7)
Tax (charge)/credit on items taken directly to equity	(2.0)	1.5
Net income/(expense) recognised directly in equity	4.8	(3.2)
Profit for the year	47.3	39.2
Total recognised income and expense for the financial year	**52.1**	**36.0**
Attributable to:		
Equity holders of the parent	49.8	33.8
Minority interests	2.3	2.2

Consolidated Balance Sheet

As at 31 March 2008

	2008 £m	2007 £m
Non-current assets		
Goodwill	203.3	148.4
Other intangible assets	16.9	9.9
Property, plant and equipment	45.2	41.5
Deferred tax assets	6.6	7.7
Retirement benefit surplus	9.9	0.5
Total non-current assets	**281.9**	**208.0**
Current assets		
Inventories	2.4	7.9
Trade and other receivables	314.4	272.8
Cash and cash equivalents	42.6	25.6
Total current assets	**359.4**	**306.3**
Total assets	**641.3**	**514.3**
Current liabilities		
Trade and other payables	(289.6)	(255.7)
Financing liabilities	(54.5)	(30.9)
Provisions	(2.0)	(0.3)
Current tax liabilities	(10.7)	(8.2)
Total current liabilities	**(356.8)**	**(295.1)**
Net current assets	**2.6**	**11.2**
Non-current liabilities		
Financing liabilities	(3.7)	(2.8)
Provisions	(27.2)	(8.6)
Retirement benefit obligation	(2.4)	–
Deferred tax liabilities	(6.2)	(3.9)
Total non-current liabilities	**(39.5)**	**(15.3)**
Total liabilities	**(396.3)**	**(310.4)**
Net assets	**245.0**	**203.9**
Equity		
Share capital	7.9	7.8
Share premium account	19.0	16.6
Merger reserve	60.4	54.9
Revaluation reserve	(0.2)	(0.2)
Capital redemption reserve	0.3	0.3
Other reserve	0.1	0.2
Share-based payments reserve	2.9	1.9
Own shares reserve	(2.0)	–
Retained earnings	143.7	110.2
Equity attributable to equity holders of the parent	**232.1**	**191.7**
Minority interests	12.9	12.2
Total equity	**245.0**	**203.9**

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	2008 £m	2007 £m
Net cash from operating activities	58.1	63.9
Investing activities		
Interest received	1.1	0.7
Purchase of property, plant and equipment	(17.8)	(20.8)
Purchase of subsidiary undertakings	(26.9)	(3.9)
Purchase of other intangible assets	(6.6)	–
Disposals of property, plant and equipment	4.6	3.6
Net cash outflow from investing activities	**(45.6)**	**(20.4)**
Financing activities		
Repayments of obligations under finance leases	(1.4)	(0.9)
Proceeds on issue of share capital	3.5	2.5
Repayments of loan notes on purchase of subsidiary undertakings	(8.0)	(1.0)
Bank loans raised/(repaid)	30.0	(11.0)
Purchase of own shares	(2.0)	–
Equity dividends paid	(17.3)	(14.9)
Minority dividends paid	(0.3)	(0.2)
Net cash inflow/(outflow) from financing	**4.5**	**(25.5)**
Net increase in cash and cash equivalents	**17.0**	**18.0**
Net cash and cash equivalents at beginning of the year	**25.6**	**7.6**
Net cash and cash equivalents at end of the year	**42.6**	**25.6**
Net cash and cash equivalents comprise:		
Cash at bank	42.6	25.6
	42.6	**25.6**

Reconciliation of net cash flow to movement in net debt	2008 £m	2007 £m
Net increase in cash and cash equivalents	17.0	18.0
Bank loans (raised)/repaid	(30.0)	11.0
Repayments of loan notes on purchase of subsidiary undertakings	8.0	1.0
Issue of loan notes on acquisition of subsidiary undertakings	(1.6)	(12.1)
Increase in finance leases	(0.9)	(0.8)
Movement in net debt during the year	**(7.5)**	**17.1**
Opening net debt	(8.1)	(25.2)
Closing net debt	**(15.6)**	**(8.1)**

1. 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.

For management purposes, the Group is currently organised into three operating divisions – Facilities Services, Property Services and Engineering Services.

Principal activities are as follows:

Facilities Services offer integrated facilities management and a range of services including: asset management, energy consultancy, document management, front of house, catering, cleaning, engineering maintenance, landscaping, pest control, security, waste and environmental management.

Property Services offer roofing, repairs and redecoration, interior fit-out, plumbing and heating, social housing maintenance and refurbishment and fire protection.

Engineering Services offer services including mechanical and electrical, energy generation and management, technology and infrastructure.

Segmental information about these businesses is presented below.

				2008				2007
	Revenue £m	Profit before interest, tax and amortisation £m	Margin %	Profit before tax £m	Revenue £m	Profit before interest, tax and amortisation £m	Margin %	Profit before tax £m
Facilities Services	820.4	48.9	6.0	44.6	732.1	41.5	5.7	37.4
Property Services	285.7	15.0	5.3	14.6	215.1	10.6	4.9	10.9
Engineering Services	301.1	8.3	2.8	8.7	281.6	7.8	2.8	8.3
Total	**1,407.2**	**72.2**	**5.1**	**67.9**	**1,228.8**	**59.9**	**4.9**	**56.6**

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

The prior period results set out above are stated after integration costs of £2.3m relating to acquisitions. The results of the Group before the effect of integration costs are as follows:

				2007
	Revenue £m	Profit before interest, tax and amortisation £m	Margin %	Profit before tax £m
Facilities Services	732.1	41.5	5.7	37.4
Add: Integration costs	–	2.3	–	2.3
Total	**732.1**	**43.8**	**6.0**	**39.7**
Property Services	215.1	10.6	4.9	10.9
Engineering Services	281.6	7.8	2.8	8.3
Total	**1,228.8**	**62.2**	**5.1**	**58.9**

2. Dividends

	2008 £m	2007 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2007 of 2.7p (2006: 2.4p) per share	8.4	7.6
Interim dividend for the year ended 31 March 2008 of 2.8p (2007: 2.4p) per share	8.9	7.5
	17.3	**15.1**
Proposed final dividend for the year ended 31 March 2008 of 3.2p (2007: 2.7p) per share	**10.1**	**8.4**

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.

3. 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	2008 million	2007 million
Weighted average number of Ordinary shares for the purpose of basic EPS	314.3	310.6
Effect of dilutive potential Ordinary shares: share options	4.9	4.4
Weighted average number of Ordinary shares for the purpose of diluted EPS	319.2	315.0

4. Acquisition of subsidiaries

Purchase of minority interests

	MITIE McCartney Fire Protection Ltd £m	KBS Fire Protection Systems Ltd £m	MITIE Technology Ltd £m	MITIE Engineering Services (Liverpool) Ltd £m	MITIE Security (South West) Ltd £m	MITIE Catering Services (London) Ltd and MITIE Catering Services (Northern) Ltd £m	**Total £m**
Minority interests	0.7	0.1	1.0	0.6	0.2	0.1	**2.7**
Goodwill	0.5	–	1.6	2.1	0.4	0.8	**5.4**
Total purchase consideration	1.2	0.1	2.6	2.7	0.6	0.9	**8.1**
Shares issued – MITIE Group PLC	1.2	0.1	2.0	2.1	–	–	**5.4**
Deferred contingent consideration	–	–	0.5	0.6	–	–	**1.1**
Cash consideration	–	–	0.1	–	0.6	0.9	**1.6**
Total purchase consideration	1.2	0.1	2.6	2.7	0.6	0.9	**8.1**

Purchase of Robert Prettie

On 2 April 2007 MITIE acquired 100% of Property Services company Robert Prettie for estimated total consideration of £23.6m. The transaction was accounted for by the purchase method of accounting. Below we provide final information on the fair value of net assets acquired.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	8.6	(6.7)	1.9
Deferred tax liability	–	(0.4)	(0.4)
Property, plant and equipment	0.2	–	0.2
Inventories	4.9	(0.4)	4.5
Trade and other receivables	1.2	–	1.2
Cash and cash equivalents	0.2	–	0.2
Trade and other payables	(6.3)	(0.2)	(6.5)
Current tax liabilities	(0.7)	–	(0.7)
Loans	(3.7)	–	(3.7)
Pension liabilities	(0.4)	(2.0)	(2.4)
Net assets acquired	**4.0**	**(9.7)**	**(5.7)**
Goodwill			29.3
Total consideration			**23.6**
Satisfied by			
Cash			7.0
Loan notes			1.6
Deferred contingent consideration			14.5
Directly attributable costs			0.5
Total consideration			**23.6**
Net cash outflow arising on acquisition			
Cash consideration			7.5
Cash and cash equivalents acquired			(0.2)
Loans repaid			3.7
Net cash outflow			**11.0**

The goodwill arising on the acquisition of Robert Prettie is attributable to the underlying profitability of the company, expected profitability arising from new business and the anticipated future operating synergies arising from assimilation into the Group.

The company contributed £49.1m to revenue and £3.3m to the Group's profit before tax for the period. Integration costs of £0.4m have been absorbed within the Property Services division. As the Group acquired Robert Prettie on 2 April 2007 there is no difference between the revenue and profit as reported from that which would have been made had the acquisition been made on the first day of the financial year.

The unwinding of the discounted deferred contingent consideration gave rise to a £0.8m finance charge in the year.

Purchase of other companies

MITIE acquired 100% of catering company Catering Partnership (Holdings) Limited on 6 March 2008 and 100% of Property Services company DW Tilley Limited on 19 March 2008 for estimated total consideration of £22.7m. The transactions were accounted for by the purchase method of accounting. Below we provide provisional information on the fair value of net assets acquired.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	-	0.4	0.4
Deferred tax asset	-	0.5	0.5
Property, plant and equipment	0.9	(0.1)	0.8
Inventories	0.1	-	0.1
Trade and other receivables	3.8	(0.3)	3.5
Cash and cash equivalents	4.3	-	4.3
Trade and other payables	(4.0)	(1.9)	(5.9)
Current tax liabilities	(0.7)	(0.1)	(0.8)
Net assets acquired	**4.4**	**(1.5)**	**2.9**
Goodwill			19.8
Total consideration			**22.7**
Satisfied by			
Cash			17.7
Deferred contingent consideration			4.5
Directly attributable costs			0.5
Total consideration			**22.7**
Net cash outflow arising on acquisition			
Cash consideration			18.2
Cash and cash equivalents acquired			(4.3)
Net cash outflow			**13.9**

The goodwill arising on the acquisitions is attributable to the underlying profitability of the businesses, expected profitability arising from new business and the anticipated future operating synergies arising from assimilation into the Group.

The companies contributed £1.2m to revenue and £0.1m to the Group's profit before tax for the period. Had the Group acquired the companies on the first day of the financial year they would have contributed £28.2m to revenue and £1.9m to profit before tax.

The unwinding of the discounted deferred contingent consideration gave rise to no material finance charge in the year.

5. Notes to the cash flow statement

Reconciliation of operating profit to net cash from operating activities	2008 £m	2007 £m
Operating profit	70.3	58.3
Adjustments for:		
Share-based payment expense	1.5	1.1
Pension charge	2.1	1.8
Pension contributions	(4.7)	(5.2)
Depreciation of property, plant and equipment	14.4	13.0
Amortisation of intangible assets	1.9	1.6
Gain on disposal of property, plant and equipment	(1.7)	(1.1)
Operating cash flows before movements in working capital	**83.8**	**69.5**
Decrease in inventories	10.1	0.9
Increase in receivables	(36.9)	(28.5)
Increase in payables	21.5	39.4
(Decrease)/increase in provisions	(0.3)	2.1
Cash generated by operations	**78.2**	**83.4**
Income taxes paid	(17.6)	(17.0)
Interest paid	(2.5)	(2.5)
Net cash from operating activities	**58.1**	**63.9**

6. Analysis of net debt

	2008 £m	2007 £m
Cash and cash equivalents	42.6	25.6
Bank loans	(50.0)	(20.0)
Net (debt)/cash before loan notes and obligations under finance leases	**(7.4)**	**5.6**
Loan notes	(4.7)	(11.1)
Obligations under finance leases	(3.5)	(2.6)
Net debt	**(15.6)**	**(8.1)**

7. Preliminary announcement

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs by 30 June 2008. A duly appointed and authorised committee of the Board of directors approved the preliminary announcement on 19 May 2008.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 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 and did not contain statements under s237(2) or (3) Companies Act 1985. Copies of the announcement can be obtained from the Company's registered office.

END