MITIE Group PLC

Preliminary announcement of results for the year ended 31 March 2011

Good results and strong growth aspirations

	2011 £m	2010 £m	Growth %
Revenue	**1,891.4**	1,720.1	10.0
Operating profit before other items[1]	**108.3**	93.0	16.5
Profit before tax and other items[1]	**105.7**	91.7	15.3
Profit before tax	**86.8**	79.7	8.9
	2011 p	2010 p	Growth %
Basic earnings per share before other items[1]	**22.6**	19.5	15.9
Basic earnings per share	**18.6**	16.9	10.1
Dividend per share	**9.0**	7.8	15.4

Good results

- Strong revenue growth of 10.0% to £1,891.4m
- Good progress in underlying organic revenue growth – second half 5.3%; full year 3.5%[2]
- Operating profit before other items up 16.5% to £108.3m (includes £4.1m benefit arising from the change from RPI to CPI for the valuation of certain pension liabilities)
- Operating profit margin before other items improved to 5.7% (2010: 5.4%)
- Excellent conversion of EBITDA to cash of 86.7% against target of 80% (2010: 95.2%)
- Total dividend for the year up 15.4% to 9.0 pence (2010: 7.8 pence)
- Low leverage with net debt of £76.5m (2010: £86.6m)
- Strong balance sheet and long-term committed finance will support growth

Transformational contract awards

- Rolls-Royce: pan-European total facilities and energy management
- Vodafone: total facilities and energy management for entire UK and Irish property portfolio
- UK Home Office, Campsfield House Immigration Removal Centre: custody, detention, facilities and energy management
- Major decentralised energy projects: Royal Free North Hampstead Hospital, Waitrose and a waste-to-energy plant
- Solar energy: completed a pilot project of photovoltaic panels on 200 properties which provide free daytime electricity for social housing tenants, with potential for up to 15,000 further properties during calendar 2011

Strong relationships, energy services and international development to support aspirational growth targets

- Identified several major opportunities to repeat the growth achieved with Rolls-Royce and Vodafone with a number of existing major clients over the next two to three years
- Energy services generated 34% of revenues in 2011 – now ranked in the top two energy services companies in the UK
- Self-delivery and supply-chain management in six European countries allows us to grow organically from this initial footprint
- Acquired the integrated facilities management businesses of Dalkia in Ireland

Excellent revenue visibility and market opportunity

- 81% of 2011/12 budgeted revenue secured (2010: 75%)
- Long-term order book increased to £6.8bn (2010: £6.4bn)
- £11.4bn pipeline of identifiable sales opportunities
- Private sector 63% of 2011 revenues

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

"These are very good results and this year we have been awarded a number of transformational contracts. We have secured some significant work in the private sector where we have excellent relationships with our clients and are differentiated by our energy services capabilities and use of technology. We have been appointed to several large public sector frameworks and have a strong pipeline of opportunities in local government, social housing, justice and health.

"The opportunities in outsourcing and energy services in the UK and abroad are significant. Our strong balance sheet and excellent cash conversion, as well as a record order book and sales pipeline, will enable us to achieve our growth aspirations. The business is well positioned for continued sustainable, profitable growth."

(1) Other items comprise the amortisation of acquisition related intangible assets of £8.9m (2010: £5.3m), restructuring and acquisition costs of £9.9m (2010: £6.6m) and acquisition related finance charges of £0.1m (2010: £0.1m)
(2) Underlying organic revenue growth is stated after adjusting for the full year effect of acquisitions made in the prior year and excludes the activities in our discontinued engineering contracting business

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MITIE will be presenting its preliminary results for the period ending 31 March 2011 at 09.30 on Monday 23 May 2011 at UBS Investment Bank, 7th Floor, 1 Finsbury Avenue, London, EC2M 2PP. A live webcast of the presentation will be available online at www.mitie.com/investors at 09.30. 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 2011 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 14.30 on 13 July 2011 at UBS Investment Bank, 7th Floor, 1 Finsbury Avenue, London, EC2M 2PP.

High resolution images are available for the media to download free of charge from www.flickr.com/mitie_group_plc

Overview

We have had another year of strong progress at MITIE, with double-digit growth in revenue, earnings and dividends. This is an excellent performance against a UK economic backdrop that remains challenging and is a testament to the passion and hard work of our people.

During the year, we have made excellent progress on our key strategic initiatives, continuing to invest in our people, technology, facilities management (FM) and energy propositions as well as our overseas capability. We were delighted to retain and expand contracts with Rolls-Royce and Vodafone which confirmed our strategy of providing integrated FM and energy services. We also acquired Dalkia FM in Ireland and made a significant investment in the fast developing decentralised energy market. We start the new financial year in a strong and confident position.

Results

During the year, revenues grew by 10.0% to £1,891.4m (2010: £1,720.1m). Operating profit before other items increased by 16.5% to £108.3m (2010: £93.0m), reflecting an improved margin of 5.7% (2010: 5.4%). Profit before tax and other items increased by 15.3% to £105.7m (2010: £91.7m). Earnings per share before other items grew by 15.9% to 22.6p per share (2010: 19.5p per share).

We have retained our strong focus on cash, reporting cash inflows from operations of £102.5m (2010: £98.4m) for the year, which represents excellent conversion of EBITDA to cash of 86.7% (2010: 95.2%). The balance sheet is extremely strong with net debt at the year end at 0.65 times EBITDA at £76.5m (2010: £86.6m), after using debt funding of £7.3m for an acquisition.

We have recently refinanced our bank facilities and now have committed bank facilities of £250m until September 2015, which will be available for draw down after the AGM. We also drew down £100m equivalent of US Private Placement debt in December 2010, in a mix of notes which mature between seven and nine years. Both of these facilities leave us in a strong position to take advantage of value-creating acquisition opportunities as they arise.

We continue to see strong growth in our order book, which increased by 6.3% during the year and now stands at a record £6.8bn (2010: £6.4bn).

Our sales pipeline currently stands at £11.4bn and our contracted revenue for the year ending 31 March 2012 is 81% of budgeted revenue (2010: 75%).

Dividend

We continue to generate attractive dividends and dividend growth for our shareholders. The Board has recommended an increased final dividend of 4.9p per Ordinary share, providing a total dividend per share for the year of 9.0p, a 15.4% increase on 2010. This is consistent 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 12 August 2011 to shareholders on the register at 24 June 2011.

Board

After serving for 17 years at MITIE, of which nine have been on the Board, Roger Goodman stepped down as a PLC Director on 31 March 2011. We thank him for his valuable contribution to the Board.

People

We would like to thank all of our people for their exceptional efforts and support and to welcome the 5,327 people who joined us during the year. We are now a company of 61,906 individuals, which makes us one of the UK’s largest private sector employers.

In particular, we would like to welcome those who joined us following our acquisition of Dalkia FM in Ireland.

It is our talented, dedicated people who allow us to achieve consistently strong results and maintaining the motivation of our people is critical to our future success. We remain focused on recognising and rewarding exceptional team performance, nurturing talent and providing opportunities for our people to succeed in their careers.

Outlook

MITIE is in an excellent position. We continue to focus on organic growth, supplemented by selective acquisitions and the development of our integrated business model overseas.

We have a diverse, high-quality client base across both the public and private sectors, which underpins our consistent track record. This has enabled us to continue investing in our people, technology and new markets, all of which supports our strong order book and growing sales pipeline.

There are exciting opportunities in our markets, as clients across the board look to introduce further innovation and efficiencies into their businesses. We are financially robust and have a clear strategy for the development of our business. We are confident that MITIE will continue to build on its long track record of sustainable, profitable growth.

Business review

MITIE's strength is that we never forget that we're a service company – we deliver the everyday outsourced services that clients need in order to build their own businesses. Our broad scope and capabilities mean that we are the people responsible for everything from managing property estates and reducing energy consumption to providing engineers, cleaners and security officers, controlling pests, gritting roads and much more besides.

We can do these things very efficiently, which is how we can save our clients money. Our approach starts with getting the specification exactly right, and agreeing service levels with the client. Then, with contracts in place, we mobilise our teams very effectively. People transfer is complex and made even more so by legislation – but it is vital to get it absolutely spot on. Then we blend our experience and skills, innovative IT processes and industry-leading training and development to deliver exactly what we say we will deliver, exactly how we promised it. That's why MITIE clients tend to stay MITIE clients, and why our business has grown for 23 consecutive years.

Market overview

As a strategic outsourcing and energy services company, we serve both private and public sector clients. Our marketplace continues to evolve, driven by the needs of all clients to improve efficiency while reducing costs. Clients are restructuring and rethinking to reduce costs and they are turning to us for assistance. At the same time, they are looking to improve the way they manage energy, and taking advantage of our energy services offering, which helps cut carbon while also reducing costs. This is ensuring that in the UK, our core market, attractive opportunities for growth remain.

75% of our contract awards this year have come from the private sector and we are seeing a lot of activity at the moment. There is also a move towards more integrated facilities management – not only in the UK but also overseas. When clients tell us that they would like the MITIE services they enjoy in the UK to be available in other countries, we will do everything in our power to make it happen. Our relationship with Rolls-Royce is a case in point, where during 2010 we went from being a UK supplier to one who partners with them across Europe.

The international opportunities for our business are growing fast and will continue to do so as we help more clients like Rolls-Royce be more efficient outside the UK. Around 40% of our top 100 clients are multinationals, so the opportunity is clear, and we are actively looking at how we can support them.

The acquisition of Dalkia FM in Ireland, which was finalised in June, is an important step along this pathway. Dalkia provides outsourcing solutions to clients in several different sectors and their experience has given us proven FM capability in a new territory.

In the public sector, budgetary pressures remain, which will create further opportunities for MITIE in the coming months and years. We are well-placed to support our public sector clients and have close working relationships with the Cabinet Office and other bodies. Local government, justice and health are just three of the sectors where we can see great opportunities. Indeed, several of these have already come to fruition, including the contract to provide a full custody and detention service at the Campsfield House immigration centre. This is our first contract in the prisons sector – and I am confident that we can go on to win many more.

The need for all organisations to use fewer natural resources is changing our marketplace, as our clients rethink the way they supply and consume energy. Energy management is, and should be, integral to facilities management and we have invested considerably in these capabilities – we are now one of the top two energy services companies in the UK. We believe energy services will, in time, be part of every contract we operate, and are well-positioned to take advantage of this opportunity.

Private sector

Organisations are seeking to drive down costs by focusing on integrated services, supplier rationalisation, retendering and innovation. As companies consolidate, they are examining their cost base and identifying opportunities for outsourcing.

Our ability to deliver integrated services is again proving a key differentiator. As we have seen with the recent contract awards from Vodafone and Rolls-Royce, many clients are keen to access our strengths in a broader range of integrated services. Technology is another important driver, as more clients appreciate the value of instant information being displayed via a dashboard on their PC. We are also experiencing a number of clients choosing to take a 'whole life' view and linking the initial capital expenditure to the lifetime operating expenditure of their contracts.

Critical infrastructure projects such as data centres will be a major challenge for all sectors in the coming years. A data centre is the hub of a modern organisation, with failure causing the loss of company-critical facilities including email and access to the internet. Many organisations are currently initiating plans to invest significant funds in data centre infrastructure and the low-carbon energy solutions to power them.

Looking at outsourcing activity in the various sectors, the financial and professional services area remains particularly active. Many clients are changing their procurement models and this has led to high levels of private sector tenders, most especially in the retail, transport and utilities sectors.

Public sector

The UK Government, local authorities and other bodies are initiating cutbacks, many of them significant. They are looking at expenditure in fine detail – from headcount to energy cost and this is creating opportunities for outsourcing. We expect this trend to remain in place during the coming years. We believe that outsourcing has the potential to reduce costs while also improving services, and we are well-positioned to support the UK Government's agenda of addressing the deficit, particularly in our focus areas of justice, health, social housing and education.

Mutual ownership models have a part to play in reducing the costs of management and administration. These have worked well in the private sector and are likely to deliver similar benefits in the public sector. Partnerships between the public and private sector are expected to be important as the Government seeks to transform the way in which services are provided.

Energy costs are a key issue for the public sector – but so too are carbon emissions. The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme came into effect in April 2010.

The CRC is a huge part of the Government's pledge to reduce greenhouse gas emissions by at least 80% from 1990 levels by 2050. The scheme will see organisations with total half-hourly metered electricity consumption greater than 6,000 mega watt hours a year (equivalent to approximately £460,000 electricity spend) forced to buy allowances for each tonne of carbon dioxide (CO_2) they emit and be placed in a league table according to their energy performance.

Through our CarbonCare service, we are helping all organisations, including those in the public sector, to manage their energy use and carbon footprint.

International

An increasing number of clients are taking a pan-European view on procurement. They want to leverage their spend in order to reduce costs and improve efficiency across national boundaries. For example, during the year Rolls-Royce appointed us for the facilities and energy management of its European properties. Many of our clients have an international presence. As they centralise their procurement operations, we expect that business through pan-European contracts will increase.

As part of our international strategy, we acquired Dalkia FM in Ireland, and have developed a senior management team with global experience.

This team works closely with our partners in Service Management International (SMI) to develop international opportunities for MITIE.

According to research, the value of the EMEA (Europe, Middle East and Africa) market for outsourced FM services is in excess of £250 billion, of which around 10% is integrated services. As we look at value-creating opportunities across Europe for specific clients, we are increasingly well-placed to exploit this tremendous potential.

Emerging growth markets

We continue to identify opportunities in new markets, and recently we were awarded contracts in two sectors which are new to us.

In February 2011 we signed our first agreement for the energy provision for a waste-to-energy plant. All energy to the plant will be sourced from local wood, with surplus energy being sold back into the national grid. Towards the end of 2010, we were awarded a five-year contract by the Home Office to deliver a full custody and detention service at Campsfield House immigration centre. This is our first contract in the prisons sector, an area where we anticipate significant future opportunity.

Since 1988, we have consistently backed the idea of equity and opportunity with funds and support, and have helped over 80 successful start-ups in that time. During the year, we refreshed this idea by launching the 'MITIE Entrepreneurial Programme', a £10m fund to back teams with innovative ideas for starting mutually owned businesses. The 'MITIE model' gives management teams an equity stake in a business, which they then grow over a five to ten-year period and which is eventually acquired by us in full.

Operating review

Since 1 April 2010, we have operated primarily in four divisions: Facilities, Technical Facilities, Property, and Asset Management. Each division brings together a selection of services that naturally fit together – from both an operational and a client perspective. As we grow, more of our contracts incorporate two, three or even all of our divisions.

Facilities Management

Our Facilities Management business is responsible for delivering 'soft' FM services. Our offering ranges from fully integrated FM and consultancy, to any of our specialist single services which include security, cleaning, catering, business services, client services, waste management, environmental services, landscaping and pest control.

Results summary

Facilities Management	2011 £m	2010 £m	Change %
Revenue	**882.2**	824.6	7.0%
Operating profit before other items*	**56.2**	50.5	11.3%
Operating profit margin (%)	**6.4**	6.1	0.3pp

* Other items are analysed in Note 3

We made significant progress during the year, particularly in our ability to bid for and win large contracts that span many regions and draw on the services of all of our divisions. As our clients look to create value from all of their assets, we have responded with a flexible model that uses our broad range of expertise in asset, energy and property management alongside any or all of our FM capabilities.

The savings that clients can achieve by transitioning to a full FM service continue to drive growth in our business. Energy management is also an important differentiator for us and the development of CarbonCare has given us a market-leading offering.

We tailor all of our services to suit our clients' needs and this has seen us increasingly develop niche offerings for specific sectors, such as retail, transport, healthcare and, more recently, justice and prisons.

We have made several enhancements to our security business and now offer a total security management solution, which includes manned guarding, response services, key holding and remote monitoring via our newly-opened technology centre in Northern Ireland.

Specialist services to the police and justice markets is a growing area for us. There are opportunities in prisons, a range of police support services, and we have already commenced work in our first immigration detention centre.

We are also developing our catering offering, with a brand refresh and the appointment of a new managing director and a sales director.

Our recent investments in customer relationship management and our integrated offering are bearing fruit: we achieved a 84.2% retention rate for rebid contracts during the year. We are also the third biggest player in both cleaning and security in the UK and one of the top ten providers for all of our other FM services.

Looking ahead, our ability to save costs for both new and existing clients, along with our focus on retaining clients and expanding into new markets, will support continued growth in FM.

Technical Facilities Management

Our Technical Facilities Management (TFM) business focuses on 'hard services' facilities management that is led by technology, engineering and the need to reduce energy consumption. Services include integrated FM, mechanical and electrical engineering maintenance, mobile multi-site FM, specialist technical services, CarbonCare energy services, lighting design and maintenance, Building management systems and controls, and compliance.

Results summary

Technical Facilities Management	2011 £m	2010 £m	Change
Revenue	**437.1**	344.8	26.8%
Operating profit before other items*	**24.6**	15.5	58.7%
Operating profit margin (%)	**5.6**	4.5	1.1pp

*Other items are analysed in Note 3

Energy reduction is a key growth driver and an area where our CarbonCare offering has successfully helped differentiate TFM in the marketplace. In 2010, BSRIA placed MITIE in the top two energy services companies in the UK. A significant number of CarbonCare services are provided by TFM. It delivers a total energy solution that increases awareness of environmental issues, introduces innovative ideas and technologies, manages energy and carbon footprint data, ensures legislative carbon compliance and delivers guaranteed energy reductions. We also provide decentralised and cleaner renewable energy solutions, working in conjunction with our Asset and Property Management businesses.

The shift towards integrated FM is also a major driver for TFM. Our technical FM expertise underpins our integrated FM offering, and is particularly important where clients' businesses are focused on hard services, for example in our Vodafone and Rolls-Royce contracts, which are led by TFM, as is the Royal Opera House contract.

We have recently launched National Mobile Services, which delivers fast and responsive mobile technical FM services (MobileTech) across the UK, most especially to organisations with widely spread property portfolios. Our multi-skilled technicians provide services to clients within a local geographic area, helping to build strong local relationships. We anticipate that MobileTech will be attractive to retail clients, where we are seeing an increasing number of contracts which require us to act as a 'managing agent' and take responsibility for their entire technical FM budgets.

As the number of cross-selling opportunities increases, the maintenance of data intensive sites is a market where we will be leveraging our Asset Management installation capabilities. A well-maintained data environment is critical for many clients. Our role is to understand the drivers for individual clients and the factors that make their environment unique. We work hard to understand and monitor the plant and equipment in order to put effective risk management programmes in place. This enables us to identify potential points of failure in advance and make sure we have the appropriately trained engineers who can deliver an immediate response to any issues that arise.

We focus on people and training at every level. A recent employee engagement survey achieved a 62% (class leading) response rate, and concluded that our people have an above average level of engagement.

Current market trends, particularly in energy reduction and integrated FM, coupled with the investments we have made to supplement our capabilities in these areas, mean that we are well-positioned to support our clients in the fast-growing TFM arena.

Property Management

Our Property Management business provides a full suite of integrated services, from total fit-out and refurbishment to ongoing repairs. Services include property maintenance, building refurbishment, painting, roofing, interior fit-out, fire protection, plumbing, mechanical and electrical engineering installation, solar photovoltaic panels, and insurance claims management and repairs.

Results summary

Property Management	**2011 £m**	**2010 £m**	Change
Revenue	**509.7**	496.2	2.7%
Operating profit before other items*	**21.4**	25.1	(14.7)%
Operating profit margin (%)	**4.2**	5.1	(0.9)pp

*Other items are analysed in Note 3

We have recently made a series of changes to our business, in order to offer our clients more integrated, end-to-end solutions, and to operate in a more efficient and flexible way.

The integration of our engineering contracting business into Property Management is complete. As part of this process, we discontinued some of our engineering activities in certain parts of the country.

Local and Central Government Departments, together with the Social Housing market, are an important focus for us. The EPS Ltd acquisition has been fully integrated and has strengthened us in the South East. We have launched a new partnering model, Localcare, which uses shared ownership between a local authority or housing association, a private sector partner and the employees who are delivering the services. It enables the creation of mutually owned local organisations which deliver cost-effective services to their communities.

We have combined our interiors and mechanical and engineering installation businesses into one integrated fit-out business. Increased confidence in the UK retail sector has generated new demand for store fit-out and refurbishment and we are confident of gaining further market share as capital spending returns. In addition, our Residential Solutions offering now combines our capabilities in plumbing, heating, installation, carpentry and decoration to provide a complete internal fit-out solution to the new build housing market.

We completed a renewable energy pilot project to install photovoltaic (PV) roof mounted panels that use solar cells to convert energy from the sun into electricity. The installations took place on an initial pilot of 200 properties, which are owned by registered social landlords. The residents benefit from cheaper electricity costs while the homeowner receives an income from feed-in tariffs for any excess energy generated. We anticipate significant opportunities in this market, with potential for up to 15,000 further properties during 2011.

We are also working overseas for the first time, in conjunction with TFM and FM, to deliver space planning and project work on the Rolls-Royce Property Estate throughout Europe.

Our order book is significant and we are seeing signs of optimism in many of our markets. Property Management is now in a strong position to take advantage of the various growth opportunities in our chosen sectors as markets improve.

Asset Management

Our Asset Management business develops bespoke energy assets that offer a secure and sustainable energy supply. Carbon efficient technologies are used to create energy infrastructure which provides the electricity, heating or cooling required by our clients. Decentralised energy delivers the long-term benefits of guaranteed cost savings, reduced carbon emissions and supply certainty. Our services include decentralised energy centre development, low-carbon data centre development, renewable energy integration, energy services company (ESCo) management and community infrastructure.

Results summary

Asset Management	**2011 £m**	**2010 £m**	Change
Revenue	**62.4**	54.5	14.5%
Operating profit before other items*	**2.0**	1.9	5.3%
Operating profit margin (%)	**3.2**	3.5	(0.3)pp

*Other items are analysed in Note 3

We are seeing increased opportunities in the decentralised energy market. Both public and private sector clients recognise that this is an effective way to reduce energy costs and consumption, without an upfront capital investment in many cases. The ability to achieve sustainability targets whilst retaining funding for core services is a compelling argument in the current economic climate, particularly for our public sector clients.

The good progress made during the year is a result of the significant investments we have made to develop our capabilities. We have been awarded several transformational contracts which, when completed, will provide us with world-class reference sites from which to roll-out similar models.

At the Royal Free Hospital we successfully completed a gas turbine energy centre development and are now engaging with the client to look at cooling upgrades. We developed a sustainable biomass energy centre for a Waitrose store in East Cowes, the first of its kind for the John Lewis Partnership, and we have also entered into a joint venture to develop a biomass-fuelled energy centre for a large UK manufacturer.

In addition, we have established a reputation as a leader in the data centre market, where our skills in understanding and mitigating risk profiles have brought us an impressive portfolio of projects and accounts. We completed several major data centre projects during the year, including one for a leading global telecommunications company.

This series of flagship developments has given us validation and visibility in the marketplace and supported the growth of a healthy forward sales pipeline. We are now able to show how organisations with intensive energy needs can meet their own requirements, securely and efficiently, while supporting their communities through local networks. We are recognised as one of the few providers in the UK that has the track record, scale and expertise to deliver substantial decentralised energy centres that will guarantee availability over a sustained contract term. Our business will be driven forward by this momentum and by our continuing focus on key sectors where we have a strong competitive capability.

Selection of contract awards and renewals

Private sector

Client	Contract	Timeframe	Total value
Technology and communications			
Vodafone	Total facilities and energy management for Vodafone's entire UK property portfolio, including commercial offices, retail portfolio, data centres, mobile telephone exchanges, warehouses and call centres. MITIE will self-deliver cleaning, maintenance, security, business services, landscaping and pest control, and manage the supply chain of a range of other services including catering, reprographics and transport	5 years + 1 year + 1 year	£80m + £16m + £16m
RWE npower	Integrated facilities management contract to provide services which include mechanical and electrical maintenance, security and cleaning	5 years	£45.5m
WTE plant consortium	Design, build and operate a renewable energy power plant	10 years	£28m
A leading provider of global IT, security, and communication solutions	Power and cooling resilience project coupled with multiple data hall fit-outs, and other DC upgrade works across their estate	18 months	£20m
Cable&Wireless	Retained our contract to provide integrated facilities management. The scope of services has been designed to encompass all manned sites within its UK and Ireland portfolio. Services include: facilities management, security, help desk, landscaping, waste management, recycling, meeting room services, mail services and couriers, reception, archiving, car parking, cleaning, pest control, catering and vending, stationery, health, safety and environmental and transport services	3 years	ND
Oracle	Security services in the UK and Ireland	3 years	£5m
Finance and professional services			
European investment bank	Out of hours works on a building management system infrastructure upgrade for an occupied building	18 months	£14m
Kleinwort Benson	Fit-out of six floors at Kleinwort Benson's London office. Scope of works included fitting-out meeting rooms, general office space and a high quality reception area	22 weeks	ND
Cushman & Wakefield	Design, development and installation of the M&E services as part of an extensive redevelopment project involving the remodelling and reconstruction of a tower block	14 months	£5m
Leading law firm	Full suite of business services including reception, telephony, office moves, mail, reprographics and desktop publishing	3 years	£3m
Allianz Insurance	Provide technical FM building services maintenance for new HQ building in London, as well as soft services including cleaning, switchboard, post-room and reception	3 years	£3.5m
UK Bank	Lighting project in retail banking branches to provide improved, more energy efficient, lighting	6 months	£2.5m
Savings and investments company	Security services across a range of locations in the Edinburgh area	3 years	£2.2m
International Law Firm	Renewed a contract to provide document management, distribution services and stationery provision	3 years	£1.8m
Retail			
Tesco	Retained 100% of our existing business and added £13m of new business to our cleaning portfolio. This now encompasses 8 new regions covering the South West, the South East and the West country, adding 330 additional stores. In total we now clean 30% of the estate	3 years	£80.4m
Marks & Spencer	Working at the new flagship store at Westfield Stratford City to install all of the mechanical and electrical services in a 200,000 square feet retail space	9 months	ND
Capital Shopping Centres	Roof refurbishment of the MetroCentre Newcastle using liquid plastics built up roofing system	24 weeks	£2.1m
LloydsPharmacy	Lighting projects in retail pharmacies to provide improved, more energy efficient, lighting	3 months	£1.9m
Value Retail Plc	Contract to provide security services at Bicester Village from May 2011, which includes the redevelopment of the site's CCTV control room	3 years	£1.4m
Waitrose	Contract to design, build and operate first biomass-powered store, at East Cowes. The new supermarket will have its energy requirements provided by an innovative off-grid energy centre, designed, built and operated by MITIE	ND	ND
	Letter of intent to design, build and operate a biomass-powered store at Bracknell	ND	ND

ND = Not Disclosed

Private sector

Client	Contract	Timeframe	Total value
Transport			
The Manchester Airport Group	Major cleaning contract with Manchester Airport which involves terminal cleaning, car park and road sweeps and internal waste management	4 years	ND
Greater Manchester Passenger Transport Executive	Planned & reactive painting works to public transport properties throughout Greater Manchester	3 years	ND
Transport for London	Secured a contract to provide technical facilities management services to the Transport for London Head office portfolio, commencing in April 2011	5 years	£15.5m
BAA Airports Ltd	Air and landside technical facilities management at Heathrow	3 years	£4.2m
Network Rail Ltd	Contract extension to include our broad range of FM services around the UK, including their office building portfolio, encompassing a full range of physical and electronic security	1 year	£2.6m
Low cost airline	Aircraft cleaning and associated services at one of their airport bases	5 years	£4m
Manufacturing			
Rolls-Royce	Pan-European contract to deliver integrated facilities and energy management	Rolling	ND
Luxury automobile and engine manufacturing company	Cleaning and waste services for this carmaker's UK premises which includes their head office, show rooms and industrial cleaning and waste at their manufacturing sites	2.5 years	£6.3m
AgustaWestland	Security contract for manned guarding at the rotacraft manufacturer's locations in Yeovil and Farnborough	3 years	£1.9m
Leisure			
Royal Opera House	Integrated facilities management contract to deliver services which include engineering, cleaning, security, telephony, mail and reprographics at the prestigious Covent Garden premises	5 years	£19m
Historic Royal Palaces (HRP)	Successful retender of the HRP cleaning contract, covering Hampton Court Palace, Kensington Palace, Banqueting House, Kew Palace and the Tower of London – services include daily cleaning of public areas, especially after high profile events, specialist cleaning of historic areas, window cleaning, waste management, feminine hygiene and pest control	3 years	£3.4m
Edinburgh Castle	Awarded a contract to provide cleaning and environmental services for Edinburgh Castle as a Historic Scotland Collaborative Partner through the Cleaning and Associated Services Framework agreement	3 years	£0.8m
Healthcare and pharmaceutical			
Large pharmaceutical company	Re-awarded a three-year contract for facilities management of two sites, with a guaranteed maximum price and innovative approach to helpdesk provision	3 years	£3.2m
Utilities			
Astrium Ltd	Integrated facilities management contract for three years (with a possible two year extension) which covers the Stevenage and Portsmouth sites, providing reception, mail room, cleaning, grounds maintenance, catering and vending services	3 years + 2 years	£5.6m
Centrica	Installation of heating systems as part of the Scottish government's heating incentive	3 years	£2m
Property			
Telereal Trillium	Following a re-tender exercise, we have significantly extended our cleaning contract for Telereal Trillium, however our technical FM contract was not renewed. The net reduction in contracted revenue is around £9m per annum, although there is the potential to offset this with future project works as part of an existing property management framework arrangement. We have delivered cleaning, pest control & waste management services on the Department for Work & Pensions estate in the North & Scotland for 13 years and will now be adding the southern portfolio of 600 buildings to the contract for a further seven years	7 years	£177m
NMK Eiendom AS, Norway	Facilities management contract including catering as well as other technical and soft FM services	7 years	£14m equivalent
Buying Force, DTZ	Retained the security contract at Follingsby Park industrial estate and awarded two new contracts at Castlegate shopping centre, and Coliseum leisure and retail park. We were also successful in securing the L&G portfolio for both security and cleaning at four of their locations in the UK	3 years	£1.1m
Persimmon Homes	Plumbing and heating installations for 170 new build housing plots	18 months	£1m

ND = Not Disclosed

Public sector

Client	Contract	Timeframe	Total value
Central and Local Government			
Home Office	Awarded our first immigration centre contract with the Home Office through the UK Border Agency for Campsfield House Immigration Removal Centre, where we will deliver a full custody and detention service including all aspects of hard and soft facilities management, catering and energy management	5 years	£25m
Scottish Government	New cleaning and waste contract which covers 144 buildings across Scotland	4 years	£15m
National Assembly for Wales	Expanded renewed FM contract	5 years	£10m
Kent County Council	Mechanical services for public and educational buildings including planned service and maintenance for heating and hot water services	4 years	£6m
Department for International Development	Following our appointment to the Office of Government Commerce (Buying Solutions) framework agreement, we have been awarded a contract with the Department for International Development to provide FM services including helpdesk, M&E maintenance, fabric maintenance, cleaning, catering and landscaping	3 years	£2.4m
Palace of Westminster	Programme of works to renovate and improve the primary M&E services to the House of Commons, House of Lords and the Palace of Westminster	7 months	£1.5m
Education			
Luton Borough Council	Awarded the FM contract to deliver services at Lea Manor, Ashcroft, Lealands and Challney Girls Schools	25 years	£73m
University of the West of England	Engineering and maintenance services with building fabric provision across student accommodation	5 years	£12.5m
Health			
Hull & East Yorkshire Hospitals NHS Trust	Retained a contract to provide cleaning services for two large acute hospitals, Hull Royal Infirmary and Castle Hill Hospital	5 years +2 years	£73m £35m
Mersey Care NHS Trust	Retained and expanded our technical facilities management contract providing planned and reactive building maintenance services throughout the Trust's estate along with strategic energy management support	4 years	£10.4m
London hospital	Added services to our existing cleaning contract, including the supply and delivery of consumables on site	6 years	£3m (additional)
West Midlands Ambulance Service	Cleaning of ambulances and buildings over 84 sites. New integrated contract previously held by four contractors	3 years	£4.2m
Tameside Hospital NHS Foundation Trust	Awarded a contract to provide cleaning and portering services at Tameside General Hospital	5 years	£15m
Social housing			
Orbit Group	Contract to deliver reactive repairs, voids and planned improvement works to 14,000 homes for Orbit Group across East Anglia, London and the South East	10 years +5 years	£110m
Somer Housing Group	Programme to upgrade over 3,700 kitchens and bathrooms across homes provided by Somer Housing Group	5 years	£20m
Lambeth Living	Contract for domestic gas servicing and responsive repairs, communal & heating hot water service and repairs, cold water services and landlord communal services which include lighting and emergency lighting	7 years	£17.5m
Homes for Islington	Expansion of existing contract to cover gas servicing, repairs, boiler replacement and upgrades for approx 9,500 homes	4 years	£8m
Fareham Borough Council	Contract for kitchen and bathroom refurbishments – approximately 140 kitchens and 50 bathrooms per annum	5 years	£2.5m
Ealing Council	Fire door replacement and associated works for up to 1000 properties per annum	3 years	£2.6m
South Lanarkshire Council	Central heating installations	15 months	£1.5m
Port of Leith Housing Association	SHQS refurbishments	6 months	£1m

ND = Not Disclosed

Financial review

MITIE has delivered another set of strong financial results that are underpinned by our focus on both organic and acquisitive growth, cash conversion and the maintenance of a strong balance sheet.

During the year we completed the integration of the prior year acquisitions of Dalkia FM and EPS Ltd and have enhanced our portfolio on an international basis through the acquisition of Dalkia FM in Ireland and the commencement of activities in continental Europe in support of Rolls-Royce.

We have strengthened our long-term funding position by completing an issue of US private placement loan notes and through the renewal and extension of our existing banking facilities. These facilities provide long-term debt financing capacity for a range of periods up to December 2019.

We enter the new financial year in a strong position with good prospects, low gearing and enhanced capacity for future growth.

Revenue

Revenue has increased by 10.0% to £1,891.4m (2010: £1,720.1m) through a combination of organic and acquisitive growth, in line with our strategy. The increase in revenue is attributable to the full year impact of prior year acquisitions of £113.5m, £19.4m from the acquisition of Dalkia FM in Ireland during the year and organic growth of £38.4m. Proforma prior year revenue including the full year effect of acquisitions made in the year ended 31 March 2010 was £1,833.6m and organic growth was 2.1% on that basis.

We have experienced growth in revenue during the year. The analysis by operating division is set out below:

	2011 £m	Total growth %	Organic growth %
Facilities Management	882.2	7.0	4.6
Technical Facilities Management	437.1	26.8	6.8
Property Management	509.7	2.7	(6.5)
Asset Management	62.4	14.5	14.5
Total revenue	1,891.4	10.0	2.1

After the exclusion of discontinued activities in our engineering contracting business, underlying organic revenue growth for the year was 3.5% (first half 1.6%; second half 5.3%).

The strong growth experienced in our Facilities, Technical Facilities and Asset Management businesses reflects the continuation during the year of clients' demand for efficiency enhancing energy and facilities management solutions. Challenging conditions continued in certain construction related markets, which negatively affected the overall growth profile achieved in our Property Management business.

Operating profit before other items

Operating profit before other items increased by 16.5% to £108.3m (2010: £93.0m) and our margin improved to 5.7% (2010: 5.4%).

The increase in operating profit before other items is attributable to the full year impact of prior year acquisitions of £2.4m, £1.3m from the acquisition of Dalkia FM in Ireland during the year and organic growth of £11.6m. Proforma prior year operating profit before other items including the full year effect of acquisitions made in the year ended 31 March 2010 was £95.4m and organic growth was 12.2% on that basis. Included in operating profit before other items is income of £4.1m from an amendment to the past service cost of certain defined benefit pension schemes as the result of the change from RPI to CPI for the valuation of liabilities, as explained below.

Other items comprise restructuring and acquisition related items, as explained on the following page.

We have experienced growth in operating profit before other items during the year. The analysis by operating division is set out below:

	2011 £m	Margin %	Total growth %
Facilities Management	56.2	6.4	11.3
Technical Facilities Management	24.6	5.6	58.7
Property Management	21.4	4.2	(14.7)
Asset Management	2.0	3.2	5.3
	104.2	5.5	12.0
Amendment to defined benefit pension scheme past service cost	4.1	-	-
Total operating profit before other items	108.3	5.7	16.5

The trends in operating profit growth reflect the market conditions that drove our revenue, as well as the positive contribution from the synergies within Technical Facilities Management in respect of the acquisition of Dalkia FM in 2009.

Other items

Other items for the year were £18.8m (2010: £11.9m) and comprised the amortisation of acquisition related intangible assets of £8.9m (2010: £5.3m) and integration, acquisition and reorganisation costs of £9.9m (2010: £6.6m).

The increase in the amortisation of intangible assets of £3.6m in the year reflects the full year effect of the amortisation of assets identified in respect of the prior year acquisitions of Dalkia FM and EPS Ltd (incremental charge £3.1m) along with a charge of £0.5m in respect of the amortisation of intangible assets identified during the year following the acquisition of Dalkia FM in Ireland.

Integration and acquisition costs of £5.1m (2010: £6.6m) were incurred during the year in respect of the acquisitions of Dalkia FM, EPS Ltd and Dalkia FM in Ireland. These charges mainly comprised costs associated with the implementation of new management, internal control and back office systems and structures. Furthermore, costs of £4.8m have been incurred in respect of the restructuring of certain parts of the group's Property Management business. These costs are not expected to recur.

After the impact of other items, the operating profit for the year was £89.5m (2010: £81.1m).

Finance costs

Net finance costs for the year were £2.7m (2010: £1.4m). The increase in net costs during the year reflects the impact of funding costs associated with recent acquisitions and the increase in interest rates payable by the group attributable to £100m sterling equivalent borrowings drawn down under US private placement loan notes in December 2010 as part of our refinancing activities.

Profit before tax

Profit before tax and before other items for the year increased by 15.3% to £105.7m (2010: £91.7m).

Reported profit before tax for the year was £86.8m (2010: £79.7m), an increase of 8.9% on the prior year.

Taxation

The tax charge for the year was £21.4m (2010: £22.2m), an improvement in the effective rate of tax to 24.7% (2010: 27.9%). The improvement in the effective tax rate is attributable to the £0.5m positive impact of recalculating the group's overall deferred tax liability at the lower corporation tax rate of 26% which is effective from 1 April 2011 along with a credit of £3.2m in respect of prior year items.

Profit after tax

Reported profit after tax for the year was £65.4m (2010: £57.5m), an increase of 13.7% on the prior year.

Earnings per share

Our track record of delivering stakeholder value through earnings growth continued this year. Basic EPS before other items increased by 15.9% to 22.6p per share (2010: 19.5p per share).

Basic EPS was 18.6p per share (2010: 16.9p per share), an increase of 10.1%. This latter measure showed lower growth due to the impact of in-year integration and restructuring costs that are non-recurring.

Dividend

It is MITIE's policy to grow its dividend in line with adjusted earnings per share. The final dividend proposed by the Board has increased by 19.5% to 4.9p per share (2010: 4.1p per share). This brings the full year dividend to 9.0p per share (2010: 7.8p per share), an increase of 15.4%. The full year dividend reflects a cover of 2.5 times adjusted earnings per share, in line with our dividend policy.

Cash flow, funding and liquidity

The conversion of group earnings before interest, tax, depreciation and amortisation (EBITDA) to cash for the year was achieved at a rate of 86.7% (2010: 95.2%). The cash performance of the group remains strong and in excess of our stated key performance indicator which targets the conversion of EBITDA to cash, at or above 80% on a rolling 12 month basis.

Cash conversion measures the success of the group in converting operating profit (measured by EBITDA) to cash and demonstrates the quality of earnings and effective cash management.

MITIE has consistently delivered cash conversion in excess of 90% over the last five years. We commented in last year's annual report that we had consciously reduced the cash conversion target for the current year to 80% as we expected to invest in working capital to support the organic growth of the business. We recognised that larger scale FM contracts that were expected to enter our portfolio during the year would require the support of working capital during their early months of operation. We maintain our focus on cash, which has allowed us to deliver consistently strong performance in cash conversion over the last five years.

The gearing of the group has remained modest and net debt at 31 March 2011 was £76.5m (2010: £86.6m), representing a net debt to EBITDA ratio of 0.65 (2010: 0.84).

During the year we have focused on establishing a renewed and longer term funding platform for the group as part of our refinancing strategy. On 16 December 2010, MITIE successfully completed an issue of US private placement loan notes with institutional investors for a value of £100m. The issue consists of £40m of notes denominated in sterling and fixed at an interest rate of 4.38% maturing in December 2019 and £60m of notes denominated in US dollars ($96m) maturing in December 2017. The US dollar denominated private placement proceeds have been swapped into sterling debt, with half fixed at an interest rate of 3.88% and half with a floating sterling interest rate of LIBOR + 1.26%. The proceeds were used to repay shorter dated bank facilities which were due to expire in 2012.

In addition, on 29 March 2011, MITIE secured new committed banking facilities of £250m which will fall due for renewal in September 2015 and will be available for drawdown following the AGM in July 2011. The group also has further overdraft facilities of £40m.

Key performance indicators (KPIs)

MITIE uses a set of clear financial and non-financial KPIs to measure and communicate critical aspects of our performance. These KPIs are aligned with our strategic objective of achieving sustainable profitable growth and our financial KPIs are specifically focused on the level and quality of our earnings and cash flows, the control of capital expenditure and the sustainability of dividends.

We have performed strongly against these measures again this year and have now demonstrated a five-year track record of strength in each.

Pensions

Our financial strength remains unaffected by any significant deficit in respect of the defined benefit pension schemes to which the group contributes. The net funding position of all the defined benefit pension arrangements included on the balance sheet is a deficit of £3.0m (2010: £10.5m). This included a deficit of £3.0m on the principal group scheme (2010: £6.8m).

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 it is committed to funding amounted to £0.0m (2010: £3.7m).

Following the announcement in the June 2010 budget, the UK government has announced that it will use the CPI measure of inflation rather than RPI to determine the level of future statutory pension increases. As CPI is lower than RPI, the application of CPI to the valuation of future pension liabilities results in a reduction in the value of pension obligations on the balance sheet. The move to a CPI based valuation base affects certain of the group's defined benefit pension liabilities. The financial implication of this has been treated as a change in defined pension benefits and recognised as a negative past service cost in the income statement. As a result of this change, a credit of £4.1m has been recognised in the income statement for the year ended 31 March 2011.

Acquisitions

On 25 June 2010, MITIE acquired the integrated facilities management business of Dalkia in Ireland. This business provides integrated FM solutions for a range of clients in the public and private sectors operating across a range of industries including technology and communications, transport and logistics, manufacturing, utilities and finance.

The total consideration payable will be up to €12.5m (£10.6m), with up to €2m (£1.8m) only payable dependent upon the business achieving a minimum level of earnings before interest, tax, depreciation and amortisation for the year ended 31 December 2010 and other specific targets. Initial consideration of €9.5m (£7.9m) and €1.0m (£0.9m) of deferred consideration was paid in cash during the year. From the date of ownership, the business has contributed revenue of £19.4m and operating profit before other items of £1.3m which is in line with our acquisition business case. Acquisition and integration costs of £0.3m and £1.0m respectively were incurred during the year ended 31 March 2011.

MITIE also increased its stake to 50% in Service Management International for £0.5m. SMI uses a network of FM service providers in 34 different territories to tender global contracts in which MITIE delivers the UK services. Further details of these acquisitions can be found within Note 8.

MITIE's entrepreneurial investment model

In August 2010, MITIE purchased certain minority shareholdings of six MITIE subsidiary companies under their respective articles of association and shareholder agreements in accordance with arrangements under our entrepreneurial investment programme known as the MITIE Model. The total consideration for all six purchases amounted to £6.8m being satisfied as to £0.4m in cash and as to the remaining £6.4m by the issue of 3.0m new Ordinary shares of 2.5p each in MITIE Group PLC valued at 209.2p per share, being the closing market price per share on 12 August 2010.

Consolidated income statement
For the year ended 31 March 2011

	Notes	2011 Before other items* £m	2011 Other items* £m	2011 Total £m	2010 Before other items* £m	2010 Other items* £m	2010 Total £m
Continuing operations							
Revenue	2	**1,891.4**	**–**	**1,891.4**	1,720.1	–	1,720.1
Cost of sales		**(1,593.5)**	**–**	**(1,593.5)**	(1,444.0)	–	(1,444.0)
Gross profit	2	**297.9**	**–**	**297.9**	276.1	–	276.1
Administrative expenses		**(189.6)**	**(18.8)**	**(208.4)**	(183.1)	(11.9)	(195.0)
Operating profit		**108.3**	**(18.8)**	**89.5**	93.0	(11.9)	81.1
Investment revenue		**0.4**	**–**	**0.4**	1.8	–	1.8
Finance costs		**(3.0)**	**(0.1)**	**(3.1)**	(3.1)	(0.1)	(3.2)
Net finance costs		**(2.6)**	**(0.1)**	**(2.7)**	(1.3)	(0.1)	(1.4)
Profit before tax		**105.7**	**(18.9)**	**86.8**	91.7	(12.0)	79.7
Tax	4	**(26.4)**	**5.0**	**(21.4)**	(25.3)	3.1	(22.2)
Profit for the year		**79.3**	**(13.9)**	**65.4**	66.4	(8.9)	57.5
Attributable to:							
Equity holders of the parent		**79.1**	**(13.9)**	**65.2**	66.0	(8.9)	57.1
Non-controlling interests		**0.2**	**–**	**0.2**	0.4	–	0.4
		79.3	**(13.9)**	**65.4**	66.4	(8.9)	57.5
Earnings per share (EPS)							
– basic	6	**22.6p**	**(4.0)p**	**18.6p**	19.5p	(2.6)p	16.9p
– diluted	6	**22.2p**	**(3.9)p**	**18.3p**	19.2p	(2.6)p	16.6p

* Other items are analysed in Note 3.

Consolidated statement of comprehensive income
For the year ended 31 March 2011

	2011 £m	2010 £m
Profit for the year	**65.4**	57.5
Other comprehensive income/(expense):		
Actuarial losses on defined benefit pension schemes	**(1.1)**	(13.1)
Exchange differences on translation of foreign operations	**0.5**	–
Losses on a hedge of a net investment taken to equity	**(0.4)**	–
Cash flow hedges:		
Losses arising during the year	**(1.4)**	–
Reclassification adjustment for gains included in profit and loss	**0.9**	–
Tax (charge)/credit on items taken directly to equity	**(0.1)**	4.2
Other comprehensive expense for the year, net of tax	**(1.6)**	(8.9)
Total comprehensive income for the financial year	**63.8**	48.6
Attributable to:		
Equity holders of the parent	**63.6**	48.2
Non-controlling interests	**0.2**	0.4

Consolidated balance sheet

At 31 March 2011

	2011 £m	2010 £m
Non-current assets		
Goodwill	**333.0**	324.0
Other intangible assets	**64.7**	67.4
Property, plant and equipment	**59.3**	54.5
Trade and other receivables	**11.6**	–
Deferred tax assets	**9.1**	14.1
Total non-current assets	**477.7**	460.0
Current assets		
Inventories	**5.5**	3.9
Trade and other receivables	**470.1**	405.6
Cash and cash equivalents	**130.6**	23.7
Total current assets	**606.2**	433.2
Total assets	**1,083.9**	893.2
Current liabilities		
Trade and other payables	**(432.9)**	(359.3)
Current tax liabilities	**(16.6)**	(15.0)
Financing liabilities	**(2.6)**	(4.6)
Provisions	**(4.5)**	(9.9)
Total current liabilities	**(456.6)**	(388.8)
Net current assets	**149.6**	44.4
Non-current liabilities		
Financing liabilities	**(204.8)**	(106.2)
Provisions	**(8.2)**	(11.2)
Retirement benefit obligation	**(3.0)**	(10.5)
Deferred tax liabilities	**(13.3)**	(13.1)
Total non-current liabilities	**(229.3)**	(141.0)
Total liabilities	**(685.9)**	(529.8)
Net assets	**398.0**	363.4
Equity		
Share capital	**8.9**	8.8
Share premium account	**80.6**	76.7
Merger reserve	**85.1**	80.3
Share-based payments reserve	**7.5**	5.4
Own shares reserve	**(13.8)**	(8.1)
Other reserves	**0.2**	0.2
Hedging and translation reserve	**(0.4)**	–
Retained earnings	**223.8**	192.3
Equity attributable to equity holders of the parent	**391.9**	355.6
Non-controlling interests	**6.1**	7.8
Total equity	**398.0**	363.4

Consolidated statement of changes in equity

For the year ended 31 March 2011

	Share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Hedging and translation reserve £m	Retained earnings £m	**Attributable to equity holders of the parent £m**	Non-controlling interests £m	**Total £m**
At 1 April 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 non-controlling interests	–	–	–	–	–	–	–	–	**–**	(2.5)	**(2.5)**
At 31 March 2010	8.8	76.7	80.3	5.4	(8.1)	0.2	–	192.3	**355.6**	7.8	**363.4**
Total comprehensive income	–	–	–	–	–	–	(0.4)	64.0	**63.6**	0.2	**63.8**
Shares issued	0.1	3.9	4.8	–	–	–	–	–	**8.8**	–	**8.8**
Dividends paid	–	–	–	–	–	–	–	(28.9)	**(28.9)**	(0.2)	**(29.1)**
Purchase of own shares	–	–	–	–	(5.7)	–	–	–	**(5.7)**	–	**(5.7)**
Share-based payments	–	–	–	2.1	–	–	–	1.2	**3.3**	–	**3.3**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(4.8)	**(4.8)**	(1.7)	**(6.5)**
At 31 March 2011	**8.9**	**80.6**	**85.1**	**7.5**	**(13.8)**	**0.2**	**(0.4)**	**223.8**	**391.9**	**6.1**	**398.0**

Consolidated statement of cash flows

For the year ended 31 March 2011

	2011 £m	2010 £m
Operating profit	**89.5**	81.1
Adjustments for:		
Share-based payment expense	**3.3**	4.0
Pension charge	**3.5**	3.8
Amendment to defined benefit pension scheme past service cost	**(4.1)**	–
Pension contributions	**(7.9)**	(6.3)
Depreciation of property, plant and equipment	**17.9**	16.4
Amortisation of intangible assets	**10.8**	5.9
Gain on disposal of property, plant and equipment	**(0.1)**	(0.4)
Operating cash flows before movements in working capital	**112.9**	104.5
(Increase)/decrease in inventories	**(1.6)**	0.2
Increase in receivables	**(70.8)**	(41.4)
Increase in payables	**62.0**	36.3
Decrease in provisions	**–**	(1.2)
Cash generated by operations	**102.5**	98.4
Income taxes paid	**(14.3)**	(22.2)
Interest paid	**(2.5)**	(3.4)
Additional pension contribution	**–**	(0.5)
Net cash from operating activities	**85.7**	72.3
Investing activities		
Interest received	**0.2**	1.9
Purchase of property, plant and equipment	**(21.0)**	(21.7)
Purchase of subsidiary undertakings, net of cash acquired	**(11.8)**	(157.9)
Purchase of other intangible assets	**(5.0)**	(5.8)
Disposals of property, plant and equipment	**3.0**	3.1
Net cash outflow from investing activities	**(34.6)**	(180.4)

Financing activities		
Repayments of obligations under finance leases	**(3.2)**	(2.2)
Proceeds on issue of share capital	**2.7**	3.1
Proceeds from share placing	**–**	41.8
Repayments of loan notes on purchase of subsidiary undertakings	**(5.8)**	–
Bank loans (repaid)/raised	**(3.7)**	90.0
Private placement notes raised	**100.2**	–
Purchase of own shares	**(5.7)**	(4.5)
Equity dividends paid	**(28.9)**	(24.7)
Non-controlling interests dividends paid	**(0.2)**	(0.2)
Net cash inflow from financing	**55.4**	103.3
Net increase/(decrease) in cash and cash equivalents	**106.5**	(4.8)
Net cash and cash equivalents at beginning of the year	**23.7**	28.5
Effect of foreign exchange rate changes	**0.4**	–
Net cash and cash equivalents at end of the year	**130.6**	23.7
Net cash and cash equivalents comprise:		
Cash at bank	**130.6**	23.7
	130.6	23.7

Reconciliation of net cash flow to movements in net (debt)/funds	**2011 £m**	2010 £m
Net increase/(decrease) in cash and cash equivalents	**106.5**	(4.8)
Effect of foreign exchange rate changes	**0.4**	–
Bank loans repaid/(raised)	**3.2**	(90.0)
Private placement notes raised	**(100.2)**	–
Non-cash movement in private placement notes and associated hedges	**(0.3)**	–
Repayments of loan notes on purchase of subsidiary undertakings	**5.8**	–
Issue of loan notes on purchase of subsidiary undertakings	**(3.9)**	–
Increase in finance leases	**(1.4)**	(2.7)
Decrease/(increase) in net debt during the year	**10.1**	(97.5)
Opening net (debt)/funds	**(86.6)**	10.9
Closing net debt	**(76.5)**	(86.6)

Notes to the company financial statements

1. Basis of preparation and changes in accounting policies

The preliminary announcement is based on the group's financial statements for the year ended 31 March 2011 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 2010 except for the adoption in the year of:

– IFRS 3 ‘Business Combinations’ (revised 2008); adoption of this revised standard has resulted in changes to the initial recognition and subsequent measurement of deferred contingent consideration. The standard also requires all acquisition related costs to be recognised as period expenses in accordance with the relevant IFRS. The revised standard applies to all of the group’s business combinations that occurred on or after 1 April 2010. Adoption of this revised standard has resulted in a reduction in profit before tax of £0.3m and a reduction in net assets of £0.2m; and

– IAS 27 ‘Consolidated and Separate Financial Statements’ (revised 2008); changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control are accounted for within shareholders’ equity. No gain or loss is recognised on such transactions and goodwill is not re-measured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. Adoption of this revised standard had no impact on profit before tax but resulted in a reduction in net assets of £4.8m.

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.

The financial data below reflects the performance of our four divisions in the organisational structures that applied during the year. On 1 April 2010, the acquired Dalkia FM business and our Engineering Maintenance business, which were previously in the Asset Management division, were restructured to bring together our technical facilities management proposition within a new operating division branded Technical Facilities Management. Furthermore, the Engineering Contracting offering of our Asset Management division was combined with our Property Management business to consolidate its proposition. The acquired Dalkia FM in Ireland business was incorporated into Facilities Management with effect from 25 June 2010.

The comparative data below in respect of the year ending 31 March 2010 has been adjusted to reflect the reorganisation. Revenue and operating profit before other items for the year ending 31 March 2010 for Dalkia FM and Engineering Maintenance of £344.8m and £15.5m respectively have been excluded from the comparative data below for Asset Management and included within the comparative period disclosures for Technical Facilities Management. In addition, revenue and operating profit before other items for the year ending 31 March 2010 for Engineering Contracting of £201.2m and £4.9m have been excluded from the comparative data below for Asset Management and included within the comparative period disclosures for Property Management.

	2011				2010[2]			
	Revenue £m	**Operating profit before other items[1] £m**	**Margin %**	**Profit before tax £m**	Revenue £m	Operating profit before other items[1] £m	Margin %	Profit before tax £m
Facilities Management	**882.2**	**56.2**	**6.4**	**52.6**	824.6	50.5	6.1	48.8
Technical Facilities Management	**437.1**	**24.6**	**5.6**	**15.5**	344.8	15.5	4.5	6.3
Property Management	**509.7**	**21.4**	**4.2**	**13.0**	496.2	25.1	5.1	23.0
Asset Management	**62.4**	**2.0**	**3.2**	**1.6**	54.5	1.9	3.5	1.6
Amendment to defined benefit pension scheme past service cost	**–**	**4.1**	**–**	**4.1**	–	–	–	–
Total	**1,891.4**	**108.3**	**5.7**	**86.8**	1,720.1	93.0	5.4	79.7

1 Other items are analysed in Note 3.

2 Re-presented in the structure which applied during the year.

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 2011 or 2010.

In the year ending 31 March 2010 the group 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

	2011				2010			
	Revenue £m	**Operating profit before other items[1] £m**	**Margin %**	**Profit before tax £m**	Revenue £m	Operating profit before other items[1] £m	Margin %	Profit before tax £m
United Kingdom	**1,866.4**	**107.3**	**5.7**	**86.1**	1,716.2	93.0	5.4	79.7
Other countries	**25.0**	**1.0**	**4.0**	**0.7**	3.9	–	–	–
Total	**1,891.4**	**108.3**	**5.7**	**86.8**	1,720.1	93.0	5.4	79.7

1 Other items are analysed in Note 3.

3. Other items

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

	2011 £m	2010 £m
Administrative expenses		
Restructuring costs relating to integration of Dalkia FM, EPS Ltd and Dalkia FM in Ireland	**4.8**	6.6
Restructuring costs of Property Management businesses	**4.8**	–
Acquisition costs	**0.3**	–
Amortisation of acquisition related intangibles	**8.9**	5.3
	18.8	11.9

Finance costs		
Unwinding of discount on deferred contingent consideration	**0.1**	0.1
Other items before tax	**18.9**	12.0
Tax on other items	**(5.0)**	(3.1)
Other items net of tax	**13.9**	8.9

4. Tax

	2011 £m	2010 £m
Current tax	**15.7**	23.8
Deferred tax	**5.7**	(1.6)
	21.4	22.2

Corporation tax is calculated at 28.0% (2010: 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:

	2011 £m	2010 £m
Profit before tax	**86.8**	79.7
Tax at the UK corporation tax rate of 28.0% (2010: 28.0%)	**24.3**	22.3
Expenses not deductible for tax purposes	**0.8**	0.2
Impact of changes in statutory tax rates	**(0.5)**	–
Tax losses not recognised/previously unrecognised	**–**	(0.2)
Prior year adjustments	**(3.2)**	(0.1)
Tax charge for the year	**21.4**	22.2

In addition to the amount charged to the consolidated income statement, tax relating to retirement benefit costs, share-based payments and hedged items amounting to £0.1m has been charged directly to equity (2010: credit of £4.2m).

5. Dividends

	2011 £m	2010 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2010 of 4.1p (2009: 3.6p) per share	**14.5**	11.6
Interim dividend for the year ended 31 March 2011 of 4.1p (2010: 3.7p) per share	**14.4**	13.1
	28.9	24.7
Proposed final dividend for the year ended 31 March 2011 of 4.9p (2010: 4.1p) per share	**17.5**	14.5

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

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:

	2011 £m	2010 £m
Net profit attributable to equity holders of the parent before other items[1]	**79.1**	66.0
Other items net of tax[1]	**(13.9)**	(8.9)
Net profit attributable to equity holders of the parent	**65.2**	57.1

1 Other items are analysed in Note 3.

Number of shares	**2011 million**	2010 million
Weighted average number of Ordinary shares for the purpose of basic EPS	**350.5**	338.4
Effect of dilutive potential Ordinary shares: share options	**6.4**	6.0

	2011	2010
Weighted average number of Ordinary shares for the purpose of diluted EPS	**356.9**	344.4

	2011 p	2010 p
Basic earnings per share – before other items	**22.6**	19.5
Basic earnings per share	**18.6**	16.9
Diluted earnings per share – before other items	**22.2**	19.2
Diluted earnings per share	**18.3**	16.6

The weighted average number of Ordinary shares in issue during the year excludes those accounted for in the Own shares reserve. The Own shares reserve represents the cost of 5.9m (2010: 3.3m) shares in MITIE Group PLC, with a weighted average of 5.3m (2010: 4.6m) shares during the year.

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

7. Analysis of net (debt)/funds

	2011 £m	2010 £m
Cash and cash equivalents	**130.6**	23.7
Bank loans	**(96.8)**	(100.0)
Private placement notes	**(97.6)**	–
Derivative financial instruments hedging private placement notes	**(2.9)**	–
Net debt before loan notes and obligations under finance leases	**(66.7)**	(76.3)
Loan notes	**(1.6)**	(3.5)
Obligations under finance leases	**(8.2)**	(6.8)
Net debt	**(76.5)**	(86.6)

8. Acquisitions

During the year a net cash outflow of £11.8m arose on the acquisitions set out below:

	£m
Dalkia FM in Ireland	**7.3**
Service Management International Limited	**0.5**
Non-controlling interests	**0.4**
Environmental Property Services Limited (deferred consideration)	**3.5**
Other	**0.1**
Net cash outflow on acquisitions	**11.8**

Current year acquisitions

Purchase of FM business of Dalkia in Ireland

On 25 June 2010, MITIE acquired 100% of DFM Providers Limited (subsequently renamed MITIE Facilities Management Limited) and Dalkia Energy and Facilities Limited (subsequently renamed MITIE Limited), together Dalkia FM in Ireland, for total consideration of up to €12.5m. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). Below we provide provisional information on the acquisition. Final information on fair values will be presented after the end of the twelve month measurement period in the group's Half-yearly financial report for the six months to 30 September 2011.

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

Goodwill	7.7
Total consideration	**10.6**

Satisfied by

Cash	8.8
Deferred contingent consideration	1.8
Total consideration	**10.6**

Net cash outflow arising on acquisition

Cash consideration	8.8
Cash and cash equivalents acquired	(1.5)
Net cash outflow	**7.3**

Acquisition related costs included within Other items amounted to £0.3m.

The goodwill arising on the acquisition of Dalkia FM in Ireland 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. None of the goodwill recognised is expected to be deductible for income tax purposes.

Provision is made for deferred contingent consideration at the Directors' best estimate of the likely future obligation. Deferred contingent consideration of up to €2.0m, which may become payable up to 2012 subject to certain profit and other targets being attained, is included above. Deferred contingent consideration of €1.0m was settled in cash during the year.

Dalkia FM in Ireland contributed £19.4m to revenue and £1.3m to the group's operating profit before other items for the period. If the acquisition had taken place at the start of the period, the group's revenue and operating profit before other items would have been approximately £1,897m and £109m respectively.

Purchase of Service Management International Limited
The group increased its stake to 50% in Service Management International Limited for total cash consideration of £0.5m.

Purchase of non-controlling interests

	MITIE Engineering Maintenance (North) Ltd £m	MITIE Engineering Maintenance (Caledonia) Ltd £m	MITIE Engineering Services (Midlands) Ltd £m	MITIE Engineering Projects Ltd £m	MITIE Engineering Ltd £m	MITIE Services (Retail) Ltd £m	**Total £m**
Non-controlling interests	0.4	–	0.2	0.4	0.7	0.2	**1.9**
Retained earnings	1.2	0.1	0.6	0.8	2.4	(0.2)	**4.9**
Total purchase consideration	1.6	0.1	0.8	1.2	3.1	–	**6.8**
Shares issued – MITIE Group PLC	1.5	0.1	0.8	1.2	2.8	–	**6.4**
Cash consideration	0.1	–	–	–	0.3	–	**0.4**
Total purchase consideration	1.6	0.1	0.8	1.2	3.1	–	**6.8**

Prior year acquisitions

The group reported provisional information on the acquisitions made in the prior year in the Annual Report and Accounts 2010. Below we provide final information on those acquisitions. The final fair value of net assets acquired, presented below, has reduced by £3.3m since the provisional fair value information was presented. This has resulted in a corresponding £3.3m increase to goodwill. These changes were not significant to the prior year balance sheet.

Purchase of Dalkia Technical Facilities Management

On 12 August 2009 MITIE acquired 100% of Dalkia Technical Facilities Management (Dalkia FM), for total consideration of £119.5m. The transaction was accounted for by the purchase method of accounting in accordance with IFRS 3 (2004).

	Provisional fair value £m	Final fair value adjustments £m	Final Fair value £m
Net assets acquired			
Intangible assets	29.9	–	29.9
Deferred tax (liability)/asset	(3.7)	0.3	(3.4)
Property, plant and equipment	2.4	(0.4)	2.0
Inventories	1.2	–	1.2
Trade and other receivables	59.8	0.5	60.3

Trade and other payables	(42.1)	(1.5)	(43.6)
Current tax liability	(0.3)	–	(0.3)
Net assets acquired	**47.2**	**(1.1)**	**46.1**

Goodwill	73.4
Total consideration	**119.5**

Satisfied by	
Cash	116.2
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 Limited

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 in accordance with IFRS 3 (2004).

	Provisional fair value £m	Final fair value adjustments £m	Final Fair value £m
Net assets acquired			
Intangible assets	13.3	–	13.3
Deferred tax (liability)/asset	(3.5)	0.9	(2.6)
Property, plant and equipment	0.5	(0.1)	0.4
Inventories	0.4	–	0.4
Trade and other receivables	18.6	0.2	18.8
Cash and cash equivalents	3.5	–	3.5
Trade and other payables	(20.9)	(3.2)	(24.1)
Loans	(2.3)	–	(2.3)
Net assets acquired	**9.6**	**(2.2)**	**7.4**

Goodwill	33.5
Total consideration	40.9

Satisfied by	
Cash	40.3
Directly attributable costs	0.6
Total consideration	**40.9**

Net cash outflow arising on acquisition	
Cash consideration	40.9
Cash and cash equivalents acquired	(3.5)
Loan acquired	2.3
Net cash outflow	**39.7**

Deferred contingent consideration of £3.5m, which was provided for at 31 March 2010, was settled in cash during the period due to attainment of profit targets and is now included in cash consideration above.

9. Preliminary announcement

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2011 or 2010, but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; the reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying the reports and did not contain statements under s498(2) or (3) Companies Act 2006.