MITIE Group PLC

Annual Report and Accounts 2009

think manage deliver

people + passion

MITIE

Group profile

We're a strategic outsourcing and asset management company.

What does that mean?

Providing everything from strategic consultancy, to facilities and project management, to world-class delivery on the ground.

We work with our clients in three ways:

Strategy and consultancy

Facilities and project management

Service delivery

In other words,

we think, we manage, and we deliver.

This Annual Report and Accounts contains 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 Annual Report and Accounts 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 Annual Report and Accounts and accordingly all such statements should be treated with caution. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

Financial and operational highlights

Revenue
£1,521.9m +8.2%

Operating profit before amortisation*
£80.5m +11.5%

Earnings per share before other items**
17.2p +15.4%

Dividend per share
6.9p +15.0%

2009/10 budgeted revenue secured
74%

Order book
£4.9bn +£0.5bn

Underlying Group margins
5.3% +0.2%

Multi-service and FM as % of revenue
33% +5%

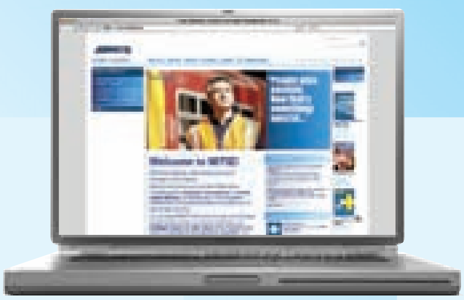
Net funds
£10.9m

Cash conversion
97.5%

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

Visit our website to get more information:

mitie.co.uk/investors



Contents

MITIE at a glance

We are a strategic outsourcing and asset management company that delivers a range of integrated services to support the buildings and infrastructure of our clients.

Key facts:

Revenue
£1,521.9m

People employed
51,486

Order book
£4.9bn

Location and listing
UK based – FTSE 250

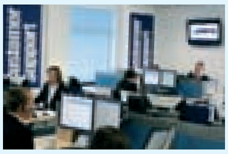
Financial position
Strong balance sheet – net funds of £10.9m

There is a lot more to MITIE than you might think. All of our thinking, managing and delivering is centred around our clients' needs. They always come first.

Think:
Forward thinking strategy and consultancy ideas to keep our clients ahead of the game.


Energy


Environment


Value

Manage:
Practical, experienced management of people, resources, time and money to achieve success for our clients.

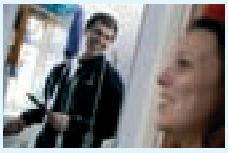

Property management

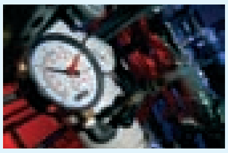

Facilities management


Project management

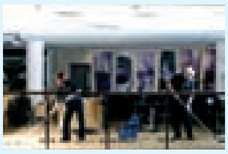
Deliver:
A broad range of integrated service delivery to make buildings and their facilities smarter, greener, safer and better run.


Security


Plumbing


Engineering


Climate control


Cleaning


Front of house

We provide services to our clients through three key service areas...

Facilities Management
Integrated facilities management (FM) and a range of services including: energy management; space planning, document management; front of house; catering; cleaning; maintenance; landscaping; pest control; security; waste and environmental management.

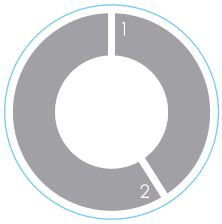
Property Management
Framework and partnering agreements; project management; roofing; repairs and redecoration; interior fit-out; plumbing and heating; social housing maintenance and refurbishment and fire protection.

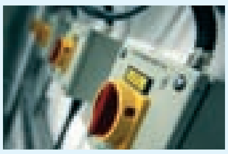
Asset Management
Provision, integration, management and maintenance of technical assets meeting the demands of the low-carbon economy. Energy design; generation and certification; mechanical and electrical infrastructure; data and life systems.

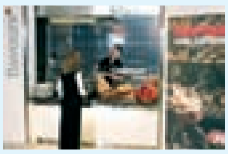
...which serve and support the following market sectors

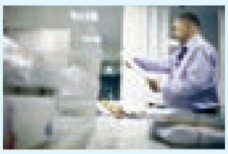
Government	18%
Finance and professional	14%
Manufacturing	9%
Education	9%
Social housing	8%
Retail	7%
Property management	7%
Technology and communications	6%
Healthcare	6%
Utilities	5%
Transport and logistics	5%
Leisure	3%
Construction	3%

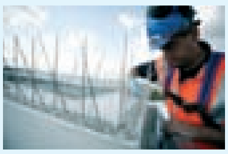
1 Public sector 41%
2 Private sector 59%



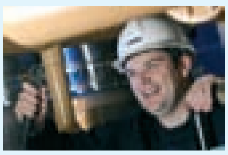

Technical asset management


Catering


Mail and repro


Pest control


Landscaping


Maintenance


Waste


Painting

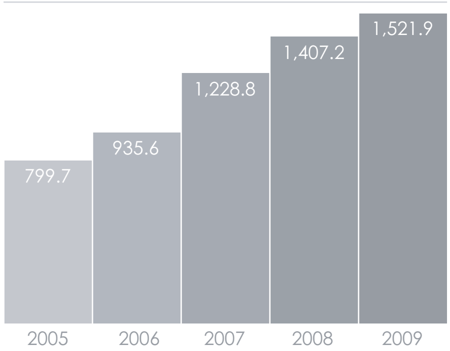

Refurbishment


Roofing

Financial record

Revenue +8.2%

£m



Earnings per share before other items** +15.4%

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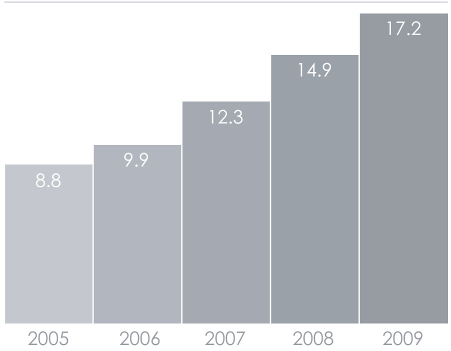
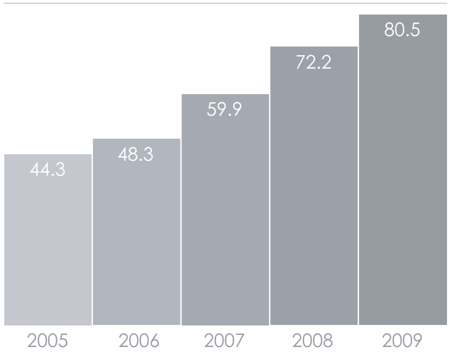


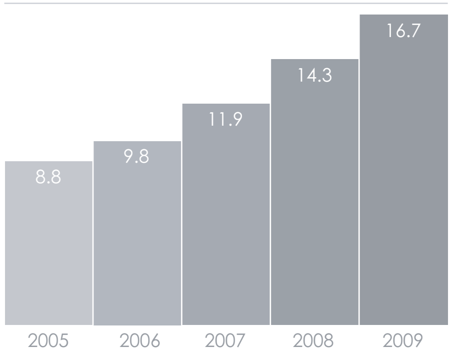
Operating profit before amortisation* +11.5%

£m



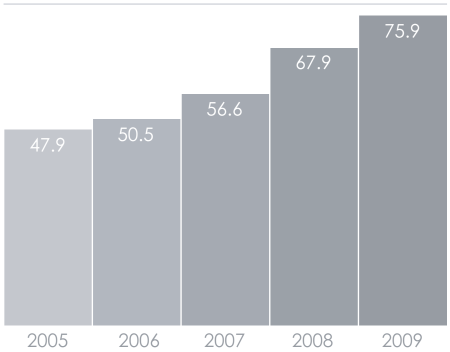
Earnings per share +16.8%

p



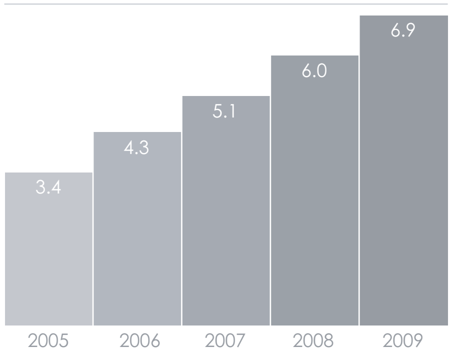
Profit before tax +11.8%

£m



Dividend per share +15.0%

p



* Of acquisition related intangible assets.

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

Chairman's statement

We are delighted to announce that MITIE has delivered another year of double-digit earnings growth, against a backdrop of unprecedented market conditions. Revenues have grown by 8.2% to £1,521.9m, operating profit before amortisation* (EBITA) by 11.5% to £80.5m and cash conversion stands at 97.5%. This result is particularly pleasing in a year where economic conditions have been extremely challenging and demonstrates the resilience of the MITIE business, which is well diversified in terms of its client base and market sector exposure.

Strategy

Our strategy is to deliver stakeholder value through a focus on sustainable profitable growth. To achieve this we have to anticipate changes in our markets and react quickly. Currently our clients are increasing levels of outsourcing and seeking supply chain efficiencies through larger integrated contracts. In response to our clients' changing needs, we have improved our operating structure, invested in additional specialist resources and while we are experiencing slowing in some areas, we are seeing record levels of opportunity and are securing many exciting long-term integrated contracts.

Acquisitions remain a key part of our strategy. With no gearing at the year end, we are extremely well positioned to take advantage of value creating opportunities. We look for quality companies with strong management teams that complement or fit within our existing business and operate in growth markets.

"MITIE has continued its growth record in 2009."

Results

Our performance during the year, saw revenues grow by 8.2% to £1,521.9m (2008: £1,407.2m). Operating profit before amortisation* (EBITA) increased by 11.5% to £80.5m (2008: £72.2m), reflecting an enhanced margin of 5.3% (2008: 5.1%) with profit before tax rising by 11.8% to £75.9m (2008: £67.9m). Adjusted earnings per share grew by 15.4% to 17.2p per share (2008: 14.9p per share).

The business remains very cash generative and has reported a cash inflow from operations of £94.4m (2008: £78.2m) for the year, which represented cash conversion of 97.5% (2008: 90.3%). The balance sheet is extremely strong with net funds at the year end of £10.9m (2008: net debt £15.6m). We have secured bank facilities of £230.0m, which are in place to January 2012, of which £10.0m was utilised at the year end. This leaves the Group well positioned to take advantage of acquisition opportunities as they arise.

We are pleased to report growth of 11.4% in our order book during the year, which now stands at an impressive £4.9bn (2008: £4.4bn).

Dividend

On the basis of our strong performance during the year and our solid prospects for the future, the Board is recommending an increased final dividend of 3.6p per Ordinary share adding up to a total dividend per share for the year of 6.9p, a 15.0% increase on 2008 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. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 7 August 2009 to shareholders on the register at 10 July 2009.

Main Board

There were a number of changes to the Board during the year. David Ord and Cullum McAlpine both retired from the Board on 31 July 2008. As a result, I was appointed Non-Executive Chairman and Chairman of the Nomination Committee and David Jenkins was appointed Senior Independent Director and Chairman of the Audit Committee. The Board is extremely grateful for the leadership and valuable contributions from David and Cullum during their six years on the Board and wish them every success in the future.

We are delighted that Terry Morgan has agreed to join the Board on 1 July 2009 as a Non-Executive Director. He will, immediately following the conclusion of the AGM on the 10 July 2009, assume the role of Chairman of the Remuneration Committee from Ishbel Macpherson. Terry is currently Chief Executive of Tube Lines and will become Chairman of Crossrail later this year. Terry has extensive experience of change, strategy and operations across a number of large, complex organisations and he will make a valuable contribution to our Board.

People

Since becoming Chairman, I have been extremely impressed by the strength, depth and positive attitude of the MITIE team. As part of my induction programme, I visited all of our divisions and the quality of our people is self-evident.

The effective day-to-day management of our business is critical. It requires the skill and expertise that comes only with hard work, commitment and experience. MITIE's financial results and strength have only been possible due to the hard work of its people, whose expertise and dedication remain our most important assets. We would therefore like to thank them all for their contribution to another excellent set of results.

Outlook

We have entered the new financial year in a positive position, with a strong order book and bid pipeline, committed banking facilities and no debt.

We recognise the economic challenges that are facing our own business and that of our clients, but see continued opportunities for sustainable profitable growth for MITIE through our ability to enhance efficiency in extended scope outsourced solutions and the introduction of innovation in asset management for our clients. We look forward to another good year of growth for MITIE.

Roger Matthews
Chairman

*Of acquisition related intangible assets.

Business review
A review of our strategy by the Chief Executive

MITIE is in a strong position. We have an excellent track record, an experienced management team, a strong balance sheet and a broad client base.

Overall the Group is performing very well and making strong progress. We are seeing a clear trend for increased outsourcing and a drive for efficiency as client budgets come under pressure during this stage of the economic cycle. We expect to benefit from this trend, and see opportunities for growth as we contribute to our clients' cost and operational efficiency through extended scope outsourced solutions and the introduction of innovation in asset management. Our financial strength, strategic consultancy, management experience and broad range of services mean that MITIE is an attractive partner for both new and existing clients alike.

Against this backdrop of opportunity however, certain areas of our business such as our interior fit-out, retail engineering and our plumbing business with its exposure to the new build housing market have been affected by the recession. These areas of our business are continuing to experience challenging conditions. However, as markets improve they should be some of the first to benefit.

As an organisation that deals with change on a daily basis for our clients, we also continually assess the efficiency of how we work. The current market conditions have reinforced this behaviour and we are taking a responsible approach to the review of our activities, with the long-term future of the business our priority. We have considered the ways we engage with our clients, our management structure and our risk profile.

We are being cautious about the credit risk that we take on at the moment. This could have an effect on our top line growth in certain markets but our client acceptance criteria will give us stability in the long term. Our margins are under pressure, but this is not a new trend and we are skilled at focusing on the maintenance and development of our margin performance. Naturally, we protect our margins by ensuring that we always have an efficient cost base.

As part of this process, we have made changes to the structure of our business. With effect from 1 April 2009 our Engineering Services division has been renamed Asset Management to demonstrate the move away from the traditional contracting environment to a total asset lifecycle approach which will include consultancy, design, installation and maintenance and we will be enhancing our asset maintenance capability going forward through the combination of Engineering Maintenance and Services. Property Services becomes Property Management to show the wider range of property management and project management abilities that we now offer, whilst Facilities Services becomes Facilities Management to reflect the shift in emphasis towards total facilities management and multiple services contracts as clients look for better value and improved levels of service.

Our teams are highly motivated, focused on supporting our clients in these very uncertain market conditions, and are using their experience and fresh thinking to give us a competitive edge. We are pleased that we are dealing with the current climate really well and are securing some great new contracts.

Our strategy: To deliver stakeholder value through a focus on sustainable profitable growth.

Strategy achieved by:

1. Clients
Deliver value to our clients by providing world-class service;

2. People
Recruit, motivate and retain the best talent in the industry;

3. Risk
Take a long-term view to protect our business and manage risk;

4. Responsibility
Act responsibly and build a reputation that enhances our brand to all stakeholders;

5. Integration
Leverage our strong position to secure more integrated and larger scale contracts;

6. Profitability
Focus on growing a profitable business, maintaining margins;

7. Acquisitions
Supplement our organic growth with selective acquisitions.

1. Clients

Our clients are at the centre of everything that we do. If we do not have satisfied clients who are prepared to make a positive recommendation about MITIE we do not have a sustainable future. From their first day with us, our people are trained to think about our clients' objectives. What does the client want from MITIE? How can we contribute to their business and organisational issues?

Our clients expect us to deliver value for money. In this economic climate, we continually evaluate our cost base to ensure that we are deploying resources efficiently. This applies to all areas of our business and we run a lean business to make sure that our clients feel the full benefit from our efforts.

Our clients represent the future of our business so we make sure that we have the best possible relationships with them, understand the issues that affect them and regularly engage with them at all levels. To make sure that we are getting it right we conduct client satisfaction surveys to check that we are providing a quality service and are in tune with our clients' strategic direction.

2. People

It is easy to say that our people are our greatest asset but they really are. We are only as good as the people that prepare our client strategies, manage projects and facilities, and deliver services. As they are so important to us, we have a three part people strategy.

Firstly, we make sure that each employee has the best possible career journey with MITIE. We have a consistent approach that reinforces our culture and values. We evaluate skills, identify gaps and provide appropriate training and support to ensure success. We use a performance management process so that we can be fair in our measurement of performance and appraisal. This encourages good levels of performance and minimises employment risks.

Secondly, we have an integrated Human Resources (HR) team structure to provide a professional and efficient service that meets the needs of our people and the future requirements of the business. We employ specialists in key areas including the management of TUPE, pensions and employment law.

The third part of our people strategy makes sure that we will have the right talented people for the future. We have a structured approach to succession planning, reward and incentivisation, leadership, management development and professional development. It gives us a motivated MITIE team that is determined to outperform the market.

The result is that we have a very people centric business with a strong leadership and management style but with the flexibility to drive the Group forward.

3. Risk

We take risks everyday as part of our daily life. In business it is our duty to understand the risks we face, appreciate the impact that those risks may have on our people, clients or wider stakeholders and to devise appropriate strategies to manage, mitigate or eliminate these risks. MITIE does all of that and we then ensure that everyone in the business understands their role in our risk management process and can behave accordingly.

Having an appropriate risk management process does not mean that we are so measured in our approach that we lose competitive advantage. We classify our risks into four areas, strategic, operational, financial and compliance. Strategic risks are those that could affect our long-term strategic objectives. Operational risks arise from our day-to-day activities which, if not managed, could affect business performance. Financial risks have a direct impact on our financial position and compliance risk covers risks that relate to legal and regulatory sanctions and damage to goodwill arising from failure to comply with applicable laws and regulations.

The assessment of risks is part of our culture. Every MITIE business has a risk register that identifies the particular issues relating to that part of our operations and activities. These are consolidated into the overall MITIE Group risk register, which considers our high-level risks and is reviewed and considered by our Board. Our risk management team conducts regular reviews and assessments to ensure that our risk identification and management processes remain relevant to the shape of our business, the wider market conditions and most importantly that any risk mitigation strategies are being followed.

Clients
We apply strategic thinking, management skill and an unrivalled range of services to meet our clients' needs.

People
Our MITIE Stars awards recognise people who show true passion for their work, going above and beyond the call of duty.

Risk Management
We empower our people to stop and think before doing their work. Safety is part of our culture.

Business review
A review of our strategy by the Chief Executive

4. Responsibility

Corporate Responsibility (CR) has always been at the core of the way we work at MITIE and is an essential part of our culture. Our success for over 21 years has come from having a responsible business model that has responded to the ever-changing requirements of an increasingly wide group of stakeholders. CR is part of our business strategy because it helps us to deliver sustainable profitable growth.

We have five pillars in our CR framework.

Health and Safety is critical. We employ over 50,000 people and good health and safety performance is vital for their wellbeing and improves business performance.

Community engagement is also important. Our people want to work for a company that is recognised for helping to make a difference to the lives of others, whether that is through our volunteering programmes or charity work.

The environmental agenda makes it imperative for us to manage and reduce our impact on the Environment. We also support our clients to improve their energy efficiency, reduce waste streams and improve cost efficiency.

Focusing on our People helps to improve business results. We train, develop and reward our people well, which improves retention, motivation and stability.

We develop our Service Delivery capabilities to support the needs and core businesses of our clients and the changing market. This helps to maintain our long-term relationships and contributes to the successes of our respective organisations.

Responsibility
We invest in seven MITIE Construction Skills Centres in secondary schools around the UK, providing over 1,000 14-16 year-old boys and girls and their communities with access to construction skills and qualifications, career advice and work experience.

5. Integration

MITIE is an integrated business. Integration is important for efficiency and supports our client proposition of seamless service delivery. All of our businesses use common systems and processes and are transitioning to a common financial and HR platform. This is important because as clients ask us to provide a wider range of services they want to be dealing with just one MITIE team that operates the same way.

Integration however, is more than systems; it is also about attitude, ownership and leadership.

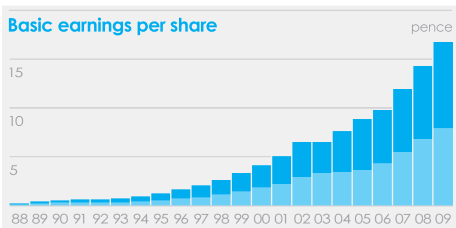
Increasingly, our clients want us to be integrated with their own operations so that we can help them to achieve their business and organisational goals. They want a seamless service that reinforces their corporate image, so that their employees and clients can't tell where they stop and we start. This is crucial and allows them to maintain a complete focus on their core business areas and activities.

Integrated offer
At Heathrow Terminal 5 our people are an integral part of the travelling experience.

6. Profitability

Ultimately, the objective of any commercial organisation is to be profitable. MITIE has a 21-year track record of continuous profitable growth. We have a total financial focus on profits and cash. In these markets with changing risk profiles it is still important to achieve revenue growth through taking market share, but it is crucial to maintain profit margins and be paid on a timely basis for the work we have performed. Our cash conversion target is 90%.

We manage our financial performance with a series of key performance indicators that are consistent and applied throughout the business.



Profitability
We recognise that focusing on profitability rather than top line growth is a key factor in creating value for our stakeholders, so we have always based the senior team's incentives on profit-related performance. The results? A 21-year track record of continuous growth in earnings.

7. Acquisitions

We have a low market share in all of our markets. We expect to grow organically by taking market share from competitors but we are also well positioned to create stakeholder value through acquisition. At 31 March 2009, we had no net debt and undrawn committed funding facilities of £220.0m out of a £230.0m total facility. This gives us the financial capacity and flexibility to make selected, value enhancing acquisitions should the Board consider this to be appropriate.

Our approach to acquisitions remains conservative. We are looking for quality businesses with strong management teams that complement or fit within our existing business and operate in growth markets.

We monitor our progress towards meeting our strategic goals through our financial and non-financial key performance indicators, which are set out on pages 12-13.

Acquisitions
We have a track record of delivering and integrating selective acquisitions to support our strategic growth objectives.

Business review
A review of our strategy by the Chief Executive

Market overview

We have a wide range of clients, and exposure to many market sectors. This provides us with a balanced portfolio of market conditions and protects our earnings from fluctuations. This is particularly important in the current economic climate where we are seeing uncertainty in some sectors that is likely to continue in the short-term.

Currently our business demonstrates a 59/41 private/public sector split in its revenues and we believe that this remains an appropriate split for our business and mix of services. It is possible that this may change in the short-term as a higher proportion of GDP is represented by government spending, but is appropriate in the longer-term.

We target our sales and marketing resources at those sectors that we believe offer the greatest opportunity and our sector focus varies as economic conditions change. Our business model gives us the flexibility to take advantage of opportunities as they arise.

Education and healthcare are good areas to be established in

During the year, we have been successful in increasing our penetration of the education and healthcare markets. We have secured key contracts in the Building Schools for the Future scheme to provide facilities management to schools in Derbyshire and Kent. In the healthcare market, we have secured more work with Great Ormond Street and new work with North Middlesex Hospital and St George's Healthcare NHS Trust.

Public sector

Overview

Public sector spending is likely to take an increasingly dominant position as UK economic conditions remain uncertain.

Key facts:

- Spending committed until 2012 in areas such as education, housing and healthcare;
- Capital and maintenance expenditure split 50:50;
- Trend towards consolidation of suppliers and procurement of integrated FM services; and
- Pressures on public purse likely to encourage further outsourcing, more commercial procurement and increased spend on FM services.

Summary of key sectors

Education

Education is a solid long-term market for both capital and operational expenditure. There is a trend towards the procurement of integrated FM services which counteracts the diverse nature of sector funding. Both the Building Schools for the Future and PFI programmes are major drivers of growth. MITIE is the largest PFI FM education service provider in UK. Target market size is £13.0bn pa and our market share is 1.0%.

Government (central and local)

Government spending is forecast to remain stable in the short-term. In the medium-term, budgets will be under pressure as tax revenues decrease. Government departments and local authorities such as existing clients: the Department for Communities and Local Government; the Department for Culture Media and Sport; and The Department for Education and Skills will require greater efficiencies from service partners.

Private sector

Overview

We have a high quality private sector client base with strong representation across many sectors. However, most private sector businesses are expected to be cutting back on expenditure over the next 12–18 months as economic conditions remain uncertain. Clients are focused on optimising the efficiency of their cost base. This means that outsourcing contracts are becoming larger, covering more services and wider geography. Consolidation, particularly amongst our clients, creates uncertainty, but also provides an opportunity to increase market share.

Key facts:

- Construction sector will be challenging for at least 18 months;
- More opportunity in FM where MITIE provides essential services;
- Availability of labour should improve; and
- Selectivity of opportunities is crucial.

Summary of key sectors

Finance and professional services

MITIE has a significant presence in the finance services sector with all businesses having major contracts. We are very well placed to work in partnership with clients such as PwC, Standard Life, and Barclays to increase cost effiency and to provide facilities management and service delivery across the UK. The current impetus for change is creating an unprecedented number of opportunities. Target market size is £5.0bn pa and our market share is 4.3%.

Transport and logistics

Transport is a key sector for MITIE. It is a long-term growth sector where our specialist services and sector focus are highly attractive to clients. We are having a high degree of success in this sector, extending existing and securing new contracts with BAA, FirstGroup and Eurostar. Target market size is £11.0bn pa and our market share is 0.7%.

Local Government Strategic Partnerships will leverage private sector skills and finance to improve efficiency. There will be a trend towards larger contracts with a broader range of management and service provision. Target market size is £7.0bn pa and our market share is 3.9%.

Social housing
Social housing is a key public policy area with the need for sustainable communities high on the agenda. The development and maintenance of high quality public housing stock is a core part of government strategy. Decent Homes programmes and repair and maintenance contracts offer us considerable opportunity. Government has ambitious plans for affordable housing through the Homes and Communities Agency to support local governments and communities. This sector, with clients such as Birmingham City Council, Dacorum Borough Council and Milton Keynes District Council offers good growth potential with long-term contracts. Target market size is £10.0bn pa and our market share is 1.2%.

Healthcare
Healthcare is a market with considerable potential for increased levels of outsourcing with spending driven by the UK's ageing population demographic. The sector offers stable revenue streams and low credit risk with clients such as: St George's and North Middlesex Hospital in London; Hull Hospital; and Great Ormond Street Hospital. Target market size is £11.0bn pa and our market share is 0.8%.

Utilities
The utilities companies represent an attractive market for MITIE with dependable cash flow and spending commitments. In common with many other sectors the drive for improved operational efficiency is leading to larger, longer term contracts. Sustainability and renewable energy are key areas. We have a good presence in this market with major contracts with RWE npower and Thames Water. Target market size is £8.0bn pa and our market share is 1.0%.

Technology and communications
Our focus in this area is in data centre and infrastructure support and regular maintenance and support activities. MITIE supports the capital and revenue expenditure streams in this market. Target market size is £4.0bn pa and our market share is 2.3%.

Manufacturing
An important sector for MITIE and one where we are actively supporting our clients in these challenging times. Our focus is to develop our long-standing relationships with key clients such as Rolls-Royce. Target market size is £5.0bn pa and our market share is 2.7%.

Retail
The majority of the retail market is focused on cost reduction. We are working closely with our clients to meet their business needs. Target market is £5.0bn pa and our market share is 2.1%.

Property management
This market is heavily influenced by property occupancy levels. Traditionally, contracts are single service. There is little trend towards multi-service or FM contracts. Target market size is £6.0bn pa and our market share is 1.8%.

Leisure
As a high proportion of leisure spend is discretionary we are introducing innovation for our clients to improve efficiency. Target market size is £2.0bn pa and our market share is 2.3%.

Looking forward
We are delivering a strong and consistent financial and operational performance. Our business is growing well and we are experiencing a very strong sales pipeline. Clients' budgets in both the public and private sector are under pressure, supporting demand for efficiency and value for money, which in turn leads to more outsourcing.

We know that the global economic environment is going to remain challenging for some time but we operate in a market where contracts are becoming more sophisticated, larger and longer term in duration. This gives us confidence in our business model as we expand our strategic offering to our clients.

We have a flexible business, which can easily adapt to meet our clients' changing needs. With the significant level of current opportunities, we are confident that our future performance will remain strong.

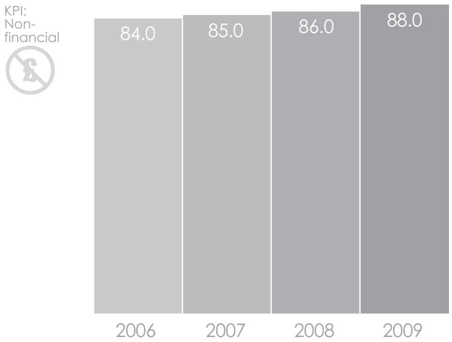
We are encouraged by the contracts that we have recently secured and anticipate continued strong growth in the years ahead.

Ruby McGregor-Smith
Chief Executive

Business review
How we performed – Our KPIs

1. Clients

Retention of existing contracts within Facilities Management %



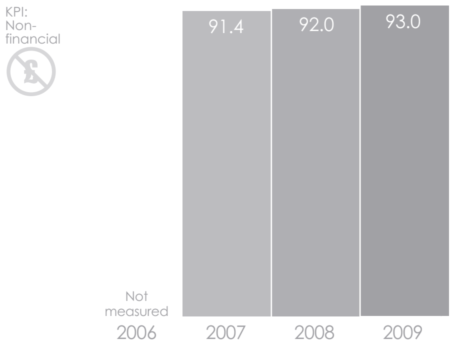
Description:
In order to achieve sustainable, profitable growth, we monitor the percentage of existing contracts retained in our Facilities Management division on a rolling 12-month basis.

Target:
Achieve contract retention rates in excess of 90.0%.

Comment:
We have improved our contract retention rate in our Facilities Management division to 88.0%.

2. People

Management retention %



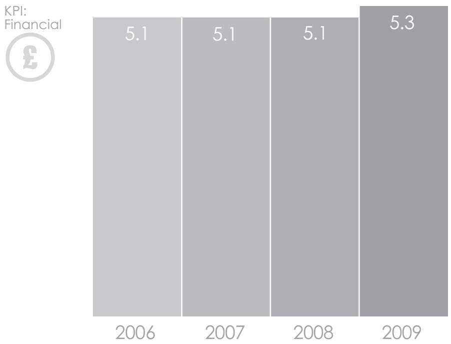
Description:
MITIE is a people business and we pride ourselves in creating and nurturing outstanding management. Monitoring how successful we are in retaining our people is an important measure for us.

Target:
Enhance focus on the development and retention of management to maintain a retention rate of over 90.0%.

Comment:
We have increased our management retention rates to 93.0%.

6. Profitability

Group EBITA* margin %



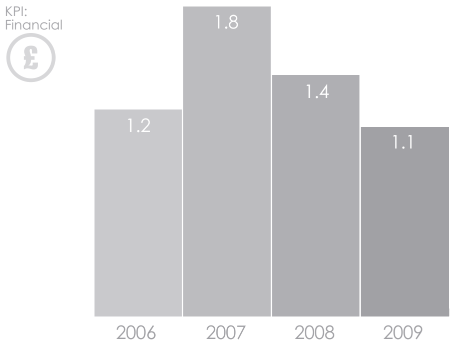
Description:
Our operating profit before amortisation* (EBITA) margin provides us with a good indicator of the profitability of our business. Where we have material, non-recurring charges, such as integration costs, we exclude these from our measure.

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

Comment:
We have improved our margin by 0.2% to 5.3%.

*Of acquisition related intangible assets.

Capital expenditure as a % of revenue %



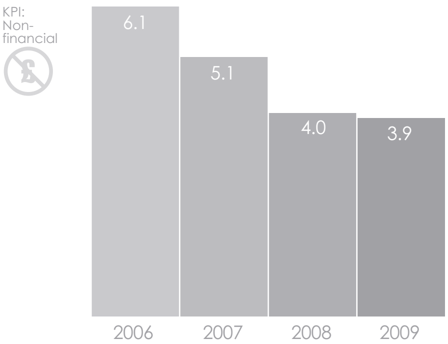
Description:
Our strength lies in the management of people and in the provision of suitable assets to support their work, but our business is not capital intensive. We continue to monitor and control capital expenditure, and target growth and acquisitions in areas that do not require substantial capital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

Target range:
Maintain below 2.0% of revenue.

Comment: We have reduced our KPI to 1.1% keeping it well below the 2.0% target level.

3. Risk

Reportable accidents
per 1,000 employees



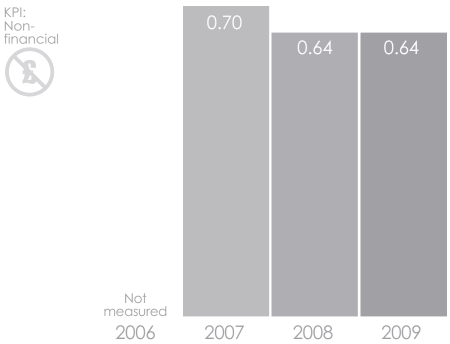
Description:
Reportable accidents are defined as fatalities, major injuries and injuries resulting in absence from work of over three days. Our people are our greatest asset. Providing them with a safe environment in which to work is of paramount importance to us, so we use a KPI for reportable accidents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

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

Comment:
Our focus on health and safety has enabled us to reduce reportable accidents to 3.9 per 1,000 employees.

4. Responsibility

Carbon dioxide emissions
tonnes equivalent CO_2 per employee



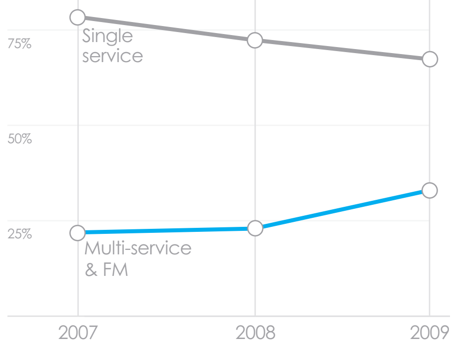
Description:
We are conscious of the impact of our operations on the environment. Our CO_2 emissions are calculated using DEFRA conversion factors following a review of our fuel and utilities usage. The rate of CO_2 emissions per MITIE employee is calculated using the average number of people employed during the year.

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

Comment:
Our normalised CO_2 emissions per employee are consistent with the prior year.

5. Integration

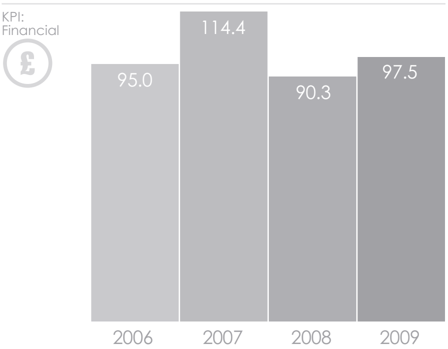
Contract types split within MITIE
%



Description:
With 67% of our revenue being generated through single service contracts, we have a great opportunity for growth through expanding our relationships with existing clients by providing other services. We have seen a trend in the markets towards multi-service and FM contracts over the past few years and we are well positioned to meet the demands of this trend due to our broad range of services.

We measure the percentage of revenue that is generated by these types of contracts in order to measure how well we are performing in this arena.

Conversion of EBITDA to cash
%

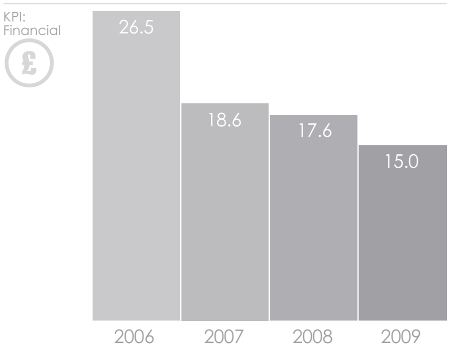


Description:
The efficiency with which we manage the generation of cash is an important indicator for our business. MITIE is built on a sound understanding of the importance of cash and working capital management and that ethos remains critical to our business. The conversion of the Group's earnings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

Target range:
Over 90.0% of Group EBITDA converted to cash.

Comment:
We have achieved our target this year with 97.5% of Group EBITDA being converted to cash.

Dividend growth
%



Description:
It is important that we continue to target a progressive dividend policy that provides an appropriate return to shareholders and that provides a dividend which grows in line with the underlying earnings of the Group. Dividend cover is calculated by reference to our underlying, cash-based earnings which we measure using our basic EPS before amortisation of intangibles, imputed interest charges relating to acquisitions and material non-recurring charges. There were no material non-recurring charges in 2009 or 2008. The adjusted EPS after these items is 17.2p (2008: 14.9p) giving rise to underlying growth of 15.4%.

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

Comment:
Our dividend growth for the year is 15.0 %, giving cover of 2.5 times adjusted earnings.

7. Acquisitions

Acquisitions remain a key part of our strategy as detailed on page 9. We seek to acquire quality companies with quality management that complement or fit within our existing business.

We have completed the successful integration of the acquisitions that we made in March 2008:

- The acquisition of Catering Partnership has expanded the scale and capability of our catering offering and has enabled us to bid for significantly larger contracts in this market.
- The DW Tilley roofing business acquisition has been successfully integrated with our existing roofing business to form a truly national roofing refurbishment company.

Business review
Key factors that could affect our business

MITIE's system of internal control is designed to support our strategy and to identify and manage the risks that have the potential to impact upon MITIE and upon the environment in which we operate. On page 44 of the Directors' and governance report, we have detailed the processes that we use to identify and manage these risks. In the table below, we have highlighted the principal risks and uncertainties that could affect us.

Risk area	Potential impacts	Mitigation
Financial risk, including liquidity Strategy area – Risk – Responsibility – Profitability – Acquisitions – Clients	Funding may not be readily available to support the expansion of the Group's activities.	Committed banking facilities of £230.0m are in place until 2012 in addition to £35.0m of overdraft facilities to support day-to-day operations and strategic growth targets. Operational cash flow is prioritised through a set of KPIs and the Group had net funds of £10.9m at 31 March 2009.
	Pension fund assets may not meet future pension liabilities.	Trustees manage the pension liabilities and the required contribution rates are set on the basis of independent actuarial advice. The Group's own defined benefit scheme is well funded, and we aim to maintain a broadly neutral funding position in the medium-term. Management of pension risk on contracts requires the support of independent advisers and the approval of the Group Finance Director, and in certain cases, the Board.
	Financial performance of the business could be adversely affected by uncertain economic conditions. Loss of clients, a reduction in services taken by clients, and failure to adhere to credit terms as a result of changes in their own financial position could affect the Group.	Financial trading performance compared to budget is reviewed on a monthly basis. Cash performance is monitored daily. Systems are in place to monitor and manage credit risk exposure across the Group's client base. Large account management strategy including Director level client relationships where appropriate, ensures a consistent focus on changes in our clients' environments and financial position.
Health, safety and environment Strategy area – Risk – Responsibility – People – Clients	Health and Safety failures may lead to a serious injury or fatality of an employee, client or member of the public. Property damage or air/water pollution may lead to significant financial penalties, loss of reputation, criminal convictions and business disruption.	Responsibility for Health and Safety rests with the Chief Executive who is supported by the Board, line management and advised by the Head of Health, Safety and Environment and a network of dedicated health, safety and environment advisers. A structured training programme is in place to develop and improve employee health and safety knowledge. Processes and procedures are accredited to OHSAS 18001and are under regular review to ensure a safe working environment for our employees, our clients and the public.

Risk area	Potential impacts	Mitigation
Infrastructure and systems Strategy area – Clients – Risk – Responsibility – Profitability	A system failure, failure to control systems implementation, including SAP, or the collapse of our infrastructure would limit MITIE's ability to meet operational and regulatory commitments which may lead to contractual breaches and fines.	Infrastructure requirements are regularly reviewed by the Board to ensure they are appropriate to the operations undertaken and assist with the successful delivery of services to clients.
	Investment in our infrastructure and systems will improve the reliability of our services and enhance our brand reputation.	New systems implementations are appropriately resourced and controlled.
New business, business retention and contracting Strategy area – Clients – Risk – Profitability	The Group is increasingly tendering for, and securing, more complex and larger multi-service business. If risks are not priced correctly on a complex or large multi-service contract the financial performance of the contract will be affected, leading to pressure on service delivery and potentially loss of business over time.	The internal control environment includes a strict bid and contract review process along with an approval mechanism. The bid and contract review involves both internal and external specialists, and for material bids, the Board.
	Greater opportunities to secure new work in the current climate as potential clients focus on cost efficiencies and look to outsource their non-core services.	Potential opportunities and the bid pipeline is monitored by the Executive Board.
Acquisitions Strategy area – Risk – Profitability – Acquisitions	The strategic risks associated with acquisitions include a failure to ensure a cultural fit; a failure to gain visibility of, and price in, key risk issues; and a failure to realise synergistic and operational targets following acquisitions. These may result in financial targets not being met.	An experienced due diligence team, supported by internal specialists and external professionals advise the Executive Board throughout each acquisition process. All material acquisitions are approved by the Board and following the purchase an Executive Director is appointed as an integration sponsor who is responsible for ensuring a smooth and successful transition.
Employment regulations Strategy area – Clients – People – Risk – Responsibility – Profitability	Failure to adhere to regulations concerning the transfer of staff in and out of the business would result in business disruption and significant fines.	Early involvement of HR and legal specialists prior to transfer supported by external specialists.
	The employment of persons who do not have the right to work in the UK would lead to significant financial penalties and damage to the MITIE brand and reputation.	Processes are in place to ensure that all legally required documentation is obtained from employees and subsequently monitored.
Skill shortages Strategy area – Clients – People – Risk	Without the right mix of employees MITIE would be unable to deliver, mobilise and service existing and new contracts.	Regular review of remuneration, incentivisation and reward structures. Ongoing emphasis on equity based incentivisation for employees and other employee incentive and reward schemes. MITIE has signed up to the UK Government's Skills Pledge to help all eligible employees achieve the equivalent of five GCSEs at grades A*- C Construction, Engineering and Facilities Management apprentice schemes are in place.

Business review
Operating review

On 1 April 2009 we took a decision to rebrand our three operating divisions to Facilities Management (previously Facilities Services), Property Management (previously Property Services) and Asset Management (previously Engineering Services). Further, we elected to enhance our Asset Management proposition through its combination with our Engineering Maintenance business, which had previously been a part of our Facilities Services business. The commentary and financial data below reflects the performance of our three divisions in the organisational structures that applied during the period to 31 March 2009, and reflects the new branding. A proforma analysis of the financial results of the business for the year ended 31 March 2009 in the new organisation is set out in the Notes to the Consolidated Financial Statements.

Facilities Management

Our Facilities Management division delivers facilities consultancy, management and service delivery to our clients. Within the division, during the year ended 31 March 2009 we recognised five principal business lines which were: facilities management, which comprises our managed services, business services, client services and PFI businesses; cleaning and environmental, which encompasses our cleaning, landscaping and pest control businesses; Security; engineering maintenance; and catering.

The division has had a good year securing many new contracts and expanding many existing contracts by providing additional services adding to our order book which has increased to £4.2bn (2008: £3.6bn).

Revenue in the division increased by 14.8% to £942.2m (2008: £820.4m) with operating profit growing by 10.8% to £54.2m (2008: £48.9m). Operating profit margins decreased to 5.8% (2008: 6.0%) as we have enhanced investment in our business development capabilities.

Results summary

Facilities Management	2009 £m	2008 £m	Change %
Revenue	942.2	820.4	+14.8
Operating profit before amortisation*	54.2	48.9	+10.8
Operating margin	5.8%	6.0%	–0.2

* Of acquisition related intangible assets

During the year, we have focused on developing our facilities management (FM) and multi-service offerings and on increasing the integration between our five business lines in the bidding and operation of our contracts. We have improved our processes for managing customer relationships and co-ordinating our sales process to promote cross selling by enhancing the management information shared across the division.

We are seeing opportunities as well as challenges from the effects of the recession as clients look for innovative solutions to reduce costs and exposure to risk. During the year, we have seen an increasing number of opportunities in bidding for new contracts within the division as well as an increase in existing clients looking to reduce costs. Our ability to work together with clients through multi-service and FM contracts, consolidating their supply chains and internal management structures, along with our efficient processes and technology, helps them to create savings and efficiencies. Where appropriate, we have also been able to support clients by proactively identifying temporary cost reduction measures to existing services.

Our national coverage and wide range of capabilities means that we are one of a limited number of service providers that can deliver full scope FM contracts. The economic climate is providing an impetus for clients to move towards larger multi-service and FM contracts in order to consolidate their supply chains and save costs.

In order to take full advantage of the opportunities within this market area, which provides significant potential for MITIE, we have invested in our FM capabilities during the year, recruiting key individuals to the business to provide enhanced strategic leadership that will complement our proven service delivery capability in this area.

During the year, we have secured new work in both the private and public sectors as all organisations look to outsourcing non-core services to create efficiencies. Our work to identify key market sectors during the year has been supported by notable successes including:

Within the education sector, MITIE has solidified its position as the largest provider of FM services to PFI schools in the UK following success in the government's £45.0bn Building Schools for the Future (BSF) programme to rebuild or refurbish all schools in England.

In December, we secured preferred bidder status on the Derbyshire County Council BSF project. The contract will total £65.0m for MITIE, running over a period of 25 years and will see MITIE providing FM services to 46 schools across the county. The contract forms part of the Equitix consortium, which has been selected as preferred bidder working in partnership with Derbyshire County Council as part of the first phase of their £750.0m transformation of secondary education.

Standard Life
At Standard Life's headquarters in Edinburgh, our 'ingredients' food service team has achieved a catering sales increase by introducing a new food and signage concept. The concept reflects the high quality fresh food offer and provides clear labelling and communication to help Standard Life employees with their food and beverage choices. Our continued commitment and focus on enhancing the customer's experience is aimed at improving the perception of workplace catering as a real employee benefit.

Kate Glassup
Aviation Director, MITIE

Our work with BAA has grown from a cleaning contract at Terminal 5 to one of our largest multi-service contracts working at all of BAA's London airports.

BAA

Think

MITIE has proved itself as a valuable multi-skilled partner to BAA, helping to assist it with its objective of reducing its supplier base whilst delivering a quality service to meet the needs of its passengers and airlines. Through careful planning we were able to recruit, train and obtain airside security clearance for 400 new cleaners for the opening of Terminal 5 to ensure that the service at the UK's largest free standing building could start on schedule. We have also assisted BAA to develop a robust new service for its passengers with restricted mobility (PRM) after new legislation required the airport operator to provide a unified service instead of individual airlines taking care of their own passengers.
This has enabled MITIE and BAA to standardise the PRM service making it easier for passengers with disabilities to travel through Stansted Airport and Heathrow Terminals 1, 2 and 4.

Manage

MITIE now manages more than 1,200 people on the BAA contract coping with the peaks and troughs in seasonal demands and supplying extra people depending on the security alert status. Our specialist cleaners work at height, especially at Terminal 5 where it is essential that the floor to ceiling glass walls and the departure lounge's single-span, waveform glass roof are clean in order to let the natural light in and enhance the amazing views of the world's busiest international airfield.
By investing in the latest heavy duty cleaning technology, we have been able to increase the productivity of our people and increase the efficiency of the service, reducing costs. We have also invested in the PRM service and are the only company in the UK to own ambulifts that can lift passengers with restricted mobility on to the new Airbus A380 plane.

Deliver

MITIE delivers a range of services at different airports for BAA including delivering the waste management at Heathrow Terminal 5, the cleaning at Heathrow Terminals 1, 5 and at Gatwick's North and South Terminals and the PRM service on behalf of BAA at Heathrow Terminals 1, 2, 4 and at Stansted Airport.
We also provide people to help passengers comply with liquid restrictions before going through security at Heathrow Terminals 1 and 2.

Business review
Operating review

We have been steadily expanding our relationship with Barclays for the last 12 years to make it one of our largest multi-service contracts.

Barclays

Think

As one of Barclays' top facilities providers, we have worked together to find different and joined up ways of providing our services, maximising the cost savings provided to Barclays whilst consistently raising our standards across the services to meet and exceed increased service level targets of 90%.

Manage

We have implemented our leading IT systems to help us manage the contract efficiently, including our Tracker system, which monitors the 1,500 cleaners that clean the Barclays retail branches at night. The system allows us to track lone workers and teams, making sure that they are safe and that the branches will always be clean and tidy for their customers each morning. In order to make sure that standards are being met, our Vision IT system allows us and the client to view live audit data on cleaning standards. We also manage mobile cleaning and engineering teams, who are always on-hand to be on-site within two hours, to react to any emergency calls from our 24-hour Customer Support Centre.

Deliver

MITIE has more than 2,400 people involved in the Barclays contract, providing the cleaning, security, pest control and waste management services to Barclays Corporate offices as well as the cleaning at 1,340 of its retail branches and mechanical and engineering maintenance to 400 of its retail branches around the UK. We have also recently secured the contract to provide front of house and telephony services to Barclays head office in Canary Wharf.

Wendy Cuthbert
Head of Corporate Real Estate Services – UK, Barclays

We have also signed a 31-year contract to deliver total facilities management to three new PFI schools in Kent. MITIE will be working for Telereal Trillium who is leading a consortium of partners in a £600.0m deal to completely rebuild or substantially refurbish the first ten secondary schools in Kent's extensive BSF programme. This initial contract award for MITIE is valued in excess of £40.0m, and, with a further eight PFI schemes likely to be added to the contract, it is expected that the overall contract value will increase substantially over the term. MITIE has the exclusive rights to deliver FM to the schools, which will include the overall management and helpdesk, engineering and building fabric maintenance, security and all soft services comprising caretaking, cleaning, catering and grounds maintenance.

In the utilities sector, we have been made preferred bidder for a six-year integrated facilities management contract with Thames Water Utilities Ltd (TWUL). The estimated total value of the contract for MITIE is over £100.0m, which will cover TWUL's entire estate, including their head office and laboratory as well as operational buildings throughout the Thames region.

MITIE will have responsibility for managing and delivering a variety of expertise and services, which will include a tailored asset management strategy, enabling the client to identify and target effective capital investment, reducing annual operational expenditure. This will be combined with a range of other services, driven through a dedicated helpdesk system.

In the technology and communications sector, our contract with Cable and Wireless continues to grow, having secured new catering and security contracts with the telecommunications company. The three-year catering contract includes the provision of staff restaurants, cafés, deli bars and hospitality at seven Cable and Wireless offices around the country, including its Europe, Asia and US business head office in Bracknell. The new security management contract, over three years, will include the provision of manned guarding, electrical security and response services to more than 900 Cable and Wireless sites in the UK and more than 15 sites in Europe.

Our original FM and mechanical and engineering contracts with Cable and Wireless have also been expanded to include its acquisition of telecommunication company THUS in 2008, meaning that the total value of work that we perform for Cable and Wireless is now in excess of £20.0m per annum.

We have secured a new integrated FM contract with Syngenta, a world-leading agribusiness, following a tender process that aimed to consolidate their supply chain and improve the management of their international research centre estate near Bracknell. The three-year contract includes maintenance, helpdesk, cleaning, landscaping, waste, mailroom and reprographics services.

In the healthcare sector we have secured a multi-service contract with St George's Healthcare NHS Trust, whose main site in Tooting, South West London, is one of the UK's largest teaching hospitals. The seven-year contract will result in the employment of 500 people providing cleaning and catering services across the Trust's estate.

Our healthcare team has also successfully retained its domestic and portering services contract with North Middlesex University Hospital NHS Trust, which it has held since 2003. The new contract will run for a further three years, with an enlarged scope, which includes the provision of on-site security services.

MITIE has had a very successful year increasing our presence in the transport and logistics sector, securing several significant, high-profile contracts.

Our new contract with Eurostar will see MITIE providing security services at their St Pancras International, Ebbsfleet International and Ashford International terminals as well as taking responsibility for security at their Temple Mills engineering base. MITIE's specialist transport security team will work alongside Eurostar's own team to support them in providing a safe, secure environment for travellers and staff. The team of over 330 officers will undertake a variety of roles including customer service support, searching of trains, passengers and baggage, and 24-hour control of access in and out of all sites.

In other areas of the transport and logistics sector, we have secured a five-year contract with FirstGroup plc valued at £26.0m over five years to provide support services to their bus division. MITIE will be cleaning, moving and refuelling all of FirstGroup's buses as well as cleaning their premises and workshops in the London and Berkshire areas. We have also secured a new security contract with the Port of Felixstowe adding to our existing three-year catering contract which was secured in May 2008 to provide staff catering, hospitality and vending services.

The last 12 months have been challenging ones for the finance and professional sector, and just as the sector was one of the first to feel the effects of the credit crisis, it has also been one of the first sectors to look to outsourcing to try to reduce costs.

We have been steadily extending the scope of our relationship with Standard Life. MITIE was already working with Standard Life, providing them with engineering and interior fit-out services on several of their new developments around the country. In turn, this led to MITIE securing a five-year cleaning contract last year. In June 2008, we furthered our relationship by securing our largest ever catering contract to provide Standard Life with staff restaurants, café bars, delis, retail shops, hospitality and fine dining for the next five years. This success has been built on the back of expanding the scale and capability of our catering business through the acquisition of Catering Partnership in March 2008, which now allows MITIE to bid competitively for significantly larger catering contracts.

We have secured several new contracts in Canary Wharf including a new contract with Citigroup to provide front of house reception and security services at their Canary Wharf UK headquarters. We have also secured a three-year contract with Credit Suisse, to provide cleaning and washroom services at their offices in Canary Wharf and Pall Mall (valued at £6.1m).

Business review
Operating review

Property Management

Our Property Management division provides property maintenance and project management services, including a complete range of repair, refurbishment, redecoration and fit-out expertise for both the private and public sectors with a focus on social housing.

During the year Property Management increased revenue by 4.3% to £297.9m (2008: £285.7m). The integration of the DW Tilley roofing business, which was acquired in March 2008, was successfully completed in the period. Operating profit grew by 19.3% to £17.9m (2008: £15.0m) with operating margins up at 6.0% (2008: 5.3%).

In the current volatile market, Property Management is following a dual strategy: to deliver services that are cash generative in the immediate term; and secondly, through longer term relationships and forms of partnering agreements that can deliver benefits for both our clients and MITIE, whilst adding to our forward revenue visibility. Our forward order book for the division remains at £0.5bn (2008: £0.5bn).

Results summary

Property Management	2009 £m	2008 £m	Change %
Revenue	**297.9**	285.7	+4.3
Operating profit before amortisation*	**17.9**	15.0	+19.3
Operating margin	**6.0%**	5.3%	+0.7

* Of acquisition related intangible assets.

Property Management is focused on providing services that support everyday lives, creating and maintaining better working and living environments. Whether this is in social housing, healthcare, education, industry or commerce, our ability to satisfy our markets will stand us in good stead to maintain growth, both now and in the future.

The successful integration of our latest acquisition, national roofing specialists DW Tilley Ltd, has increased our national coverage and strengthened our presence in the roofing market where we focus on renewal and repair in both the public and private sectors.

Our enlarged roofing business, together with the national footprint of our other niche services in decoration, specialist coatings and fire protection has resulted in generating further value to clients who are now able to draw on a wider range of services. Aligning our services even closer to the needs of our clients through our multi-service offering is helping to drive organic growth.

In the commercial property management market, we have seen a shift away from the development of new space towards an increase in the reconfiguration of existing space to accommodate change. This stabilising effect is creating opportunity for our refurbishment teams. At the same time, clients have a need for increased property maintenance to enable the building and businesses within them to continue to operate effectively and efficiently. Property Management is well placed to benefit from these market changes. Indeed we have recently secured a significant contract as part of MITIE's facilities management contract with Thames Water, a large proportion of which is capital work refurbishment.

In the public sector, we will benefit from the government's Fiscal Stimulus Package, following the announcement to bring forward £3.0bn of capital spending from 2010/11 to 2009/10. In a sector that is benefiting from government spending and where healthy competition is driving innovation, we are confident of our ability to grow and will continue to make further investments in this area.

Tenant Liaison Officer of the year
In March, Kelly Onley a Tenant Liaison Officer (TLO) working for MITIE on our responsive repairs and voids contract with Milton Keynes Council won the Contractors Tenant Liaison Officer of the Year award at the Connecting People Awards (Southern Region) final. Kelly, who has worked with MITIE for a little over two and a half years, received the award for her hard work and passion in providing a great service to her tenants. Kelly is responsible for liaising with tenants in 12,000 homes over a widespread geographic area. She plays a key role in the lives of many tenants and is a listening ear if there is anything that they are unsure about. MITIE is very proud of what Kelly has achieved and is committed to providing this same level of service that Kelly has been recognised for, throughout our social housing contracts.

Telereal Trillium

Think

A key objective of the project was to ensure that the absolute minimum amount of waste was sent to landfill. An extensive consultation exercise enabled us to establish a number of opportunities to re-use and recycle a broad range of materials resulting in us achieving a recycling rate for the project of more than 99%. With the building fully occupied throughout, we also carried out extensive planning in order to refurbish the building with minimal disruption to tenants. We were able to create extra space and improved lighting on the main office floor by removing the screed flooring to maximise floor to ceiling height and by introducing 26 roof lights to ensure the maximum amount of daylight is achieved. Each roof light was equipped with electric solar controlled blinds to reduce heat gain and solar glare.

Manage

Our management of the project has not only led to us delivering a tailor-made service to satisfy all our clients' requirements, but also resulted in the project consistently achieving a score in excess of 35 out of 40 in the Considerate Contractors Scheme. Removing the screed flooring from the main office floor meant that we had to remove 520 tonnes of screed with pneumatic breakers with a noise window of only two and a half hours a day.

Deliver

Work included a full strip out of both the reception and the main office floor areas to create better working conditions. We transformed the reception area to reflect the client's corporate image. This included the installation of new reception desks, marble flooring and audiovisual equipment.

David O'Sullivan
Senior Projects Manager, Telereal Trillium

We have recently completed the 111,000 sq ft refurbishment of 236 Gray's Inn Road, London, for Telereal Trillium, one of MITIE's largest customers.

Business review
Operating review

Val Bagnell
Executive Director, Sentinel Housing Association

MITIE has recently been awarded a new five-year asset management contract with Sentinel Housing Association, the largest local housing association in North Hampshire.

Sentinel Housing Association

Think

In line with Sentinel's customer objectives, we have questioned and challenged our overall approach to ensure all customers receive a prompt and efficient service that offers real benefits. We have worked with Sentinel to undertake value engineering workshops to streamline key service processes. One example of this is the introduction of the repair time allocation system. Working with Sentinel, we devised a system that detailed the different types of repairs and the average time it takes to complete the job. It also included the operatives available for the repair along with their trade expertise. This system has enabled the customer service centre to predict the time it takes to complete the repairs as well as making sure the right person is allocated to the right job. As a result, Sentinel's customers benefit from a direct appointments system and a more efficient and cost-effective repairs service.

Manage

We understand the importance of reducing the turnaround times for empty houses in order to save costs for our clients and increase the number of available homes. We have worked with Sentinel to rationalise workflow to avoid duplication and waste by adopting 'lean thinking' methods. By managing the voids process as a whole, and communicating with all parties concerned we can reduce the time wasted before and after our involvement. As a result, we have significantly reduced the key to key turnaround time for void properties.

Deliver

MITIE now repairs and maintains more than 7,300 homes in the North Hampshire area for Sentinel and will be delivering Decent Homes, planned works and gas servicing over the next five years. By employing local people, we help to create sustainable communities and pride ourselves on providing better standards of living for our customers.

Our work in the social housing sector includes response, repair, cyclical maintenance and Decent Homes contracts. Our principal focus within the sector is to secure repair and maintenance works, which provide better long-term opportunities. However, we have also been successful in securing a number of new Decent Homes contracts during the year as we have seen an increasing number of opportunities, with funding being released by the government in order to try to accelerate the progress of the Decent Homes programme to meet the government's target to upgrade 3.6m homes in the UK.

Amongst the new repairs and maintenance work secured during the year, we will be providing day-to-day responsive repairs to 6,500 properties throughout Hampshire, Wiltshire and Berkshire in a four-year contract with Wessex Housing Partnership with a total value of £9.2m. We have also signed a contract with Origin Housing Group, valued at £7.2m over four years, to deliver a responsive repairs, voids and adaptations service to the tenants of 5,300 homes across North London and the Home Counties. In North Hampshire, we have renewed and expanded our repairs and maintenance contract with Sentinel Housing Association. The contract, valued at £50.0m over five years started, in April 2009 and will see us delivering services to 7,300 homes. We have also been successful in securing a five-year painting contract with Gloucester City Homes valued at £3.0m, which will involve painting the outside of all 4,700 of the organisation's homes as well as communal areas in a number of buildings. In Essex, we successfully achieved a contract extension from Thurrock Council to paint an additional 2,600 of their properties.

Decent Homes projects secured during the year include a five-year contract with Bracknell Forest Homes, which has a total value of £17.5m. This newly formed not-for-profit housing association owns and manages 5,600 ex-council properties and the contract will see us fitting new kitchens and bathrooms in half of these homes as well as carrying out electrical work. We have secured an £8.0m Decent Homes contract with Redbridge Homes to replace kitchens, bathrooms, heating and electrics in approximately 1,200 homes.

We have also entered into a five-year, £12.5m Decent Homes agreement with Knightstone Housing Association. We will be replacing kitchens, bathrooms, windows, doors and central heating in approximately 3,000 Knightstone homes across the South and West of England. In Liverpool, we secured a framework contract to deliver Decent Homes works to Liverpool Mutual Homes where MITIE is one of eight partners who will be allowed to bid for £350.0m of improvement works over the next four years.

Within the government sector, we secured a £9.0m, three-year contract with Walsall Council to deliver response and planned maintenance to civic buildings across the borough. The contract will involve working at about 800 properties in Walsall including schools, leisure centres, libraries, museums and other council-owned buildings, and will see us engaging the local supply chain from the outset.

Earlier in the year, we succeeded in securing several new fit-out projects within the finance and professional sector. These include a £2.0m refurbishment project for Scottish Widows at 24 Hanover Square. The project included upgrading the building's infrastructure and refurbishing all seven floors of the building. The work included installing new power, data and heating and cooling systems, updating the core areas with new lavatories and installing a new lift as well as carrying out decoration and floor finishes throughout. We also secured a £3.0m interior fit-out contract with FirstRand Bank, which will see us fitting out their newly consolidated London office. This involves transforming 27,000 sq ft of the building, which includes creating a new client reception area, as well as fitting out meeting, conference and breakout areas.

As expected, we have experienced a slow down in some niche areas of Property Management during the year. This has affected both our plumbing and heating work with new-build housing projects and our interior fit-out work within the private sector. Our exposure to both these areas is minimal and in the second half of the year, we have focused on deploying these transferable skills into public sector work.

Dudley Council
As a partner to Dudley Council delivering a cyclical interior and exterior painting programme to help improve its 23,000 properties, MITIE has enabled maximum efficiency and use of resources for our customer by combining interior works programmes with exterior, focusing on exterior painting from March to December, and concentrating our resources on interior painting programmes between December and March. Dudley Council receives a service that doesn't peak or trough, and what's more, tenants benefit from improved scheduling and a better consultation process. Both MITIE and Dudley Council share office accommodation, and the success of delivering our service from a joint working environment has justified our client's decision to invest in similar shared arrangements on all of its other partnering contracts. Even better, our work won a 'very highly commended' award from the Painting and Decorating Association, which speaks volumes about what we do.

Business review
Operating review

Asset Management

Our Asset Management division provides the integration, management and maintenance of technical assets to meet the demands of the low-carbon economy including; energy design, generation and certification, infrastructure projects, building services and mechanical and electrical engineering. On 1 April 2009, our Engineering Maintenance business was combined with Asset Management to further enhance our market proposition in this area.

The Asset Management division continued its transition to a new business model with a lower risk work mix, resulting in an expected drop in revenue for the year of 6.4% to £281.8m (2008: £301.1m). Operating profit for the division increased by 1.2% to £8.4m (2008: £8.3m) and operating margins grew by 0.2% to 3.0% (2008: 2.8%).

Results summary

Asset Management	2009 £m	2008 £m	Change %
Revenue	**281.8**	301.1	–6.4
Operating profit before amortisation	**8.4**	8.3	+1.2
Operating margin	**3.0%**	2.8%	+0.2

Asset Management has continued to evolve its business during the year to meet the changing requirements of our clients as they respond to government legislation on energy generation and carbon output. Energy performance and efficiency are now evaluated on a different set of criteria and we are working with many clients to achieve demanding new objectives.

Within this context of accelerating change, we have made significant progress towards our aim of building more long-term partnerships with our clients. Public and private sector organisations alike are incorporating the drive to reduce energy consumption within their strategic plans for upgrading their estates, regardless of the economic environment. Framework agreements already in place are yielding substantial benefits for our clients and for MITIE, and valuable new business contracts have been secured during the year. Our order book has decreased slightly to £0.2bn (2008: £0.3bn).

Organisations that support large estates are turning to us for our knowledge and expertise to help them mitigate the impact of legislation and comply with measures such as the Carbon Reduction Commitment, while optimising efficiency and returns on investment. Our strength here is being able to approach the project holistically, from establishing the right energy procurement mix to designing and integrating the electrical and mechanical equipment.

Asset Management operates broadly across public and private sector markets, ensuring a secure business base in uncertain economic times.

The public sector market has remained strong and focused primarily on health and education. In the healthcare sector, we are helping our clients reduce costs, direct more resources into their core clinical and welfare objectives and work towards wider NHS efficiency targets.

We provided Guy's and St Thomas' Hospital with two embedded generation systems that will generate significant savings by enabling electricity to be produced on-site, while using the waste heat for space heating and hot water. It will also reduce the hospital's dependence on traditional forms of energy supply.

During the year we have provided further support on the enabling works for the 10-year redevelopment at Great Ormond Street Hospital. Again, we have demonstrated our effectiveness in providing operational continuity in mission critical situations. In this fully occupied site, meticulous planning and proactive communications are essential, to ensure minimum disruption to patients and staff and complete resilience for clinical activities. Our experience of working in live environments has ensured that each section of the enabling works has been successfully achieved to tight timescales.

University Campus Suffolk
MITIE has engineered a new-build state-of-the-art energy efficient building for University Campus Suffolk. The design provides energy cost savings for the client by minimising the energy footprint of the building utilising a combination of technologies including low energy cooling systems, intelligent lighting and a heat recovery system. MITIE was instrumental in ensuring the design concept was developed to a successful outcome and working with the architects and other contractors, delivered the building in time for the new 2008 university intake against a very challenging programme. The building was awarded an 'excellent' rating by BREEAM (Building Research Establishment's Environmental Assessment Method), the leading and most widely used environmental assessment method for buildings.

University of Plymouth

Think

MITIE has been working closely with the University of Plymouth for over five years, developing a real understanding of the unique set of pressures, influences and needs that face the higher education market. With all the projects that we undertake we get involved with the design teams at an early stage in order to provide our engineering expertise and a different perspective when looking at the design strategy.

Manage

Recognising the importance of working as part of an integrated team, we have established strong relationships with the learning facilities and estates Departments, other university staff, main contractors and consultants making us a trusted and reliable source of expertise. Our professionalism and commitment to finish each project on time and to budget has ensured that the relationship with the University of Plymouth has gone from strength to strength with benefits of our ongoing relationship resulting in quicker response times, knowledge of university procedures and better integration with all members of the team.

Deliver

To date, MITIE has managed 17 projects for the University in the last eight years with a total value of more than £20.0m. Our work for the University has included heating, lighting, air conditioning, cabling, wiring and other mechanical and electrical works. Projects have included work on residential units and academic buildings including the University's striking Roland Levinsky building.

MITIE's strong relationship with the University of Plymouth has delivered numerous benefits to the University's ongoing improvement programme.

Chris Bunce
Deputy Director of Learning Facilities, University of Plymouth

Business review
Operating review

Great Ormond Street Hospital (GOSH)

Think
In this fully occupied site, MITIE has demonstrated its effectiveness in providing operational continuity in mission critical situations. Meticulous planning and proactive communications have been essential to ensure minimum disruption to patients and staff and complete resilience for clinical activities. Our experience of working in live environments has ensured that each section of the projects that we have undertaken has been successfully achieved to tight timescales.

Manage
Working at height, the projects have involved large crane lifts of heavy equipment into and out of the centre of the site, and MITIE has worked closely with the GOSH Estates department and the hospital's project consultants to minimise the impact of these and all other activities on the daily operation of the hospital.

Deliver
The engineering projects that MITIE has delivered to GOSH include chiller replacements, infrastructure works and other work totalling more than £6.2m. Added to this, MITIE also provides the cleaning in the hospital and event services within the hospital's roof garden.

MITIE provides a range of services to Great Ormond Street Hospital including engineering projects helping with the £320.0m phase 2 of the hospital's redevelopment.

Graham Mills
Estates Director, Great Ormond Street Hospital

Sainsbury's
MITIE has helped Sainsbury's to pilot new ways to reduce the retailer's carbon footprint at its new store on the outskirts of Dartmouth by installing two quiet revolution wind turbines that will provide renewable energy that will be used on-site. The store has been specifically designed to reduce the amount of CO_2 emitted into the atmosphere and it is expected to save about a third on its energy bills.

In the education sector, we are working with schools, colleges and universities to upgrade existing facilities and develop new ones. Two of our projects, at University Campus Suffolk and Penryn College in Cornwall, have been awarded an Excellent BREEAM rating – the world's most widely used environmental assessment method for buildings. The technologies deployed to achieve this include biomass boilers, solar hot water collection, rainwater recovery and wind turbines. At Barnet College, a ground-source system is now bringing natural heat from 100 metres below the earth's surface. Under our ongoing framework agreement with the University of Plymouth, three prestigious new buildings were completed in 2008, two of them general academic buildings and the third an accommodation block, together with substantial refurbishment works.

We continued to undertake a large amount of work in the government sector. Debut, Regional Prime Contractor in the South West for Defence Estates, has responsibility for the delivery of novel and complex capital works projects through their supply chain partner. We have been working under this framework agreement for over five years and continue to undertake a variety of large projects characterised by highly collaborative methods and a pricing structure that provides certainty for each project for all concerned.

The private sector market has been affected by the economic downturn but, despite this, MITIE has continued to develop its business. Property owners and occupiers, driven by changing legislation, are focusing on the need to develop new models for managing their estates and on ways to redirect capital expenditure away from non-core activities. We are providing innovative solutions that will deliver greater returns on investment through major gains in efficiency that will also meet government targets on energy and carbon.

At 200 Aldersgate, a challenging City site comprising two linked blocks on a major roundabout at the end of London Wall, we are providing infrastructure refurbishment, Category A fit-out and the replacement of 19 separate plant areas.

This year we have undertaken further work in the finance and professional sector for Standard Life Investments, a client that MITIE works with across all three divisions. In planning their new office in Guildford, the company employed us to develop a bespoke energy solution that would meet government legislation that at least 10% of all new buildings' energy should come from renewable sources. We evaluated the potential of numerous technologies to achieve the necessary compliance, optimise efficiency and provide a sensible pay back period within the life cycle model. The ground-source system we specified delivers substantial savings against a traditional system of a similar scale.

In technology and infrastructure, we have extended into framework agreements with several major banking institutions and continue to work with data centre owners and operators within the technology and communications sector. Some of our projects involve providing huge amounts of resilient power and cooling to data centre spaces, for clients including Global Switch. The work we undertake is targeted at increasing the effective use of power and providing continuity and stability for critical data systems in the most efficient and sustainable way.

Our work with EDF Energy in the utilities sector has successfully demonstrated our expertise in the management of energy. MITIE has established a strategic partnership with EDF Energy, one of the UK's largest energy companies, to assist them in developing embedded, on-site electricity generation schemes to meet the obligations of the Carbon Emissions Reduction Target (CERT). This came into effect in April 2008 and requires suppliers to help redirect energy generation away from national networks to local schemes. In addition, we extended our involvement in the provision of efficient energy generation by securing a partnership to distribute and deploy Proven wind turbines.

Business review
Financial review

MITIE has delivered another set of strong results for the year, building on our 21-year track record of growth. Our business model continues to show resilience despite economic uncertainties and our earnings continue to be backed by solid cash flows and good future visibility.

Key performance indicators (KPIs)

MITIE is committed to delivering sustainable profitable growth which consistently delivers stakeholder value. Our results have reflected this through year-on-year growth in revenues, earnings and dividends over a 21-year period and our strategy is geared to ensure this continues.

We have carefully selected our financial KPIs to ensure that the overall financial performance of the Group is measured, reported and aligned to our strategy. Our financial KPIs focus on the level and quality of our earnings and cash flows, the control of capital expenditure and the sustainability of dividends. The Group has performed strongly against these measures during this and previous years and we are satisfied that the historic trends in our KPI performance demonstrate our continued commitment to a profitable and sustainable business model.

We are pleased to report another year of double-digit earnings and dividend growth.

	2009 £m	2008 £m	Increase %
Revenue	**1,521.9**	1,407.2	8.2
Operating profit before acquisition related amortisation	**80.5**	72.2	11.5
Amortisation of acquisition related intangible assets	**(1.9)**	(1.9)	
Operating profit	**78.6**	70.3	11.8
Net investment revenue and finance costs	**(2.7)**	(2.4)	
Profit before tax	**75.9**	67.9	11.8
Tax	**(21.5)**	(20.6)	
Profit after tax	**54.4**	47.3	15.0
Effective tax rate	**28.3%**	30.3%	
Basic EPS before other items*	**17.2p**	14.9p	15.4
Basic EPS	**16.7p**	14.3p	16.8
Dividend per share	**6.9p**	6.0p	15.0

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

Sustainable profitable growth

Revenue for the year ended 31 March 2009 increased by 8.2% to £1,521.9m. Our revenue streams are supported by a diverse portfolio of clients, exposure to a wide industry sector base and supported by a strong order book which now stands at £4.9bn. Looking forward, revenue for the year ended 31 March 2010 is now 74% secured (2008: 78%).

Operating profit before amortisation of acquisition related intangible assets (EBITA) increased by 11.5% to £80.5m (2008: £72.2m). We monitor and manage EBITA profit margins for the Group as one of our financial KPIs and are pleased to report an increase in the Group's EBITA margin to 5.3% (2008: 5.1%) in the year. This reflects the strengthening of margins in Property Management to 6.0% (2008: 5.3%) and Asset Management to 3.0% (2008: 2.8%) offset by a small reduction in Facilities Management to 5.8% (2008: 6.0%) where we have enhanced investment in our business development capabilities in that area.

The charge in respect of the amortisation of intangible assets arising on acquisitions remains consistent with the prior year at £1.9m (2008: £1.9m) reflecting the absence of acquisitions in the year. Operating profit after the amortisation of intangibles relating to acquisitions was £78.6m (2008: £70.3m).

Investment and finance charges for the year increased to £2.7m (2008: £2.4m). This charge includes the non-cash finance charges of £0.6m (2008: £0.8m) relating to the unwinding of the discounted deferred contingent consideration in respect of acquisitions made in prior years and £0.6m (2008: nil) in respect of the mark to market of three callable interest rate swaps. Excluding the non-cash finance charges, investment and finance charges for the year reduced to £1.5m (2008: £1.6m).

The tax charge for the year was £21.5m (2008: £20.6m) representing an effective rate of tax on our profit on continuing operations of 28.3% (2008: 30.3%).

These results generated profit after tax for the year of £54.4m (2008: £47.3m), an increase of 15.0% on the prior year. After minority interest charges of £1.3m (2008: £2.3m), £53.1m (2008: £45.0m) is attributable to the shareholders of MITIE Group PLC.

Cash flow and liquidity

The underlying cash performance of the Group remains excellent and is a key focus area for our financial and operational teams around the Group.

The conversion of EBITDA to cash is a financial KPI for the Group. In the year ended 31 March 2009, we converted 97.5% of our EBITDA to cash (2008: 90.3%), continuing our track record of consistently achieving our KPI target level of 90%.

Strong operating cash of £94.4m, up 20.7% on the prior year has helped to reduce our net debt. At 31 March 2009, we had no net debt (2008: £15.6m), and instead held net funds of £10.9m comprising cash balances of £28.5m (2008: £42.6m), loans of £10.0m (2008: £50.0m) and loan notes and obligations under finance leases of £7.6m (2008: £8.2m). Deposits held by our captive reinsurance company which are not readily available to the Group but are included in our cash balance totalled £7.3m (2008: £12.4m) at 31 March 2009.

The Group's committed banking facility, which expires in January 2012, remains unchanged from the prior year end at £230.0m. The principal covenants in respect of this facility require that the maximum level of debt must not exceed 3.5 times EBITDA and that the minimum profit to interest cover ratio for the Group is 3:1. The Group has operated within these covenants throughout the year.
The average borrowing rate on drawn funds under the facility during the year was LIBOR + 40 basis points. Our overdraft facilities total £35.0m (2008: £40.0m).

Stakeholder value

Our track record of delivering stakeholder value through earnings and dividend growth continued this year with basic EPS before other items increasing by 15.4% to 17.2p per share (2008: 14.9p per share). Basic EPS before acquisition-related amortisation increased by 16.3% to 17.1p per share (2008: 14.7p per share) while basic EPS was 16.7p per share (2008: 14.3p per share), an increase of 16.8%. Our fully diluted basic EPS measure rose to 16.5p per share (2008: 14.1p per share).

Our basic EPS result continues to support our commitment to dividend growth in line with our adjusted earnings per Ordinary share after excluding other items. This policy ensures that our dividends continue to track our underlying earnings and are not distorted by non-cash accounting adjustments relating to amortisation and imputed finance charges arising from acquisitions. This has resulted in a full year dividend of 6.9p per share (2008: 6.0p per share), an increase of 15.0% for the year and reflects a dividend cover of 2.5 times on our adjusted EPS measure. Our final dividend for the year ended 31 March 2009 will be paid, subject to shareholder approval, on 7 August 2009 to shareholders on the register as at 10 July 2009.

Pensions

The strength of our balance sheet and hence our future financial stability is supported further by the strength of our pension scheme funding despite the significant recent decline in pension asset values. This places the Group in a position of strength in the market. During the year, we completed the triennial valuation of the Group's own defined benefit pension scheme which was scheduled to take place as at 31 March 2008. No material actuarial surplus or deficit arose on the completion of this valuation.

Business review
Financial review

The net position of all the pension schemes included on the Group's balance sheet is a small net deficit of £0.4m (2008: £7.5m surplus). The main MITIE Group defined benefit scheme continued to show a small surplus of £3.0m (2008: £9.9m).

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 and other arrangements in respect of certain employees who have transferred to the Group under TUPE. The Group's defined benefit pension obligations in respect of schemes in which the Group is committed to funding amounted to £3.4m (2008: £2.4m).

Employee incentivisation

MITIE is a people business and it is essential that we continue to offer structures that allow our management teams to participate in the success of the Group which in turn delivers value to our stakeholders. The opportunity for certain of our management teams to own an equity stake in some of our subsidiary businesses has been key to the success of the Group.

This year we elected to acquire some or all of the minority interests in the equity share capital of seven of our subsidiaries. The total maximum consideration payable in respect of these acquisitions is £13.3m, being satisfied by £0.9m in cash and £10.0m by the issue of 4.6 million new 2.5p Ordinary shares valued at 218.75p per share. The balance of £2.4m of the consideration is deferred and will be paid in new MITIE shares by 30 September 2010 subject to the attainment of specified profit targets by the relevant companies in the financial years to 31 March 2010.

In addition, we settled deferred consideration totalling £0.5m in respect of the acquisition last year of part of the minority shareholdings in MITIE Technology & Infrastructure Limited which was satisfied by the issue of 0.2 million new MITIE shares. £0.7m of deferred consideration in respect of the purchase last year of Catering Partnership Holdings Limited was settled in cash. During the year £1.2m of loan notes in respect of the acquisition of MITIE Pest Control Limited (formerly Eagle Pest Control Services UK Limited) were also redeemed.

Summary

MITIE has delivered another set of strong results for the year, building on our 21-year track record of growth. Our business model continues to show resilience despite economic uncertainties and our earnings continue to be backed by solid cash flows and good future visibility.

We retain our focus on growth going forward, and will utilise our financial strength to support that growth objective be it acquisitive, organic or through the use of our start-up model. Overall, our balance sheet is strong, and with low gearing and committed facilities we have a sound platform for future sustainable profitable growth.

Suzanne Baxter
Group Finance Director

Business review
Corporate responsibility

Despite the challenging global economic situation, our commitment to Corporate Responsibility (CR) remains undiminished and undeterred. CR is a key differentiator for us and our commitment to, and delivery of, our CR strategy makes sound business sense. Our CR programme contributes to our ability to sustain our growth in the future as clients look to do business with responsible, like-minded organisations.

Think
Our Corporate Responsibility strategy is fully integrated into our long-term mission to responsibly deliver quality services, opportunity for our people and sustainable growth.

Manage
Our CR activities draw on professionals from across the whole MITIE Group with a diverse range of skills, qualifications and experience. Together they bring a wealth of good ideas on how we can act responsibly, and deliver effectively to our stakeholders.

Deliver
It's everyone at MITIE's responsibility to support and contribute to MITIE's CR objectives; working hard to improve their surroundings, and upholding our reputation as a world-class business delivering world-class services.

Key CR (Social, Economic, Ethical and Environmental) Business Risks and Opportunities

Key CR issues	Business impact	MITIE action
Social Issues – community investment – Shortage of funds for community infrastructure development	A decrease in public investment levels could impact business opportunities.	– Employee volunteering in community projects. – Employee pro-bono professional support. – In-kind donations of equipment and vehicles. – Employee fundraising for charities.
Economic Issues – barriers to employment – Insufficient skill levels – Educational under-achievement – Low aspiration levels	Potential challenges in recruiting high calibre employees due to low literacy, numeracy and employability skill levels in some area.	– Skills Pledge 'skills for life' literacy and numeracy training. – Comprehensive learning and development programme. – Construction Skills Centres and Real Apprentice programme.
Ethical issues – business practice – Ethical procurement within supply chain – Ethical business relationships	Potential damage to MITIE's reputation affecting business if MITIE's supply chain partners are perceived to be operating unethically.	– Ethical Business Practice Policy compliance. – Prequalification procedures and CR audits of suppliers undertaken.
Environmental issues – carbon footprint – Reduce energy consumption and waste – Increase recycling	Reducing carbon footprint should reduce costs and impact of volatile energy prices.	– Significant internal capacity utilised to measure, monitor and manage carbon footprint. – Investment in IT solutions reducing travel dependency. – Increased recycling facilities. – Company vehicle carbon cap and improved fuel procurement reducing transport related costs and emissions.

Business review
Corporate responsibility

MITIE Group PLC endorses the Business for Social Responsibility definition of Corporate Responsibility as; 'achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment.' The national recognition we have received and the numerous achievement awards we have won to date demonstrate our commitment to implementing CR.

Stakeholder engagement is central to our CR practices; motivating and rewarding our people, working with clients, developing a responsible and profitable business for investors, and interacting with local communities.

We are proud of our public profile in CR and are particularly pleased to have increased our score of 81.5% and retained our Silver status in the Business in the Community (BitC)/Financial Times Companies that Count index. We are pleased to announce that our Real Apprentice scheme and Construction Skills Centres have also been reaccredited in The BitC Big Tick Awards for Excellence 2009. Our 2009 report on CR activities has been published and is available on our website at www.mitie.co.uk.

The key CR (social, economic, ethical and environmental) business risks and the material impact that these may have on the business have been identified and assessed. MITIE has carefully considered these risks and has realised opportunities and implemented initiatives to mitigate them.

Corporate Responsibility report 2009
Our annual Corporate Responsibility report gives a comprehensive overview of our CR approach, performance and targets. To order a copy or download a PDF version, please visit:
www.mitie.co.uk/cr

Health and safety

We recognise that for effective management of health and safety to occur throughout MITIE, ownership and engagement begins at the highest level. Responsibility for health and safety is led at main board level by Ruby McGregor-Smith, Chief Executive. Ruby is supported by the management team of each business, MITIE's Head of Health, Safety and Environment (HSE), and a network of experienced and dedicated HSE professionals.

During the year we commenced the first phase of a health and safety leadership programme aimed at enhancing the knowledge of MITIE's senior managers in modern health and safety risk management. The first phase of the programme was targeted at the operating board of each MITIE business. 117 senior managers have since taken part in the workshops; actively participating and committing to an improved re-focus on risk management. Our significant investment of time and resource in this area is a demonstration of our commitment to achieving continual improvement in health and safety management.

Effective management systems

We are wholly committed to improving our health and safety performance via a management system approach. To this end it is a requirement for every MITIE business to be certified to the internationally recognised standard for health and safety management systems – OHSAS 18001. During the year, our Property Management division achieved certification in full to OHSAS 18001 and, in addition, two newly acquired businesses (one in Property Management, the other in our catering business) were subject to a rigorous integration programme into the health and safety management system. Both new businesses achieved certification to OHSAS 18001 during April 2009. We are happy to report that 98% of MITIE businesses have now achieved 18001 certification.

We are pleased to have retained our Silver status in the BitC/Financial Times Companies that Count index with a score of 81.5%.

Health and Safety training

At MITIE our people are our greatest asset, and as such we place the highest priority in ensuring our people have the right competencies to carry out their work safely. We have developed a prioritised approach to managing health and safety risks, with significant training focus and resource directed at key risks to the business, such as work at height, occupational road risk, slips and trips and manual handling. Our formal training programmes in support of these areas continued during the year, with the following training achievements:

Course	2009	2008
Health and Safety Leadership	117	–
IOSH Managing Safely	390	297
Managing Work at Height	423	138

People

MITIE is dedicated to implementing a comprehensive and proactive Human Resources strategy with policies to ensure that all employees are treated equally, fairly and in a responsible manner. We're committed to providing an environment that enables our people to reach their full potential.

Employee development and training is essential for us to maintain our competitive edge in our challenging market sectors. We offer a comprehensive range of career and personal development programmes. During the year we spent over £3.4m on training courses providing over 35,000 delegate days across 445 different courses. Our training centre at Frimley Green, Surrey was used on 200 days during the same period, hosting training courses and meetings for over 2,600 people including six Corporate Responsibility Awareness seminars.

Skills Pledge

In our Corporate Responsibility report 2008 we reported our commitment to the UK Government's Skills Pledge. Over the past year we've established a dedicated Skills Pledge team drawing on the knowledge and expertise of our HR, Training, and Communications specialists from across MITIE. The team has developed the framework, established the relationships, and implemented the policies to offer our people some excellent learning and development opportunities.

MITIE's Facilities Management division is the first to implement the Skills Pledge. Working in conjunction with our delivery partner Jigsaw Training, we now offer our people a number of Skills for Life courses to help them brush up on their Maths and English skills, as well as access to National vocational qualifications (NVQs) and apprenticeships.

Our challenging target is to deliver 8,700 National Vocational Qualifications by 2012. This investment will enable us to have a better skilled and qualified workforce, bringing tangible business benefits and competitive advantage as well as enhancing the literacy, numeracy and employability potential of our people.

Talent management

Our award-winning Real Apprentice Scheme is now in its fourth year and has recently been reaccredited in the BitC Awards for Excellence 2009. In the last four years, the scheme has also won the 2006 Premises and Facilities Management (PFM) Partners with People Award and the Greater London Training Award. In particular, we're very proud that four of the original seven apprentices who joined MITIE following the pilot scheme in 2005 are still with us today.

The Real Apprentice scheme has an 80% retention rate after six months' employment. The 77th apprentice to successfully complete the programme has recently been offered a full-time job with us. The East London Business Alliance now cites the scheme as a blueprint for other employers to follow and has rolled out Real Apprentice programmes with ten other employers across three East London boroughs.

MITIE respects the rights of its people and those of our supply chain partners by endorsing the tenets of the International Labour Organisation Declaration on Fundamental Principles and Rights at Work and the Ethical Trading Initiative 'Base Code'. Our investment and commitment to equality and diversity has increased significantly during the past year and will continue to develop as we implement new initiatives and training opportunities to support our people.

Service delivery

MITIE is committed to proactively developing mutually beneficial trading relationships and promoting corporate responsibility with our commercial stakeholders, based upon a foundation of trust and co-operation.

In 2007, we established a Supplier Improvement Programme to ensure that our significant suppliers are aligned with our CR principles and are accountable for their own supply chains. The supplier improvement programme includes CR audit reviews of significant suppliers undertaken by professionals from our Sustainable Procurement Forum. This has proven to be invaluable in sharing best practice and also in identifying areas where room for further improvement can be made.

MITIE's Sustainable Procurement Forum was established to:

- Adopt and share best practice purchasing and supply standards;
- Develop mutually beneficial collaborative trading relationships; and
- Promote sustainable and ethical trading practices.

Our clients expect us to be able to demonstrate high levels of CR performance and because of our commitment to CR, we are able to respond positively to their increasingly tougher prequalification and tender requirements. We also utilise our considerable environmental experience and capabilities by providing sustainability related guidance for our clients, helping them to reduce their carbon footprint.

Business review
Corporate responsibility

Environment

We are aware of the impact that our business operations may have on the natural environment and we endeavour to minimise and mitigate such effects where possible by utilising environmentally benign materials and practices. We respect our environment and share best practice with all of our stakeholders as we strive to achieve our environmental targets.

Vehicle fleet management

Between April 2008 and March 2009 we have purchased 150 low CO_2, emission, fuel efficient vehicles as part of our vehicle replacement programme – helping to decrease the impact on the environment. We have achieved our aim to reduce our average vehicle fleet CO_2 to below 160 CO_2 g/km. Our fleet average emissions for 2009 are nearly 4% lower at 154 CO_2 g/km.

This has seen a reduction of around 14% in CO_2 emissions compared to the vehicles they replaced.

We will continue to reduce the average vehicle fleet CO_2 emissions by purchasing another 100 low emission vehicles as part of our replacement programme and by investing in on-board telematic tracker systems.

We constantly seek to improve the environmental performance of our vehicle fleet by investigating alternative fuels and lower emission engine types.

Vehicle fleet fuel consumption accounts for around 90% of our CO_2 emissions and improvements in fleet management to reduce this impact have been prioritised with immediate improvements realised. New fleet vehicles purchased have the latest Euro V compliant engines and lower emissions ratings. Changes to fuel procurement, the introduction of car sharing schemes and the installation of telematic vehicle trackers to optimise travel distances have reduced fuel consumption and emissions.

During the year we also made further investments in telephone and video conferencing facilities to help reduce business related travel.

Sustainability strategy

MITIE is a member of the Renewable Energy Certification Scheme, British Wind Energy Association and have Building Research Establishments (BRE) micro-regeneration accreditation.

We have significant sustainability expertise at every level of our organisation which is demonstrated in the comprehensive range of services offered to our clients. This expertise and experience is underpinned by formal academic qualifications and professional chartered status of many of its key people. MITIE provides continuing professional development opportunities to its people to enhance their potential. We currently have 12 qualified Low Carbon Energy assessors and 21 going through the CIBSE approved training process to become qualified Energy Assessors/Low Carbon Consultants to enable them to inspect buildings and authorise them to issue Energy Performance Certificates and Display of Energy Certificates.

Key Performance Indicators

	Unit	**2009**	2008	Change %
Total revenue	£m	**1,521.9**	1,407.2	+8.2
Average number of employees	No.	**50,054**	47,959	+4.4
Total CO_2 emissions	Tonnes^e	**32,280**	30,627	+5.4
Normalised CO_2 emissions per employee	Tonnes^e	**0.64**	0.64	–
Normalised CO_2 emissions per £m revenue	Tonnes^e	**21.2**	21.8	–2.7

CO_2 equivalent emissions were calculated using DEFRA conversion factors.

MITIE has increased revenue by 8.2% and employed 4.4% more people over the previous financial reporting period. CO_2 emissions have increased by 5.4% – whilst normalised emissions per employee have been maintained and normalised emissions per £m revenue have decreased by 2.7%.

Community

MITIE's community investment strategy is not simply about making financial donations to causes and charities. We pride ourselves on committing our time, resources and specialist skills to supporting the communities we serve. In return we create long-term relationships with future MITIE clients, suppliers and employees.

At the cornerstone of MITIE's community investment strategy is our extensive volunteering programme. During the year professionals from every level of MITIE participated in seven World of Work days across the UK. The days are a great way to share our experiences, knowledge and offer advice to the bright young minds of the future, all while raising the profile of our business and promoting career opportunities with MITIE to people from a diverse range of backgrounds.

During the year our people participated in seven World of Work events at schools throughout the UK; a number of schools, including Stoke Newington School, are home to MITIE's Constructions Skills Centres where we offer vocational training to pupils. "MITIE's volunteers always go above and beyond the call of duty. The pupils find their passion infectious and they play an integral role in showing them that there is a whole world of jobs out there for the taking", Les Prior, Work Related Learning Project Officer, Ealing and Hillingdon Education Business Partnership.

Research underpins our own experiences that clear business benefits result from employee supported volunteer programmes. Clients increasingly expect their suppliers to 'add value' above and beyond their contracted service commitments and our community investment programme is clearly able to demonstrate that we do this.

In total, we spent 458 days on volunteering projects during the year.

Construction Skills Centres

MITIE's Construction Skills Centres at seven schools throughout the UK are providing craft skills and vocational education to about 500 students each year – significantly improving their employment prospects. We were proud to host a 'Seeing is Believing' visit at our Skills Centre at Castle Vale School, Birmingham in 2008. This event demonstrated the value of employer engagement and helped to increase understanding of social issues among business leaders and educationalists.

The Skills Centre visit inspired action by encouraging other business leaders to work together to address serious issues facing society such as skills shortages and low aspiration levels. Our example was commended by HRH Prince Charles at St. James Palace in February 2009.

We feel our direction echoes the BitC statement: 'Education, employability and economic renewal are serious issues across the UK which impact on both business and society. They need to be top of the corporate agenda – it's never been more important'.

Community Investment

	Unit	2009	2008	Change %
Total Community investment	£k	**603.7**	592.1	+2.0
Profit before tax	£m	**75.9**	67.9	+11.8
Total Community investment as % of profit before tax	%	**0.80**	0.87	–0.07
Donations to charity and community projects	£k	**184.0**	151.2	+21.7
Match-funded cash donations to charities	£k	**21.1**	13.4	+57.5
Value of employee time volunteered	£k	**103.2**	102.9	+0.3
Value of gifts in-kind donations	£k	**200.9**	211.1	–4.8
Community affairs management costs	£k	**94.5**	113.5	–16.8
Political donations – it is not MITIE's policy to contribute political donations.				

MITIE's community investment increased by £11.6k (2.0%) compared to the previous reporting period. For clarity and accountability purposes we have reported separately the value of 'gifts in-kind' and 'expenses and leveraged funds'. Increased donations to charities (21.7%) and match-funding (57.5%) respectively are the most notable differences reported for this period.

Our actions speak louder than words and we're committed to embedding our corporate responsibilities into everyday operations, policies, procedures and practices, while remaining true to the core MITIE value that defines the business: providing opportunities for people to develop to their full potential.

Directors' and governance report

Introduction

The Directors submit their report together with the audited consolidated financial statements of the MITIE group of companies (Group) for the year ended 31 March 2009. The Directors' and governance report is comprised of the Directors' report, the corporate governance report, the report of the Audit Committee, the Directors' responsibility statement, all other parts of this Annual Report and Accounts and those documents that are referred to within this report and are available at www. mitie.co.uk/investors_corporate-governance.

Compliance with the Code

The Board recognises that the manner in which the Group is governed is critical to the long-term success of the business and is committed to the principles of corporate governance, for which the Board is accountable to shareholders, as detailed in the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2006 (Code). This report, together with the Directors' Remuneration Report, provides details of key aspects of MITIE's corporate governance environment and explains the manner in which the Board has applied the principles and provisions of good governance as set out in Section 1 of the Code.

The Board confirms that throughout the year ended 31 March 2009 the Group has complied with the provisions set out in Section 1 of the Code with the exception that:

- the Board did not consist of at least an equal number of independent Non-Executive and Executive Directors (Code A.3.2) between 1 April 2008 and 31 March 2009 – further details relating to this non-compliance are provided on page 39 – this non-conformance will be rectified upon the appointment of Terry Morgan; and,
- the Audit Committee did not consist of at least 3 independent Non-Executive Directors (Code C.3.1) between 31 July 2008 and 31 March 2009 – further details relating to this non-compliance are provided on page 42 – this non-conformance will be rectified upon the appointment of Terry Morgan;
- the Nomination Committee did not consist of a majority of independent non-executive directors (Code A.4.1) between 31 July 2008 and 31 March 2009 if the Chairman is included in such calculation – further details relating to this non-compliance are provided on page 41.

These non-compliances have principally arisen following the retirements of David Ord and Cullum McAlpine as Directors of the Company and the appointment of Roger Matthews to the role of Chairman (having previously been an independent Non-Executive Director). During the reporting period the Board has been conducting an extensive search for an additional Non-Executive Director and is pleased to announce that Terry Morgan will be joining the Board as an independent Non-Executive Director on 1 July 2009. Further details of this search process and appointment are given on page 39.

Basis of report

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

Board of Directors

Roger Matthews * ‡

Non-Executive Chairman and Chairman of the Nomination Committee

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

Ian Stewart

Non-Executive Deputy Chairman

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

Ruby McGregor-Smith ‡

Chief Executive

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

Suzanne Baxter

Group Finance Director

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

Roger Goodman

Group Corporate Development Director

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

Bill Robson

Director responsible for Property Services

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

David Jenkins * † ‡

Senior Non-Executive Director and Chairman of the Audit Committee

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

Ishbel Macpherson * † ‡

Non-Executive Director and Chairman of the Remuneration Committee

Ishbel was appointed as a Non-Executive Director in July 2005. Ishbel was previously an investment banker for over 20 years specialising in UK mid-market corporate finance and held positions at Dresdner Kleinwort Wasserstein and Hoare Govett. Ishbel is a Non-Executive Director of Dignity plc and GAME Group plc and Senior Independent Non-Executive Director at Speedy Hire Plc and Hydrogen Group plc.

Graeme Potts *

Non-Executive Director

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

† Member of the Audit Committee
‡ Member of the Nomination Committee
* Member of the Remuneration Committee.

Further biographical details of those Directors seeking re-appointment at the 2009 AGM are provided in the Notice of AGM which will be available at www.mitie.co.uk\investors on 8 June 2009.

Directors' and governance report

Business review

Principal activities

MITIE Group PLC (the Company) is the holding company of the Group. The principal activity of the Company is to provide management services to the Group. The Group's activities are focused on the provision of strategic outsourcing and asset management services in support of the buildings, facilities and infrastructure of its clients. Further details of the subsidiary undertakings of the Company principally affecting the profits or net assets of the Group in the reporting period are listed in Note 36 to the financial statements.

Business review

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

– the Chairman's statement on page 5;

– the Chief Executive's review on pages 6 to 11;

– the operating review (including the statement of principal risks and uncertainties) on pages 14 to 27; and

– the financial review on pages 28 to 30.

Profit and dividends

The profit before taxation for the financial year is £75.9m (2008: £67.9m). The Directors have declared / recommended dividends as follows:

– paid (on 5 February 2009) an interim dividend of 3.3p per Ordinary share	£10.7m
– recommended a final dividend of 3.6p per Ordinary share	£11.6m
– total Ordinary dividend 6.9p per share (2008: 6.0p)	£22.3m

The final dividend, subject to shareholder approval at the AGM, will be paid on 7 August 2009 to ordinary shareholders on the register on 10 July 2009. The Company operates a Dividend Re-Investment Plan (DRIP).

Going concern

The Directors acknowledge the Financial Reporting Council guidance on going concern issued in November 2008. The Group benefits from a well diversified portfolio of service offerings providing stability in the current economic climate. In addition the Group has a broad, diverse customer base with a good balance between public and private sectors underpinned by a large number of long-term contracts contributing to a forward order book of £4.9bn. MITIE benefits from a very strong balance sheet; the Group has available £230.0m of committed funding lines, of which £220.0m remained undrawn at 31 March 2009, which are not renewable until 2012 and the Group currently operates well within the financial covenants associated with this facility. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully and accordingly the Group continues to adopt the going concern basis in preparing its annual report and accounts.

Corporate governance

Board of Directors

The membership of the Board as at 31 March 2009 and biographical details of the Directors (including details of committee chairmanships and other positions held) are given on pages 36 and 37. During the year two Non-Executive Directors retired from the Board (David Ord and Cullum McAlpine). David Ord was succeeded as Chairman by Roger Matthews (a Non-Executive Director of the Company since December 2006) on 31 July 2008. Roger Matthews consequently stepped down from the Audit Committee. Cullum McAlpine was succeeded as Senior Independent Non-Executive Director and as Chairman of the Audit Committee by David Jenkins on 31 July 2008. David Jenkins consequently stepped down as Chairman of the Nomination Committee and was replaced by Roger Matthews. These retirements and Board changes occurred in accordance with the Board's pre-existing orderly succession planning.

Directors are appointed and may be removed in accordance with the Articles of Association of the Company and the provisions of the Companies Acts. All Directors are subject to re-election at intervals of no more than three years in accordance with the Articles of Association and the Code. The Notice of AGM contains details of those Directors who are retiring by rotation and are proposed for re-election. As part of the formal Board evaluation, the Board has considered the performance of each Director seeking re-election and is satisfied that they continue to be effective and demonstrate clear commitment to their role.

Director independence

During the year, Non-Executive Director independence was considered by the Board. The Board determined that all Non-Executive Directors as at 31 March 2009, with the exception of the Deputy Chairman Ian Stewart, were independent in mind and judgement, and free from any material relationship that could interfere with their ability to discharge their duties effectively. Specific consideration was given to David Jenkins' prior role with Deloitte LLP (previously Deloitte & Touche LLP), MITIE's external auditors. The Board determined that David is independent given that he had not been involved in the provision of services to MITIE and the passage of time since his departure from Deloitte LLP.

Board and committee composition and balance

As part of the ongoing review of Board performance (as set out below) the Nomination Committee and the Board specifically reviewed the roles of Chairman and Senior Independent Non-Executive Director, and the composition and chairmanship of each of its committees. The Board and the Nomination Committee recognised that, partly as a result of the changes in Board composition detailed above, there was an imbalance in the number of non-independent Directors and independent Non-Executive Directors. The Board was broadly satisfied that its composition was appropriate having regard in particular to the integrity, skills, knowledge and experience of its Directors and the size and nature of the business, and having regard to its desire that the Board does not become too large and unwieldy. However, it was mindful of the need to maintain a balanced board and consequently announced the initiation of a search process for an additional independent Non-Executive Director to serve on the Board and the Audit Committee. The Nomination Committee reviewed the skills, knowledge and experience required to fill this additional position and provided a detailed specification to the external search consultancy engaged to conduct the search process. This detailed search process was concluded on 30 March 2009 when the Board was pleased to announce that Terry Morgan will be joining the Board as an independent Non-Executive Director on 1 July 2009. Terry will serve on the Audit Committee and will Chair the Remuneration Committee with effect from 10 July 2009. Further details in relation to Terry Morgan are provided in the notes to the Notice of AGM. Following Terry's appointment the board will consist of four independent Non-Executive Directors, a Non-Executive Director deemed non-independent as a result of his prior role as CEO of the Group, the Non-Executive Chairman and four Executive Directors. This will not result in absolute compliance with Code A.3.2 of the Combined Code and whilst the Board remains broadly satisfied with the composition and balance following Terry's appointment, it will continue to keep the matter under careful review.

Director appointment, induction and training

The Board has a general policy that: all new Directors are subject to election by the shareholders at the first AGM after their appointment; that each new Director receives a tailored induction suitable to their role; and, that all new Directors receive a tailored information pack which includes a copy of MITIE's Memorandum and Articles of Association, latest Annual Report and Accounts, committee terms of reference and copies of recent Board minutes and supporting papers.

Review of Board performance

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

Directors' interests and rights

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

Directors' indemnities

The Company maintains Directors' and officers' liability insurance providing appropriate cover for any legal action brought against its Directors and/or officers. The 2007 AGM approved various amendments to the Memorandum and Articles of Association of the Company to extend the protection provided to Directors in respect of any litigation against Directors relating to their position as a Director of the Company. These changes were made possible by recent amendments to company law. The amended Memorandum and Articles of Association specifically provide that the Company may indemnify Directors against any liability incurred in connection with any negligence, default, breach of duty or breach of trust in relation to the Company and that the Company may fund defence costs. Individual Directors would still be liable to pay damages awarded to the Company in any action against them by the Company and to repay their defence costs (to the extent funded by the Company) if their defence was unsuccessful.

Directors' and governance report

Director conflicts

The Board has a formal policy on the declaration and management of director conflicts in accordance with the amendments to the Articles of Association approved by shareholders at the 2008 AGM. Any potential situation or transactional conflict must be reported as soon as possible to the Chairman, the Chief Executive and the Company Secretary. Where a potential conflict is authorised (under the statutory powers and powers granted under the Articles of Association to the Board), such conflict is kept under ongoing review.

Board responsibility

Matters that are exclusively dealt with by the Board include: setting Group objectives and strategies; approving business plans and budgets and monitoring performance against these; approving material tenders, acquisitions, disposals, and business start-ups; approving the Group's Half-yearly and Annual Report and Accounts; appointing and removing the Chairman, Directors and Company Secretary; and monitoring the Group's corporate governance arrangements. These matters are set out in a schedule of matters reserved for the Board which was approved by the Board on 19 March 2009 and which is available at www.mitie.co.uk/investors_corporate-governance.

Chairman and Chief Executive: division of responsibility

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

The role of the Executive and Non-Executive Directors

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

External appointments and commitments

Executive Directors are permitted to accept appointments outside the Group providing permission is sought from the Chairman and the Chief Executive and that the additional appointments do not interfere with the Directors' ability to effectively discharge their duties. The commitments outside the Group of the Executive Directors are detailed in the remuneration report on page 58. Executive Directors are entitled to retain any fees earned from these external appointments.

Board meetings

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

All Directors are expected, where possible, to attend all Board meetings and the AGM. During the year ended 31 March 2009, there were 6 scheduled Board meetings. Additional unscheduled Board meetings were held to deal with administrative matters, predominantly for the approval of the issue of shares. Dedicated budget review meetings have also been held. Directors' attendance at scheduled Board and committee meetings (Audit, Remuneration and Nomination) of which they are members is shown in the following table:

Director	Board	Audit	Remuneration	Nomination
Number of meetings held in year	6	3	4	4
R J Matthews(1)	6	1	3	3
I R Stewart	6	–	–	–
R McGregor-Smith(2) (3)	6	–	–	4
S C Baxter(2)	6	–	–	–
N R Goodman	6	–	–	–
W Robson	5	–	–	–
D S Jenkins	6	3	4	4
I J S Macpherson	6	3	4	4
G J Potts	6	–	4	–
D C Ord(4)	2	–	–	1
C McAlpine(4)	2	1	1	1

(1) Roger Matthews stepped down from the Audit Committee and was appointed to the Remuneration and Nomination Committee upon his appointment as Chairman on 31 July 2008

(2) Ruby McGregor-Smith and Suzanne Baxter attend the Audit Committee meetings on the invitation of the Committee Chairman

(3) Ruby McGregor-Smith attends the Remuneration Committee meetings on the invitation of the Committee Chairman

(4) David Ord and Cullum McAlpine resigned as Directors on 31 July 2008

Board committees

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

Executive Committee

The Executive Committee members are Ruby McGregor-Smith; Suzanne Baxter; Roger Goodman and Bill Robson. It functions primarily as an approval and signing committee and meets on an ad hoc basis, as and when required, with powers specifically delegated to it on a case by case basis by the Board in respect of specific matters.

Nomination Committee

As at 18 May 2009, the members of the committee are: Roger Matthews (committee Chairman); Ishbel Macpherson; David Jenkins; and Ruby McGregor-Smith. During the year the Nomination Committee's members were: David Jenkins and Ishbel Macpherson, both of whom are independent Non-Executive Directors; Cullum McAlpine who was an independent Non-Executive Director prior to his retirement as a Director; David Ord, who was the Chairman prior to his retirement as a Director; and Ruby McGregor-Smith, who is a non-independent Executive Director. The committee is compliant with the Code in that throughout the reporting period there has been a majority of independent directors if the Chairman is excluded for the purposes of this calculation. If the Chairman is included, and deemed non-independent, for the purposes of this calculation then the committee was not compliant with Code A.4.1 for the period from 31 July 2008 to 31 March 2009. During the year four meetings of the committee took place. A key function of the committee is to evaluate the balance and composition of the Board and ensure that new Directors bring the requisite skills, knowledge and experience required for the role being considered. During the year the committee oversaw the Board succession planning as described more fully above.

Directors' and governance report

Remuneration Committee

As at 18 May 2009, the members of the committee are: Ishbel Macpherson (committee Chairman); David Jenkins; Roger Matthews; and Graeme Potts. During the year the Remuneration Committee's members were Ishbel Macpherson; David Jenkins and Graeme Potts, all of whom are independent Non-Executive Directors; Cullum McAlpine who was an independent Non-Executive Director prior to his retirement as a Director; and, Roger Matthews, who was independent prior to 31 July 2008 and upon appointment as Chairman, but who is no longer deemed independent under the Code, following his appointment as Chairman. The committee held four meetings during the year. The Board has previously reported that a search has been initiated to recruit an additional Non-Executive Director to join the Board and on 30 March 2009 announced the appointment of Terry Morgan with effect from 1 July 2009. Upon appointment Terry will serve on both the Audit Committee and the Remuneration Committee and will assume the role of Chairman of the Remuneration Committee from Ishbel Macpherson with effect from 10 July 2009.

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

Audit Committee

Role of the Committee

The Audit Committee is generally responsible for:

– monitoring and reviewing the integrity of the Group's financial statements and of any formal announcements relating to the Group's financial performance, and for reviewing any significant financial reporting judgements therein;

– monitoring and reviewing the independence and objectivity of the Group's external auditors, the objectivity and effectiveness of the audit process and the effectiveness and implementation of the Group policy on the provision of non-audit services (the Non-Audit Services Policy);

– monitoring and reviewing the integrity and effectiveness of the Group's internal financial controls environment, internal audit function and business risk management structures;

– making recommendations to the Board on shareholder resolutions for the appointment of, and remuneration for, external auditors.

The terms of reference of the committee are available at www.mitie.co.uk/investors_corporate-governance and include the requirements of Rule 7.21 of the Disclosure and Transparency Rules (DTR) and the Code that the Company has a formally constituted audit committee comprised of independent Non-Executive Directors.

The chairman of the committee will be available at the AGM to answer any questions about the work of the committee.

Committee composition

The committee consists entirely of independent Non-Executive Directors and is currently chaired by David Jenkins. During the year the Audit Committee comprised David Jenkins; Ishbel Macpherson; Roger Matthews; and Cullum McAlpine. Cullum McAlpine ceased to be a member of the committee upon his retirement from the Board on 31 July 2008. David Jenkins succeeded Cullum McAlpine as Chairman of the committee on 31 July 2008. Roger Matthews left the committee immediately upon his appointment as Chairman of the Company on 31 July 2008.

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

The committee ordinarily consists of at least three members and requires two members to be present to be quorate. Between 31 July 2008 (the date of retirement of Cullum McAlpine and Roger Matthews ceasing to be a member of the committee upon his appointment as Chairman) and 31 March 2009 the committee comprised only two members (contrary to Code C.3.1). As mentioned above, the Board has previously reported that a search has been initiated to recruit a suitably qualified additional Non-Executive Director to join the Board and serve on the Audit Committee and on 30 March 2009 announced the appointment of Terry Morgan with effect 1 July 2009. Upon appointment Terry will serve on the Audit Committee and the Remuneration Committee.

Meetings of the committee

During the year the Audit Committee held 3 meetings (see above summary). The Audit Committee invited the external auditors, Chief Executive, Group Finance Director and Head of Business Risk to attend relevant parts of the meetings of the committee. The matters under consideration at these meetings included:

– generally monitoring the Group's financial reporting process and the statutory audit of the annual and consolidated group accounts;

– the Half-yearly Financial Report and Annual Report and Accounts;

– critical accounting policies and judgements;

– the review of the external auditors' audit plan, nature and scope of work and overall summary of key issues and judgements;

– the re-appointment of the external auditors;

– the approval of fees for the external auditors;

– the effectiveness of the external auditors including the appropriateness and skills of the audit team;

– compliance with the Non-Audit Services Policy by the external auditors and maintenance of auditor independence;

– the approval of the Group risk assurance framework and the internal audit plan for the year ending 31 March 2009 and for the year ending 31 March 2010;

– the review of key internal audit reports and findings; and,

– generally monitoring the effectiveness of the internal control, audit and risk management systems and functions.

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

External auditors

The Audit Committee is committed to ensuring the independence and objectivity of the external auditors and confirms that the requirements of the Non-Audit Services Policy have been met throughout the year. The Audit Committee has approved a Non-Audit Services Policy that ensures that the Audit Committee has visibility over the levels of non-audit work performed by the Auditors and requires the consent of the chairman of the Audit Committee for any non-audit spend with the auditors that, on an annual basis cumulatively exceeds 50% of the annual audit fee and/or where any item, regardless of amount, is considered significant. The Audit Committee is satisfied that this policy provides sufficient control over the levels of non-audit spend with the Auditors whilst providing sufficient flexibility for the Group Finance Director to approve expenditure on advice below those levels. This policy generally restricts the external auditors from performing work which will result in them auditing their own work, making management decisions for the Group, creating a conflict of interest, finding themselves in the role of advocate for MITIE or creating any potential threat to their independence. Additionally, the external auditors will only be considered for the provision of non-audit services if they are best suited to perform the work in question. Deloitte LLP also maintains its own internal controls designed to safeguard its independence. A summary of the fees paid to the external auditors is given in Note 4 to the financial statements.

Internal audit

The remit of the Audit Committee also includes monitoring the internal audit function (as reported above) and the arrangements by which employees may raise concerns regarding any matters of financial reporting or other perceived improprieties across the Group. During the year 'whistle-blowing' activity has been communicated to the committee along with the results of investigations carried out. These investigations have not identified any risks that result in a material, unmitigated exposure to the Group.

Directors' and governance report

Internal control

Internal control and risk management

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

Internal audit function

The Group operates an internal audit function which reports directly to the Group Counsel and the Chairman of the Audit Committee. During the reporting period the size of the internal audit function has been doubled in recognition of the increasing size and complexity of the Group and the increasing emphasis placed upon remediation, rectification and re-audit of issues identified through the internal audit programme.

Internal control systems: culture, responsibility and accountability

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

Internal control systems: information and communication

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

Internal control systems: risk management

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

Monitoring the system of internal control

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

Reviewing the effectiveness of the system of internal control

The Board performs a formal annual assessment of the operation and effectiveness of the system of internal control and updates this assessment prior to the signing of the Annual Report and Accounts. This includes consideration of reports on principal risks, controls and their effectiveness from the heads of each central team function and an independent report from the Head of Business Risk summarising key audit findings. The Board also holds discussions with senior management and reviews the results of a formal internal controls review and system effectiveness confirmation from each operating subsidiary. The Board confirms that management has taken steps during the year to improve further the system of internal control, embed effective controls further into the operations of the Group and to address improvements as they come to management's attention. These steps are monitored to ensure they are implemented appropriately and that ultimately they are effective.

Auditors

Disclosure of information to the auditors

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

– so far as he/she is aware, there is no relevant audit information (being information required by the auditors in the preparation of their report) of which the Company's auditors are unaware; and

– he/she has each taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

This confirmation is given, and should be interpreted, in accordance with Section 234ZA of the Companies Act 1985.

Re-appointment of auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. Deloitte LLP has expressed their willingness to continue in office as auditors and the resolution to reappoint them will be proposed at the forthcoming AGM.

Share capital and shareholder matters

Capital structure and powers of shareholders

Details of changes to the Company's share capital are given in Note 27 to the financial statements. The Company has a single class of shares – 2.5p Ordinary shares – with no right to any fixed income and with each share carrying the right to one vote at general meetings of the Company. Under the Company's Articles of Association holders of Ordinary shares are entitled to participate in any dividends pro rata to their holding. The Board may propose and pay interim dividends and recommend a final dividend for approval by the shareholders at the AGM. A final dividend may be declared by the shareholders in a general meeting by ordinary resolution, but such dividend cannot exceed the amount recommended by the Board.

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

Details of employee share schemes are set out below and in Note 33 to the Accounts. Shares held by the MITIE Employee Benefit Trust 2007 and the MITIE Employee Benefit Trust 2008 abstain from voting.

The 2008 AGM authorised:

– the Directors to allot (under s80 Companies Act 1985) up to 118,691,000 shares (representing 37.5% of the issued share capital as at the date of the Notice of AGM) – during the reporting period, the Directors utilised this authority (and the preceding authority) to allot 6,194,836 shares;

– the dis-application (under ss94-95 Companies Act 1985) of pre-emption rights over allotted shares up to a total of 15,841,116 shares (representing 5% of the issued share capital as at the date of the Notice of AGM); and

– the Company to make market purchases of its own shares up to a total of 31,682,321 shares (representing 10% of the issued share capital as at the date of the Notice of AGM).

Directors' and governance report

Further details of these authorisations are available in the notes to the 2008 Notice of AGM (available at www. mitie.co.uk/investors). Shareholders are referred to the 2009 Notice of AGM (which accompanies this report and/or is available at www. mitie.co.uk/investors) which contains similar such provisions. During the year to 31 March 2009 there have been no purchases by the Company of MITIE shares. The exact amount and timing of future purchases will be determined by the Company and will be dependent on market conditions and other factors. It is the Company's present intention to cancel any shares it buys back, rather than hold them in treasury, but this policy will be reviewed on a case by case basis. Further details on the proposed renewal of powers for share buyback and the allotment of shares in the Company are provided in the Notice of AGM.

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

Under the terms of certain shareholder agreements relating to MITIE Model companies and the articles of association of those companies, certain minority shareholders in such companies may provide an option for the purchase by the Company of their minority shares. The mechanism for calculating the price to be paid in respect of such transfer is transparent, on an arms-length basis, and in accordance with the pricing structure generally applicable for other transfers under the MITIE Model. Details of these structures are generally available (to the extent incorporated into the articles of association for individual MITIE Model companies) from Companies House at www.companieshouse.gov.uk. There are also a number of other agreements with provisions that take effect, alter or terminate upon a change of control of the Company such as bank facility agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business or the Group as a whole. The Directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs solely because of a take-over bid.

Substantial interests in share capital

As at 15 May 2009 the Company has been notified of the following significant holdings of voting rights in its shares under the Disclosure and Transparency Rules:

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

Shareholder communications

The Board is committed to an ongoing dialogue with institutional and private investors. The principal method of communication between the Board and shareholders remains news announcements, the Half-yearly Financial Report, the Annual Report and Accounts, the Corporate Responsibility Report and MITIE's website, www.mitie.co.uk. A full programme of formal and informal events, institutional investor meetings and presentations are also held following the Half-yearly Financial Report and Preliminary Results announcements which are led by the Chief Executive and Group Finance Director. The Chairman and Senior Independent Non-Executive Director, are available for additional meetings with shareholders upon request. The Company believes that such meetings should be at the instigation of shareholders and should not be at the active solicitation of the Company. During the reporting period, no such requests were received by the Company, although all the Non-Executive Directors were present at the 2008 AGM and entered into direct discussions with shareholders both with, and without, Executive Directors present. Latest Group information, financial reports, corporate governance and CR matters, Half-yearly Financial Report and Preliminary Results presentations, major shareholder information and all announcements are made available to shareholders via the MITIE website (www.mitie.co.uk) which has a specific area dedicated to investor relations.

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

Electronic communications

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

AGM

The 2009 AGM will be held at the offices of UBS, 2 Finsbury Avenue, London EC2M 2PP at 2.30pm on 10 July 2009. The Notice of AGM will be available at www. mitie.co.uk\investors on 8 June 2009.

Operational matters

Employee involvement and employee equity-based incentivisation

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

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

The Board believes that the Group's culture of employee equity involvement is a significant driver in the Group's growth performance and that this assists in attracting and retaining skilled and committed employees. During the year the Group has continued to operate its Long Term Incentive Plan (LTIP) to incentivise and reward senior members of the MITIE management team and its Executive Share Option Scheme (ESOS) for certain other employees below Board level. During the reporting period shareholders approved modifications to the Group's SAYE Scheme (SAYE) to reduce the savings contract period from five years to three years with the aim of increasing employee uptake. The Board is pleased to report that uptake in the subsequent SAYE award increased against uptake in 2007. The Board will continue to review and, where appropriate, recommend amendments to equity-incentive schemes, in order to maximise the effectiveness and incentive value of such schemes.

The LTIP and the ESOS are both discretionary schemes and are therefore not open to application by all employees of the Group. The SAYE, an Inland Revenue approved scheme, is open to all UK employees. The ESOS, established in 2001, has been approved by Her Majesty's Revenue and Customs (HMRC) and options over shares to an individual limit of £30,000 can be awarded under the approved element of the scheme. Options have in the past been awarded under this scheme to Executive Directors but, following the introduction of the LTIP, the ESOS has been focused on employees below main Board level. Under the ESOS, there is a limit on the grant level set at 100% of an individual's base salary and the scheme has, following changes to the scheme approved by shareholders at the 2007 AGM, a single performance threshold for vesting of the options – average growth in earnings per share over the three-year vesting period must exceed inflation (measured as RPI) plus 4%. The scheme permits the grant of share appreciation rights and the settlement of outstanding unapproved options with share appreciation rights. Further details of grants under the three equity-based incentive schemes are provide in Note 33 to the financial statements.

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

Directors' and governance report

Employee involvement, disability and opportunities

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

Financial instruments

The Group's financial instruments comprise bank loans, finance leases, overdrafts and performance guarantees. In addition, various other financial instruments such as trade creditors and trade debtors arise from its trade. The use of interest rate swaps and currency swaps are used to manage interest and currency risk when necessary or material. The principal objective of these instruments is to raise funds for general corporate purposes and to manage financial risk. Further details of these instruments are given in Note 22 to the financial statements.

Payment of creditors

The Group's policy is to comply with the terms of payment agreed with suppliers, preferably on the Group's standard purchasing terms (as notified to suppliers), or otherwise to adhere to the suppliers' standard terms. At 31 March 2009, the Group had 34 days' purchases outstanding (2008: 40 days).

Fixed values

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

Events after the balance sheet date

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

Future developments

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

Research and development

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

Donations

Donations to charity and community projects made during the year amounted to £184,018 (2008: £151,154). It is the Group's policy not to make political donations, and during the reporting period no political contributions were made (2008: £nil). The total value of community investment as disclosed in more detail in our CR Report 2009 was £603,659 (2008: £592,132).

Branch offices

The Group does not operate any registered branch offices outside of the UK but does have subsidiary companies in Guernsey and Jersey and operates outside of the UK on a client-specific basis. Further details of the Group's principal subsidiaries are given in Note 36 to the financial statements.

By order of the Board

Marie-Claire Haines
Company Secretary

18 May 2009

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the accounts

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

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

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

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

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

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

By order of the Board

Ruby McGregor-Smith
Chief Executive

18 May 2009

Suzanne Baxter
Group Finance Director

18 May 2009

Remuneration report

Introduction

This remuneration report summarises MITIE's remuneration policy and particularly, its application in relation to the Directors. Where this information is required to be audited by MITIE's auditors we have marked this as 'audited information'. Shareholders will be able to vote on this remuneration report at the 2009 AGM. Further details are contained in the Notice of AGM which is available at www.mitie.co.uk/investors.

The role of the Remuneration Committee

Details of the composition and responsibilities of the Remuneration Committee are given in the Directors' and Governance Report on page 42. During the reporting year, committee meetings have included consideration of the following items:

– reviewing the external competitiveness of the structure and value of Executive Director remuneration;

– reviewing and approving Executive Director base salaries, annual bonus payments and equity-related incentive awards;

– reviewing and approving awards under the 2008/9 bonus plan and setting award levels and targets for the 2009/10 bonus plan;

– reviewing and approving vesting levels for grants made under the MITIE Group PLC Executive Share Option Plan (ESOS) and MITIE Group PLC SAYE Scheme (SAYE);

– setting individual award levels and approving structure and performance targets for the MITIE Group PLC Long Term Incentive Plan (LTIP), and setting overall award levels and approving structure and performance targets for all share schemes;

– reviewing, amending and approving the draft remuneration report to shareholders and the remuneration related resolutions to be put to the shareholders at 2009 AGM.

The terms of reference of the Committee are available on the Group's website www.mitie.co.uk and upon request from the Company Secretary at thecompanysecretary@mitie.co.uk

We have structured our remuneration report into the following parts:

Executive remuneration at a glance
Key messages along with key information on policy and pay.

Remuneration explained
An explanation of our overall reward structure and performance during the year.

Remuneration in detail
Full audited detailed disclosure of our remuneration.

Executive remuneration at a glance

Principles of our remuneration policy

Performance linked	Company performance determines a significant element of our remuneration. Failure to achieve success is reflected in our performance linked pay elements.
Shareholder aligned	Our discretionary schemes are based on EPS growth aligning the interests of shareholders and members of our senior executive team.
Comprehensive and simple	Our remuneration policy is not overcomplicated and allows our executives to concentrate on growth of the Group.

Executive remuneration explained

General remuneration policy

The remuneration policy for the Company's Executive Directors and other Group senior executives is shaped by the need to align the interests with the interests of MITIE's shareholders. The policy has particular regard to the Company's and the Group's long-standing culture of encouraging equity ownership in order to achieve this alignment. The Committee, and the Board, continue to believe that the principle of equity incentivisation has been a key driving force in the past success of the Group and that consequently, in order to maintain and develop further MITIE's performance culture, the remuneration packages of Executive Directors and other Group executives should continue to contain significant performance-related equity-based elements.

Ongoing assessment

The Committee is advised by its external remuneration consultants, Kepler Associates; in addition, the Group Human Resources Director provides guidance to the Committee members. Kepler Associates provide no other services to the Company.

The Committee tests the remuneration structure regularly to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. Benchmarking is conducted against sector and size comparators, in respect of base salary, total cash and total remuneration, provided by our external remuneration consultants. The Committee also takes account of a range of other factors when determining appropriate salary levels including market conditions and the responsibilities and skills of the individual Directors. The Committee believes that the executive team should be motivated by the success of the Company and as such upper quartile performance should be rewarded with an upper quartile package.

At the time of signing this report the Committee is reviewing the structure of the Executive Director remuneration package to ensure it remains appropriate for 2009. The Committee will confirm the agreed structure following consultation with the Company's major shareholders, and disclose any changes in the 2009/10 Remuneration report.

Remuneration report

Remuneration package
The overall package for Executive Directors consists of a fixed element (salary and certain benefits) and a variable element (annual performance-related bonus and long-term equity-based incentives). The balance between these fixed and variable elements is set out in this Remuneration Report.

Base salary – Reviewed annually, as described above.

Benefits – The benefits package for the Executive Directors consists of private healthcare and the provision of a company car allowance.

Annual bonus – Variable remuneration is designed to drive further MITIE's performance. The annual bonus scheme is structured to align a significant element of the remuneration of Executive Directors with short-term Company performance. Bonuses to Executive Directors are awarded at a maximum of 100% of base salary, dependent on the achievement of Group budgeted performance levels or performance against the budget of the respective areas of the business within the individual Director's direct control. Targets were achieved in the year ended 31 March 2009, resulting in the payment of maximum bonuses at a rate of 100% of salary.

The Committee is currently reviewing the structure of the 2009 annual bonus and will finalise the plan following consultation with the Company's major shareholders.

Share based incentives – The LTIP and the Executive Director Share-ownership Policy are designed to engender long-term decision making and sustainable growth:

LTIP
Historically, Executive Directors and senior executives were incentivised through a mix of options granted under the ESOS and through shareholdings in the Company acquired through equity participation in subsidiary companies of the Group that were structured in accordance with the MITIE Model. In 2007 this policy was replaced by the sole use of awards granted under the LTIP. Certain Executive Directors still retain options granted under the ESOS and details of this scheme can be found on page 55. There is no re-testing of performance conditions for any incentive programme.

The LTIP was established in 2007 and is the principal equity-based incentive scheme for Executive Directors. Awards may be granted, under a joint-ownership structure or through direct grants, in the form of nil-cost options, conditional shares or forfeitable shares. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so. An award may not be granted after 26 July 2017. No payment (other than in respect of any individual recipients electing to pay income tax and national insurance, where appropriate) is required for the grant of an award.

In 2008, with the approval of shareholders, the upper limit on the market value (as at grant) of awards that an individual Executive Director may receive in any financial year was raised from 100% to 200% of annual base salary in that financial year. The Committee only intends to use this upper limit in respect of awards to Ruby McGregor-Smith the Chief Executive and Suzanne Baxter the Group Finance Director and the previous upper limit of 100% of annual base salary will continue to be applied to other Executive Directors. In exceptional circumstances, such as recruitment or retention, the rules currently allow for this limit to be increased to 250% of any employee's annual base salary. As part of its review of the change in the upper grant limit, the Committee considered the introduction of a second performance target for awards of over 100% of an Executive Director's base salary. The Committee decided against this believing it would dilute the clarity and simplicity of the scheme, and that a single target is more in keeping with the other successful equity-based incentive schemes that operate within the Group.

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

The Committee continues to believe that EPS is the most appropriate long-term performance measure for MITIE. It brings the advantages of simplicity and visibility of the value of the award which the Committee believes enhances the LTIP's effectiveness as an incentive tool. Awards will normally vest after three years provided that certain performance criteria have been met. All awards are subject to performance conditions that require adjusted EPS, less inflation (measured by the retail prices index – RPI), to exceed certain performance thresholds over a three-year period. Where EPS growth is less than inflation plus the lower performance threshold per annum none of the awards will vest. Awards vest in full for EPS growth equal to inflation plus the upper performance threshold. Vesting is on a straight-line basis for performance between these levels. For LTIP awards made in 2008, the lower and upper performance thresholds were RPI+5% p.a. and RPI+14% p.a. respectively. The Committee is currently reviewing the EPS targets that will apply to 2009 LTIP awards to ensure that these remain stretching and achievable in the current economic climate.

Share ownership policy

A share-ownership policy for Executive Directors was introduced in 2007 at the same time as the LTIP. Under this policy, all Executive Directors are required, over time, to build and maintain a shareholding in the Company worth 100% of base salary. During 2008, this requirement was increased to 150% in respect of any Executive Director who is granted an LTIP award of more than 100% of their base salary. The Committee recognises that the principal mechanism for building up this holding will be on the exercise of LTIP awards and accordingly, until such time as the shareholding requirement is met, Executive Directors will be expected to retain no fewer than 50% of shares (net of taxes) that vest under the LTIP. For the coming year, we do not propose to amend the share ownership policy.

	Target holding as at 1 May 2009	Number of Ordinary shares owned as at 31 March 2009	% of target holding achieved as percentage of salary as at 1 May 2009
R McGregor-Smith	221,955	**183,799**	83%
S C Baxter	145,983	**10,000**	7%
N R Goodman	138,661	**899,421**	649%
W Robson	138,661	**1,500,713**	1,082%

Non-Executive Director remuneration

The remuneration for the Chairman is recommended by the Committee for approval by the Board and reflects the responsibilities and commitment of this role. The remuneration level for the role was last reviewed in 2007, following receipt of advice from external remuneration consultants in relation to market comparators, and was maintained at the level paid to the previous Chairman on the appointment of Roger Matthews on 31 July 2008.

The fees for the Non-Executive Directors are set by the Chairman and the Executive Directors and they are reviewed annually. The fee level is designed both to recognise the contribution and responsibilities of the role and to attract individuals with the experience and skills required to contribute to the future development of the Board and the Group. The Non-Executive Directors are paid a basic fee with an additional fee for chairmanship of committees, together with expenses incurred in carrying out their duties on behalf of the Company. Non-Executive Directors are not eligible to participate in any of the Company's share schemes or the annual bonus scheme, nor do they receive pensions or ancillary benefits. Fee levels for the reporting year were maintained at 2007 levels. Further details of fees paid to Non-Executive Directors are provided in the audited section of this report.

Remuneration report

Remuneration in detail

Introduction

This section of the report provides detail required under statute or under best practice guidelines that has not already been provided above. Where this information is required to be audited by MITIE's auditors we have marked this as 'audited information'. We believe that this report complies with the principles of good corporate governance in relation to directors' remuneration in accordance with the Combined Code 2006, the Directors' Remuneration Report Regulations 2002, relevant company law, and the Listing Rules of the Financial Services Authority. Other than as set out below, no other changes in Directors' interests have taken place since 1 April 2009 and no equity-based incentives have been granted to any Director since 1 April 2009.

Directors' remuneration

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

Table 1: Directors' remuneration (audited information)

	Base salary/fees £'000	Performance related bonuses £'000	Benefits £'000	Pensions £'000	2009 Total £'000	2008 Total £'000
Executive Directors						
R McGregor-Smith	435	435	16	12	**898**	769
S C Baxter	290	290	16	40	**636**	571
N R Goodman	275	275	16	12	**578**	507
W Robson	275	275	16	12	**578**	507
Non-Executive Directors						
R Matthews	107	–	–	–	**107**	40
I R Stewart	40	–	1	–	**41**	75
D S Jenkins	45	–	–	–	**45**	45
I J S Macpherson	45	–	–	–	**45**	45
G Potts	40	–	–	–	**40**	40
D C Ord (Chairman)[1]	47	–	–	–	**47**	121
C McAlpine[1]	15	–	–	–	**15**	45
Total	1,614	1,275	65	76	**3,030**	2,765

Notes:
(1) David Ord and Cullum McAlpine retired as Directors on 31 July 2008.

Pension and benefits

The pension benefits of Directors who are members of the MITIE Group PLC Defined Benefit Pension Scheme are set out in Table 2 below. The transfer values of the Directors' accrued benefits under the defined benefit pension scheme calculated in a manner consistent with retirement benefit schemes (which do not represent a sum paid or payable to the individual Director) are set out in Table 3. Suzanne Baxter is not a member of the MITIE Group PLC Defined Benefit Pension Scheme as the scheme was closed to new entrants in 2005. Pension contributions for Suzanne Baxter at a rate of 13.5% of base salary (2008: 13.5%) are paid into a separate defined contribution pension scheme (see Table 1).

Table 2: Defined benefit pension scheme benefit (audited information)

	Accrued pension 31 March 2008 £'000	Increase in accrued pension during the year £'000	Real increase in accrued pension £'000	Accrued pension 31 March 2009 £'000
R McGregor-Smith	9	2	2	**11**
N R Goodman	24	3	2	**27**
W Robson	28	3	2	**31**

Table 3: Defined benefit pension scheme transfer values (audited information)

	Transfer values 31 March 2008 £'000	Contributions made by the Director £'000	Increase in accrued pension over the year £'000	Transfer value of pension increase (after inflation, net of contributions) £'000	**Transfer value 31 March 2009 £'000**
R McGregor-Smith	57	9	2	(2)	**56**
N R Goodman	389	9	3	10	**413**
W Robson	367	9	3	4	**367**

Equity-based incentive schemes

As set out above, the Group operates four formal equity-based incentive schemes. The interests of Directors' in each of these schemes is set out in Tables 4 and 5. No options have been issued to any Directors under the MITIE Group PLC SAYE Scheme. There has not been any variation in the terms and conditions governing any of the grants listed below since the relevant grant date. No price is payable upon award in respect of ESOS or LTIP awards (other than income tax and National Insurance in respect of certain LTIP awards). Applicable exercise prices for options awarded are set out in Table 4. The performance conditions relating to the awards to Directors detailed below are the same as for any other member of the schemes who received awards at the same time.

The share options detailed in Table 4 were granted under the ESOS and the performance conditions that applied at the date of grant require a percentage growth in the Company's earnings per share equal to or in excess of 10% per annum compound over the period from the date of grant of the option to the date on which the option first becomes exercisable. Since the grant to Ruby McGregor-Smith and Suzanne Baxter detailed in Table 4, there have been no grants to Directors under the ESOS (both the unapproved part and the HM Revenue & Customs approved part), and it is the Company's policy that equity-based incentives for Directors in the current reporting period will be based solely upon LTIP awards.

The LTIP awards made in 2007 and 2008 (detailed in Table 5) are subject to the performance conditions that require adjusted EPS, less inflation (measured by the retail prices index – RPI), to exceed certain performance thresholds over a 3-year period. Where EPS growth is less than inflation plus 5% per annum, none of the awards will vest. Awards vest in full for EPS growth equal to inflation plus 14% per annum. Vesting will be on a straight line basis for performance between these levels.

Table 4: Director interests in options granted under the MITIE Group PLC 2001 Executive Share Option Scheme (audited information)

	ESOS options outstanding at 1 April 2008	Granted during the year	Lapsed during the year	Exercised during the year	**ESOS options outstanding at 31 March 2009**	Exercise price p	Exercisable between
R McGregor-Smith							
Unapproved scheme	100,000	–	–	–	**100,000**	162	06-08/06-15
Unapproved scheme	100,000	–	–	–	**100,000**	191	06-09/06-16
S C Baxter							
Unapproved scheme	35,000	–	–	–	**15,000**	191	06-09/06-16
Approved scheme	15,000	–	–	–	**35,000**	191	06-09/06-16

Remuneration report

Table 5: Director interests in nil-cost options granted under the MITIE Group PLC 2007 Long Term Incentive Plan (audited information)

	LTIP options outstanding at 1 April 2008	Granted during the year at 212.25p/share*	Lapsed during the year	Exercised during the year	**LTIP options outstanding at 31 March 2009**	Exercise Price p	Exercisable between
R McGregor-Smith	145,440	–	–	–	**145,440**	Nil cost	07-10/07-11
	–	409,894	–	–	**409,894**	Nil cost	08-11/08-12
S C Baxter	102,201	–	–	–	**102,201**	Nil cost	07-10/07-11
	–	273,262	–	–	**273,262**	Nil cost	08-11/08-12
N R Goodman	94,340	–	–	–	**94,340**	Nil cost	07-10/07-11
	–	129,564	–	–	**129,564**	Nil cost	08-11/08-12
W Robson	94,340	–	–	–	**94,340**	Nil cost	07-10/07-11
	–	129,564	–	–	**129,564**	Nil cost	08-11/08-12

*The Directors acquired a conditional joint beneficial interest with the MITIE Employee Benefit Trust 2008 in the shares awarded under the LTIP scheme in 2008. The full beneficial interest will only transfer to the Director if the performance criteria applicable to the award are met.

Share dilution

The Company has stated its intent to manage dilution rates within the ABI guidelines of 10% of issued Ordinary share capital in respect of both all-employee schemes and discretionary schemes (the ESOS, LTIP and SAYE) and 5% in respect of discretionary schemes (the ESOS and the LTIP). In calculating compliance with these guidelines the Company allocates available ‘headroom’ on a ten-year flat-line basis, making adjustments for projected lapse rates and projected increases in issued share capital. Options granted under the LTIP are satisfied through the market-purchase of shares held by MITIE Group PLC EBT 2007 and the MITIE Group PLC EBT 2008. The potential dilution of the Company’s issued share capital is set out in Table 6 in respect of all outstanding options granted under the Company’s equity-based incentive schemes and which are to be satisfied through the allotment of new shares.

Table 6: Share dilution

	Current total dilution
All share plan (maximum 10%)	7.7%
Discretionary share plans (maximum 5%)	4.0%

Total shareholder return performance

Table 7 shows the total shareholder return performance of MITIE shares compared with the FTSE 250 and FTSE 350 Support Services indices over a 5-year period to 31 March 2009. The Committee is of the opinion that these comparators provide a clear picture of the performance of MITIE relative to a range of companies of comparable size as well as a specific group of companies within the same sector. Total shareholder return is calculated according to the Directors’ Remuneration Report Regulations 2002 and assumes that all dividends are reinvested.

The market price of the Company’s shares as at 31 March 2009 was 187.00p. The highest and lowest prices during the year were 245.00p and 158.25p respectively.

Table 7: MITIE 5-year total shareholder return

Source: Data stream

Directors' interests in shares

Tables 8 and 9 detail the beneficial interests of the Directors (who were in office on 31 March 2009) in the share capital of the Company and in the share capital of certain of the Company's subsidiary companies respectively. The interests of Directors in these subsidiary companies were acquired under the MITIE Model, further details of which are given in the Directors' and governance report on page 47. No such interests have been acquired by Directors since 2004 and it is the Company's policy that Directors will not be entitled to participate in any MITIE Model investments in the current reporting period.

Table 8: Director share ownership audited

	Number of Ordinary MITIE shares owned as at 31 March 2009	Number of Ordinary MITIE shares owned as at 1 April 2008 (or date of appointment if later)
Executive Directors:		
R McGregor-Smith	**183,799**	111,498
S C Baxter	**10,000**	10,000
N R Goodman	**899,421**	872,108
W Robson	**1,500,713**	1,500,713
Non-Executive Directors:		
R Matthews	**60,000**	20,000
I R Stewart	**2,020,000**	2,020,000
D S Jenkins	**50,000**	50,000
I J S Macpherson	**25,651**	25,651
G Potts	**15,000**	15,000

Table 9: Director interests in MITIE subsidiary companies (under the MITIE Model) audited

		Number of shares 31 March 2009	Number of shares 1 April 2008
R McGregor-Smith			
MTIIE Engineering Services (Edinburgh) Ltd	B Ordinary shares of £1 each	**2,000**	2,000
MITIE Engineering Services (West Midlands) Ltd	B Ordinary shares of £1 each	**–**	1,500
MITIE Services (Retail) Ltd	B Ordinary shares of £1 each	**4,000**	10,000
MITIE Transport Services Ltd	C Ordinary shares of £1 each	**4,500**	4,500
N R Goodman			
MITIE Catering Services Ltd	B Ordinary shares of £1 each	**–**	8,333

On 19 March 2009, MITIE Group PLC acquired the minority interest in MITIE Engineering Services (West Midlands) Ltd, including Ruby McGregor-Smith's holding of 1,500 B Ordinary shares of £1 each. The consideration paid to Ruby McGregor-Smith of £1 was paid in cash. On 28 August 2008, MITIE Group PLC acquired 60% of the minority interest in MITIE Services (Retail) Ltd, including 6,000 B Ordinary shares of £1 each held by Ruby McGregor-Smith. The consideration paid to Ruby McGregor-Smith of £158,160 was paid in 72,301 MITIE Group PLC shares of 2.5p each and £1.56 in cash. On 28 August 2008, MITIE Group PLC acquired the minority interest in MITIE Catering Services Ltd, including Roger Goodman's holding of 8,333 B Ordinary shares of £1 each. The consideration paid to Roger Goodman of £59,747.61 was paid in 27,313 MITIE Group PLC shares of 2.5p each and £0.42 cash.

Remuneration report

Employment contracts for Executive Directors

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

Table 10: Executive Director service contracts

	Date of agreement	Notice period
Ruby McGregor-Smith	01-Apr 03	12 months
Suzanne Baxter	10-Apr 06	12 months
Roger Goodman	01-Apr 03	12 months
Bill Robson	01-Apr 03	12 months

Policy on external appointments

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

Non-Executive Directors engagement terms

The terms of appointment of the Non-Executive Directors' are available for inspection at MITIE's registered office, the head office and at the AGM. The Non-Executive Directors are engaged for terms of three years which are terminable on six months' notice.

Table 11: Non- Executive Director engagement terms

	Date of engagement terms	Notice period	Date of leaving	Notes
Roger Matthews	04-Dec 06	6 months	–	Appointed Chairman on 31 July 2008; Chairman of Nomination Committee
Ian Stewart	30-Mar 07	6 months	–	Deputy Chairman
David Jenkins	31-Jan 06	6 months	–	Senior Independent Non-Executive Director and Chairman of Audit Committee
Ishbel Macpherson	27-Jul 05	6 months	–	Chairman of Remuneration Committee
Graeme Potts	01-Aug 06	6 months	–	
David Ord	26-Apr 04	6 months	Retired on 31 July 2008	
Cullum McAlpine	03-Aug 05	6 months	Retired on 31 July 2008	

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

Ishbel Macpherson
Chairman Remuneration Committee

18 May 2009

Accounts

Independent auditors' report to the members of MITIE Group PLC

For the year ended 31 March 2009

We have audited the group financial statements of MITIE Group PLC for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 36. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of MITIE Group PLC for the year ended 31 March 2009.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view, whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement, the Chief Executive's review, the Operating review, Financial review and the Corporate Governance statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the group financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom

18 May 2009

Consolidated income statement

For the year ended 31 March 2009

		2009			2008		
	Notes	Before other items* £m	Other items* £m	Total £m	Before other items* £m	Other items* £m	Total £m
Continuing operations							
Revenue	3	**1,521.9**	**–**	**1,521.9**	1,407.2	–	1,407.2
Cost of sales		**(1,261.6)**	**–**	**(1,261.6)**	(1,145.2)	–	(1,145.2)
Gross profit		**260.3**	**–**	**260.3**	262.0	–	262.0
Other administrative expenses		**(179.7)**	**–**	**(179.7)**	(189.8)	–	(189.8)
Amortisation of intangible assets		**(0.1)**	**(1.9)**	**(2.0)**	–	(1.9)	(1.9)
Total administrative expenses		**(179.8)**	**(1.9)**	**(181.7)**	(189.8)	(1.9)	(191.7)
Operating profit	3, 4	**80.5**	**(1.9)**	**78.6**	72.2	(1.9)	70.3
Investment revenue	6	**0.8**	**–**	**0.8**	1.2	–	1.2
Other finance costs		**(2.9)**	**–**	**(2.9)**	(2.8)	–	(2.8)
Unwinding of discount on deferred contingent consideration		**–**	**(0.6)**	**(0.6)**	–	(0.8)	(0.8)
Total finance costs	7	**(2.9)**	**(0.6)**	**(3.5)**	(2.8)	(0.8)	(3.6)
Profit before tax		**78.4**	**(2.5)**	**75.9**	70.6	(2.7)	67.9
Tax	8	**(22.2)**	**0.7**	**(21.5)**	(21.4)	0.8	(20.6)
Profit for the year		**56.2**	**(1.8)**	**54.4**	49.2	(1.9)	47.3
Attributable to:							
Equity holders of the parent		**54.9**	**(1.8)**	**53.1**	46.9	(1.9)	45.0
Minority interests		**1.3**	**–**	**1.3**	2.3	–	2.3
		56.2	**(1.8)**	**54.4**	49.2	(1.9)	47.3
Earnings per share (EPS)							
– basic	10	**17.2p**	**(0.5)p**	**16.7p**	14.9p	(0.6)p	14.3p
– diluted	10	**17.0p**	**(0.5)p**	**16.5p**	14.7p	(0.6)p	14.1p

* 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 2009

	Notes	2009 £m	2008 £m
Actuarial (losses)/gains on defined benefit pension schemes	34	**(12.0)**	6.8
Tax credit/(charge) on actuarial movement taken directly to equity	28	**3.3**	(2.0)
Net (expense)/income on defined benefit pension schemes recognised directly in equity		**(8.7)**	4.8
Profit for the year		**54.4**	47.3
Total recognised income and expense for the financial year		**45.7**	52.1
Attributable to:			
Equity holders of the parent		**44.4**	49.8
Minority interests		**1.3**	2.3

Consolidated balance sheet

As at 31 March 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Goodwill	11	**201.2**	203.3
Other intangible assets	12	**24.4**	16.9
Property, plant and equipment	13	**44.1**	45.2
Deferred tax assets	19	**7.3**	6.6
Retirement benefit surplus	34	**3.0**	9.9
Total non-current assets		**280.0**	281.9
Current assets			
Inventories	14	**2.5**	2.4
Trade and other receivables	16	**285.8**	314.4
Cash and cash equivalents	18	**28.5**	42.6
Total current assets		**316.8**	359.4
Total assets		**596.8**	641.3
Current liabilities			
Trade and other payables	21	**(260.2)**	(289.6)
Financing liabilities	22	**(13.7)**	(54.5)
Provisions	26	**(3.2)**	(2.0)
Current tax liabilities		**(13.5)**	(10.7)
Total current liabilities		**(290.6)**	(356.8)
Net current assets		**26.2**	2.6
Non-current liabilities			
Financing liabilities	22	**(4.5)**	(3.7)
Provisions	26	**(17.2)**	(27.2)
Retirement benefit obligation	34	**(3.4)**	(2.4)
Deferred tax liabilities	19	**(4.5)**	(6.2)
Total non-current liabilities		**(29.6)**	(39.5)
Total liabilities		**(320.2)**	(396.3)
Net assets		**276.6**	245.0

Consolidated balance sheet continued

As at 31 March 2009

	Notes	2009 £m	2008 £m
Equity			
Share capital	27	**8.1**	7.9
Share premium account	28	**24.4**	19.0
Merger reserve	28	**67.2**	60.4
Share-based payments reserve	28	**4.4**	2.9
Own shares reserve	28	**(5.2)**	(2.0)
Other reserves	28	**0.2**	0.2
Retained earnings	28	**167.4**	143.7
Equity attributable to equity holders of the parent		**266.5**	232.1
Minority interests		**10.1**	12.9
Total equity		**276.6**	245.0

The financial statements were approved by the Board of Directors and authorised for issue on 18 May 2009. They were signed on its behalf by:

Ruby McGregor-Smith
Chief Executive

Suzanne Baxter
Group Finance Director

Consolidated cash flow statement

For the year ended 31 March 2009

	Notes	2009 £m	2008 £m
Net cash from operating activities	30	**73.6**	58.1
Investing activities			
Interest received		**0.8**	1.1
Purchase of property, plant and equipment		**(15.0)**	(17.8)
Purchase of subsidiary undertakings		**(2.2)**	(26.9)
Purchase of other intangible assets		**(9.0)**	(6.6)
Disposals of property, plant and equipment		**2.8**	4.6
Net cash outflow from investing activities		**(22.6)**	(45.6)
Financing activities			
Repayments of obligations under finance leases		**(1.6)**	(1.4)
Proceeds on issue of share capital		**1.9**	3.5
Repayments of loan notes on purchase of subsidiary undertakings		**(1.2)**	(8.0)
Bank loans (repaid)/raised		**(40.0)**	30.0
Purchase of own shares		**(3.2)**	(2.0)
Equity dividends paid		**(20.8)**	(17.3)
Minority dividends paid		**(0.2)**	(0.3)
Net cash (outflow)/inflow from financing		**(65.1)**	4.5
Net (decrease)/increase in cash and cash equivalents		**(14.1)**	17.0
Net cash and cash equivalents at beginning of the year		**42.6**	25.6
Net cash and cash equivalents at end of the year		**28.5**	42.6
Net cash and cash equivalents comprise:			
Cash at bank		**28.5**	42.6
		28.5	42.6

Reconciliation of net cash flow to movement in net funds/(debt)	Notes	2009 £m	2008 £m
Net (decrease)/increase in cash and cash equivalents		**(14.1)**	17.0
Bank loans repaid/(raised)		**40.0**	(30.0)
Repayments of loan notes on purchase of subsidiary undertakings		**1.2**	8.0
Issue of loan notes on acquisition of subsidiary undertakings		**–**	(1.6)
Increase in finance leases		**(0.6)**	(0.9)
Decrease/(increase) in net debt during the year		**26.5**	(7.5)
Opening net debt		**(15.6)**	(8.1)
Closing net funds/(debt)	25	**10.9**	(15.6)

Notes to the consolidated financial statements

For the year ended 31 March 2009

1. Basis of preparation and significant accounting policies

Basis of preparation

The Group's financial statements for the year ended 31 March 2009 are prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted for use in the European Union.

As more fully detailed in the Directors' and governance report, the Group's financial statements have been prepared on a going concern basis.

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 2008 except for the adoption of new standards and interpretations, noted below. Adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group.

- IFRIC 12 'Service Concession Arrangements'; and
- IFRIC 14 IAS 19 'The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction';

The following standards and interpretations have been issued but are not yet effective;

- IFRIC 13 'Customer Loyalty Programmes';
- IFRIC 15 'Agreements for the Construction of Real Estate';
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation';
- IFRIC 17 'Distributions of Non-Cash Assets to Owners';
- IFRIC 18 'Transfers of Assets from Customers';
- IAS 1 (Revised) 'Presentation of Financial Statements';
- IAS 27 (Revised) 'Consolidated and Separate Financial Statements';
- IFRS 3 (Revised) 'Business Combinations'; and consequential amendment to; IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investments in Associates' and IAS 31 'Interests in Joint Ventures';
- IFRS 8 'Operating Segments';
- Amendments to IAS 32 and IAS 1 'Puttable Financial Instruments and Obligations Arising on Liquidation';
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement';
- Amendments to IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate';
- Amendment to IFRS 2 'Share-based Payment';
- Amendments resulting from May 2008 Annual Improvements to IFRSs; and
- Amendments resulting from April 2009 Annual Improvements to IFRSs.

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

Significant accounting policies under IFRS

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

Basis of consolidation

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

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

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

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

1. Basis of preparation and significant accounting policies continued

Business combinations

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

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

Goodwill

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

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

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

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

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

Intangible assets

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

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

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

Notes to the consolidated financial statements continued

1. Basis of preparation and significant accounting policies continued

Revenue

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

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

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

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

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Operating profit

Operating profit is stated before investment revenue and finance costs.

Borrowing costs

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

Leasing

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

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

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

Foreign currency

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

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

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

1. Basis of preparation and significant accounting policies continued

Retirement benefit costs

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

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

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

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

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

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

Taxation

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

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

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

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

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

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

Notes to the consolidated financial statements continued

1. Basis of preparation and significant accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trade payables are measured at fair value. There are no financial liabilities classified as held for trading.

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

1. Basis of preparation and significant accounting policies continued

Provisions

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

Pre-contract costs

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

Share-based payments

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

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

2. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

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

Revenue recognition

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

Key sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of cash-generating units and also the selection of appropriate discount rates to use in order to calculate present values. The carrying value of goodwill is £201.2m (2008: £203.3m) at the balance sheet date; see Note 11. Management do not consider that any reasonably foreseeable change in the key assumptions would result in an impairment.

Retirement benefit obligations

The calculation of defined benefit obligations is dependent on material key assumptions including discount rates, mortality rates, future returns on assets and future contribution rates. The present value of defined benefit obligations at the balance sheet date is £126.1m (2008: £129.4m); see Note 34.

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

	Change in assumption	Change in liability £m
Discount rate	+/-0.5%	+/-11.7
Inflation	+/-0.5%	+/-9.1
Mortality rate	+1 year	+2.9

Notes to the consolidated financial statements continued

3. Business and geographical segments

Business segments

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

On 1 April 2009 we took a decision to rebrand our three operating divisions to Facilities Management (previously Facilities Services), Property Management (previously Property Services) and Asset Management (previously Engineering Services). Further we elected to enhance our Asset Management proposition through its combination with our Engineering Maintenance business, which had previously been a part of our Facilities Services business. The financial data below reflects the performance of our three divisions in the organisational structures that applied during the period to 31 March 2009, but reflects the new branding. A proforma analysis of the financial results of the business for the year ended 31 March 2009 is also set out below.

Business segments – structure to 31 March 2009

	2009				2008			
	Revenue £m	Operating profit before amortisation* £m	Margin %	Profit before tax £m	Revenue £m	Operating profit before amortisation* £m	Margin %	Profit before tax £m
Facilities Management	942.2	54.2	5.8	51.0	820.4	48.9	6.0	44.6
Property Management	297.9	17.9	6.0	17.1	285.7	15.0	5.3	14.6
Asset Management	281.8	8.4	3.0	7.8	301.1	8.3	2.8	8.7
Total	1,521.9	80.5	5.3	75.9	1,407.2	72.2	5.1	67.9

* Of acquisition related intangible assets.

Business segments – structure from 1 April 2009

	2009			
	Revenue £m	Operating profit before amortisation* £m	Margin %	Profit before tax £m
Facilities Management	781.8	47.2	6.0	44.3
Property Management	297.9	17.9	6.0	17.1
Asset Management	442.2	15.4	3.5	14.5
Total	1,521.9	80.5	5.3	75.9

* Of acquisition related intangible assets.

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

3. Business and geographical segments continued

Other segmental analysis – structure to 31 March 2009

	Facilities Management 2009 £m	Property Management 2009 £m	Asset Management 2009 £m	Total 2009 £m
Assets by segment				
Goodwill and other intangible assets	160.8	45.5	19.3	225.6
Divisional assets	234.0	105.4	83.2	422.6
	394.8	150.9	102.5	648.2
Unallocated				(51.4)[i]
Total assets				596.8
Liabilities by segment				
Divisional liabilities	(146.9)	(74.8)	(66.3)	(288.0)
Unallocated				(32.2)[i]
Total liabilities				(320.2)
Total net assets				276.6
Capital movements				
Tangible assets	13.5	2.2	1.4	17.1
Depreciation charge	10.8	3.6	1.8	16.2
Intangible assets	9.9	(4.4)	1.9	7.4
Intangible amortisation	1.8	0.2	–	2.0

[i] Relates to interdivisional funding.

Notes to the consolidated financial statements continued

3. Business and geographical segments continued

	Facilities Management 2008 £m	Property Management 2008 £m	Asset Management 2008 £m	Total 2008 £m
Assets by segment				
Goodwill and other intangible assets	152.7	50.1	17.4	220.2
Divisional assets	250.8	107.2	95.0	453.0
	403.5	157.3	112.4	673.2
Unallocated				(31.9)[i]
Total assets				641.3
Liabilities by segment				
Divisional liabilities	(162.8)	(81.7)	(75.8)	(320.3)
Unallocated				(76.0)[i]
Total liabilities				(396.3)
Total net assets				245.0
Capital movements				
Tangible assets	14.4	3.4	2.2	20.0
Depreciation charge	9.6	3.1	1.7	14.4
Intangible assets	13.8	44.7	5.3	63.8
Intangible amortisation	1.7	0.2	–	1.9

[i] Relates to interdivisional funding.

Geographical segments

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

4. Operating profit

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

	2009 £m	2008 £m
Depreciation of property, plant and equipment	**16.2**	14.4
Amortisation of intangible assets	**2.0**	1.9
Gain on disposal of property, plant and equipment	**(0.8)**	(1.7)
Staff costs (Note 5)	**763.6**	697.7

A detailed analysis of auditors' remuneration is provided below:

	2009 £'000	2008 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**45**	40
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries	**418**	390
Total audit fees	**463**	430
Tax services	**61**	90
Other services	**30**	99
Total non-audit fees	**91**	189
Total	**554**	619

In addition to the amounts shown above the auditors received fees of £16,000 (2008: £14,500) for the audit of the Group pension schemes and £23,000 (2008: £13,000) of fees were incurred in relation to acquisitions and have been included in acquisition costs.

5. Staff costs

Number of people	2009	2008
The average number of people employed during the financial year was:		
Facilities Management	**45,898**	43,654
Property Management	**2,716**	2,761
Asset Management	**1,440**	1,544
Total Group	**50,054**	47,959
The number of people employed at 31 March was:		
Total Group	**51,486**	49,505

	2009 £m	2008 £m
Their aggregate remuneration comprised:		
Wages and salaries	**695.5**	634.4
Social security costs	**57.3**	53.9
Other pension costs	**8.4**	7.9
Share-based payments (Note 33)	**2.4**	1.5
	763.6	697.7

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

Notes to the consolidated financial statements continued

6. Investment revenue

	2009 £m	2008 £m
Interest on bank deposits	**0.7**	0.2
Other interest receivable	**0.1**	1.0
	0.8	1.2

7. Finance costs

	2009 £m	2008 £m
Interest on bank overdrafts and loans	**2.5**	2.6
Interest on obligations under finance leases	**0.3**	0.3
Interest rate swaps charge (Note 22)	**0.6**	–
Unwinding of discount on deferred contingent consideration	**0.6**	0.8
Total interest expense	**4.0**	3.7
Less: amounts included in the cost of qualifying assets	**(0.5)**	(0.1)
	3.5	3.6

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying an average capitalisation rate of 4.9% (2008: 6.3%) to expenditure on such assets.

8. Tax

	2009 £m	2008 £m
Current tax	**21.4**	19.4
Deferred tax (Note 19)	**0.1**	1.2
	21.5	20.6

Corporation tax is calculated at 28.0% (2008: 30.0%) 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:

	2009 £m	2008 £m
Profit before tax	**75.9**	67.9
Tax at the UK corporation tax rate of 28.0% (2008: 30.0%)	**21.3**	20.4
Expenses not deductible for tax purposes	**1.1**	0.8
Tax losses not recognised/previously unrecognised	**(0.5)**	0.1
Profit on disposal of property	**–**	(0.1)
Prior year adjustments	**(0.4)**	(0.6)
Tax charge for the year	**21.5**	20.6

In addition to the amount charged to the consolidated income statement, deferred tax relating to retirement benefit costs and share-based payments amounting to £2.5m has been credited directly to equity (2008: £2.3m charge) (see Note 19). The benefit of tax savings relating to retirement benefit costs and share-based payments amounting to £nil (2008: £0.8m) has been credited directly to equity.

9. Dividends

	2009 £m	2008 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2008 of 3.2p (2007: 2.7p) per share	**10.1**	8.4
Interim dividend for the year ended 31 March 2009 of 3.3p (2008: 2.8p) per share	**10.7**	8.9
	20.8	17.3
Proposed final dividend for the year ended 31 March 2009 of 3.6p (2008: 3.2p) per share	**11.6**	10.1

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.

10. 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	2009 million	2008 million
Weighted average number of Ordinary shares for the purpose of basic EPS	**318.3**	314.3
Effect of dilutive potential Ordinary shares: share options	**4.0**	4.9
Weighted average number of Ordinary shares for the purpose of diluted EPS	**322.3**	319.2

The weighted average number of Ordinary shares in issue during the year excludes those held by the MITIE Group PLC Employee Benefit Trust (see Note 28).

11. Goodwill

	£m
Cost	
At 1 April 2007	148.4
Acquisition of subsidiaries	49.5
Acquisition of minorities	5.4
At 1 April 2008	203.3
Changes in fair values of subsidiaries acquired in prior years	(0.1)
Decrease in deferred contingent consideration for subsidiaries acquired in prior years	(11.7)
Acquisition of minorities	9.7
At 31 March 2009	**201.2**
Accumulated impairment losses	
At 1 April 2007	–
At 1 April 2008	–
At 31 March 2009	**–**
Carrying amount	
At 31 March 2009	**201.2**
At 31 March 2008	203.3

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

Notes to the consolidated financial statements continued

11. Goodwill continued

Cost	2009 £m	2008 £m
Facilities Management	144.5	140.2
Property Management	41.0	47.1
Asset Management	15.7	16.0
	201.2	203.3

The Group tests goodwill at least annually for impairment.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 2% (2008: 2%) per annum. This rate does not exceed the average long-term growth rate for the relevant markets.

The rates used to discount the forecast cash flows from CGUs are as follows:

	2009 %	2008 %
Facilities Management	10.6	11.4
Property Management	10.6	11.4
Asset Management	10.6	11.4

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

12. Other intangible assets

	Customer relationships £m	Software and development costs £m	Total £m
Cost			
At 1 April 2007	11.7	–	11.7
Additions	2.3	6.6	8.9
At 1 April 2008	14.0	6.6	20.6
Additions	–	9.5	9.5
At 31 March 2009	**14.0**	**16.1**	**30.1**
Amortisation			
At 1 April 2007	1.8	–	1.8
Charge for the year	1.9	–	1.9
At 1 April 2008	3.7	–	3.7
Charge for the year	1.9	0.1	2.0
At 31 March 2009	**5.6**	**0.1**	**5.7**
Carrying amount			
At 31 March 2009	**8.4**	**16.0**	**24.4**
At 31 March 2008	10.3	6.6	16.9

Customer relationships are amortised over the remaining period of the contract, which currently ranges between six and eight years. Software and development costs are amortised over their useful life of between five and ten years, once they have been brought into use.

13. Property, plant and equipment

	Freehold properties £m	Leasehold properties £m	Plant and vehicles £m	**Total £m**
Cost				
At 1 April 2007	6.2	6.1	62.4	**74.7**
Additions	–	1.2	18.8	**20.0**
Acquisition of subsidiaries	–	–	1.0	**1.0**
Disposals	(1.4)	–	(11.7)	**(13.1)**
At 1 April 2008	4.8	7.3	70.5	**82.6**
Additions	0.3	0.2	16.6	**17.1**
Disposals	–	–	(21.7)	**(21.7)**
At 31 March 2009	**5.1**	**7.5**	**65.4**	**78.0**
Accumulated depreciation and impairment				
At 1 April 2007	0.7	1.1	31.4	**33.2**
Charge for the year	0.1	0.7	13.6	**14.4**
Disposals	(0.2)	–	(10.0)	**(10.2)**
At 1 April 2008	0.6	1.8	35.0	**37.4**
Charge for the year	0.1	1.0	15.1	**16.2**
Disposals	–	–	(19.7)	**(19.7)**
At 31 March 2009	**0.7**	**2.8**	**30.4**	**33.9**
Carrying amount				
At 31 March 2009	**4.4**	**4.7**	**35.0**	**44.1**
At 31 March 2008	4.2	5.5	35.5	45.2

The net book value of plant and vehicles held under finance leases included above was £4.7m (2008: £3.8m).

14. Inventories

	2009 £m	2008 £m
Work-in-progress	**1.3**	0.6
Materials	**1.2**	1.8
	2.5	2.4

15. Financial assets

	2009 £m	2008 £m
Trade receivables (Note 16)	**159.5**	170.9
Amounts recoverable on contracts (Note 17)	**87.3**	108.2
Other debtors	**5.6**	3.3
Cash and cash equivalents (Note 18)	**28.5**	42.6
	280.9	325.0

All financial assets are classified as loans and receivables.

Notes to the consolidated financial statements continued

16. Trade and other receivables

	2009 £m	2008 £m
Amounts receivable for the sale of services	**166.0**	175.5
Allowance for doubtful debt	**(6.5)**	(4.6)
	159.5	170.9
Amounts recoverable on contracts (Note 17)	**87.3**	108.2
Other debtors	**5.6**	3.3
Prepayments and accrued income	**33.4**	32.0
	285.8	314.4

Ageing of trade receivables:

	2009 £m	2008 £m
Neither impaired nor past due	**111.7**	127.2
Not impaired and less than three months overdue	**43.2**	39.8
Not impaired and more than three months overdue	**7.5**	4.4
Impaired receivables	**3.6**	4.1
Allowance for doubtful debt	**(6.5)**	(4.6)
	159.5	170.9

Movement in the allowance for doubtful debt:

	2009 £m	2008 £m
Balance at the beginning of the year	**4.6**	3.5
Impairment losses recognised	**2.3**	3.7
Amounts written off as uncollectable	**(0.3)**	(1.0)
Amounts recovered during the year	**(0.1)**	(1.6)
	6.5	4.6

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

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debt. The average credit period taken on sales of services was 33 days (2008: 38 days).

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

17. Amounts recoverable on contracts

Contracts in progress at the balance sheet date	2009 £m	2008 £m
Amounts due from contract customers included in trade and other receivables	**87.3**	108.2
Amounts due to contract customers included in trade and other payables	**(1.1)**	(1.7)
	86.2	106.5
Contract costs incurred plus recognised profits less recognised losses to date	**930.0**	980.7
Less progress billings	**(843.8)**	(874.2)
	86.2	106.5

At 31 March 2009, retentions held by customers for contract work amounted to £18.5m (2008: £19.1m).

18. Cash and cash equivalents

	2009 £m	2008 £m
Cash and cash equivalents	**28.5**	42.6
	28.5	42.6

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

Included in cash and cash equivalents are deposits totalling £7.3m (2008: £12.4m) held by the Group's insurance subsidiary, which are not readily available for the general purposes of the Group.

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

19. Deferred tax

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

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Business combinations £m	Share-based payments £m	Short-term timing differences £m	Tax losses £m	Total £m
At 1 April 2007	0.9	(0.1)	(3.3)	2.0	4.1	0.2	**3.8**
(Charge)/credit to income	(0.6)	(0.7)	1.0	0.3	(1.2)	–	**(1.2)**
Charge to equity	–	(2.0)	–	(0.3)	–	–	**(2.3)**
(Charge)/credit to goodwill	–	–	(0.7)	–	0.8	–	**0.1**
At 1 April 2008	0.3	(2.8)	(3.0)	2.0	3.7	0.2	**0.4**
Credit/(charge) to income	0.1	(1.3)	0.5	(0.2)	(0.2)	1.0	**(0.1)**
Credit/(charge) to equity	–	3.3	–	(0.8)	–	–	**2.5**
At 31 March 2009	**0.4**	**(0.8)**	**(2.5)**	**1.0**	**3.5**	**1.2**	**2.8**

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

	2009 £m	2008 £m
Deferred tax assets	**7.3**	6.6
Deferred tax liabilities	**(4.5)**	(6.2)
Net deferred tax asset	**2.8**	0.4

The Group has unutilised income tax losses of £5.6m (2008: £3.5m) that are available for offset against future profits. In addition the Group has £0.5m (2008: £0.5m) of capital losses. Deferred tax assets have not been recognised in respect of £1.7m (2008: £3.1m) of these losses as their recoverability is uncertain.

20. Financial liabilities

	2009 £m	2008 £m
Trade creditors (Note 21)	**156.5**	173.6
Other creditors	**8.1**	6.6
Accruals and deferred income	**51.2**	55.2
Financing liabilities (Note 22)	**18.2**	58.2
	234.0	293.6

All financial liabilities are held at amortised cost with the exception of interest rate swaps which are classified as fair value through profit and loss (see Note 22).

Notes to the consolidated financial statements continued

21. Trade and other payables

	2009 £m	2008 £m
Payments received on account	**1.6**	1.1
Trade creditors	**156.5**	173.6
Other taxes and social security	**42.8**	53.1
Other creditors	**8.1**	6.6
Accruals and deferred income	**51.2**	55.2
	260.2	289.6

Trade creditors and accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 34 days (2008: 40 days).

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

22. Financing liabilities

	2009 £m	2008 £m
Bank loans	**10.0**	50.0
Secured loan notes	**1.9**	1.9
Unsecured loan notes	**1.6**	2.8
Interest rate swaps	**0.6**	–
Obligations under finance leases (Note 24)	**4.1**	3.5
	18.2	58.2
Included in current liabilities	**13.7**	54.5
Included in non-current liabilities	**4.5**	3.7
	18.2	58.2

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

During the year £1.2m of loan notes in respect of MITIE Pest Control Limited (formerly Eagle Pest Control Services UK Limited) were redeemed.

Included in non-current liabilities are £2.9m (2008: £2.1m) of obligations under finance leases (see Note 24) and £1.6m (2008: £1.6m) of unsecured loan notes which are repayable between 2009 and 2013.

During the year, the Group entered into a series of callable swaps, which represented good value at the time, to convert from a variable rate to a fixed rate of interest. As a result of the dramatic fall in interest rates these swaps had a negative mark to market value of £0.6m at 31 March 2009 which will reverse as the mark to market valuation tends towards zero as the swaps approach maturity or cancellation. The contracts in place have a weighted average strike price of 4.4% and a maximum maturity of 2011.

	2009 %	2008 %
The weighted average interest rates paid during the year on the overdrafts and loans outstanding were as follows:		
Overdrafts	**4.4**	6.4
Bank loans	**4.9**	6.3
Loan notes	**3.0**	4.9

At 31 March 2009, the Group had available £220m (2008: £180m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facilities have an expiry date of January 2012. The loans carry interest rates which are currently fixed at 1.2% and are currently determined at 0.4% over LIBOR. The secured loan notes are backed by a bank guarantee. Details of the Group's contingent liabilities are provided in Note 31.

23. Financial risk management objectives

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

Credit risk

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

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

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

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

Foreign currency risk

The Group has very limited trading transactions in foreign currency and currently there is no hedging of these exposures. Any material transactions would be appropriately hedged.

Liquidity risk

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

The tables below summarise the maturity profile of the Group's financial liabilities:

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

At 31 March 2008	Within one year £m	In the second to fifth years £m	Total £m
Trade creditors	173.6	–	173.6
Other creditors	6.6	–	6.6
Accruals and deferred income	55.2	–	55.2
Financing liabilities	54.5	3.7	58.2
Financial liabilities	289.9	3.7	293.6

Financial assets at 31 March 2009 and 31 March 2008 have a maturity of less than one year.

Market risk

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit after tax for the year ended 31 March 2009 and reserves would decrease/increase by £0.1m (2008: £0.1m).

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity. The capital structure of the Group consists of net funds/(debt) per Note 25 and equity per Note 28.

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

Notes to the consolidated financial statements continued

24. Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Amounts payable under finance leases:				
Within one year	**1.5**	1.4	**1.4**	1.4
In the second to fifth years inclusive	**3.3**	2.5	**2.7**	2.1
	4.8	3.9	**4.1**	3.5
Less: future finance charges	**(0.7)**	(0.4)	**–**	–
Present value of lease obligations	**4.1**	3.5	**4.1**	3.5
Less: Amount due for settlement within twelve months	**(1.2)**	(1.4)	**(1.2)**	(1.4)
Amount due for settlement after twelve months	**2.9**	2.1	**2.9**	2.1

The average remaining lease term is 33 months (2008: 23 months). For the year ended 31 March 2009, the average effective borrowing rate was 5.8% (2008: 5.8%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

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

25. Analysis of net funds/(debt)

	2009 £m	2008 £m
Cash and cash equivalents (Note 18)	**28.5**	42.6
Bank loans	**(10.0)**	(50.0)
Net cash/(debt) before loan notes and obligations under finance leases	**18.5**	(7.4)
Loan notes (Note 22)	**(3.5)**	(4.7)
Obligations under finance leases (Note 24)	**(4.1)**	(3.5)
Net funds/(debt)	**10.9**	(15.6)

26. Provisions

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

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2007	0.3	8.6	8.9
Unwinding of discount on deferred contingent consideration	0.8	–	0.8
Utilised during the year	(0.2)	(3.2)	(3.4)
Other movements in the year	20.0	2.9	22.9
At 31 March 2008	20.9	8.3	29.2
Included in current liabilities			2.0
Included in non-current liabilities			27.2
			29.2

During the year £0.5m of deferred contingent consideration in respect of the purchase last year of part of the minority shareholdings in MITIE Technology & Infrastructure Limited was settled by the issue of new MITIE shares giving rise to a merger reserve of £0.5m; furthermore £0.7m of deferred consideration in respect of the purchase last year of Catering Partnership Holdings Limited was settled in cash.

Provision is made for deferred contingent consideration, which may become payable from 2009 – 2013 subject to profit targets being attained, at the best estimate of the Directors. A total of £2.4m was provided for deferred contingent consideration to the minority shareholders of MITIE Interiors Limited, MITIE Property Services (Eastern) Limited and MITIE Technology & Infrastructure Limited.

In addition, £11.7m of deferred contingent consideration has been released through goodwill.

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

Notes to the consolidated financial statements continued

27. Share capital

Ordinary shares of 2.5p	Number million	£m
Authorised		
At 31 March 2008 and 31 March 2009	**500.0**	**12.5**
2009		
Allotted and fully paid		
At beginning of year	**316.8**	**7.9**
Issued for acquisitions	**4.8**	**0.1**
Issued under share option schemes	**1.4**	**0.1**
At end of year	**323.0**	**8.1**
2008		
Allotted and fully paid		
At beginning of year	312.4	7.8
Issued for acquisitions	2.4	0.1
Issued under share option schemes	2.0	–
At end of year	316.8	7.9

During the year 4.8m (2008: 2.4m) Ordinary shares of 2.5p were allotted in respect of acquiring minority interests at a mid-market price of 218.8p (2008: 237.2p) giving rise to share premium of £3.6m (2008: £nil) and a merger reserve of £6.8m (2008: £5.5m).

During the year 1.4m (2008: 2.0m) Ordinary shares of 2.5p were allotted in respect of share option schemes at a price between 95p and 220p (2008: 58p and 220p) giving rise to share premium of £1.8m (2008: £2.4m).

28. Reserves

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Retained earnings £m	**Total £m**
Balance at 1 April 2008	7.9	19.0	60.4	2.9	(2.0)	0.2	143.7	**232.1**
Shares issued and net premium arising in respect of acquisitions	0.1	3.6	6.8	–	–	–	–	**10.5**
Shares issued and net premium in connection with exercise of share options	0.1	1.8	–	–	–	–	–	**1.9**
Profit for the year attributable to equity holders of the parent	–	–	–	–	–	–	53.1	**53.1**
Dividends paid	–	–	–	–	–	–	(20.8)	**(20.8)**
Purchase of own shares by Employee Benefit Trust	–	–	–	–	(3.2)	–	–	**(3.2)**
Share-based payments	–	–	–	1.5	–	–	0.9	**2.4**
Tax charge on items taken directly to equity	–	–	–	–	–	–	(0.8)	**(0.8)**
Net actuarial loss on defined benefit pension schemes	–	–	–	–	–	–	(12.0)	**(12.0)**
Tax credit on actuarial gain taken directly to equity	–	–	–	–	–	–	3.3	**3.3**
Net expense on defined benefit pension schemes recognised directly in equity in the year	–	–	–	–	–	–	(8.7)	**(8.7)**
Balance at 31 March 2009	**8.1**	**24.4**	**67.2**	**4.4**	**(5.2)**	**0.2**	**167.4**	**266.5**

The Own shares reserve represents the cost of 2.2m shares in MITIE Group PLC purchased in the market and held by the MITIE Group PLC Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 33).

Notes to the consolidated financial statements continued

28. Reserves continued

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 April 2007	7.8	16.6	54.9	1.9	–	0.3	110.2	191.7
Shares issued and net premium arising in respect of acquisitions	0.1	–	5.5	–	–	–	–	5.6
Shares issued and net premium in connection with exercise of share options	–	2.4	–	–	–	(0.1)	–	2.3
Profit for the year attributable to equity holders of the parent	–	–	–	–	–	–	45.0	45.0
Dividends paid	–	–	–	–	–	–	(17.3)	(17.3)
Purchase of own shares by Employee Benefit Trust	–	–	–	–	(2.0)	–	–	(2.0)
Share-based payments	–	–	–	1.0	–	–	0.5	1.5
Tax credit on items taken directly to equity	–	–	–	–	–	–	0.5	0.5
Net actuarial gain on defined benefit pension schemes	–	–	–	–	–	–	6.8	6.8
Tax charge on actuarial gain taken directly to equity	–	–	–	–	–	–	(2.0)	(2.0)
Net income on defined benefit pension schemes recognised directly in equity in the year	–	–	–	–	–	–	4.8	4.8
Balance at 31 March 2008	7.9	19.0	60.4	2.9	(2.0)	0.2	143.7	232.1

The Own shares reserve represents the cost of 0.8m shares in MITIE Group PLC purchased in the market and held by the MITIE Group PLC Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 33).

29. Acquisition of subsidiaries

Purchase of minority interests

	MITIE Interiors Ltd £m	MITIE Services (Retail) Ltd £m	MITIE Catering Services Ltd £m	MITIE Property Services (Eastern) Ltd £m	Other companies £m	**Total £m**
Minority interests	1.4	0.7	0.6	0.4	0.5	**3.6**
Goodwill	4.2	2.6	1.2	0.6	1.1	**9.7**
Total purchase consideration	5.6	3.3	1.8	1.0	1.6	**13.3**
Shares issued – MITIE Group PLC	3.2	3.0	1.5	0.9	1.4	**10.0**
Deferred contingent consideration	2.2	–	–	0.1	0.1	**2.4**
Cash consideration	0.2	0.3	0.3	–	0.1	**0.9**
Total purchase consideration	5.6	3.3	1.8	1.0	1.6	**13.3**

30. Notes to the cash flow statement

Reconciliation of operating profit to net cash from operating activities	2009 £m	2008 £m
Operating profit	**78.6**	70.3
Adjustments for:		
Share-based payment expense	**2.4**	1.5
Pension charge	**1.5**	2.1
Pension contributions	**(5.5)**	(4.7)
Depreciation of property, plant and equipment	**16.2**	14.4
Amortisation of intangible assets	**2.0**	1.9
Gain on disposal of property, plant and equipment	**(0.8)**	(1.7)
Operating cash flows before movements in working capital	**94.4**	83.8
(Increase)/decrease in inventories	**(0.1)**	10.1
Decrease/(increase) in receivables	**28.6**	(36.9)
(Decrease)/increase in payables	**(29.6)**	21.5
Increase/(decrease) in provisions	**1.1**	(0.3)
Cash generated by operations	**94.4**	78.2
Income taxes paid	**(18.6)**	(17.6)
Interest paid	**(2.2)**	(2.5)
Net cash from operating activities	**73.6**	58.1

Additions to fixtures and equipment during the year amounting to £2.1m (2008: £2.2m) were financed by new finance leases.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

31. Contingent liabilities

The Company is party with other Group companies to cross guarantees of each other's bank loans, commitments and overdrafts of £265m (2008: £270m).

The Company and various of its subsidiaries are, from time to time, party to legal proceedings and claims that are in the ordinary course of business. The Directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect on the Group's financial position.

Deferred contingent consideration relating to acquisitions has been accrued at the Directors' best estimate of the likely future obligation of £11.0m (2008: £20.9m) per Note 26. The actual amounts payable may vary up to a maximum of £31.0m (2008: £31.2m) dependent upon the results of the acquired businesses.

In addition, the Group and its subsidiaries have provided guarantees and indemnities in respect of performance, issued by financial institutions on its behalf, amounting to £20.6m (2008: £9.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

Notes to the consolidated financial statements continued

32. Operating lease arrangements

The Group as Lessee

	2009 £m	2008 £m
Minimum lease payments under operating leases recognised in income for the year	**4.7**	5.2

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

	2009 £m	2008 £m
Within one year	**3.6**	1.5
In the second to fifth years inclusive	**8.2**	5.8
After five years	**3.7**	7.6
	15.5	14.9

33. Share-based payments

Equity-settled share option schemes

The Company has four share option schemes:

The MITIE Group PLC Long Term Incentive Plan (LTIP)

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

The MITIE Group PLC 1991 Executive share option scheme

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

The MITIE Group PLC 2001 Executive share option scheme

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

33. Share-based payments continued

The MITIE Group PLC 2001 Savings related share option scheme

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

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

	2009		2008	
	Number of share options (million)	Weighted average exercise price (in p)	Number of share options (million)	Weighted average exercise price (in p)
Outstanding at beginning of the year	13.8	163	12.9	143
Granted during the year	6.7	155	4.5	194
Forfeited during the year	(1.8)	176	(1.6)	148
Exercised during the year	(1.4)	129	(2.0)	116
Outstanding at the end of the year(i)	17.3	162	13.8	163
Exercisable at the end of the year	2.2	144	1.7	132

(i) Included within this balance are 0.6m (2008: 0.8m) options that have not been recognised in accordance with the transitional provisions of IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

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

	2009 £m	2008 £m
Long Term Incentive Plan share options	1.1	0.4
2001 Executive share options	0.6	0.5
2001 Savings Related share options	0.7	0.6
	2.4	1.5

The weighted average share price at the date of exercise for share options exercised during the year was 201p (2008: 264p). The options outstanding at 31 March 2009 had exercise prices (other than nil in the case of the LTIP) ranging from 95p – 254p (2008: 58p – 254p) and a weighted average remaining contractual life of 4.7 years (2008: 5.1 years). In the year ended 31 March 2009, options were granted in June, July and September 2008 in respect of the LTIP, Executive and Savings Related share option schemes. The aggregate of the estimated fair values of the options granted on those dates is £4.0m. In the year ended 31 March 2008, options were granted in July and August 2007 in respect of the LTIP, Executive and Savings Related share option schemes. The aggregate of the estimated fair values of the options granted on those dates is £3.0m.

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

	2009	2008
Share price (p)	133–230	133–230
Exercise price (p)	0–254	0–254
Expected volatility (%)	27–30	27–30
Expected life (years)	3–6	4–6
Risk-free rate (%)	4.17–5.25	4.17–5.25
Expected dividends (%)	1.43–3.15	1.43–2.29

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

Notes to the consolidated financial statements continued

34. Retirement benefit schemes

Defined contribution schemes

The Group operates a number of defined contribution retirement benefit schemes for qualifying employees. The assets of the schemes are held separately from those of the Group in funds controlled by the scheme providers. The Group paid employer contributions of £2.9m (2008: £3.2m) during the year.

Defined benefit schemes

Group defined benefit scheme

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

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

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

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

Other defined benefit schemes

Grouped together under 'Other schemes' are one (2008: three) scheme in which the Group is a participating employer and a number of schemes to which the Group makes contributions under Admitted Body status to our customers' defined benefit schemes in respect of certain TUPE employees. These valuations are updated by the actuaries at each balance sheet date. The present values of the defined benefit obligations, the related current service cost and past service cost were measured using the Projected Unit Credit Method.

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

	Group schemes		Other schemes	
	2009 %	2008 %	**2009 %**	2008 %
Key assumptions used for IAS 19 valuation:				
Discount rate	**6.60**	6.30	**6.60**	6.30
Expected return on scheme assets:				
Equity instruments	**8.00**	8.00	**8.00**	8.00
Debt instruments	**5.00**	5.00	**5.00**	5.00
Property	**7.50**	7.50	**7.50**	7.50
Other assets	**3.50**	5.25	**3.50**	5.25
Expected rate of salary increases	**4.00**	4.30	**3.50**	3.80
Inflation	**3.00**	3.30	**3.00**	3.30
Future pension increases	**3.00**	3.30	**3.00**	3.30

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

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

34. Retirement benefit schemes continued

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

	2009 Group scheme £m	2009 Other schemes £m	2009 Total £m	2008 Group schemes £m	2008 Other schemes £m	2008 Total £m
Current service cost	(2.2)	(1.3)	(3.5)	(3.2)	(2.0)	(5.2)
Interest cost	(5.0)	(3.2)	(8.2)	(4.5)	(3.3)	(7.8)
Expected return on scheme assets	6.3	3.9	10.2	6.2	4.7	10.9
	(0.9)	(0.6)	(1.5)	(1.5)	(0.6)	(2.1)

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

	2009 Group scheme £m	2009 Other schemes £m	2009 Total £m	2008 Group schemes £m	2008 Other schemes £m	2008 Total £m
Actual return on scheme assets	(14.9)	(9.1)	(24.0)	1.8	(1.3)	0.5
Expected return on scheme assets	(6.3)	(3.9)	(10.2)	(6.2)	(4.7)	(10.9)
Experience adjustments arising on plan liabilities	11.3	10.9	22.2	12.0	5.2	17.2
	(9.9)	(2.1)	(12.0)	7.6	(0.8)	6.8

The cumulative amount of actuarial loss recognised since 1 April 2004 in the consolidated statement of recognised income and expense is £10.5m (2008: £1.5m gain).

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

	2009 Group scheme £m	2009 Other schemes £m	2009 Total £m	2008 Group schemes £m	2008 Other schemes £m	2008 Total £m
Fair value of scheme assets	77.3	45.8	123.1	88.6	52.3	140.9
Present value of defined benefit obligations	(74.3)	(51.8)	(126.1)	(78.7)	(50.7)	(129.4)
Surplus/(deficit) in scheme	3.0	(6.0)	(3.0)	9.9	1.6	11.5
Contract adjustment	–	2.6	2.6	–	(4.0)	(4.0)
Net pension asset/(liability)	3.0	(3.4)	(0.4)	9.9	(2.4)	7.5

Notes to the consolidated financial statements continued

34. Retirement benefit schemes continued

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

	2009 Group scheme £m	2009 Other schemes £m	2009 Total £m	2008 Group schemes £m	2008 Other schemes £m	2008 Total £m
At 1 April	78.7	50.7	129.4	82.7	60.6	143.3
Service cost	2.2	1.3	3.5	3.2	2.0	5.2
Interest cost	5.0	3.2	8.2	4.5	3.3	7.8
Contributions from scheme members	1.8	0.5	2.3	2.7	0.5	3.2
Actuarial gains and losses	(11.3)	(4.2)	(15.5)	(12.0)	(8.2)	(20.2)
Benefits paid	(2.1)	(1.4)	(3.5)	(2.4)	(1.0)	(3.4)
Acquisition of subsidiaries	–	–	–	–	4.5	4.5
Contract transfers	–	1.7	1.7	–	(11.0)	(11.0)
At 31 March	**74.3**	**51.8**	**126.1**	78.7	50.7	129.4

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

	2009 Group scheme £m	2009 Other schemes £m	2009 Total £m	2008 Group schemes £m	2008 Other schemes £m	2008 Total £m
At 1 April	88.6	52.3	140.9	83.2	61.4	144.6
Expected return on scheme assets	6.3	3.9	10.2	6.2	4.7	10.9
Actuarial gains and losses	(21.2)	(13.0)	(34.2)	(4.4)	(6.0)	(10.4)
Contributions from the sponsoring companies	3.9	1.6	5.5	3.3	1.4	4.7
Contributions from scheme members	1.8	0.5	2.3	2.7	0.5	3.2
Benefits paid	(2.1)	(1.4)	(3.5)	(2.4)	(1.0)	(3.4)
Acquisition of subsidiaries	–	–	–	–	2.1	2.1
Contract transfers	–	1.9	1.9	–	(10.8)	(10.8)
At 31 March	**77.3**	**45.8**	**123.1**	88.6	52.3	140.9

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

	2009 Group scheme £m	2009 Other schemes £m	2009 Total £m	2008 Group schemes £m	2008 Other schemes £m	2008 Total £m
Equity instruments	32.6	29.8	62.4	44.3	37.2	81.5
Debt instruments	17.3	8.5	25.8	17.8	8.1	25.9
Property	12.8	4.5	17.3	14.9	4.3	19.2
Other assets	14.6	3.0	17.6	11.6	2.7	14.3
At 31 March	**77.3**	**45.8**	**123.1**	88.6	52.3	140.9

The pension schemes have invested in property occupied by the Group with a fair value of £3.2m (2008: £3.2m) generating rental of £0.3m (2008: £0.3m). At 31 March 2009 the pension schemes held 17,000 of MITIE Group PLC shares (2008: 53,000). The pension schemes have not invested in any other assets used by the Group. Transactions between the Group and the pension schemes are conducted at arm's length.

The mortality for the Group schemes is based upon up to date tables which project mortality improvements in the future. For a male aged 65.0 years the expected life is 87.3 years (2008: 85.1 years) and for a female aged 65.0 years the expected life is 89.7 years (2008: 88.0 years). Mortality for the other schemes is that used by the relevant scheme actuary.

34. Retirement benefit schemes continued

The history of experience adjustments is as follows:

	Group schemes				
	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets	**77.3**	88.6	83.2	74.0	49.0
Present value of defined benefit obligations	**(74.3)**	(78.7)	(82.7)	(72.2)	(56.6)
Surplus/(deficit) in the scheme	**3.0**	9.9	0.5	1.8	(7.6)
Experience adjustments on scheme liabilities	**11.3**	12.0	(3.2)	(8.2)	(3.7)
Percentage of scheme liabilities	**(15.3)%**	(15.2)%	3.9%	11.4%	7.0%
Experience adjustments on scheme assets	**(21.2)**	(4.1)	(0.5)	9.3	2.3
Percentage of scheme assets	**(27.4)%**	(4.8)%	(1.0)%	12.6%	5.0%

	Other schemes				
	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets	**45.8**	52.3	61.4	–	–
Present value of defined benefit obligations	**(49.2)**	(54.7)	(61.4)	–	–
Deficit in the scheme	**(3.4)**	(2.4)	–	–	–
Experience adjustments on scheme liabilities	**10.9**	5.2	(1.0)	–	–
Percentage of scheme liabilities	**(22.2)%**	(10.0)%	1.6%	–	–
Experience adjustments on scheme assets	**(13.0)**	(6.0)	–	–	–
Percentage of scheme assets	**(28.4)%**	(11.5)%	–	–	–

The estimated contributions expected to be paid to the Group schemes during the current financial year are £5.0m (2008: £3.0m) and to other schemes £1.6m (2008: £1.4m). As at 31 March 2009, contributions of £1.4m (2008: £0.7m) due in respect of the current reporting period had not been paid over to the schemes.

35. Related party transactions

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

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

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

Notes to the consolidated financial statements continued

36. Principal subsidiaries

The companies set out below are those which were part of the Group at 31 March 2009 and in the opinion of the Directors significantly affected the Group's results and net assets during the year. Principal subsidiaries are incorporated in the United Kingdom; shareholdings in companies marked * are held directly by MITIE Group PLC.

Division	Activities	Principal subsidiaries	At 31 March 2009 % Voting rights owned	At 31 March 2009 % Ownership interest	At 31 March 2009 % Nominal value owned
Facilities Management	Our Facilities Management division delivers facilities consultancy, management and service delivery to our clients. Within the division, during the year ended 31 March 2009 we recognised five principal business lines which were: Facilities Management, which comprises our managed services, business services, client services and PFI businesses; Cleaning and Environmental, which encompasses our cleaning, landscaping and pest control businesses; Security; Engineering Maintenance; and Catering.	MITIE Facilities Services Ltd*	100.0%	100.0%	100.0%
		MITIE Cleaning & Support Services Ltd	95.9%	95.9%	95.9%
		MITIE Services (Retail) Ltd	83.3%	83.3%	83.3%
		MITIE Transport Services Ltd	86.1%	86.1%	86.1%
		MITIE Security Holdings Ltd	93.4%	93.4%	99.9%
Property Management	Our Property Management division provides property maintenance and project management services, including a complete range of repair, refurbishment, redecoration and fit-out expertise for both the private and public sector with a focus on social housing.	MITIE Property Services (UK) Ltd*	79.2%	79.2%	79.2%
		MITIE Interiors Ltd*	100.0%	100.0%	100.0%
		Robert Prettie & Co Ltd	100.0%	100.0%	100.0%
Asset Management	Our Asset Management division provides the integration, management and maintenance of technical assets to meet the demands of the low-carbon economy including; energy design, generation and certification, infrastructure projects, building services and mechanical and electrical engineering. On 1 April 2009, our Engineering Maintenance business was combined with Asset Management to further enhance our market proposition in this area.	MITIE Engineering Holdings Ltd*	100.0%	100.0%	100.0%

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

Independent auditors' report to the members of MITIE Group PLC

We have audited the parent company financial statements of MITIE Group PLC for the year ended 31 March 2009 which comprise the Company Balance Sheet and the related notes 37 to 50. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of MITIE Group PLC for the year ended 31 March 2009 and on the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement, Chief Executive's Review, Operating Review, Financial Review and Corporate Governance Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent company financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom

18 May 2009

Company balance sheet

As at 31 March 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Tangible assets	40	**17.1**	8.4
Investments in subsidiary undertakings	41	**471.4**	467.7
Total fixed assets		**488.5**	476.1
Current assets			
Debtors	42	**33.1**	33.4
Total current assets		**33.1**	33.4
Total assets		**521.6**	509.5
Creditors: amounts falling due within one year	43	**(112.3)**	(133.1)
Provisions	45	**(2.4)**	(1.1)
Total current liabilities		**(114.7)**	(134.2)
Net current liabilities		**(81.6)**	(100.8)
Total assets less current liabilities		**406.9**	375.3
Creditors: amounts falling due after more than one year	44	**(1.6)**	(1.6)
Provisions	45	**(8.6)**	(18.9)
Total liabilities		**(124.9)**	(154.7)
Net assets		**396.7**	354.8
Capital and reserves			
Share capital	46	**8.1**	7.9
Share premium account	47	**24.4**	19.0
Merger reserve	47	**67.2**	60.4
Share-based payments reserve	47	**4.4**	3.2
Own shares reserve	47	**(5.2)**	–
Other reserves	47	**0.3**	0.3
Profit and loss account	47	**297.5**	264.0
Equity shareholders' funds		**396.7**	354.8

The financial statements were approved by the Board of Directors and authorised for issue on 18 May 2009. They were signed on its behalf by:

Ruby McGregor-Smith
Chief Executive

Suzanne Baxter
Group Finance Director

Notes to the Company financial statements

For the year ended 31 March 2009

37. Significant accounting policies

Basis of accounting

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

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

Investments

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

Tangible fixed assets

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

Plant and vehicles	– 3–10 years
Software and development costs	– 5–10 years

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

Borrowing costs

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

Provisions

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

Taxation

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the Company financial statements continued

37. Significant accounting policies continued

Financial instruments

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

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

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

Trade payables are measured at fair value.

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

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

Share-based payments

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

Pensions

Pension costs represent amounts paid to one of the Group's pension schemes. For the purposes of FRS 17 'Retirement Benefits' the Company has been unable to identify its share of the underlying assets and liabilities of the Group defined benefit pension scheme on a consistent and reasonable basis. Therefore the Company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 34 to the consolidated financial statements sets out the details of the IAS 19 'Employee Benefits' net pension liability of £0.4m (2008: £7.5m asset).

38. Profit for the year

As permitted by section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the year. MITIE Group PLC reported a profit after taxation for the financial year ended 31 March 2009 of £53.1m (2008: £27.0m before an exceptional unrealised gain of £187.7m which arose on the insertion of intermediate holding companies within the Group).

The auditors' remuneration for audit services to the Company was £45,000 (2008: £40,000).

The average number of persons employed, being full time equivalents, by the Company during the year, including Directors, was 111 (2008: 107).

The costs incurred in respect of these employees were:

	2009 £m	2008 £m
Wages and salaries	**8.2**	6.7
Social security costs	**1.0**	0.8
Pension costs	**0.5**	0.3
Share-based payments (Note 49)	**1.2**	0.5
	10.9	8.3

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

39. Dividends

	2009 £m	2008 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2008 of 3.2p (2007: 2.7p) per share	**10.1**	8.4
Interim dividend for the year ended 31 March 2009 of 3.3p (2008: 2.8p) per share	**10.7**	8.9
	20.8	17.3
Proposed final dividend for the year ended 31 March 2009 of 3.6p (2008: 3.2p) per share	**11.6**	10.1

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.

40. Tangible fixed assets

	Plant and vehicles £m	Software and development costs £m	Total £m
Cost			
At 1 April 2008	3.7	6.6	**10.3**
Additions	0.8	8.9	**9.7**
Disposals	(1.4)	–	**(1.4)**
At 31 March 2009	**3.1**	**15.5**	**18.6**
Accumulated depreciation			
At 1 April 2008	1.9	–	**1.9**
Charge for the year	0.6	0.1	**0.7**
Disposals	(1.1)	–	**(1.1)**
At 31 March 2009	**1.4**	**0.1**	**1.5**
Carrying amount			
At 31 March 2009	**1.7**	**15.4**	**17.1**
At 31 March 2008	1.8	6.6	8.4

Notes to the Company financial statements continued

41. Investments in subsidiary undertakings

	£m
Shares at cost	
At 1 April 2008	479.3
Additions	14.1
Decrease in deferred contingent consideration for subsidiaries acquired in prior years	(11.6)
Capital contribution re share-based payments	1.2
At 31 March 2009	**483.0**
Provision for impairment	
At 1 April 2008	11.6
At 31 March 2009	**11.6**
Carrying amount	
At 31 March 2009	**471.4**
At 31 March 2008	467.7

Details of the acquisitions in the year are provided in Note 29 of the consolidated financial statements and a listing of principal subsidiaries in Note 36.

42. Debtors

	2009 £m	2008 £m
Amounts owed by subsidiary undertakings	**26.9**	28.0
Other debtors	**0.6**	1.5
Prepayments and accrued income	**4.3**	2.1
Corporation tax	**1.3**	1.8
	33.1	33.4

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

43. Creditors: amounts falling due within one year

	2009 £m	2008 £m
Trade creditors	**3.8**	0.8
Amounts owed to subsidiary undertakings	**19.0**	15.3
Other taxes and social security	**2.2**	2.5
Overdraft	**71.6**	56.4
Bank loans	**10.0**	50.0
Secured loan notes	**1.9**	3.1
Deferred tax	**1.1**	0.3
Accruals and deferred income	**2.7**	4.7
	112.3	133.1

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

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

Details of the loan note movements in the year are provided in Note 22 of the consolidated financial statements.

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

	2009 £m	2008 £m
Unsecured loan notes	**1.6**	1.6
	1.6	1.6

Details of the unsecured loan notes are provided in Note 22 of the consolidated financial statements.

45. Provisions

	Deferred contingent consideration £m
At 1 April 2008	20.0
Utilised during the year	(0.5)
Other movements in the year	(8.5)
At 31 March 2009	**11.0**
Falling due within one year	**2.4**
Falling due after more than one year	**8.6**

Details of provisions are provided in Note 26 of the consolidated financial statements.

46. Share capital

Ordinary shares of 2.5p	Number million	£m
Authorised		
At 31 March 2008 and 31 March 2009	**500.0**	**12.5**
2009		
Allotted and fully paid		
At beginning of year	**316.8**	**7.9**
Issued for acquisitions	**4.8**	**0.1**
Issued under share option schemes	**1.4**	**0.1**
At end of year	**323.0**	**8.1**
2008		
Allotted and fully paid		
At beginning of year	312.4	7.8
Issued for acquisitions	2.4	0.1
Issued under share option schemes	2.0	–
At end of year	316.8	7.9

Details of movements in share capital during the year are provided in Note 27 of the consolidated financial statements.

Notes to the Company financial statements continued

47. Reserves

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve(i) £m	Other reserves £m	Profit and loss account(ii) £m	**Total £m**
At beginning of year	7.9	19.0	60.4	3.2	–	0.3	264.0	**354.8**
Shares issued and net premium arising in respect of acquisitions	0.1	3.6	6.8	–	–	–	–	**10.5**
Shares issued and net premium in connection with exercise of share options	0.1	1.8	–	–	–	–	–	**1.9**
Purchase of own shares	–	–	–	–	(5.2)	–	–	**(5.2)**
Share-based payments	–	–	–	1.2	–	–	1.2	**2.4**
Profit for the year	–	–	–	–	–	–	53.1	**53.1**
Dividends paid to shareholders	–	–	–	–	–	–	(20.8)	**(20.8)**
Balance at 31 March 2009	**8.1**	**24.4**	**67.2**	**4.4**	**(5.2)**	**0.3**	**297.5**	**396.7**

(i) The presentation of the Company's investment in Own shares has changed during the year to be included in the Own shares reserve; as a result the £5.2m above includes £2.0m of shares purchased in the previous period

(ii) £187.7m is non-distributable (having arisen from internal restructuring in the year end 31 March 2008)

48. Contingent liabilities

Details of contingent liabilities have been given in Note 31 of the consolidated financial statements.

49. Share-based payments

Equity-settled share option schemes

The Company has four share option schemes as described in Note 33 of the consolidated financial statements.

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

	2009 £m	2008 £m
Long Term Incentive Plan share options	**1.1**	0.4
2001 Executive share options	**0.1**	0.1
2001 Savings Related share options	**0.0**	0.0
	1.2	0.5

The fair value of options is measured by use of the Black-Scholes model. The inputs into the Black-Scholes model are as described in Note 33 of the consolidated financial statements.

50. Related parties

Directors' transactions

Details of related party transactions have been given in Note 35 of the consolidated financial statements.

The Company has taken advantage of the exemption in FRS 8 not to disclose transactions with companies within the Group.

Shareholder information

Results

2010 Interim management statement	10 July 2009
2010 Half-yearly results	23 November 2009

Dividends

2009 Half-yearly dividend 3.3p paid	5 February 2009
2009 Final dividend 3.6p (proposed)	
2009 Final ex dividend date	8 July 2009
2009 Final dividend record date	10 July 2009
2009 Final dividend last date for receipt/revocation of DRIP mandate	20 July 2009
2009 Final dividend payment date	7 August 2009

Annual General Meeting

2009 Annual General Meeting	10 July 2009 2.30pm

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Website: www.mitie-shares.com

Dividend reinvestment plan (DRIP)

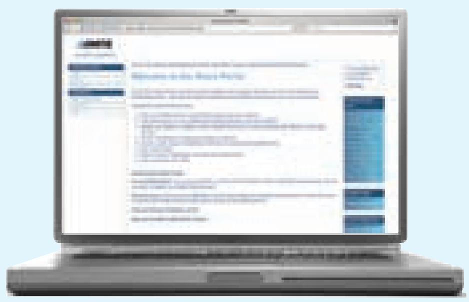
MITIE has set up a dividend reinvestment plan (DRIP) to enable you to build your shareholding by using your cash dividends under a standing election to buy additional shares in MITIE. If you would like to receive further information, including details of how to apply, please call Capita Registrars on 0871 664 0381 or contact them by sending an email to: ssd@capitaregistrars.com

MITIE online share portal

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

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

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



Corporate website

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

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