MITIE Group PLC
Annual Report and Accounts 2013

The strategic outsourcing company

We are a FTSE 250 business with revenue of £2bn and more than 70,000 people.

We work with people who want to perform better – now and in the future. We help our clients to run more efficient and effective businesses by looking after their facilities, their energy needs and the people they're responsible for.

FRESH THINKING

in a changing world






In today's world, where tough is normal, companies need to think differently...

so we need to offer clients fresh thinking that improves efficiency and helps them to compete.

Clients need to see the value that we bring to the partnership – whether they buy a single service or our fully integrated offer.

This brochure features some of our...

FRESH THINKING

FRESH THINKING FOR:

LLOYDS BANKING GROUP

Working in partnership to deliver integrated facilities management services.

Customer profile

Lloyds Banking Group is the largest retail bank in the UK and with around one in three people in the UK counted as a customer, has multiple brands which meet the high demands of its diverse marketplace. Lloyds Banking Group has the largest estate in the UK banking industry, encompassing office space as well as its 2,900 branches.

LLOYDS BANKING GROUP

The challenge

"We had lots of different people, doing the right thing, but all in different ways"
Paul Baker
Group Property Director for Lloyds Banking Group.

Lloyds Banking Group previously looked after its property portfolio through an army of over 200 specialist suppliers, managed by a central team of Lloyds Banking Group facilities managers. Lloyds Banking Group wanted to simplify its estate by narrowing its supply chain, to achieve substantial cost and efficiency savings and remove duplicated management structures.

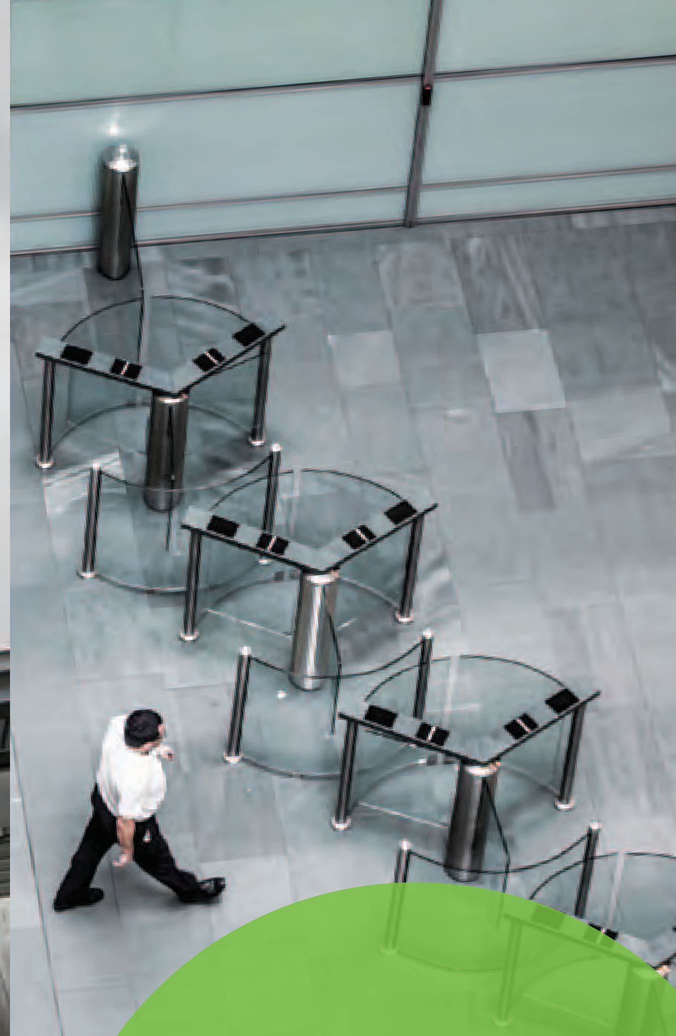
Our thinking

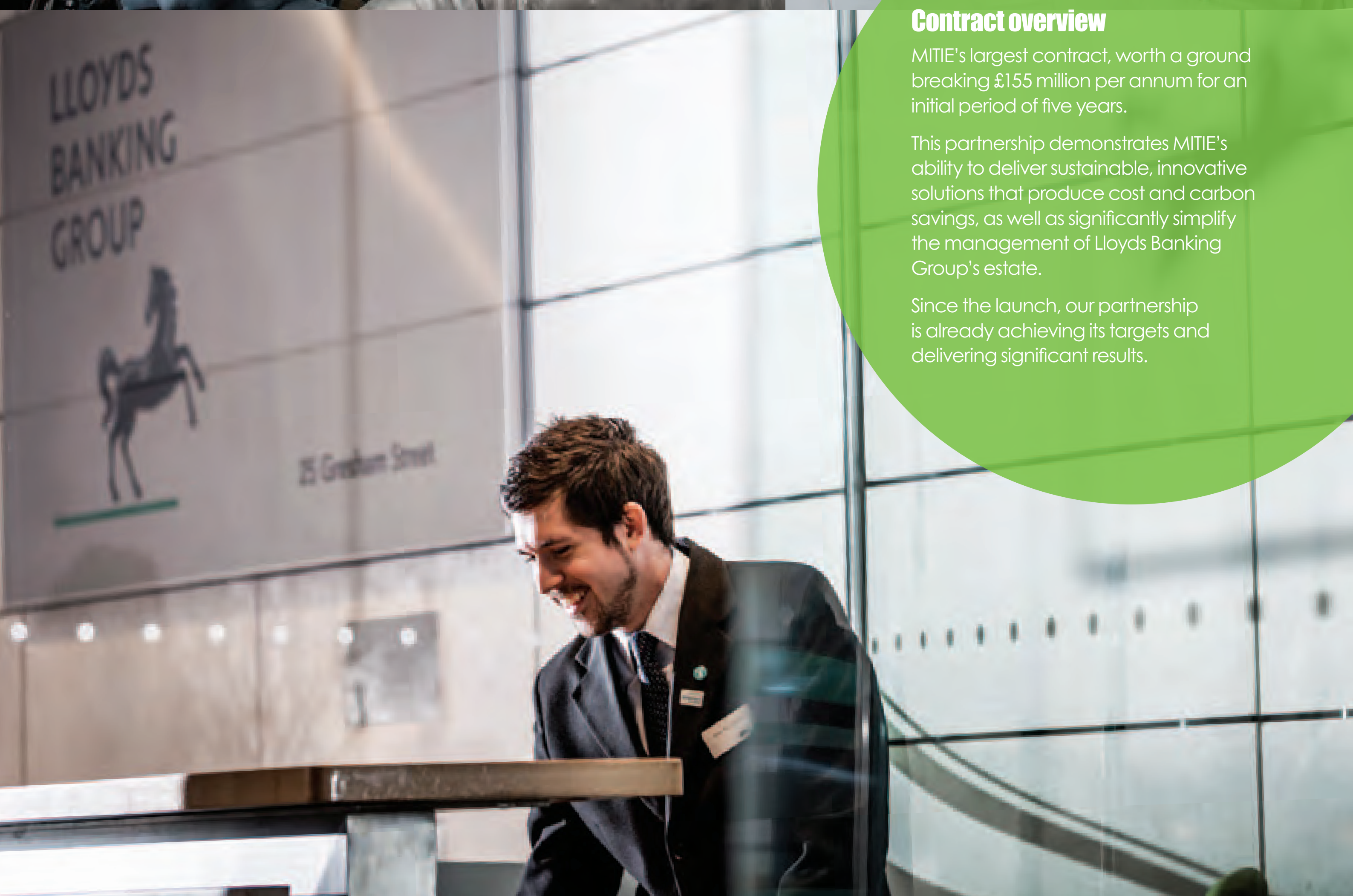
MITIE was appointed to deliver a complete range of facilities and property management services, along with a comprehensive energy management and carbon emissions reduction plan.

The new, integrated delivery model will generate significant savings over the life of the contract.

The key to the success of our model is that we self-deliver the whole range of services, and that we are experts in each of those services, so there is no compromise in terms of efficiency or performance. MITIE has a national scale with a breadth and depth of services that cannot be matched in the UK and allows us to deliver the most efficient and effective services.

MITIE's cleaning team had been working for Lloyds Banking Group over the past 15 years, and had built a strong relationship based on world-class service.





Contract overview

MITIE's largest contract, worth a ground breaking £155 million per annum for an initial period of five years.

This partnership demonstrates MITIE's ability to deliver sustainable, innovative solutions that produce cost and carbon savings, as well as significantly simplify the management of Lloyds Banking Group's estate.

Since the launch, our partnership is already achieving its targets and delivering significant results.

Mobilisation phase

Soon after the partnership was agreed, the task of harmonising our 7,000 people in 'team FM' began. MITIE and Lloyds Banking Group worked in unison to ensure a smooth transition, ready for launch on 1 August 2012. We designed, built and installed a brand new Lloyds Banking Group dedicated helpdesk and got our operational teams ready for duty with new state-of-the-art equipment and training.

'No noise' was a key objective of the client project team, and we made this major transformation in service delivery without customers and end-users noticing any disruption.

Applying technology and innovation

MITIE's technology platform, MiWorld, is providing a business intelligence solution that integrates management information across all of Lloyds Banking Group's facilities management functions, project plans and energy assets.

The contract also has innovation built into it. By applying our best brains to the contract, we can benefit from a gain-share model where new ideas and innovations which improve efficiency and effectiveness of the service generate additional revenues for MITIE whilst creating cost savings for Lloyds Banking Group.

Sustainability

One of MITIE's objectives involves supporting Lloyds Banking Group in meeting its strategic target to reduce its environmental footprint by 20% by 2020. We have a programme of best practice solutions, and an engagement plan that reaches across all our environmental operations to educate, support and enable our people to deliver a sustainable service.

An award winning partnership

In 2012 PwC was awarded a British Institute of Facilities Management (BIFM) award for Excellence in a Major Project, for the relocation of their London headquarters to 7 More London, a 10-storey, 60,000 square metre building. The project focused on creating a working environment that would reflect the values of the firm: doing the right thing for its clients, its people and the community. MITIE was instrumental as a partner in the project, ensuring that we combined strong relationships with the firm, with our knowledge of the business, and worked together with other service providers to knit together the right solutions.

The project's now been nominated in the second round of the Global FM awards.

Value through technology

We invested over £1 million in advanced printing and binding technology to expand our on-site offering. Now over 50% of all print for PwC is produced on-site in our print on-demand centre, reducing the cost per copy by over 20%, a significant saving. We've also instigated cultural change to print on demand, which has not only reduced storage costs by 47% but also adheres to our mutual focus on sustainability. What's more, we've developed a unique online print submission tool, which has a fully tracked workflow and is used by the production centres, client and print partners.

FRESH THINKING FOR:

PwC

Growing a single service contract into bundles of specialist services.

Customer profile

PricewaterhouseCoopers LLP (PwC) helps organisations and individuals create the value they're looking for. PwC has a network of firms in 158 countries with more than 180,000 people committed to delivering quality in assurance, tax and advisory services.

The challenge

PwC is founded on a culture of partnership, with a strong commercial focus. PwC was looking for a document management solution that was aligned to its business needs. It wanted to streamline the operation and reduce costs whilst maintaining high quality service.

Our thinking

MITIE was appointed in 2006 to deliver a full range of document management and distribution services.

Over the course of the contract, we've expanded our service provision to include: 18 on-site document production centres, an on-site print on demand centre, 24/5 off-site document production centre, external print procurement, graphic design, publications storage and distribution.

Self-managing and delivering this range of services allows us to support the PwC brand, manage risk, and control both quality and cost, from the initial design through to the finished document. As the contract has developed we've refined our offering through engagement with PwC, to better understand what it needs.

FRESH THINKING FOR:

ODEON

Passionate about delivering a specialist, single service for our client.

Customer profile

ODEON is the largest cinema chain in the UK, with over one hundred cinemas across its estate. A market leader in the UK and Ireland, it has over 900 screens and a box office revenue share of 25%. Its focus on remaining "fanatical about film" underpins a strategy to be the best in the cinema sector.

The challenge

"We needed a service that could flex to our needs; what we've got is a solution that's tailor-made for our business."

Peter Sadler
Head of Operations Support, ODEON

ODEON was looking for a single service solution that complemented the unique needs of the business. They needed a cleaning provider that could efficiently manage and resource their expanding national retail footprint.

Our thinking

MITIE was awarded a three-year, £13.5m cleaning contract in December 2011. We're now the sole supplier of cleaning services to over 100 sites across ODEON's estate.

We've provided ODEON with a tailor-made solution, addressing the individual needs of each of their sites to deliver consistent standards.

We've increased accessibility and transparency for the client by providing electronic auditing and live reporting across every site.

Our time and attendance system ensures we can manage and monitor our 600 strong workforce efficiently and effectively. We've coupled this with a dedicated management model for the contract, and a labour model capable of responding to the peak and off-peak nature of ODEON's operations.

We're continuing to drive high standards, with over 90% of sites now achieving cleaning targets, compared to just 30% at the start of the contract. What's more, as our relationship has developed we've been awarded work at three new cinemas in the UK, the majority of the Irish estate, and ODEON's head office building.

A dedicated response tool

It's our bespoke solutions that help set our service apart. For ODEON, the need for a dedicated, time-sensitive response to issues was critical to the contract.

That's exactly why we introduced a 24/7 help-desk, open 365 days a year, that logs calls across a whole range of issues, from equipment breakdowns to ad hoc work requests. With a guaranteed response time of under four hours, it ensures that local problems are logged, tracked and resolved, providing ODEON with a level of transparency in service performance that they wouldn't otherwise necessarily see.

MiHomecare in Oxfordshire

With over 185,000 care hours delivered annually in Oxfordshire to dependent and often vulnerable service users, it is vital that the service runs smoothly. MiHomecare provides a range of home and healthcare services including personal care, domestic assistance, shopping services, complex and palliative continuing care services.

FRESH THINKING FOR:

OXFORDSHIRE COUNTY COUNCIL

Providing high quality homecare to people who require help and support.

Customer profile

Oxfordshire County Council is responsible for providing many key local services and employs over 20,000 people to deliver them. Each year the council manages £845 million of public money in the provision of these services on behalf of Oxfordshire's 615,000 people, which includes social services. The Council currently spends about £23 million supporting about 3,000 people living in their own homes. The Council has plans in place to save significant sums on adult social care, with a strong emphasis on creating better outcomes for service users whilst saving money at the same time.

The challenge

The branches of MiHomecare in Henley, Carterton and Abingdon are together one of the Council's leading providers of domiciliary care and support services in the region.

The challenge for MiHomecare was to deliver quality care coupled with the complexity of visiting hundreds of homes every day to provide care and support to people with different needs, whilst meeting the Council's contractual key performance indicators (KPI). The care coordinators are required to have extensive knowledge of the area they service and the ability to match the right care worker to each client's needs.

Our thinking

The three MiHomecare branches in Oxfordshire had different rostering systems and the main priority was to standardise operating systems. This enabled multiple visits to be entered from one point, rapid allocation and re-allocation of care workers to visits, and to search for the most appropriate care worker, matching availability, skills, qualifications and geographical proximity.

This standardisation of systems encouraged care workers to deliver quality care and share best practice with other branches, which has improved overall employee retention and achieved a high level of compliance.

FRESH THINKING FOR:

BSkyB

Utilyx, helping our clients to use less energy, and buy it 'better.'

Customer profile

British Sky Broadcasting Group (BSkyB), is the UK's largest entertainment and home communications company. A commitment to long-term sustainability and taking action on climate change is a key part of BSkyB's corporate vision. As a major energy user, it is essential that this commitment is reflected in the organisation's energy procurement activities.

The challenge

"We were highly impressed by the quality of work and research that went into the tender."

Amy Rollason

Senior Procurement Manager, BSkyB

Having previously worked with Utilyx for a gas contract tender, BSkyB came to Utilyx with a need to tender a new energy contract to procure its electricity. There was a desire for a strong focus on making the most of green energy, whilst also giving full visibility of suppliers' terms and achieving competitive pricing.

Our thinking

The Utilyx team managed the electricity contract tender process for BSkyB from start to finish. Utilyx worked closely with the client's purchasing department to gather accurate data and forecasts, which were shared with senior decision makers in the business. Forecasts and long-term price projections for both energy and non-commodity costs were developed, and the information allowed BSkyB to make a quick and unanimous decision. Utilyx helped BSkyB to hit the market at precisely the right time and the end result was that significant savings were secured.

Delivering value

Utilyx created maximum value from a new electricity contract, in a short period of time. The information was very clearly presented, which meant that BSkyB's key team was fully informed and in a strong position to deliver the savings they needed.

Section

1

Overview

Another good year...

- Excellent progress in our key markets
- Delivered another strong financial performance
- Our integrated facilities management business is sector-leading
- Strategic acquisition of Enara in the healthcare market
- Significant order book and sales pipeline
- Well positioned for long-term growth

In this year's report:

Directors' report
The Directors present the Annual Report and Accounts for the year ended 31 March 2013. References to 'MITIE', the 'Group', the 'Company', 'we', or 'our' are to MITIE Group PLC or to MITIE Group PLC and its subsidiary companies where appropriate. The Directors' Report that has been prepared, and is published, in accordance with, and in reliance upon, applicable English company law and the liabilities of the Directors in relation to that report are subject to the limitations and restrictions provided by such law.

Legal disclaimer
The Annual Report and Accounts contains forward-looking statements. Such statements do not relate strictly to historical facts and can be identified by the use of words such as 'anticipate', 'expect', 'intend', 'will', 'project', 'plan', and 'believe' and other words of similar meaning in connection with any discussion of future events. These statements are made by the Directors of MITIE in good faith based on the information available to them as at the date of approval of the Annual Report and Accounts for the year ended 31 March 2013 and will not be updated during the year. These statements, by their nature, involve risk and uncertainty because they relate to, and depend upon, events that may or may not occur in the future. Actual events may differ materially from those expressed or implied in this document and accordingly all such statements should be treated with caution. Nothing in this document should be construed as a profit forecast.

Except as required by law, MITIE is under no obligation to update or keep current the forward-looking statements contained in this report or to correct any inaccuracies which may become apparent in such forward-looking statements.

Our new shape...

Everything we do is driven by our clients and one of our real strengths is how we adapt ourselves in order to respond to their needs.

Clients increasingly see facilities management as a group of related services, so we have put all our facilities management capabilities under one umbrella and offer them as single services, bundles or integrated services, depending on client needs.

Property Management will remain a separate division, focusing on long-term contracts in the social housing market, and providing niche property services for commercial clients.

These two divisions will be complemented by two new areas – Healthcare and Energy Solutions. Healthcare will focus on homecare services, while Energy Solutions will develop energy strategies for clients, manage implementation and deliver real improvements in energy performance.

Services provided:

No other business offers so many services under one roof, delivered individually and together, to such a wide range of public and private sector organisations. Our specialist services include:

Facilities Management

- Catering
- Cleaning
- Creative services
- Custodial services
- Data centre services
- Document process outsourcing
- Electrical inspection and testing
- Fire and security systems
- Front of house services
- Landscaping
- Lighting
- Lone worker protection
- Mechanical and electrical engineering maintenance
- Mobile maintenance services
- Office services
- Pest control
- Printing
- Total security management
- Waste management
- Water treatment
- Winter services

Property Management

- Planned and responsive maintenance
- Commercial painting
- Commercial roofing
- Insurance claims and repairs
- Interior fit-out
- Passive fire protection
- Building refurbishment

Healthcare

We offer a range of homecare services:

- Help with personal hygiene and dressing needs
- Morning and night time help to get in and out of bed
- Administration and assistance with medications
- Liaison with clients' GPs
- Respite care for relatives and carers
- Escorted outings and holidays
- Emergency assistance
- Live in care

Energy Solutions

- Procurement – buy energy 'better and smarter'
- Consumption – use less energy
- Generation – create your own energy and secure long-term supply

Healthcare

We provide high quality homecare in the UK, delivering a wide range of services to people who require help and support due to illness, disability or infirmity.

Revenue of £43m

Facilities Management

We provide a wide range of FM services across the UK, Ireland and Europe. These are delivered as integrated FM contracts, in bundles or as single services, depending on client requirements.

Revenue of £1,543m

Energy Solutions

We provide specialist energy and carbon advice and work with our clients to develop and implement their energy strategies, and deliver real improvements in performance.

Revenue of £46m

Property Management

We provide a full suite of property maintenance services for commercial clients and the social housing market.

Revenue of £349m

...our consistent business model.

In simple terms what we do is to find out what our clients want and use our people and technology to help them achieve it as efficiently as possible. Whether that is lower occupancy costs, energy performance improvements or international outsourcing solutions.

Organising people

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

Technology

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

Client strategy

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

Headline[1] results for the year

+8.4%
Revenue (5.0% organic growth)
£1,980.6m (2012: £1,826.3m)

+8.3%
Operating profit
£122.0m (2012: £112.6m)

6.2%
Operating profit margin
(2012: 6.2%)

+3.9%
Basic earnings per share
23.7p (2012: 22.8p)

+7.3%
Dividend per share
10.3p (2012: 9.6p)

85%
2014 budgeted revenue secured
(Prior year: 83%)

£9.2bn
Order book +7.0%
(2012: £8.6bn)

£8.7bn
Sales pipeline
(2012: £11.2bn)

Chairman's statement

Overview

MITIE has made excellent progress in transitioning to markets that offer organic growth, long-term contracts and improved margins, which significantly enhance the growth prospects of our business. We have also reported a positive set of financial results for the year delivering growth in headline revenue and profit despite the lack of growth in the UK economy.

Our core facilities management business performed exceptionally well, as we mobilised our largest ever contract with Lloyds Banking Group and continued to be awarded and retain work across both the private and public sectors. Our energy proposition has provided us with a strong market position in the fast growing energy market, and our energy consulting capabilities have been particularly enhanced by our prior year acquisition of Utilyx, which is performing very well.

During the year, we made an important strategic acquisition in the £8bn homecare market by acquiring Enara. Enara is one of the UK's leading homecare businesses and provides an excellent platform for future growth in the broader health and social care sector.

We are focused on markets where we see potential for growth and which meet our margin targets. To this end, we have taken the decision to further reduce our exposure to cyclical markets, in particular our mechanical and electrical engineering contracting businesses, which we are exiting.

Strong results... and opportunities for growth.

These developments further strengthen our position in the facilities management outsourcing market as well as the fast growing healthcare and energy markets, and leave us in a strong position as we enter the new financial year.

This progress and our achievements during the year would not be possible without the exceptional efforts of all of our people and we would like to extend a huge thank you to each of them, and welcome those who joined us, including those from the businesses we have acquired.

Results

During the year, headline[1] revenue grew by 8.4% to £1,980.6m (2012: £1,826.3m). Headline[1] operating profit increased by 8.3% to £122.0m (2012: £112.6m), reflecting a margin of 6.2% (2012: 6.2%). Headline[1] profit before tax increased by 5.4% to £111.1m (2012: £105.4m) and headline[1] earnings per share increased by 3.9% to 23.7p (2012: 22.8p). The exit from our cyclical mechanical and electrical engineering contracting businesses resulted in business closure costs of £22.1m (2012: £nil), which are included in other items.

Cash generation remained strong, with cash inflows from operations of £131.0m (2012: £110.2m), representing excellent conversion of EBITDA to cash of 125.7% (2012: 83.7%). The balance sheet remains robust with net debt at the year end of £192.2m or 1.8x EBITDA (2012: £106.9m).

We have committed bank facilities of £250m until September 2015 along with £252m equivalent of US Private Placement debt.

In December 2012 we completed an issue of US Private Placement loan notes with institutional investors for a sterling equivalent value of £151.5m. Both of these facilities leave us in a strong position to take advantage of value-creating acquisition opportunities as they arise.

We have seen strong growth in our order book, which increased by 7.0% during the year and now stands at a record £9.2bn (2012: £8.6bn). Our sales pipeline currently stands at £8.7bn (2012: £11.2bn) and our forward revenue visibility is excellent, with contracted revenue for the year ending 31 March 2014 at 85% of budgeted revenue (prior year: 83%).

Dividend

The Board's policy is to grow the dividend broadly in line with the underlying earnings of the group. The final dividend proposed by the Board has increased by 9.6% to 5.7p per share (2012: 5.2p per share), bringing the full year dividend to 10.3p per share (2012: 9.6p per share), an increase of 7.3%. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 7 August 2013 to shareholders on the register at 28 June 2013.

Board and corporate governance

Corporate governance remains an important and committed area of focus for the Board. The priorities in 2013 were the continued execution of our growth strategy, the ongoing review of performance and risk and the composition of the Board. This strong culture of governance is explained further in our Corporate Governance Statement.

On 12 July 2012, Crawford Gillies was appointed as a Non-Executive Director of the Board. He brings significant expertise, having spent 25 years with Bain & Company where he was Managing Director Europe.

On 1 June 2013, Jack Boyer will be appointed as a Non-Executive Director of the Board. He has extensive experience of building and growing businesses globally and his early career was spent in consultancy and banking.

Graeme Potts will retire as a Non-Executive Director of the Board on 9 July 2013. We thank him for his contribution to the Board and wish him well for the future.

Outlook

We have made significant progress as a result of the key strategic steps taken during the year, and are in a strong position to grow in our chosen outsourcing markets. Our focus remains on achieving organic growth in our primary outsourcing markets in the UK, supplemented by selective acquisitions and the development of our integrated business model overseas.

Financially robust, we have a clear strategy for the development of our business and are confident that we will continue to build on our strong track record of sustainable, profitable growth.

Roger Matthews
Chairman

[1] Headline results exclude restructuring and acquisition related items and the results of businesses being exited (termed 'other items' see Note 5). 2012 headline results have been re-presented to exclude the results of businesses being exited which are now included within other items.

Section

2

Strategy and performance

Chief Executive's strategy overview

The world is changing.

It has been another good year at MITIE and I am pleased with the progress we have made. We have been awarded some very exciting new business, mobilised our largest ever contract and made our first investment in homecare. At the same time, we have continued to successfully reshape MITIE to meet the ever-changing needs of our clients.

Over the following pages I'll explain how these changes are influencing our strategy:

1 **Clients**
Provide world-class services to attract new clients and retain and expand contracts with existing clients.

2 **People**
Recruit, motivate, retain, train and develop the best talent in the industry.

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 **New markets**
Expand our capabilities in complementary markets.

6 **Operational excellence**
Improve the operational efficiency of everything we do.

7 **Acquisitions**
Support our growth with selective acquisitions.

Chief Executive's strategy overview

The continuing economic challenges in the UK have created competitive market pressures for MITIE, in common with every UK-based business. But the downturn also brings opportunities as well. We can help our clients achieve the operational efficiencies they need to become more competitive. Through outsourcing, clients can reduce costs and improve quality across a wide range of their non-core activities, and nobody is better placed to help them than MITIE.

We do not foresee dramatic improvements in the UK economic environment in the short to medium term, and with this in mind, we have made some changes within our business. We are further reducing our exposure to cyclical markets and concentrating our efforts on markets which feature long-term contracts and generate healthy, stable margins. These changes not only enable us to better meet the needs of our clients, but also put us in a much stronger position to grow over the long term.

Good progress

We have again performed with notable success in the year to 31 March 2013, with strong organic growth being driven by new and expanded contracts, as well as a major acquisition.

In the private sector, the key highlight was without doubt the mobilisation of our largest-ever contract, the five-year, £775m partnership to deliver integrated facilities management services for Lloyds Banking Group (LBG).

This is a transformational contract for MITIE that shows we can deliver the very largest contracts. Through it, over 7,000 people are hard at work improving efficiency and reducing costs at more than 2,900 LBG locations. This contract is rewarding in another way too. We have worked with LBG for many years – and this is a great demonstration of how relatively small contracts can grow into major ones, as we build long-term relationships and deliver a world-class service.

In further important private sector contract awards, we are now providing integrated FM services for British Sky Broadcasting Group (BSkyB), via a contract valued in excess of £100m over five years. We are responsible for a huge range of services for BSkyB including building fabric maintenance, engineering maintenance, energy management, catering, security, cleaning, mail room and couriers, helpdesk, switchboard, shuttle buses, grounds maintenance and internal landscaping.

In the engineering sector, we are comprehensively restructuring our operations and have ceased to offer services in several markets. This resulted in business closure costs of £22.1m, which are included in other items. However, retail continues to present attractive opportunities in certain areas, and we are also maintaining our capability to provide bundled engineering and interior fit-out services in London.

MITIE has historically always been more focused on the private sector, and this trend continued during the year, with 61% of our revenue generated from the private sector. Whilst some of our growth has undoubtedly come from the market shift towards large, integrated contracts, we have also continued to retain and be awarded contracts across the whole spectrum of the market. Some of this year's highlights are shown on the contract awards table on pages 16 and 17.

In the public sector, we focus on the healthcare, justice, local authority and social housing markets, and have seen a steady flow of opportunities across all our service lines.

In October, we moved into the homecare sector for the first time through the purchase of Enara for £110.8m. Enara provides high quality homecare to people who require help and support due to illness, disability or infirmity and is the fourth largest provider of homecare services in the UK. The business operates through approximately 60 branches in England and Wales and has around 6,000 employees supporting over 10,000 people.

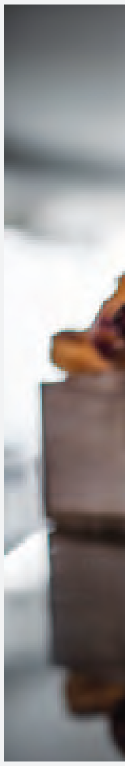
The number of UK residents over the age of 85 is expected to double over the next 25 years – and with the NHS and local authorities facing severe budget constraints, care in the home is an attractive and cost-effective option. In fact, homecare already accounts for around 10% of total UK healthcare spend.

We see homecare as a great natural fit with our business: we are good at managing, motivating and training a large mobile workforce; we know how to use technology and innovation to improve service quality and efficiency; and few organisations can rival our experience of bidding for, securing and delivering large integrated contracts.

As well as attractive margins and strong cash generation, Enara brings with it a reputation for building good relationships with the NHS and local authorities, including some that we don't work for – yet. We are delighted with the way the Enara integration is progressing including its re-brand to 'MiHomecare', and see significant long-term opportunities in the UK healthcare market.

The justice sector remains an important one for MITIE, and whilst the Ministry of Justice has shifted its prison outsourcing strategy, we expect to see opportunities for the outsourcing of facilities management services across the prison estate in the coming year.

Within the local authority market, our painting business has been awarded a £30m repair and maintenance contract with the London Borough of Hammersmith & Fulham. We have also been appointed preferred bidder for a social housing repairs and maintenance contract for the Borough, with a total value of £177m over ten years. We secured a ten-year repair and maintenance social housing contract with Golding Homes Housing Association, to support its upkeep of 6,000 properties across Kent, with a value which will range between £70m and £120m over its life.



Fresh thinking in a changing world

At MITIE, everything we do is driven by our clients and one of our real strengths is how we adapt ourselves in order to respond to their needs. Those needs are evolving at an ever-increasing pace, so we are constantly assessing and re-assessing our strategy to make sure it delivers great service for clients and maximises value for shareholders.

For example, it has become increasingly clear to us that being structured into the four divisions of Facilities Management, Technical Facilities Management, Property Management and Asset Management no longer quite matched how clients now want to buy our services, particularly FM. They tend to see FM as a group of related services, so we've responded by bringing all our FM capabilities under one umbrella and offering them as single services, bundles or integrated services, depending on client needs. Property Management will remain a separate division, focusing on long-term contracts in the social housing market, and providing niche property services for commercial clients.

These two divisions will be complemented by two new areas – Healthcare and Energy Solutions, both of which we believe have great potential. Healthcare will focus on the homecare services offered by Enara, while Energy Solutions will develop energy strategies for clients, manage implementation and deliver real improvements in energy performance.

The Energy Solutions division will combine the expertise and skills of Utilyx and Asset Management. With Utilyx's research predicting that energy costs will potentially double by 2020, we have the opportunity to play an even more important role for our clients.

At the same time, fundamental changes in our markets mean that some areas of business are no longer attractive to us. Over the last five years we have seen changes which in some cases we believe are structural. While we expect significant opportunities in many areas – for example, within energy and integrated FM as well as healthcare – we believe some other areas will continue to be challenged.
Going forward, we will actively seek to divest of cyclical businesses which are unable to reach our margin targets in the long term, and we're therefore continuing to reduce activities in our cyclical mechanical and electrical engineering contracting businesses. We cannot foresee any significant recovery in this market, and the Office for National Statistics now estimates that construction output in the UK is at its lowest since 1998, with private-commercial new work 38% below its 2008 peak.

Launching Gather & Gather

In April 2013, we launched a new brand for our catering business: Gather & Gather. Based around a culture of bringing food and people together, the new identity will feature as the new trading name and customer facing identity for MITIE's catering offering. Gather & Gather focuses on bringing together the best ideas, ingredients, recipes and inspiration from the food industry so that customers can gather together to enjoy them in the workplace.

Sustained and profitable growth

Our strategy is well-established and has seven elements, all of which contribute to stakeholder value through a focus on sustainable, profitable growth. As the economic environment and our clients' needs have changed, the fundamentals behind those seven elements remain as relevant as ever – and I'd like to provide a quick recap of each element here, outlining how it's evolving and what that means to our business.

1

Clients

Strategy: provide world-class services to attract new clients and retain and expand contracts with existing clients.

There is a clear trend for clients to want more for less to help them compete in a world that is hugely testing. They're looking for operational efficiencies – as always – but now they are looking for them on a bigger scale than ever. Anything non-core can and is being outsourced.

While all clients are looking to outsource, each is at a slightly different stage of the journey, from that first tentative step into outsourcing, to having fully integrated services. For us, growth can come from an existing client trusting us to provide a larger bundle of services or to move down the integrated services route – or it might be a new client who has taken the momentous decision to outsource for the first time. All three scenarios are equally exciting to us and every contract for every client deserves and receives the same high standards of service from our teams.

2

People

Strategy: recruit, motivate, retain, train and develop the best talent in the industry.

Seeing our people in action never fails to delight and inspire. Passionate, caring and driven to delivering great service, they are the public face of MITIE and the single biggest reason for our success. We know that every decision a client ever makes about an outsourcing contract is driven by relationships – and that's why we value our people so highly. From relationship managers and account teams to the people who cook, clean, drive and guard on the frontline of our operations, our people are what makes MITIE great.

We work very hard to give them the skills and tools they need to be successful and to make them feel part of a brilliant team. For example, through our MITIE Stars Awards we recognise and reward people who go above and beyond for their clients and their colleagues. It's our way of saying "thanks for a job extremely well done" – and this year we had as many stars as ever including Jon Burn, a MITIE engineer who almost single-handedly kept open a hospital for 50 elderly patients when it lost power during a winter storm.

The Enara acquisition, new contract awards and our organic growth meant that we increased headcount during the year by 8,832 people to 72,401. With such a large and diverse group of people working across MITIE, communication plays a vital role in helping them engage with our vision and values. We were one of the first organisations of our size to see the potential in social media – and we still use Facebook and Twitter to enhance our communication with our people and stakeholders.

I want to thank each and every person for their contribution over the last year. We wouldn't be where we are today without the tireless efforts and teamwork of all of our people.

Sunday Times Top 100
MITIE's Client Services business was named as one of the top 100 businesses to work for in the UK, in addition to being awarded the Training & Development Special Award. The Client Services business, which provides five star front-of-house services, was ranked at number 45 in the highly prestigious annual Sunday Times rankings for 2013.

Real Apprentice success story
A further 25 apprentices recently graduated from our award-winning Real Apprentice scheme. The scheme partners the unemployed with MITIE or its clients for an eight week business placement involving dedicated mentoring and training. Since it started in 2005, 238 apprentices have progressed through the programme and over 150 apprentices have secured permanent employment as a result.

3

Risk

Strategy: take a long-term view to protect our business and manage risk.

We have a risk management strategy in place to identify and mitigate risks, in order to protect our reputation and make sure we continue to deliver value to clients.

Whenever we take on tasks that clients used to handle in-house, we become responsible not only for those particular functions but also for the risk that comes with them. Sometimes the work we do is high profile by its nature or carries greater inherent business or public relations risk – in the fields of security and healthcare, for example – and this is where the commitment of our people can be more important than ever. Put simply, we rely on their skills and attitudes, as well as on our own rigorous internal processes, to minimise risk in all our contracts.

4

Responsibility

Strategy: act responsibly and build a reputation that enhances our brand to all stakeholders.

Climate change has thrown environmental issues into sharper focus than ever before, and we're committed to doing all we can to reduce emissions, waste and energy consumption – not only in our own operations but also, through our Energy Solutions division, for our clients. As a major employer, we are also passionate about equal opportunities and engage with the UK Government and other bodies, such as Business in the Community, to inspire people of all backgrounds to seize opportunities. In the broader sense of corporate responsibility, our healthcare and energy businesses are both well-placed to contribute towards a more sustainable future for communities everywhere.

In fact we support our people and their communities in many ways. In 2012 we launched our Health Revolution, an initiative that encourages employees to lead healthier and happier lives. From guides on exercise and nutrition tips to sun safety, and drug and alcohol awareness, we're working with industry experts and enthusiasts to bring our people realistic tips on how to get the most from 2013.

On 18 and 19 May 2013, the MITIE London Revolution cycle ride saw 2,500 cyclists, many of them from MITIE, ride up to 180 miles to help tackle youth unemployment as part of the Evening Standard's 'Ladder for London' campaign. If you use Twitter, catch up with developments at @RevolutionRides.

5

New markets

Strategy: expand our capabilities in complementary markets.

We are always alert to opportunity wherever it arises, and the evolved structure I've already outlined demonstrates how we constantly reshape our business to reflect market shifts and changing client needs. Our mix of services needs to support the long-run growth aspirations of our business, and with this in mind we are focused on entering new markets which meet our margin targets and generate long-term, secure revenue.

We moved into homecare because we identified it as an area where we see significant opportunities to use our core skills to reduce costs and improve quality at the same time. Our Energy Solutions business is another example of where we have seen opportunity and expanded our capabilities to seize it with both hands. Energy services will remain a fundamental part of what we do for clients, as energy costs continue to rise up the agenda for every organisation.

6

Operational excellence

Strategy: improve the operational efficiency of everything we do.

This lies at the heart and soul of MITIE – being efficient is what we do, day after day, for every client. We are never complacent and are always looking for new ways to do more and to do it better than ever. Technology is a great driver of efficiency. Right now, we are investing significantly in technology to support our operational teams and so our clients will be able to quickly and easily keep track of exactly what we're doing, where we're doing it and what stage the work is at.

7

Acquisitions

Strategy: support our growth with selective acquisitions.

In addition to the purchase of Enara, which was the third largest acquisition in our history, we also acquired a 51% stake in one of the UK's leading independent events and leisure catering companies during the year.

Creativevents provides services to a broad range of clients in the exhibition, sporting, festival, cultural and heritage sectors and is a fine example of how we drive growth through selective acquisitions. Established by two brothers fifteen years ago with funding from the Prince's Trust, Creativevents already has a superb reputation and has twice been listed in the Sunday Times Fast Track 100 Companies. With our investment it will be able to continue developing stylish, high quality and high volume fresh food and drinks concepts.

Acquisitions have always been part of MITIE's growth strategy, and we will continue to look for opportunities that can create value for our shareholders and support the long-term goals we have for the business.

MITIE Work Wise

MITIE Work Wise is a new 'MITIE Model' start-up business providing document process outsourcing to professional services organisations. They've developed a unique e-platform, which is a convenient and intelligent way of storing, indexing, presenting and comprehensively searching large volumes of documents.

Launching MiHomecare

When we acquired Enara, it operated under 25 brands across 59 branches. The acquisition moved us into a new market centred around caring for people, and presented an opportunity to create a new national brand in the healthcare market. The new MiHomecare brand will be rolled across all the branches and will operate as a totally separate brand from MITIE, for everything related to healthcare around people.

Creativevents

Creativevents provides catering, bars and hospitality services to a broad range of clients, operating within a complementary sub-sector of the contract catering and hospitality markets. It serves customers at high profile events and sites such as Earls Court & Olympia exhibition centres, the ExCel centre in London and the Chelsea Flower Show. Creativevents will support the growth and re-positioning of our catering business, Gather & Gather.

Outlook

'Fresh thinking in a changing world' is the theme for this Annual Report and it neatly sums up our view of what's required in today's business environment – from MITIE as well as from our clients. Make no mistake, the economic climate is tough and we see this as ongoing. Our efforts are focused on long-term FM opportunities, higher margin healthcare provision and energy consulting, all of which will support our growth aspirations.

We expect outsourcing opportunities will continue to grow, with a trend towards more clients seeking to access more integrated services. Responsiveness remains the watchword – MITIE will evolve with our clients in order to increase value for all of our stakeholders. We are confident that we will continue to build on our long track record of sustainable profitable growth.

Ruby McGregor-Smith CBE
Chief Executive

Monitoring and managing performance

We look at a range of indicators to assess our financial performance, as well as tracking our progress against our stated strategy.

Group financial KPIs

Headline operating profit margin %

2009	5.3
2010	5.4
2011	5.5^
2012	5.6
2012	6.2*
2013	6.2

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

Target:
Margin increases over the medium-term.

Comment:
Our headline operating profit margin was 6.2%.

* 2012 numbers have been re-presented to move the results of businesses being exited to other items
^ Excludes non-recurring pension credit of £4.1m in 2011

Conversion of EBITDA to cash %

2009	97.5
2010	95.2
2011	86.7
2012	83.7
2013	125.7

Description:
The efficiency of how we manage cash generation is an important indication of our business performance. The conversion of earnings before interest, tax, depreciation and amortisation (EBITDA) to cash is the most significant cash flow indicator for MITIE. MITIE is built on a sound understanding of the importance of cash and working capital management and that ethos remains critical to our business.

Target:
Over 80.0% of EBITDA converted to cash.

Comment:
Cash performance in the year has been strong and we have exceeded our targets on both a statutory and headline basis. Conversion of EBITDA to cash was 125.7%, and on an headline basis was 108.7%. This is a result of the strong focus on cash and working capital across the business, throughout the year.

Capital expenditure as a proportion of revenue %

2009	1.1
2010	1.5
2011	1.4
2012	1.3
2013	1.3

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:
Maintain below 2.0% of revenue.

Comment:
Capital expenditure was 1.3% of revenue.

Dividend per share pence

2009	6.9
2010	7.8
2011	9.0
2012	9.6
2013	10.3

Description:
The Board's policy is to grow the dividend broadly in line with the underlying earnings of the group. The final dividend proposed by the Board has increased by 9.6% to 5.7p per share (2012: 5.2p per share). This brings the full year dividend to 10.3p per share (2012: 9.6p per share), an increase of 7.3%.

The dividend cover is 2.3 times headline earnings per share.

Target:
Grow broadly in line with underlying earnings growth.

Comment:
Our dividend growth for the year was 7.3%, which is broadly in line with underlying earnings growth.

1
Clients

Single, bundled and integrated contracts % of revenue

	2009	2010	2011	2012	2013
Single	67	43	42	41	41
Multi	33	57	58	46	33
Integrated				13	26

Description:
As a substantial portion of our revenue was historically generated through single service contracts, one of our opportunities for growth is through expanding our relationships with existing clients by providing other services. We have seen a trend in the markets towards multi-service and FM contracts over the past few years and we are well positioned to meet the demands of this trend due to our broad range of services. We measure the percentage of revenue that is generated by these types of contracts in order to measure how well we are performing in this area.

Comment:
59% of revenues are attributable to multi-service and integrated FM contracts. This KPI includes the impact from Enara, which currently operates predominantly single service contracts.

Secured revenue %

2009	74
2010	75
2011	81
2012	83
2013	**85**

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

Comment:
At the start of the financial year 2014, 85% of budgeted revenue was secured, our highest level ever and a reflection of the success of our strategy to focus on long-term secured revenue.

Order book £ billion

2009	4.9
2010	6.4
2011	6.8
2012	8.6
2013	**9.2**

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

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

Comment:
Our order book grew by 7.0% during the year to a record level of £9.2bn.

2
People

Management retention %

2009	93.0
2010	92.0
2011	89.5
2012	82.5
2013	**97.1**

Description:
MITIE is a people business and we pride ourselves in creating and nurturing outstanding managers.

Monitoring how successful we are in retaining our people is an important measure for us.

Target:
Enhance focus on the development and retention of management to maintain a retention rate of over 80%.

Comment:
Our management retention rate was 97.1% for the year, excluding redundancies.

3
Risk

Reportable accidents per 1,000 employees

2009	3.9
2010	3.5
2011	3.1
2012	3.4
2013	**3.7**

Description:
Reportable accidents are defined as fatalities, major injuries and injuries resulting in absence from work of over three days. During the year the national standard changed to include injuries resulting in absence from work of over seven days, however we have continued to use the more stringent three day measure in order to compare like for like performance.

Objective:
In line with our Work Safe Home Safe! programme, to embed safe working behaviours and reduce the number of incidents resulting in injury.

Comment:
Whilst there has been an increase in our overall reportable incident rate, we have achieved a 25% reduction in our major injury frequency rate. Our focus throughout the year has been to increase our understanding of the causes of incidents in order to implement effective, preventative action.

4
Responsibility

Carbon dioxide emissions tonnes per employee

2009	Not measured
2010	0.87
2011	0.82
2012	0.75
2013	**0.71**

Description:
Emissions are calculated using the Defra guidance on how to measure and report GHG emissions and apply the 2010 guidelines for company reporting. The rate of CO_2e 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:
Emissions per employee are lower than the prior year.

Some more of our recent successes

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

Manufacturing

Client	Contract	Timeframe	Total value
International beverage company	Awarded a new contract to deliver integrated facilities management at 37 sites across the UK, Belgium, Germany, France and the Netherlands. Over 250 people will deliver the services, which include cleaning, security, catering, mailroom, reception, landscaping and mechanical and electrical engineering maintenance	5 years	£70m
Food manufacturer	Awarded a facilities management contract delivering a range of bundled services	3 years	£45m
Vauxhall	Expanded an existing contract to provide technical facilities management covering Vauxhall's three major UK sites	5 years	£20m
Procter and Gamble	Cleaning and environmental services	3 years	£7.5m

Retail

Client	Contract	Timeframe	Total value
Ladbrokes	Awarded a multi-service facilities management contract for Ladbrokes national retail portfolio of 2,200 branches and head office in west London. Services include mechanical and electrical engineering maintenance, cleaning, waste and pest control	3 years + 2 years	£37m - £61m
Co-operative Group Limited	Added to our existing work with the Co-op delivering nationwide cleaning and environmental services, with a contract to provide a full catering service including hospitality, the staff restaurant and vending machines	3 years	£5m

Finance and professional services

Client	Contract	Timeframe	Total value
Lloyds Banking Group	Awarded a transformational contract to deliver integrated facilities and energy management, providing services across the bank's entire UK branch and office estate. Services to be delivered include catering, reception, reprographics, engineering maintenance, cleaning, security, minor capital reactive works, office space management and a range of other services	5 years + 1 year	£775m - £930m
RBS	Awarded a new contract to provide front of house services	5 years	ND
Citi	Retained a security contract	3 years	£13m
J.P. Morgan	Awarded a new contract to provide cleaning, waste and environmental services at J.P. Morgan's UK office portfolio	3 years	£10m
Santander	Renewed a contract to provide technical facilities management at Santander's data centres	2 years	£6m
BNP Paribas	Awarded a contract to deliver technical facilities management for BNP Paribas' Real Estate Advisory and Property Management business in the UK	3 years	£5m
Clifford Chance LLP	Renewed a contract for cleaning and environmental services	3 years	£4m
Linklaters	Retained a contract to deliver a range of business services	3 years	£3m

Technology and communications

Client	Contract	Timeframe	Total value
BSkyB	Awarded a new contract to provide integrated facilities management across BSkyB's UK estate	5 years	£100m
Hewlett Packard	Awarded a contract to deliver a range of security services	5 years	£4.5m
DX Group	Awarded a contract providing technical facilities management	3 years	£4m

Transport

Client	Contract	Timeframe	Total value
Network Rail	Awarded a contract to supply a new Sentinel ID and competency management system	5 years	£5m

Leisure

Client	Contract	Timeframe	Total value
Entertainment arena	Awarded a facilities services contract providing day-to-day and specialist event services at an entertainment complex in London	5 years	ND

Local government

Client	Contract	Timeframe	Total value
London Borough of Hammersmith & Fulham	Our painting business will deliver a borough-wide cyclical planned maintenance programme, comprising external and communal decorative repairs and redecorations for over 7,500 homes	3 years	£30m
Scottish Government	Expanded a contract to provide integrated facilities management to the Government and its collaborative partners	5 years	£30m
City of London Corporation	Awarded a technical facilities management contract which covers 600 buildings and structures across London sites	5 years	£26m
Glasgow City Council	Awarded a contract to deliver a range of security services	18 months	£3m
Bristol City Council	Awarded a new contract to provide CCTV monitoring operators, which monitor all public areas in Bristol's housing estates via the Council's control room	3 years	ND

Social housing

Client	Contract	Timeframe	Total value
London Borough of Hammersmith & Fulham	Appointed preferred bidder for a housing repairs and maintenance contract	10 years	£177m
Golding Homes Housing Association	Awarded a repair and maintenance contract to support the housing association's upkeep of 6,000 properties across Kent, delivering gas maintenance, responsive repairs, void reinstatements and planned works	10 years	£70m - £120m
A2Dominion	Partnership to deliver reactive maintenance for 18,000 properties in Staines, Solent area, Oxford and Kent	10 years + 5 years	£28m estimated
Southampton City Council	Social housing contract as part of a housing refurbishment project to deliver services including asbestos management; bathroom upgrades; boiler and system replacements; disabled adaptations; electrical testing and inspection; kitchen upgrades; and rewiring	3 years	£12m estimated
Clackmannanshire District Council	Awarded a contract to install new bathrooms in its social housing estate	3 years	£8m
Wandle Housing Association	Repairs and maintenance contract for kitchens, bathrooms and electrical works	2 years	£6m
Norwich City Council	Exterior painting for social housing	5 years	£4m

Healthcare

Client	Contract	Timeframe	Total value
Nottinghamshire Healthcare	Technical facilities management contract	5 years	£11m
East Hull Primary Care Trust	Cleaning and environmental services	5 years	£5m
Kings Health Partners	Waste management services	3 years	£3m
University Hospital Southampton NHS Foundation Trust	Awarded a new contract to deliver total security management at the hospital, including a bespoke security awareness training programme	3 years	ND

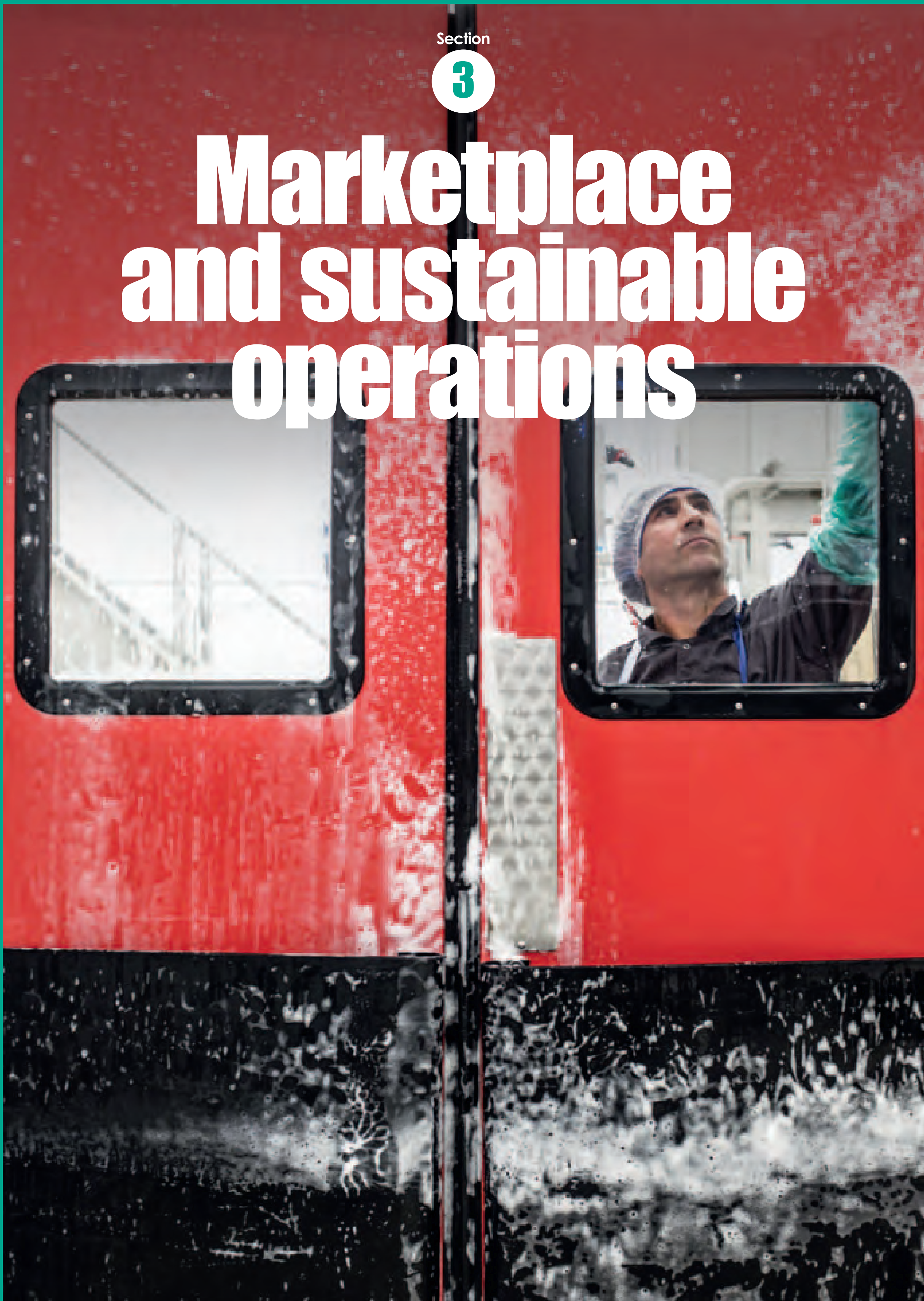
Central and other government

Client	Contract	Timeframe	Total value
House of Commons	Awarded a contract to provide mechanical and electrical engineering installation services	2 years	£16m
Department for International Development	Retained and expanded a security contract	3 years	£3.5m

ND = Not Disclosed

Section 3

Marketplace and sustainable operations



Marketplace and operating review

Markets evolve, but opportunity remains

Our sector continues to evolve and to present us with new and changing opportunities to help organisations in both the public and private sector access the advantages of outsourcing. The trend for clients to move from outsourcing single services to bundling a number of them together, and then moving on to buying integrated services, is now well-established.

However, what has become increasingly clear is the importance of shaping our services – and our structure – to meet the fast-changing needs of our clients. To this end, we have evolved the organisation of our business, focusing our efforts on four business divisions:

Facilities Management, Property Management, Healthcare and Energy Solutions

A challenging environment

The UK economy has not improved and many companies in the private sector continue to tread water at best. Faced with tough market conditions and an ever-increasing need to cut costs and improve efficiency, the outsourcing of non-core services is an attractive option for many of these companies.

Central government and local authorities are also cutting costs wherever possible and the public sector continues to offer significant opportunity. This is particularly true in the justice, social housing, education and health sectors, all areas where we are active.

Outsourcing is an industry that grew out of response to recession, and has continued to evolve in response to economic pressures.

According to a report published in November 2012 by Oxford Economics for the Business Services Association, the total value of outsourcing in the UK is currently estimated to be in the region of £199 billion, with a 64%-36% split in favour of the private rather than the public sector. This equates to almost 7.5% of the total economy-wide output, but perhaps more importantly, the report found that the outsourced service sector pays 9.5% of government tax revenues and employs 10.5% of the UK workforce.

During the year, we saw notably increased demand, not only from companies turning to outsourcing for the first time, but also in the growing number of large integrated FM contracts coming to the market, as established clients recognise the benefits of outsourcing at the bottom line and look to see them applied across a broader section of their non-core services.

As the financial year came to a close, we evolved our structure to reflect changing market conditions. Research told us that clients view FM provision as a set of similar services, so we have now grouped these under a single FM division, which delivers a range of hard and soft services as either specialist single services, as bundles of services, or as fully integrated FM contracts.

Our Property Management division will continue to provide a full suite of property maintenance services for commercial clients and the social housing market. At the same time, we have elevated our Healthcare and Energy Solutions businesses to standalone divisions. We outline the opportunities facing the four divisions on the next page.

Divisional performance summary

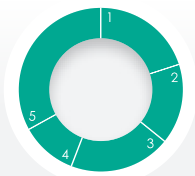
Facilities Management	2013 Headline*	2012 Headline*	Growth
Revenue	£1,542.8m	£1,407.7m	+9.6%
Operating profit	£96.3m	£88.6m	+8.7%
Operating profit margin	6.2%	6.3%	-0.1pp

Property Management	2013 Headline*	2012 Headline*	Growth
Revenue	£348.9m	£348.1m	+0.2%
Operating profit	£21.3m	£21.1m	+0.9%
Operating profit margin	6.1%	6.1%	+0.0pp

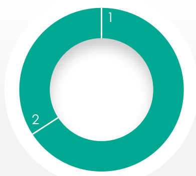
Healthcare	2013 Headline*	2012 Headline*	Growth
Revenue	£43.0m	n/a	n/a
Operating profit	£5.7m	n/a	n/a
Operating profit margin	13.3%	n/a	n/a

Energy Solutions	2013 Headline*	2012 Headline*	Growth
Revenue	£45.9m	£70.5m	-34.9%
Operating profit	£(1.3)m	£2.9m	-144.8%
Operating profit margin	-2.8%	4.1%	-6.9pp

* Headline results exclude restructuring and acquisition related items and the results of businesses being exited. 2012 headline results have been re-presented to exclude the results of businesses being exited.



Facilities Management – Revenue split	%
1. Cleaning and environmental	20
2. Security	16
3. Engineering maintenance	20
4. Catering and business services	11
5. Integrated FM	33



Property Management – Revenue split	%
1. Social housing	66
2. Niche services	34

Public sector

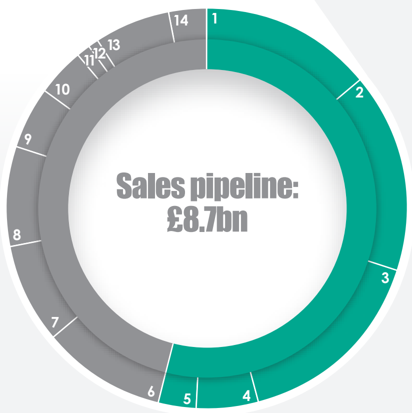
39% | £0.8bn

1. Central government	5%
2. Local government	7%
3. Other government	5%
4. Social housing	11%
5. Healthcare	6%
6. Education	5%

Private sector

61% | £1.3bn

7. Finance and professional services	18%
8. Manufacturing	10%
9. Retail	10%
10. Property management	4%
11. Technology and communications	4%
12. Construction	1%
13. Utilities	5%
14. Leisure	3%
15. Transport and logistics	6%



Public sector

54% | £4.7bn

1. Central and other government	14%
2. Local government	16%
3. Social housing	16%
4. Health	5%
5. Education	3%

Private sector

46% | £4.0bn

6. Finance and professional services	10%
7. Retail	8%
8. Manufacturing	8%
9. Transport and logistics	5%
10. Property management	4%
11. Technology and communications	1%
12. Utilities	1%
13. Leisure	6%
14. Construction	3%

Facilities Management

Our role is to help clients become more efficient and effective by taking responsibility for their facilities, their energy needs and many of the people who deliver those services.

We provide a wide range of FM services across the UK, Ireland and Europe. These are delivered as integrated FM contracts, in bundles or as single services, depending on client requirements.

Our specialist services include:

- Catering
- Cleaning
- Creative services
- Custodial services
- Data centre services
- Document process outsourcing
- Electrical inspection and testing
- Fire and security systems
- Front of house services
- Landscaping
- Lighting
- Lone worker protection
- Mechanical and electrical engineering maintenance
- Mobile maintenance services
- Office services
- Pest control
- Printing
- Total security management
- Waste management
- Water treatment
- Winter services

Outsourcing market evolution

1980 In-house	1990 Single service	2000 Bundled services	2010 Integrated FM	2015 Strategic outsourcing
	Security	Broader cost savings	Integrated delivery	Buildings management and services
	M&E engineering	Single point contact	Management information systems	Business process outsourcing
	Catering	Standardised provision	Property Management	Technology
	Cleaning	Best practice	Overseas	Data management
	Maintenance		**Add-on specialist services**	Asset investment
	Pest control		Consultancy	Energy/carbon
			Supply chain	
			Project management	

Shift

Price → Value

Price remains a key differentiator in the FM marketplace, reflecting the situation in the broader economy. Clients are looking for value over all other considerations. However, we believe that once economic pressures ease or when an outsourcing project has brought a degree of stability to a client's budgets, the key focus will shift to delivery and performance. At MITIE, we have a well-established reputation for helping clients reduce costs. At the same time, we are continuing to invest in our people, making sure that they have the attitudes to deliver high levels of service and competence.

The market for bundled and integrated services is complex, and clients are operating many different business models. There has been a move during the year towards greater involvement by procurement teams in outsourcing. The result is that more services are being bundled and some former single services are evolving into national or, in some cases, pan-European contracts.

Looking at trends in our service lines, landscaping has been buoyant, due to the cold winter, and there has been major expansion in the retail sector where many services that have traditionally been delivered by in-house teams, such as those used inside distribution centres, are being outsourced. Catering and hospitality continue to show good growth for us, with revenue up by almost 400% in two years.

It has been a challenging year for our cleaning business, with renewed focus on costs.

We constantly seek new and better ways of working – for example, our technology solution enables clients to see what they are spending on a floor-by-floor and building-by-building basis, and then to change service levels at the click of a mouse. Self-delivery is a real strength for our cleaning services. We have a national presence but deliver at a local level – and we do so through our own, well-trained MITIE people. The coming year will be a big one for us, with the launches of both our Environmental+ and MITIE Local initiatives. Environmental+ builds on our success in cleaning but adds a further layer of related services such as waste management, pest control, landscaping and gritting. MITIE Local, which is being piloted in London before potentially being rolled-out nationwide, focuses on offering excellent services via contracts of £50,000 or less.

In the waste industry, the increase in landfill tax is creating opportunities for growth in this market.

Our security teams have also risen to the challenges posed by an intensely competitive marketplace. We provide total security management, which involves assessing risks and then combining services – primarily people, technology and consultancy services – to manage those risks. As with our cleaning offer, a key strength is our capability to self-deliver, with no subcontracting of technology or remote monitoring services. The market is evolving from one that is focused on input and a commoditised service to one where output is the key, such as the safety and security of a building.

We are strong in the private sector security markets and envisage good opportunities in the lone worker and certification markets in the coming year, as well as at universities and NHS facilities which are now becoming more open to outsourcing. As a number of clients procure security separately from the rest of their FM requirement, and see it as a specialist service, we continue to deliver through a large number of single service contracts. However, we are always alive to ways in which our security offer can form part of larger integrated FM contracts.

Integrated FM

Opportunities to work on large integrated contracts continue to both grow and evolve. The ways in which clients use their workplaces is changing and they are looking for outsourcing partners with the flexibility as well as the high standards of service to help them improve efficiency. As always, a key MITIE differentiator is not just what we do but the way that we do it – and that includes a focus on service excellence, one point of contact and self-delivery through our own people. We concentrate on bringing together a wide range of services across a wide geographic area for our clients. This gives us the scale we need for growth and the opportunity to add further services to the mix over time.

In the private sector, media, technology, banking and industrial companies are all embracing integrated FM procurement models. The public sector is not yet responding at the same pace but we believe that opportunities here will become increasingly evident during the year ahead.

Property Management

We provide a wide range of services that help our clients reduce the cost and improve the effectiveness of the way that their buildings are managed, refurbished and maintained.

Property Management (PM) is a key competence for MITIE and we have a long track record of delivering effective, efficient services including:

- Planned and responsive maintenance
- Commercial painting
- Commercial roofing
- Insurance claims and repairs
- Interior fit-out
- Passive fire protection
- Building refurbishment

Although margins in some sectors continue to be under pressure, PM remains a core business that generates significant revenue for MITIE and has the potential to drive further growth.

In the social housing sector, we are seeing consolidation and a very competitive marketplace as local authorities look to increase their reliance on outsourcing. As the austerity measures bite, some authorities are joining forces to seek economies of scale while others are moving towards a contract management or joint venture model. We have a strong pipeline in place and anticipate good growth, particularly in southern and central England. Furthermore, we will explore opportunities to bundle services together, including our energy offer, in order to drive margins up.

Our Property Solutions business, which focuses on carrying out repairs and maintenance for insurance companies, continues to win business in what is a small but growing market. We are now looking to build on this success by extending our offer into the private landlord sector.

The majority of our PM niche businesses performed well during the year. Our painting business, for example, has attracted around 15 valuable new long-term clients in the last 12 months and achieved high rates of growth. This market has evolved from one dominated by one-off projects to one characterised by longer-term and larger scale contracts. Although social housing has traditionally been our core sector, we are now working to move further into the private and commercial areas where we see good opportunities. Our roofing businesses also enjoyed a positive year, while our relatively small presence in plumbing delivered less satisfactory results.

The coming 12-24 month period will see us focus on longer-term contracts with existing clients, providing extended services to organisations that already know and trust our capabilities. We will also invest in the planned maintenance aspect of our business.

Manufacturing sector opportunities

During the year we made considerable progress in the UK manufacturing sector. We were awarded a number of new contracts in this sector and now deliver services for a wide range of clients that manufacture goods including food, beverages, cars and pharmaceuticals.

Healthcare

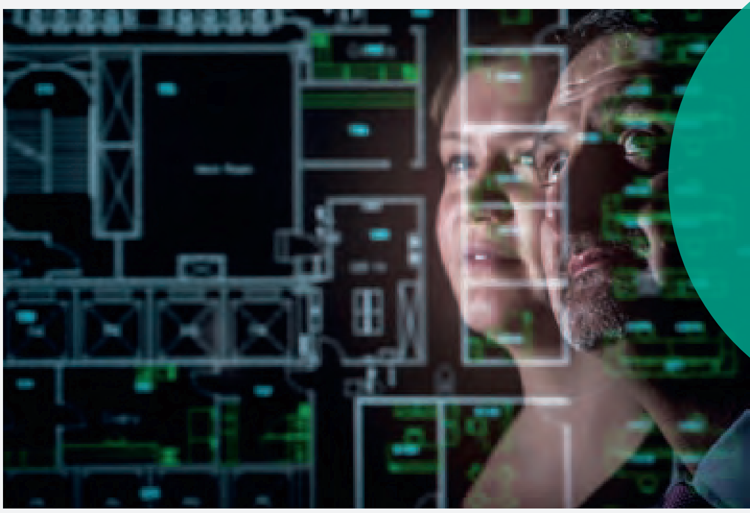
We provide high quality homecare in the UK, delivering a wide range of services to people who require help and support due to illness, disability or infirmity.

Our core homecare capability includes help with personal hygiene and dressing needs as well as assistance with preparations for sleep and also first thing in the morning. In addition, we provide:

- Administration and assistance with medications
- Liaison with clients' GPs
- Respite care for relatives and carers
- Escorted outings and holidays
- Emergency assistance
- Live in care

Against the backdrop of an ageing population and a squeeze on NHS and local authority budgets, healthcare is an attractive market regardless of which government is in power. The homecare market in England is valued at around £8 billion per annum, of a total UK healthcare spend in excess of £100 billion. With the number of people over the age of 85 expected to double in the next 25 years, we anticipate a growing trend towards extending care in the home, which is a more cost effective approach.

We believe that over time the market will also see the integration of social care and healthcare, with budgets for each likely to either combine or be considered in tandem. Cost is a key issue for this sector, but so too is quality of care and we believe that our services can deliver excellence in both areas.



Lean Academy

MITIE's Lean Academy gives employees the necessary training to deliver lean cleaning via a web-based programme which helps calculate and design the most efficient cleaning processes for a specific building, saving time, money and resources. Both the IT software and the Lean Academy are exclusive to MITIE and the first of their kind within the facilities management sector. Since its launch a year ago, over 150 of our people have gained accredited qualifications.

Through the acquisition of Enara, we have moved into the homecare sector for the first time. We focus on a patient-centric approach, helping people receive care in their homes or the local community instead of in hospital.

Where we can make a real difference is in bringing the infrastructure and experience of a large organisation to what is essentially a locally-based business model. We understand how to streamline processes – for example, we have already reduced the time it takes Enara to carry out a Criminal Records Bureau check from an industry-standard five weeks to just four days. We have also made significant improvements to Enara's recruitment and training model and introduced best practice standards across the business. In addition, we are drawing on our IT experience to introduce hand-held technology for carers in order to automate the visiting process, save time and improve record-keeping.

The future for the healthcare division presents significant opportunities. We will complement Enara's excellent track record with our own expertise, experience and national strength. We have already seen some local authorities aggregate homecare provision into a smaller number of larger packages and we expect to see this trend continue. At the same time, we will be looking for additional opportunities along the entire clinical pathway for the frail and elderly.

Energy Solutions

We provide specialist energy and carbon advice and are one of the largest independent buyers of energy for industry and commerce in the UK.

We work with our clients to develop their energy strategies, manage the implementation and deliver real improvements in performance:

Procurement – buy energy 'better and smarter'
Consumption – use less energy
Generation – create your own energy and secure long-term supply

We help companies, developers and generators manage both the risks and opportunities within this fast-changing sector. Our services cover the full spectrum of the energy and carbon markets, providing expert advice and bespoke solutions to both those who consume and those who produce energy and carbon.

With costs estimated to potentially double by 2020*, it is not surprising that energy is on the agenda of every company in the UK. The Government has a three-strand strategy to deal with the challenge, focusing on affordability, security of supply and reducing carbon emissions. But there are a number of hurdles ahead, including an electricity distribution system in need of a £120 billion upgrade by 2020 and the loss of 25% of the UK's generating capacity by 2017 as coal-fired power stations close. The renewable sector will take up some of the slack, but such systems are expensive to build and the inherent volatility in supply associated with wind power can lead to volatility in pricing.

Consequently, there is a high degree of uncertainty in the energy marketplace. Through our Utilyx business, we aim to reduce that uncertainty and help our customers manage every element of their energy cost. We do this in three ways: by using our market knowledge and position to help them buy better; by using the expertise within our broader organisation to help them reduce consumption; and by advising them on how to access the opportunities offered by generating their own energy. In this last instance, our role is to facilitate and manage the project, using our experience to create a practical, robust and low-cost solution.

We anticipate increasing opportunities to bundle energy and FM services together as total solutions, helping customers benefit from greater efficiency and lower costs across their business. Energy generation is likely to grow in importance and we will also focus on energy data analytics – so clients can understand exactly what is being spent and where. Furthermore, we will seek to bring together price and volume information for our clients.

*Utilyx research

One approach. One strategy.

A strategy to deliver stakeholder value through a focus on sustainable, profitable growth lies at the heart of our business, which is why our sustainability strategy is consistent with our corporate strategy.

Aligning sustainability approach directly with group strategy

We've always said that everything we do to make MITIE a more successful business should also help make it a more sustainable one – and vice versa. So we've decided to change the way we talk about sustainability so that it is exactly the same as how we talk about our business strategy. We now have a simple, clear, one and only strategy for MITIE.

Why do we have a separate report, you might ask? Well, we think there's still a different story to be told when it comes to sustainability – it's not just about numbers and strategy, there's a lot more to tell and we're really keen to engage our stakeholders every step of the way. We have a clear set of targets for 2020 and everyone at MITIE is responsible for achieving them.

Our sustainability approach has six focus areas, each with clear targets and milestones. The six areas have changed a little since our last report so make sure you check out **www.mitie.com/sustainability** for all the details.

Environmental data	Resource	Units	2009-10 full year restated (baseline)	2012-13	% change against baseline
Scope 1	Gas and Fleet transport fuel	Tonnes of CO_2e	42,779	**42,764**	-0.04
Scope 2	Electricity	Tonnes of CO_2e	3,879	**3,479**	-10.3
Scope 1+2	Intensity	Tonnes of CO_2e/employee	0.87	**0.71**	-18.4
	Intensity	Tonnes CO_2e/£m	27.13	**21.81**	-19.6
Scope 3 Upstream	Energy and business car travel	Tonnes of CO_2e	13,425	**14,031**	4.5
	Water	Tonnes of CO_2e	10	**11**	10
	Intensity	Tonnes CO_2e/employee	0.0002	**0.0002**	0
	Created waste	Tonnes	1,436	**1,204**	-16.2
	Intensity (Created waste per employee)	Kg	27	**19**	-29.6
	General waste	Tonnes	989	**607**	-38.6
	Recycled waste	Tonnes	447	**597**	33.6
	% Recycled		31	**50**	61.3

This table is an extract from our full environmental report, available on our website (**www.mitie.com**).

1 Clients

What we've focused on

- Client satisfaction
- Real Apprentice programme
- FM Academies

What we achieved

12%
Our Net Promoter Score is 12% (+3% on last year)

75%
75% of Real Apprentices received a job offer as a direct result of the programme

16
We recruited 16 Facilities Services Apprentices in association with our client Essex County Council

What are we doing about it?

We continue to build strong relationships with our clients, through great customer service, constant innovation and community engagement programmes. We're keen to share best practice when it comes to innovation on client sites and we'll be concentrating on fresh thinking.

Looking ahead

Target to 2020

The best way to measure how well we're looking after our clients is to measure how happy they are.

By 2020, we want to improve client satisfaction across all divisions and sectors to achieve a Net Promoter Score of 25%.

Milestones

We're already implementing formalised customer satisfaction programmes in some areas of the business, and through knowledge sharing forums which we'll be rolling out more consistently across MITIE. We will also ensure all customer facing teams have the tools to update their clients on MITIE news, especially the kind of news that could create efficiencies or savings.

Check out **www.mitie.com/sustainability** for more on our milestones

2 People

What we've focused on

- Performance management
- Leadership
- Engagement

What we achieved

2,500+
More than 2,500 MITIE managers have viewed our 'Guide to being a MITIE manager'

1,148
With 1,148 apprentices currently at MITIE, we've increased our numbers by 36%

+38%
We've increased our community investment by 38%

1,276
We beat our target by 28% with 1,276 volunteering days

What are we doing about it?

Ultimately our aim is to develop and sustain the successful MITIE people culture – from performance management, to leadership, training and development; it is critical that our people are engaged with what we're trying to achieve and the values that underpin our business. That's why we focus on performance, potential, diversity and engagement.

Looking ahead

Target to 2020

1. Achieve 90% employee engagement based on MITIE's proprietary model.
2. Embed diversity in all our practices and achieve 90% diversity score based on MITIE's proprietary model.

Milestones

Good is the enemy of great and our people have to keep on upping their game if we are to deliver sustainable growth. We will therefore actively seek to turn up the performance dial by recognising and rewarding great performance. We will also become even better at spotting and knowing how to realise potential.

Diversity as a differentiator: Diversity of skills and thinking as well as diversity of background and gender will set us apart from our competitors by giving us a visceral and sustainable understanding of the markets in which we operate.

Check out **www.mitie.com/sustainability** for more on our milestones

3

Risk

What we've focused on

- Performance management
- Leadership
- Engagement

What we achieved

22%
We've reduced our major injury rate by 22%

92%
92% of surveyed employees are fully aware of our Work Safe Home Safe! programme

Gold
We successfully achieved RoSPA Gold Certification

What are we doing about it?

Our Work Safe Home Safe! employee engagement programme continues to be successful. We're pleased with the level of awareness we've maintained throughout the business and with the results of the survey which tell us our management teams have the right attitude to health and safety. We're on the right track and looking forward to embedding our Work Safe Home Safe! culture in the new parts of the business.

Looking ahead

Target to 2020
By 2020 we will have embedded our key Work Safe Home Safe! behaviours and will strive to ensure that all those who may be impacted by our activities go home safely at the end of the day.

Milestones
We will continue to develop our risk management programmes and look to positively manage risk through a focus on three areas:

Business: Rationalisation of our policy framework and supporting processes.

People: Embed the core Work Safe Home Safe! behaviours to drive down health and safety risk.

Environment: Identify best practice in environmental management and share across operations to reduce risk.

Check out **www.mitie.com/sustainability** for more on our milestones

4

Responsibility

What we've focused on

- Transport optimisation
- Utility management
- Waste management

What we achieved

17.4%
We've achieved 17.4% fuel reduction

18.3%
We've achieved 18.3% reduction in office energy consumption

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

What are we doing about it?

We're redefining this area of our sustainability approach to encompass responsibility in the broader sense – ie what does it mean to be a 'responsible' business. We've broken down this area into three categories:

Planet: Environmental impact;

People: Community engagement; and

Partners: Sustainability in the supply chain.

Looking ahead

Planet

Target to 2020
We will reduce our carbon footprint by 35%

Milestones
As we continue to consolidate our property portfolio across the country, we will concentrate on buildings with favourable EPC ratings. We will look at implementing automatic readers on as many of our sites as possible and focus our efforts to reduce emissions on our largest contributing sites.

People

Target to 2020
Dedicate 1% pre-tax profit to community investment, through the MITIE Foundation activities.

Milestones
With the launch of the MITIE Foundation, we will be doubling our efforts in the Real Apprentice and Skills Centre programmes as well as encouraging more people than ever to volunteer.

Partners

Target to 2020
Embed our values and beliefs into our supply chain.

Milestones
We've outlined a supplier engagement programme on sustainable activities through our annual supplier forum; meet the buyer events and fresh thinking forums. We will be continuing our partnership with Ecodesk to ensure all supplier audits are done online.

Check out **www.mitie.com/sustainability** for more on our milestones

5

New markets

What we've focused on

Client awareness

Employee awareness

What we achieved

63%

63% of our clients see MITIE as a 'green' brand

350+

Over 350 MITIE employees have completed our sustainability e-learning module

59%

59% of our employees have a good understanding of our sustainability strategy (+3% on last year)

What are we doing about it?

Whilst a section of our employee population is well aware of all our capabilities – we've noticed a gap in knowledge within our workforce and we'll be looking to close that gap and ensure everyone at MITIE knows the full extent of our capabilities. Externally, we have refreshed our energy proposition and we'll be focusing on communicating to all our stakeholders.

Looking ahead

Target to 2020

Constantly review our decisions to enter new markets or acquire businesses with our sustainability framework in mind, and make sure our stakeholders are aware of all our capabilities.

Milestones

We will continue to communicate our capabilities extensively to all our stakeholders, concentrating on employees and clients particularly. We will use social media and e-learning to raise awareness and educate our audiences about our offering; in particular services that can help clients achieve their sustainability ambitions.

Check out **www.mitie.com/sustainability** for more on our milestones

6

Operational efficiency

What we've focused on

Employee participation

Supply chain management

What we achieved

510,000

We printed 510,000 fewer sheets of paper per month

150+

We received over 150 suggestions from MITIE people to improve efficiency

170+

We invited more than 170 SMEs to our annual MITIE supplier forum

What are we doing about it?

We decided to incorporate Project Exodus into our comprehensive 'Smart Working' initiative to help Exodus' paper reduction aims integrate better with the full spectrum of projects being undertaken across the group. The Smart Working initiative currently has a 60% awareness rate across MITIE.

Looking ahead

Target to 2020

In 2010, we launched Lean FM, a Six Sigma based approach to contract cleaning. It's been very successful which is why:

By 2020 we will implement formalised Smart Working programmes across all contracts.

Milestones

We're going to incentivise and reward fresh thinking, especially within the management teams that have the most influence on our operations. We want to grow and develop our Lean FM team to be able to assist on all large mobilisations. More importantly, we will embed our Smart Working campaign across the whole business to improve efficiencies in our offices, not just our client sites.

Check out **www.mitie.com/sustainability** for more on our milestones

Section 4

Finance

Financial review

Strong financial position.

MITIE is in a financially strong position. During the year we started the transition of our business towards a higher margin portfolio of work and completed a strategic acquisition in the healthcare sector. In addition, we delivered good organic growth and extended the maturity profile of our debt through the successful completion of an issue of £151.5m of long-term US private placement loan notes.

We enter the new financial year with a strong balance sheet and long-term committed financing which will support our long-term strategy and the future growth of our business.

Financial performance

In response to the fundamental changes taking place in our markets, we have taken steps to evolve the structure of our business. We have reduced our exposure to the cyclical mechanical and electrical engineering contracting markets as they are unable to offer strong margins and good growth opportunities. We have invested in the healthcare market as we believe it offers excellent opportunities for the development of the outsourcing model.

We have presented this year's Annual Report to demonstrate the performance of the businesses that we will continue to invest in; this is shown as our headline[1] result in the income statement. The results of the cyclical mechanical and electrical engineering contracting businesses that we are exiting along with the related business closure costs, and any restructuring and acquisition related items, are shown as other items. The comparative numbers for the year ended 31 March 2012 have been re-presented on the same basis.

Historically, the group has disclosed four divisions: Facilities Management; Technical Facilities Management; Property Management; and Asset Management. With effect from 1 April 2013, our business has been reorganised and going forward we will report the results through the revised divisions of: Facilities Management; Property Management; Healthcare and Energy Solutions. Our new business structure has been designed to focus on growth in higher margin markets and the development of our integrated FM proposition.

Revenue

Headline[1] revenue increased by 8.4% in the year ended 31 March 2013 to £1,980.6m (2012: £1,826.3m). The increase in revenue during the year is attributable to strong organic growth of 5.0% (£90.8m), the full year impact of the prior year acquisitions of £6.4m, and £57.1m from the in-year acquisitions of Enara and Creativevents.

Statutory revenue, which includes revenue of £139.9m (2012: £176.2m) from businesses which are being exited, was £2,120.5m, representing growth of 5.9% on the prior year (2012: £2,002.5m).

Headline[1] operating profit

Headline[1] operating profit for the group increased by 8.3% to £122.0m (2012: £112.6m), demonstrating a strong headline[1] operating profit margin of 6.2% (2012: 6.2%). This is a very positive result in a difficult economic environment and reflects the strategic move we have made to focus on core markets which deliver higher returns.

Financial review

The increase in headline[1] operating profit is attributable to organic growth of £2.7m, or 2.4%, the full year impact of the prior year acquisitions of £0.3m and £6.4m from the acquisitions made during the current financial year.

Other items

The results of the cyclical mechanical and electrical engineering contracting businesses that we are exiting along with the business closure costs are shown as other items. During the year those businesses generated revenue of £139.9m (2012: £176.2m), and incurred a trading loss of £3.1m (2012: £0.9m) and business closure costs of £22.1m (2012: £nil).

Other restructuring and acquisition related items comprise restructuring costs, including redundancy costs, of £10.2m (2012: £nil) and acquisition and integration costs relating to the acquisitions of Enara and Creativevents of £6.9m (2012: £0.9m).

The non-cash amortisation of acquisition related intangible assets was £10.0m (2012: £9.1m) and has increased following the in-year acquisition of Enara.

Finance costs

Net finance costs for the year were £10.9m (2012: £7.2m). The increase in net finance costs during the year reflects the impact of funding costs associated with recent acquisitions. Following the acquisition of Enara, the group added to its longer term US private placement loan note portfolio and raised £151.5m of sterling equivalent borrowings at a fixed interest rate of 4.0% in December 2012.

Profit before tax

Headline[1] profit before tax for the year was £111.1m (2012: £105.4m), an increase of 5.4% on the prior year. Due to the impact of other items, statutory profit before tax for the year decreased by 37.8% to £58.8m (2012: £94.5m).

Taxation

The tax charge on headline[1] profit for the year of £26.3m is based on an effective tax rate of 23.7% (2012: 23.8%). The improvement in the effective tax rate is largely attributable to the reduction in mainstream UK corporation tax rates. Income tax on statutory profit of £14.5m reflects an effective rate of tax of 24.7% (2012: 23.7%).

Profit after tax

Headline[1] profit after tax for the year was £84.8m (2012: £80.3m), an increase of 5.6% on the prior year. Statutory profit after tax for the year decreased by 38.6% to £44.3m (2012: £72.1m).

Earnings per share

Headline[1] basic EPS has grown by 3.9% since the prior year to 23.7p per share (2012: 22.8p per share). Basic EPS was 12.3p per share (2012: 20.5p per share), a decrease of 40.0%.

Dividend

The Board's policy is to grow dividends broadly in line with the underlying earnings of the group. The full year dividend reflects the underlying growth in headline[1] earnings at 10.3p per share (2012: 9.6p per share), an increase of 7.3% and reflecting a cover of 2.3 times headline[1] earnings per share. The final dividend proposed by the Board has increased by 9.6% to 5.7p per share (2012: 5.2p per share).

Cash flow, funding and liquidity

MITIE places significant emphasis on the management of its cash flow and the maintenance of strong financing facilities. The gearing of the group has remained low and net debt at 31 March 2013 was £192.2m (2012: £106.9m), representing a net debt to EBITDA ratio of 1.8 (2012: 0.8).

MITIE has a diverse range of secure funding facilities, with committed banking facilities of £250m which are available until September 2015, and a mix of US private placement loan notes, including the issue completed on 13 December 2012 with institutional investors. These notes have a total value of £151.5m, with £25m of notes denominated in sterling and fixed at an interest rate of 3.87% maturing in December 2022, £30m of notes denominated in sterling and fixed at an interest rate of 4.04% maturing in December 2024 and £96.5m of notes denominated in US dollars ($153m) maturing in December 2022. The US dollar denominated private placement proceeds have been swapped into sterling debt fixed at an average interest rate of 4.0%. The proceeds were used to repay the bridge debt facilities of £150m, which were drawn down in October 2012 in order to complete the acquisition of Enara. These facilities were provided by existing lenders to the group.
The group also has further overdraft facilities of £40m.

Cash conversion measures the success of the group in converting operating profit (measured by EBITDA) to cash, underpins the quality of MITIE's earnings and reflects the effectiveness of our cash management. Cash inflows from operations increased by 18.9% to £131.0m during the year and through a continued prioritisation of working capital management, we have delivered exceptional conversion of profit (EBITDA) to cash at a rate of 125.7% (2012: 83.7%). On a headline[1] basis our cash conversion is 108.7% (2012: 83.3%).

Key performance indicators (KPIs)

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

Headline[1] operating profit £m +8.3%

2013	122.0
2012	112.6

Headline[1] basic earnings per share p +3.9%

2013	23.7
2012	22.8

Conversion of EBITDA to cash % +42.0pp

2013	125.7
2012	83.7

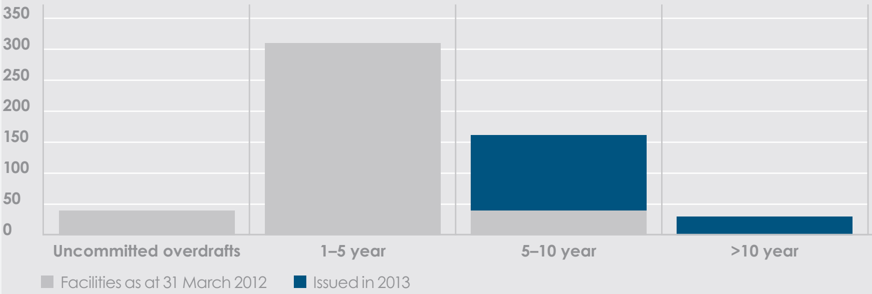
Dividend per share p +7.3%

2013	10.3
2012	9.6

[1] Headline results exclude restructuring and acquisition related items and the results of businesses being exited (termed 'other items', see Note 5). 2012 headline results have been re-presented to exclude the results of businesses being exited which are now included within other items.

Funding maturity profile (£m)

New Private Placement further extends our maturity profile and increases our capacity



New £152m US PP broadens our credit base and was issued at a competitive blended rate of 4.01%

Funding mix moves from 20% to 44% fixed rate facilities

We have again performed strongly against these measures this year with a long-term track record of strength in each. Further details of our financial KPIs are set out on page 14 of this report.

Pensions

Our financial strength remains unaffected by any significant deficit in respect of the defined benefit pension schemes to which the group contributes. The net funding position of all the defined benefit pension arrangements included on the balance sheet is a deficit of £29.9m (2012: £17.3m).

The deficit on the principal group defined benefit scheme at 31 March 2013 was £29.7m (2012: £17.2m). The increase in the deficit during the year was principally driven by the reduction in the discount factor applied in the valuation of scheme liabilities. This factor, which is set by reference to prevailing bond market rates at the year end, moved from 4.9% to 4.5% reflecting the deterioration of bond rates over the year. The deficit calculation is particularly sensitive to changes in the discount factor, as illustrated in Note 2 to the accounts.

MITIE contributes to a number of defined contribution pension schemes. The group also makes contributions to customers' defined benefit pension schemes under Admitted Body Local Government status as well as to other arrangements in respect of certain employees who have transferred to the group under TUPE. MITIE's net defined benefit pension obligations in respect of schemes in which it is committed to funding amounted to £0.2m (2012: £0.1m).

From 1 April 2013, the group will apply the new accounting standard IAS 19R ('Employee Benefits').

The change will principally require pension interest return to be calculated using the value of scheme assets multiplied by the discount rate rather than the expected rate of asset return. When the results for the year ending 31 March 2014 are published, comparative information for the year ended 31 March 2013 will be restated on a revised IAS 19 basis, which will result in a total pension cost of £5.4m and therefore a reduction in profit before tax of £2.5m. It is estimated that the total pension cost relating to defined benefit schemes recognised in the income statement for the year ended 31 March 2014 will be approximately £7m on a revised IAS 19 basis. This is an increase of £1.6m on the restated 2013 total pension cost of £5.4m, and an increase of £4.1m on the reported 2013 total pensions cost of £2.9m. This is a non-cash charge and has no impact on cash flow or the pension deficit.

Acquisitions

On 9 October 2012, MITIE acquired Enara Group Limited ('Enara') for a total consideration of £110.8m on a cash and debt free basis. Enara is the fourth largest provider of homecare services in the UK and will give MITIE a scalable platform to compete in the growing outsourced health and social care sector.

On 31 July 2012, MITIE acquired a 51% stake in one of the UK's leading independent events and leisure catering companies, Creativevents Limited ('Creativevents'), from the management team. Creativevents provides catering and hospitality services to a broad range of clients in the exhibition, sporting, festival, culture and heritage sectors as well as events and outdoor catering. The initial consideration payable was £5.2m paid in cash on completion and a further £0.3m of deferred consideration paid in the year.

The earn-out of the remaining 49% stake will bring total consideration payable to a maximum of £12.0m, which is dependent on long-term performance.

On 7 June 2012, MITIE acquired the facilities management (FM) business of Dalkia Energy & Technical Services AS ('Dalkia FM') in Norway. MITIE has acquired the FM contracts and the majority of the employees of Dalkia FM for a cash consideration of NOK 10m (£1.1m).

From the date of ownership, the acquired businesses have contributed headline[1] revenue of £57.1m and headline[1] operating profit of £6.4m which is in line with our expectations. Acquisition and integration costs of £3.2m and £3.7m respectively were incurred during the year ended 31 March 2013.

MITIE's entrepreneurial investment model

In August 2012, MITIE purchased certain minority shareholdings of three MITIE subsidiary companies in accordance with arrangements under our entrepreneurial investment programme known as the MITIE Model. The total consideration for all three purchases amounted to £14.7m being satisfied by £1.4m in cash, £1.4m in deferred contingent consideration, and the remaining £11.9m by the issue of 4.5m new Ordinary shares of 2.5p each in MITIE Group PLC valued at 267.58p per share, the closing market price per share on 28 August 2012. These purchases are discussed in more detail in Note 31 to the accounts.

Suzanne Baxter
Group Finance Director

Directors' report

Governance

Chairman's Introduction – Roger Matthews
A strong culture of governance has continued to underpin MITIE's activities during 2013. In this governance section, we explain how the main principles of good governance are applied across the group and the principal changes we have made during the year to our board governance processes, systems of assurance, risk management and control. The Board recognises that the manner in which the group is governed is critical to its long-term success, for which it is accountable to shareholders.

The Board confirms the group has complied with all the relevant provisions set out in the UK Corporate Governance Code 2010 (the 'Code') throughout the year.

During 2013, the Board, with the help of its committees, has continued to ensure that sufficient time is spent reviewing and discussing strategy, risk, performance, investor engagement and key matters of governance. This is facilitated by effective planning to ensure that the right information is provided to support the decision making of the Board.

An overview of the activities and the effectiveness of each of our Board Committees is explained further on pages 41 to 44.

Key areas of governance that have been reviewed during the year include:

Board composition

The Nomination Committee has reviewed the composition of the Board and its Committees and recommended the appointment of Crawford Gillies as a Non-Executive Director during the year. Crawford adds considerable experience to the Board, particularly in relation to his breadth of strategic insight and global perspective. Further, the Committee is proposing the appointment of Jack Boyer to the Board as a Non-Executive Director with effect from 1 June 2013. Jack brings broad, strategic and operational experience of entrepreneurial and international businesses to the Board.

All Directors, with the exception of Graeme Potts, will be standing for re-election at this year's Annual General Meeting (AGM) with Crawford Gillies and Jack Boyer standing for election.

Risk management

Our Enterprise Risk Management programme provides additional training and guidance and enhances the way in which risk is identified, managed, assessed and measured throughout the group.

Internal control processes

The Board is responsible for confirming that the group's systems of risk management and internal controls are sound and appropriate for the group. During the year the Board reviewed and updated this process to take the group's increasing scale and change in business mix into account.

Board of Directors

Roger Matthews

Non-Executive Chairman

Chairman of the Nomination Committee
Member of the Remuneration 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 a Non-Executive Chairman on the board of LSL Property Services PLC and Pertemps Network Group Limited. He is also a Trustee of Cancer Research UK.

Ruby McGregor-Smith CBE

Chief Executive

Chair of the Results Committee
Chair of the Investment Committee

Ruby joined MITIE in 2002 and was appointed as Chief Executive in 2007. Ruby has extensive experience within the support services sector where, prior to joining MITIE, she held a range of senior roles, primarily at Serco Group plc. Ruby is an Independent Non-Executive Director of Michael Page International PLC, appointed to the Board in May 2007. She is their Senior Independent Director and a member of their Nomination and Remuneration Committees. She is a Non-Executive Director of the Department of Culture, Media and Sport. Ruby's charitable and community interests include membership of the Board of Trustee Directors for Business in the Community (BitC) a membership of the Confederation of British Industry's (CBI) Presidents Committee and Public Services Strategy Board, and being the Chair of the Women's Business Council.

Suzanne Baxter

Group Finance Director

Suzanne was appointed as Group Finance Director of MITIE Group PLC in April 2006. Suzanne is a Chartered Accountant with a wealth of experience in the support services sector. Prior to joining MITIE, Suzanne specialised in mergers and acquisitions related transaction support and held a number of commercial and operational roles with Serco Group plc. During the year, Suzanne was appointed as a Non-Executive Director of WH Smith PLC, where she is also Chair of the Audit Committee and member of the Nomination and Remuneration Committees. She is a member of the Counsel of the Business Services Association, a policy and research centre of excellence for the support services industry. Deputy Chairman of Opportunity Now, a part of the BitC organisation with a focus on gender diversity in the workplace, she has also acted as a mentor on the ICAEW's Women in Leadership Programme during the year.

Bill Robson

Executive Director

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. Bill has a wealth of experience in the support services and property maintenance sector. Bill is the Managing Director of the group's Property Management division.

Larry Hirst CBE

Non-Executive Director

Member of the Audit, Nomination and Remuneration Committees

Independent

Larry was appointed as a Non-Executive Director on 1 February 2010. Until his retirement from IBM in 2010, Larry was Chairman of IBM (EMEA) where he held a number of senior positions during his 33 year career with IBM. Larry is a Non-Executive Director of ARM Holdings plc and is also the Chairman of the Imperial College Digital Cities Exchange Board. His community interests include acting as an Ambassador to Everywoman, International Advisor to British Airways and a Global Ambassador to Monitise plc.

David Jenkins

Senior Independent Director

Chairman of the Audit Committee
Member of the Nomination and Remuneration Committees

Independent

David was appointed as a Non-Executive Director in March 2006 and is currently the Senior Independent Director. 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.

Terry Morgan CBE

Non-Executive Director

Chairman of the Remuneration Committee
Member of the Audit and Nomination Committees

Independent

Terry was appointed as a Non-Executive Director in July 2009. Terry was previously Chief Executive of Tube Lines Limited and has held positions with BAE Systems, Rover Group plc and Lucas Girling Limited. He is Chairman of Crossrail and is a past President of the Chartered Management Institute. Terry also holds positions as Non-Executive Chairman of the Manufacturing Technology Centre and the National Skills Academy for Railway Engineering. He is also a Non-Executive Director of Boxwood Ltd, the Department for Energy and Climate Change and a Trustee of the London Transport Museum.

Board of Directors

Crawford Gillies

Non-Executive Director

Member of the Audit, Nomination and Remuneration Committees

Independent

Crawford was appointed as a Non-Executive Director to the Board in July 2012. Crawford spent 25 years with Bain & Company Inc., the international management consultants, where he was Managing Director Europe. He is also a Non-Executive Director of Standard Life plc, Chairman of Scottish Enterprise, Chairman of Control Risks Group Holdings Limited and a Member of the Advisory Board of the School for CEOs.

Jack Boyer

Non-Executive Director

Member of the Audit, Nomination and Remuneration Committees

Independent

Jack will be appointed as a Non-Executive Director to the Board with effect from 1 June 2013. He is Chairman of Ilika plc, iQur Ltd and Southampton Asset Management Ltd and a Non-Executive Director of Laird PLC. He also sits on the board of the Engineering and Physical Sciences Research Council. A serial entrepreneur, he previously founded and was CEO of companies in engineering, telecommunications and biotechnology. He has been an investment banker at Goldman Sachs and strategy consultant at Bain & Co. He is Deputy Chairman of Godolphin & Latymer School. Educated at Stanford University (BA), the London School of Economics (M.Sc) and Insead (MBA).

Graeme Potts

Non-Executive Director

Member of the Audit, Nomination and Remuneration Committees

Independent

Graeme was appointed as a Non-Executive Director in July 2006. Graeme was formerly Chief Executive of Reg Vardy plc, a divisional Chief Executive Officer and Executive Director of Inchcape plc and Chief Executive of RAC Motoring Services. He is a Non-Executive Director of BEN, the automotive industry charity, and is Chief Executive Officer of Eden Motor Group.

Governance

Leadership

Director	Board
Number of meetings held in year:	6
Chairman	
R J Matthews	6
Chief Executive	
R McGregor-Smith CBE	6
Executive Directors	
S C Baxter	5
W Robson	6
Non-Executive Directors	
C S Gillies	5 of 5
L Hirst CBE	6
D S Jenkins	6
T K Morgan CBE	6
G J Potts	6
I Stewart[1]	1 of 1

Note:
1 Ian Stewart resigned on 21 May 2012

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

The Chairman
The Chairman is a Non-Executive Director and is responsible for the effective running and leadership of the Board, ensuring its effectiveness. He liaises with the Company Secretary on the annual Board plan and sets and agrees the Board agendas. Key matters covered at each Board meeting include: strategy, enterprise risk management, financial and management reporting, investor relations and corporate governance, with updates received from each of the Committee Chairmen. He ensures that sufficient time is allocated to promote healthy discussion and open debate, supported by the right level and quality of information to assist the Board in reaching its decisions. The Chairman encourages openness and regular communication between Executive and Non-Executive Directors, a culture which has been facilitated by meetings between the Chairman and individual Directors. The Chairman ensures that the Non-Executive Directors contribute effectively and that the Executive and Non-Executive Directors are aware of the views of major shareholders. He is also responsible for ensuring that the Board addresses major challenges faced by MITIE and for the effective performance of the Board and its committees. The Chairman is available to consult with shareholders throughout the year and will be available at the AGM.

The Executive Directors
The Chief Executive is responsible for all aspects of the operation and management of the group and its business within the authorities delegated to her by the Board. She is responsible for developing and effectively implementing strategy following approval of the strategic and financial plan by the Board. The Chief Executive's remit includes proposing investment into new business and geographical areas and ensuring at all times that the group's risk profile is appropriately considered. She ensures the timely and accurate disclosure of information to the Board and to shareholders. She leads the Executive Directors and senior management team in the day-to-day running of the group's business under clear delegation of authority from the Board. The Chief Executive maintains regular dialogue with the Chairman on all important Company matters and together they provide coherent leadership of the group.

The Non-Executive Directors

Non-Executive Directors are responsible for exercising their independent skill and judgement. In reviewing the proposals for the strategic direction of the group, the Non-Executive Directors constructively challenge and probe the Executive Directors, offering a breadth of knowledge, experience and individual skills, and are responsible for contributing to the formulation and development of strategy. The Non-Executive Directors monitor high level corporate reporting and satisfy themselves as to the integrity of financial information and the operation of key financial controls. The terms of appointment of the Non-Executive Directors' and the Executive Directors' service contracts are available for inspection at MITIE's registered office, the head office and at the AGM. The role of the Senior Independent Director is to make himself available to shareholders should they have concerns which have not been resolved through the normal channels of Chairman, Chief Executive or Group Finance Director or for which such contact is inappropriate in the circumstances. The Senior Independent Director in particular reviews information on major shareholders and financial analysis to obtain a balanced understanding of the issues and concerns of shareholders. Explained further below is the Senior Independent Director's role in succession planning and performance evaluation for the Chairman.

Board activities

The Board is collectively responsible for the sustainable long-term success of the Company and accordingly reviews and agrees the strategy for the group, proposed by the Executive Directors, on an annual basis. In setting the strategy, the Board takes account of key matters such as: market trends; competitive environment; private/public sector approach; international aspects; finance; people and talent; and, the MITIE Model, ensuring at all times that sufficient consideration is given to risk and internal controls. Matters that are exclusively dealt with by the Board include: setting group objectives and strategies; approving business plans and budgets and monitoring performance against these; approving material acquisitions, disposals and business start-ups (including any material transactions outside of the normal course of business); approving the group's Half-yearly and Annual Report and Accounts; appointing and removing the Chairman, Directors and Company Secretary; management of the group's risk profile; and, monitoring the group's corporate governance arrangements.

During the year ended 31 March 2013, there were six scheduled Board meetings. Additional unscheduled Board meetings were held to deal with the review and approval of material transactions, key contracts, acquisitions and issues relating to shares and other administrative matters.

Effectiveness

Board evaluation

The Board is committed to reviewing the effectiveness of its performance and that of the Committees and individual Directors. During the year, the current evaluation process has been objectively reviewed and considered by the Nomination Committee. It was agreed that the Chairman will meet on a one-to-one basis with each of the Directors, which will enable more informative feedback on Board and Committee effectiveness. The conclusions and recommendations of the evaluation review meetings are shared with the Board. Evaluation of the Chairman is passed to the Senior Independent Director to discuss with the Chairman. Whilst the Board is comfortable with its effectiveness and that of its Committees and Directors, there is a continuing need for the Board to focus on the strategic development of the group, particularly in reviewing the key growth sectors in the UK for outsourcing and the group's international strategy.

Consideration will be given over the coming year to the Code requirement to undertake an externally facilitated board evaluation every three years.

Director re-election

The Board has considered the performance of each Director as part of the annual board evaluation and is satisfied that they continue to be effective and to demonstrate clear commitment to their roles. All Directors will submit themselves for re-election at the forthcoming AGM, except Graeme Potts who will be standing down.

Director induction

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

Accountability and assurance

Risk management approach

The effective management of risk is integral to the successful achievement of the group's strategic objectives and in delivering stakeholder value through sustainable, profitable growth. The Board is accountable for the effectiveness of the group's risk management programme and systems of internal control which are reviewed on behalf of the Board by the Audit Committee. The Audit Committee receives regular updates from the group's Enterprise Risk Director on potential material risks that may impact upon the group and the environment in which it operates.

Risk management processes

Processes are in place to ensure that each operating division and supporting function identifies and assesses the risk in achieving its objectives, and identifies associated mitigation measures and the potential impact of the crystallisation of those risks. During the year, formal risk management workshops were undertaken to ensure consistency in the risk identification and assessment process. This information is captured in divisional, functional and business risk registers which are consolidated and summarised by the Enterprise Risk function in the form of the Group risk register. This register is formally monitored on a regular basis by the Chief Executive and Group Finance Director and their teams to allow effective decision making and resource allocation in managing the group's significant risks, ahead of its submission to the PLC Board for review. Responsibility for specific areas of risk flows through the business, with accountability and responsibility assigned to managers and employees at the relevant level of the organisation.

The Board confirms that this risk assessment process has been in place throughout the reporting year and up to the date of approval of the Annual Report and Accounts. The Board, through the Audit Committee, considers the nature and extent of significant risks in setting the group's strategy; these are detailed further in the principal risks set out on the following pages. The changing nature of our diverse business means that risks and opportunities are encountered on a continuing basis. The identification of risk allows us to manage and mitigate threats to our strategic objectives and to better exploit risk related opportunities as they arise. Four broad categories of risk are identified, and specific risks mapped against these categories: strategic; operational; financial; and, regulatory.

Risk mitigation

For each area of risk, a mitigation plan is developed with a defined owner and summary of the additional controls required to manage and mitigate that risk. Assessment of the effectiveness of this control environment is undertaken at divisional and group level, with the Audit Committee formally reviewing performance annually. The system of internal control is designed to manage, rather than eliminate, the risk of failing to achieve the objectives and strategies of the group's risk management mitigation plans and it will only provide reasonable, and not absolute, assurance against material misstatement and loss.

Risk management monitoring and review

As part of the on-going risk management review process, newly identified risks will feature on the risk register and some risks may be removed. Following the 2013 review, new risks relating to our increasing reliance on technology based solutions and, as we continue to grow in size, scale and complexity, the risk of damage to our reputation have been separately identified. It should be noted that there are other risks identified as part of our risk management process, but these do not have a material impact on our group's overall ability to achieve our business objectives. These risks are managed via the existing risk management process. To further encourage a culture of risk management within the business, the Audit Committee, on behalf of the Board, regularly reviews the programme of risk management undertaken across the group to demonstrate the importance of the management and assessment of risk at a senior level, and to take executive ownership of mitigation improvements where required.

Internal control and assurance

The board has established an appropriate system of governance throughout the group, with a framework of internal control based around the 'three lines of defence' model. The first line of defence is provided by line management, who are responsible for implementing and monitoring specific controls, the second line is provided by specific functions (such as Finance, Human Resources and Risk) who provide assurance on the effectiveness of these controls, and the third line is provided by internal audit (with certain internal audit work outsourced to specialist providers including Grant Thornton LLP).

The internal audit programme is designed to provide a level of assurance over the principal risks as identified in the group risk register and is developed by the Enterprise Risk Director who reports independently to the Audit Committee. The Audit Committee supports the Board by monitoring and guiding the activities of the internal audit function, including review and approval of the internal audit programme, reviewing the findings of the internal audit reports from the Enterprise Risk function and reviewing plans to address identified areas for improvement arising from the audits.

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. The Audit Committee also receives an update from the Enterprise Risk Director and the Executive Directors on the operation of controls within the business.

Principal risks and uncertainties

The risks and uncertainties described below are those considered to be of most relevance and material importance to the board by virtue of their ability to adversely impact our people, our operations, our financial performance and our reputation. Risks are grouped in four categories: strategic, financial, operational, and regulatory. There may be other risks and uncertainties which are unknown to the group or which could become material in the future. These risks may cause the group's results to vary materially from historic and expected results.

1. Strategic risks

Material contract management, performance and retention

Risk	Mitigation
Large scale complex integrated contracts such as our integrated facilities management contract for Lloyds Banking Group are becoming increasingly important to the group. In this regard such contracts have a material impact on the performance of the group and effective contract management along with sound financial and operational performance is paramount. In some areas of our business and contract portfolio we are also increasingly delivering sophisticated technological solutions for our clients which carry higher delivery and operational risk than contracts in some of our traditional business areas. The group's ability to manage and retain its large and complex contracts is critical both as a business differentiator and in order to maintain its strong financial position.	Executive oversight and approval for all large scale strategic bids occurs and continues throughout the mobilisation and operational phases. We have experienced operational, financial, bid and mobilisation teams across our business to support our contracts. Formal contract reviews are undertaken on a regular basis, both internally and with the client, to ensure effective performance and financial management. We have specialist expertise to manage complex technological solutions, with third party support available where required. Our Board governs and reviews the investment in and support for the development and deployment of technical solutions and these programmes have governance and review structures in place to monitor their on-going performance.

Developing new territories and markets

Risk	Mitigation
To ensure that the group continues its strong record of profitable growth it is important that we develop the management and systems infrastructure to identify new growth opportunities and in particular, enable the development of our business in new markets and territories. Failure to do this will limit the growth of our business and may be detrimental to our ability to retain existing work.	Our strategic plan addresses new market and new territory development. We have identified requirements for local and sector resource, and our management systems have been adjusted to reflect our new market exposures and growing international presence. Entry into new business areas is controlled and requires board approval.

Protecting our reputation

Risk	Mitigation
We recognise that our reputation is critical for the successful achievement of our strategic objectives and the growth of our business. As such we continue to formally manage potential exposures and business risks which may, if crystallised, have a significant impact on our reputation. Failure to manage our reputation may lead to a loss in market confidence in our ability to retain or undertake new client work and may affect our financial performance and growth prospects. In particular, we are conscious that a significant health and safety incident involving our people, our clients or the general public, inappropriate behaviour including bribery, corrupt practices and fraud, and the failure to meet the requirements of legislation and regulation, could have a material detrimental impact on our corporate reputation. Such incidents may lead to our inability to win or retain contracts, to financial penalties or fines, or to our inability to attract and retain high quality people to work at MITIE.	Our governance framework – including dedicated policies and procedures, monitoring and review processes, communication methods and training programmes, addresses specific areas that may give rise to reputational impact. These management systems continue to adjust to reflect the changing nature of our business and the potential for reputational damage that may occur as a result of a significant incident occurring.

Uncertain market conditions and economic climate

Risk	Mitigation
MITIE's principal macro-economic exposure is to the UK market. We also have limited exposures to certain other European economic conditions and our international growth aspirations have been challenged by the continuing uncertainty in the global economy more generally. It is important that our business model adapts to the on-going economic conditions. The continuing uncertain economic conditions have led to a change in clients' spending in some areas that both positively and negatively affects our business. Our business is exposed to a broad range of sectors which, whilst adding resilience to our portfolio, means we are sensitive to the economic conditions that influence the trading performance of our clients. This effect can be both positive and negative for MITIE, providing growth opportunities and potential threats to client spend levels and credit worthiness which could negatively affect our financial performance.	On the downside, instability in our core UK market has caused programme delays and cancellations as well as a change in the viability of certain markets. However, this is countered on the positive side by the increasing attractiveness of our core outsourced services as a means to add value to our clients and provide growth for MITIE. We continue to maintain a diverse portfolio of clients across a range of sectors and are strategically moving away from more cyclical markets. We moved into the healthcare sector during the year 2012/13 and away from our traditional engineering and contracting markets in order to increase the group's resilience to economic changes. Our focus on the development of our long term contract portfolio reduces the group's financial exposure to rapid changes in the economic environment.

2. Financial risks

Financial strength and access to funding

Risk	Mitigation
Our financial strength makes us an attractive partner to our clients and stakeholders, including our funding partners. Should our financial performance deteriorate, our ability to access funding on competitive terms could be impacted, causing a restriction in our ability to grow organically and through acquisition and an increase in the cost of borrowing which could affect our financial performance. Our most significant area of expenditure is staff costs, which have to be paid regularly and at specific times. Our ability to do this is reliant up on the continued availability of funding and on our ability to manage our cash flow. It is critical to the success and continuity of our business.	We continue to monitor our financial performance very closely via our mature financial governance arrangements, with daily monitoring of bank balances, weekly cash flow forecasting and regular financial performance and balance sheet reviews. We continue to maintain our strong banking, debt finance and equity relationships, with a diverse portfolio in place to minimise risk. During the year we increased the diversity of our funding sources and have extended the term of our US private placement loan note borrowings, whilst fixing interest rates into the medium and longer term. This has given certainty to aspects of our longer term costs of finance and has further reduced our exposure to changes in the UK banking market.

Reliance on material counterparties

Risk	Mitigation
Our business activities are dependent on a number of significant counterparties such as insurers, banks, clients and suppliers. Effective and on-going relationships with our material counterparties will underpin the group's ability to meet its strategic objectives. The failure of a key subcontractor, supplier, financing or other partner could have a detrimental impact on the operational and financial effectiveness of our business.	We have strategically developed a diverse and robust counterparty base, limiting the dependency of any one counterparty and hence the impact of any potential failure. A formal review of material counterparty risk is undertaken by the Board and at divisional and business level.

3. Operational risks

Significant health, safety or environmental incident

Risk	Mitigation
The scale and scope of our business activities, if not appropriately managed, have the potential to cause harm to employees, third parties and the environment. Managing this area of risk and the protection of our people and the environment is a major priority for the group. Failure to do so could result in a significant incident including death, leading to regulatory action, financial impact and damage to our reputation.	The Board has formal oversight of the group's health, safety and environmental performance, it being the first item on every Board agenda. We continue to operate formal quality, health, safety and environmental management systems, certified to the ISO 9001, 14001 and OHSAS 18001 standards. Our employee engagement programme – Work Safe Home Safe! – continues to focus on promoting core values and safe working behaviours. Our training programmes in core competency areas continue to address specific workplace hazards and environmental management. Our incident, accident and insurance experience is utilised to inform our operating practices, risk mitigation strategies and levels of insurance cover to minimise the incidence and impact of this risk.

System, process or control failure may impact our operational performance

Risk	Mitigation
Our business uses increasingly sophisticated systems, with interdependencies, to support our operational activities, performance management and business support functions. The success of these systems, along with our programmes of internal control and our policies and procedures is critical for the operation, governance and control of our business and will play a major role in driving future operational efficiency and business performance. Our control systems are designed to identify changes to legislation and regulation, and to ensure our operational and financial procedures, including areas such as employee vetting and right to work legislative requirements that affect all our people, remain relevant and up to date. In particular, our failure to comply with legislative or regulatory changes or to maintain controls that affect high transaction volumes could expose the group to material penalties, financial misstatements or errors.	Our internal control effectiveness is reviewed formally and we operate regular audits and self-certification on the operation of key controls and procedures. Our policies and procedures are regularly reviewed to ensure they remain compliant with the law and with our requirements for sound governance practices. We formally test our business critical systems to ensure effective recovery following a potential disaster scenario and have in place an assurance programme to test the adequacy of our mitigation activity. Our IT steering group oversees all IT-related governance arrangements, implemented via our IT policy and procedure framework, and we continue to implement an information security management system aligned with recognised international standards.

Retention and attraction of skilled people who work to our group values

Risk	Mitigation
We understand that our ability to deliver our strategic objectives relies on retaining our talented employee base, developing future talent internally and attracting the best new talent in the marketplace. We aim to operate as a responsible group and recognise that the appropriate ethical behaviour of our people is critical to the success and desired impact that our business has. Failure to develop our people, attract new talent or to ensure our people always work to our values could result in the inability to deliver our strategic objectives and would place a restriction on our ability to grow, particularly into new market areas.	We continue to implement our talent management programme to provide career development and have in place succession plans for key management. We also continue to successfully operate our executive management training programme at Cranfield University. Our focus on training and competency at all levels of the business continues to ensure we develop our people to enable them to manage the changing profile of our business. We have a clear set of group values that describe our expectations for the way our business should be managed and how our people should behave and there is a stated zero tolerance for fraudulent behaviour, bribery or corruption, implemented through our ethical business practices policy. Our employee engagement programme continues to drive recognition of our core values and we operate a confidential whistle-blowing line for employees to raise concerns in confidence. We have provided bespoke anti-bribery and corruption training for our management teams.

4. Regulatory risk

Exposure to legislative non-compliance

Risk	Mitigation
We are strongly focused on ensuring legal compliance in all of our business areas. Failure to do this could lead to enforcement action, fines, adverse publicity and therefore potential damage to our reputation.	Our management systems provide a framework for assessing legal compliance and proactively recognising the requirements of new legislation. We obtain specialist technical advice where required to support in-house expertise, train our management teams who have operational responsibility for ensuring compliance and have an audit programme in place to assess specific compliance areas.

Engagement

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

Significant importance is attached to investor feedback on the group's performance, and as such the Board receives an investor relations report at each meeting detailing corporate news, share price activity, investor relations activity and major movements in shareholdings. The Board is also regularly updated and is provided with investor feedback, broker updates and detailed analyst reports following the Half-year and Preliminary Results presentations. The Chairman is responsible for ensuring that the Board is made aware of the issues and concerns of the major shareholders.

The Chairman and Senior Independent Director are available for additional meetings with shareholders upon request. The Board encourages an on-going dialogue between the Directors and investors and as such all Directors (with the exception of David Jenkins) were present at the 2012 AGM and made themselves available for direct discussions with shareholders. Latest group information, financial reports, corporate governance and sustainability matters, half-yearly and preliminary results presentations, major shareholder information and all announcements are made available to shareholders via the MITIE website (www.mitie.com) which has a specific area dedicated to investor relations.

Electronic communications

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

Committees of the Board

The Board has five formally constituted committees: the Audit Committee, the Nomination Committee, the Remuneration Committee, the Investment Committee and the Results Committee, the work of which are set out on the following pages.

The duties and responsibilities of the Audit Committee, the Nomination Committee, the Remuneration Committee, the Investment Committee and the Results Committee are set out in the terms of reference available on the Investor section of MITIE's website: at www.mitie.com/investors/shareholder-services/corporate-governance.

Audit Committee

The Company has an Audit Committee comprised of independent Non-Executive Directors who are all considered as being appropriately experienced to fulfil their duties. The chairman of the Committee, David Jenkins, continues to be deemed by the Board, as at the date of this report, to have significant, recent and relevant financial experience through his qualifications and on-going positions.

During the financial year, the Committee met 3 times. Meetings may, by invitation, be attended by the Company's external auditors, the Chairman, the Chief Executive, the Group Finance Director and the Enterprise Risk Director.

Director	Audit
Number of meetings held in year:	3
D S Jenkins (Chairman)	3
C S Gillies	2 of 2
L Hirst CBE	3
T K Morgan CBE	3
G J Potts	3

Committee responsibilities and activities
During the year, the Audit Committee considered and reviewed matters relevant to discharging its responsibilities, including:

- generally monitoring the group's corporate reporting process and the statutory audit of the annual group accounts;
- review of the Half-yearly Financial Report and Annual Report and Accounts and recommendation for Board approval;
- accounting policies and key areas of judgement;
- review of the external auditor's audit plan, nature and scope of work and overall summary of key issues and judgements;
- the quality of external audit services for the group and the re-appointment of the external auditor;
- the effectiveness of the external auditor including the appropriateness and skills of the audit team;
- compliance with the Non-Audit Services Policy and maintenance of auditor independence;
- review of the group's consolidated risk register prior to its approval by the Board;
- approval of the group assurance framework and the internal audit plan;
- review of key internal audit reports and findings; and
- generally monitoring the effectiveness of the internal control, audit and risk management systems and functions.

The Committee also meets separately with the external auditors and the Enterprise Risk Director without the presence of the Executive Directors.

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

Assurance
In line with Turnbull Guidance and C.2.1 of the Code, the Board performs a formal annual assessment of the operation and effectiveness of the system of internal control, covering all material controls including financial, operational and compliance controls, and updates this assessment prior to the signing of the Annual Report and Accounts.

In recognition of the growing size, scale and complexity of the business, a review of the internal control assessment process was undertaken during the year. As part of this review, a redesign of the internal control questionnaire was implemented, in order to deliver a more targeted and comprehensive internal control effectiveness assessment procedure. We have used the feedback from the internal control assessment to improve and strengthen the system of internal control, embed effective controls further into the operations of the group and to consider other procedural improvements. These activities are monitored at executive level to ensure that control changes are implemented appropriately and that they are effective. Furthermore, the Enterprise Risk Director attends each Audit Committee meeting to provide regular updates on the effectiveness of the group's internal controls and the results of the internal audit process.

Features of the internal control and risk management systems that ensure accuracy and reliability of financial reporting include: a culture of good governance, integrity, competence, fairness and responsibility; group level policies and procedures to support the business by providing an operational internal control framework to work within; clearly defined responsibilities, delegated in accordance with the group's delegated authorities and authorisation registers; and, a group function with a team of specialist resources.

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

During the year ended 31 March 2012, MITIE tendered its external audit services and concluded that Deloitte LLP should be appointed as external auditor given the relevant experience of their London team in both the PLC environment and support services sector. Through the reporting period, Deloitte LLP have implemented their proposed execution of the audit plan, introducing improvements including an enhanced 'top-down' approach to reporting on the outcome of the audit along with the introduction of an interim review at the half year.

The Audit Committee has assessed and recommended to the Board the continued engagement of Deloitte LLP as the Company's external auditor and has recommended their re-appointment at the AGM. Deloitte LLP has expressed willingness to continue in office as auditors and accordingly the Board is recommending their re-appointment as external auditor at the forthcoming AGM.

The Audit Committee has approved a Non-Audit Services Policy that ensures the external auditor remains independent and objective throughout the provision of their external audit services and when formulating their audit opinion. In order to retain the flexibility of utilising the external auditors to provide non-audit services, the following criteria must also be met. These are such that the external auditors do not:

– audit their own work;

– make management decisions for the group;

– create a conflict of interest; or

– find themselves in the role of advocate for the Company.

The Non-Audit Policy identifies the various types of non-audit services and determines the analysis to be undertaken along with the level of authority required before the external auditor can be considered to undertake such services. Further, the policy is consistent with the Financial Reporting Council's ethical standards policy.

When considering the appointment of the external auditor for non-audit work, the following factors are taken into account:

- the quality of work provided by the external auditor;
- representations provided by the external auditors regarding their independence and objectivity, along with internal controls implemented by them when providing non-audit services;
- the level of external auditor's understanding of the group;
- the nature of the work being performed; and
- the commercial and practical circumstances of particular types of work required.

Non-audit services provided to the group during the year included corporate finances services associated with the acquisition of Enara for reasons of commercial confidentiality and efficiency, taxation advice and compliance services.

A summary of the fees paid to the external auditors is given in Note 6 to the financial statements. The Audit Committee confirms that the requirements of the Non-Audit Services Policy have been met throughout the year.

Nomination Committee

The Company has a Nomination Committee comprised of independent Non-Executive Directors who are all considered to be appropriately experienced to fulfil their duties.

During the financial year, the Committee met 3 times.

Director	Nomination
Number of meetings held in year:	3
R J Matthews (Chairman)	3
C S Gillies	2 of 2
L Hirst CBE	3
D S Jenkins	3
T K Morgan CBE	3
G J Potts	3

Committee responsibilities

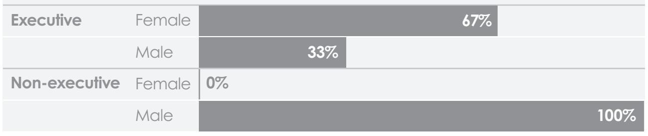
The Nomination Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies and to consider the adequacy of the skills, experience and diversity represented on the Board. It leads the process for appointments to the Board. During the year, the Committee undertook the search for two additional Non-Executive Directors. After careful consideration of the skills and experience required it recommended the appointment during the year of Crawford Gillies and, with effect from 1 June 2013, of Jack Boyer to the Board as Non-Executive Directors. Crawford brings extensive strategic and international experience in addition to exposure within a larger, FTSE 100 environment. Jack will bring broad, strategic and operational experience of entrepreneurial and international businesses to the Board. A detailed and personally tailored induction programme is undertaken for Non-Executive Directors joining the Board in line with MITIE's standard procedure.

During the year, the Nomination Committee reviewed the composition and chairmanship of the Board and each of its Committees and determined that all Non-Executive Directors were independent in character and judgement. Following the widening of the membership of the Audit, Nomination and Remuneration Committees to include all the Non-Executive Directors in 2012, the committee continues to be satisfied that its current composition is appropriate having regard in particular to the integrity, skills, knowledge and experience of its Directors and the size and nature of the business.

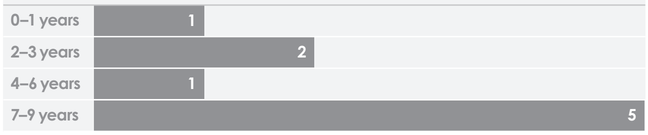
Board diversity

MITIE welcomes, as a general principle, the updated Code requirement to consider diversity at Board level and sees this as an opportunity to consider the appropriateness of their approach to managing the diversity of ideas and skills on the Board. The Board believes that setting aspirational diversity targets could drive a practice that is not necessarily in the best interests of the organisation and that the issue of Board diversity should be tackled in a manner that considers all areas of the diversity agenda such as skills and experience, as well as gender, race, disability or other aspects of difference. Diversity of candidates at Board level has to be balanced against the required skills and experience and should be a consideration in any recruitment, succession planning and talent management process. During the year, the group's Equality, Diversity and Inclusion policy was updated to encourage diversity within the board room and within the group, and the Board introduced an annual review of the broader talent pipeline within the group. The Board is keen to ensure that all aspects of diversity are considered in the promotion, retention and development of the talent pipeline throughout the group as well as at Board level, and a suite of diversity policies and procedures have been cascaded and embedded throughout the group. Further details of the diversity of MITIE's people can be found in the sustainability report which is available on the company's website at www.mitie.com.

Board composition



Board tenure



Remuneration Committee

Information about the structure and processes for the Remuneration Committee is included on page 45 within the Remuneration report.

Investment Committee

The Investment Committee strengthens the group's governance framework and facilitates the internal approvals process by approving matters as delegated by the Board and referring recommendations for Board approval. The Committee, which comprises the Chief Executive, as chairman, and Group Finance Director, met 7 times during the year and considered matters such as major bids and contracts, acquisitions, disposals, capital expenditure and MITIE Model investments.

Results Committee

The Results Committee assists the Board in approving matters such as half-yearly and preliminary results announcements, other routine, non-material announcements, dividend payments and shareholder communications. The Committee, which comprises the Chief Executive, as chairman, and Group Finance Director, met twice during the year.

Directors' remuneration report

Introduction

This report has been prepared on behalf of the Board in accordance with s420 of the Companies Act 2006 and in line with Schedule 8 of the Large and Medium–sized Companies and Groups (Accounts and Reports) Regulations 2008 and covers all Directors who served on the Board during the reporting period. The Remuneration Committee believes in and promotes good governance through the adoption of the Code, compliance with the Listing Rules and due reference to other guidelines which together should provide shareholders with a practical framework and reference point.

Certain elements of this report need to be audited by the Company's auditors and for them to state that the audited information has been duly prepared in accordance with the regulations. The report therefore has been arranged into two sections; Section A which is not subject to audit and, Section B which is subject to audit. The report will be presented for shareholder approval at the forthcoming AGM on 9 July 2013.

Section A: The following information is not subject to audit

Remuneration policies and principles

Membership

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

Remuneration Committee

Director	Remuneration
Number of meetings held in year:	5
T K Morgan CBE (Chairman)	5
C S Gillies	3 of 3
L Hirst CBE	5
D S Jenkins	5
R J Matthews	5
G J Potts	5

Advisers to the Committee

Kepler Associates, as appointed in 2007, acted as the independent remuneration adviser to the Committee during the year. Kepler attends Committee meetings and provides advice on remuneration for executives, analysis on all elements of the remuneration policy and regular market and best practice updates. Kepler complies with the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Kepler provides no other services to the Company.

Terms of reference

The terms of reference for the Committee are available on the group's website and include:

- shaping and agreeing with the Board the framework of policy for the remuneration of Executive Directors and certain aspects of the remuneration of senior management;
- determining the total individual remuneration package of each Executive Director with due regard to the performance of the individual in line with the agreed remuneration policy;
- agreeing Executive Directors' contractual terms;
- acting on behalf of the Board, in connection with the establishment and administration of the group's current and/or future share plans, including the selection of participants, the setting of option prices and the setting of performance targets; and,
- drafting and approving the Directors' remuneration report and any remuneration related resolutions to be put to the shareholders at the group's AGM.

General remuneration principles

The Committee is responsible for formulating remuneration policies and principles that promote the success of the group in creating value for shareholders over the longer term, are aligned to the corporate objectives and business strategy and take into full account the associated risks. The Committee understands that it is accountable to shareholders for the decisions made on Executive remuneration and seeks to maintain an open and constructive dialogue where changes to remuneration policy are being proposed.

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

The Committee continues to believe that exceptional performance should be matched with appropriate remuneration to attract, retain and motivate Directors and management and ensures that packages are linked to and support the long-term performance of the Company.

Remuneration policy

The remuneration policy of the Company promotes and embeds the Company's remuneration principles.
The Company's policy is:

Performance linked	Group performance determines a significant element of the Executive remuneration packages. Only top-end performance can achieve the stretching targets that are reflected in the performance-linked pay elements of the packages.
Shareholder aligned	The discretionary share schemes are based on EPS growth to align the interests of the Senior Executive team with those of shareholders. Bonuses are structured to reward the attainment of the strategic target of long-term sustainable, profitable growth.
Comprehensive and simple	The overall remuneration policy is comprehensive without becoming overcomplicated and encourages Executives to concentrate on growth.

The Committee believes, and is satisfied that, the remuneration policy is appropriate and takes account of the group's performance and strategic objectives. It will therefore continue to use this policy as a framework for setting future packages, whilst having due regard for the remuneration packages offered across the group and the external market.

Share ownership policy

The Company operates a share ownership policy to encourage the build-up of equity in the Company by both its Executive Directors and senior executives. Under this policy, all Executive Directors are required, over time, to build and maintain a target shareholding in the Company worth 150% of salary. The Committee recognises that the principal mechanism for building up this holding will be on the exercise of vested LTIP awards and accordingly, until such time as the shareholding requirement is met, Executive Directors will be expected to retain no fewer than 50% of shares (net of taxes) that vest under the LTIP. On the 1 May each year, the Committee reviews the expected target holding for the Executive Directors, calculated as a percentage of salary.

Table 1: Share ownership

	Number of ordinary shares owned as at 31 March 2013	Value of target holding at 1 May 2012 based on % of salary as at 31 March 2013	**Value of holding as at 31 March 2013[1]**	Percentage of target holding achieved as at 31 March 2013
R McGregor-Smith CBE	564,782	£789,000	**£1,585,908**	>100%
S C Baxter	213,052	£502,500	**£598,250**	>100%
W Robson	1,623,200	£495,000	**£4,557,946**	>100%

Note:
1 Calculated at a share price of 280.8p being the closing market price on 28 March 2013.

The key elements of Executive Director remuneration

The overall package for Executive Directors consists of a fixed element (salary and benefits) and variable performance-related elements (annual performance-related bonus and long-term equity-based incentives) and has been structured to align the Executive Directors' packages with the interests of shareholders. The Committee tests the remuneration structure regularly to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. The Committee considers the key elements in total to ensure there is the right balance between reward for short-term success and long-term growth. For Executive Directors, this can be summarised below:

Remuneration Element	Policy and link to strategy	Operation in 2013
Base Salary	Base salary is set in a total remuneration context against comparable roles within FTSE 250 and sector organisations. Other factors considered include: market conditions, the responsibilities and skills of the individual Executive Directors and the level of salary increases across the organisation as a whole.	Reviewed annually with any increase normally awarded from 1 April.
Benefits	The Benefit package is designed to provide both monetary and non-monetary benefits that are competitive.	Benefits typically include: – Company car/allowance – Private fuel – Private health insurance – Life Assurance – Annual Leave Benefits are reviewed periodically against market.
Pension	Executive Directors participate in the defined benefit scheme which is now closed to new entrants. Plan has a cap on pensionable salary. Cash supplement is payable in respect of full salary.	All Directors accrue at a rate of 1/70th of pensionable salary. Pension salary supplement is 20% of salary.
Annual Bonus	Designed to drive MITIE's performance and be aligned to the group strategic objective of achieving long-term sustainable, profitable growth. The annual bonus rewards mainly short-term group performance but also has a link to longer-term performance through to the inclusion of strategic targets and partial delivery in MITIE Group PLC shares. In setting the non-financial strategic targets, the Committee has due consideration of the longer-term success of the group and the alignment of interests with shareholders. The Committee continues to believe that the performance targets for the annual bonus are sufficiently stretching for the maximum bonus payment.	The maximum bonus opportunities are: Chief Executive – 160% of salary Executive Directors – 135% of salary The bonus is split between achievement of budgeted profit growth and non-financial strategic objectives. A sliding scale is applied to the financial target; paying out between 90% and 110% of salary at threshold and exceptional financial performance respectively. The remaining percentage of salary awarded is assessed on a series of non-financial strategic targets. Bonus amounts above 100% of salary will be deferred into shares for two years.
Shares	The remuneration package reinforces long-term decision making and sustainable profitable growth through the use of share-based incentives. For Executive Directors and certain senior executives, the principal tools designed to support this ethos are the Company's LTIP (as described on page 50) and the Share Ownership Policy (as described on page 51).	LTIP is granted annually and allows for maximum awards of up to 250% in salary, although the Committee's policy is to make annual awards of up to 200% of salary. The LTIP performance measure is based on EPS growth over the performance period. Awards may vest after three years subject to the achievement of performance targets. Where EPS growth is less than a 'lower performance threshold' no awards will vest. Awards vest in full when EPS growth is equal to, or more than, an 'upper performance threshold'. Vesting is on a straight-line basis for performance between these levels.

How it was implemented

Base salary and other benefits
The Executive Directors received salary increases in April 2012 which averaged 3% and took account of the range of factors described above, the continued growth and performance of the group and the performance of the individual Executive Directors, with due consideration of the outcomes of the benchmarking exercise. For the current year, the Remuneration Committee did not award pay increases for the Executive Directors. For the Chief Executive, the Remuneration Committee considered an increase given her current pay positioning versus the market; however, the Chief Executive requested that the increase be waived.

Annual bonus
For the 2012/2013 performance year, the Chief Executive had an opportunity to earn a maximum bonus of 160% of salary; Executive Directors had the opportunity to earn up to 135% of salary. Any bonus earned above 100% of salary is deferred into MITIE Group PLC shares for two years and forfeited should the Director leave the business during this period.

For the year under review, performance was assessed against a financial target (weighted at 90% to 110% of salary) and a set of strategic objectives (weighted at 50% of salary for the Chief Executive and 25% of salary for the remaining Executive Directors). The Remuneration Committee assessed performance against the two elements as follows:

Performance delivered against the financial target resulted in a pay-out of 95.4% of salary.

The Remuneration Committee assessed performance delivered against strategic objectives and concluded that these had been substantially achieved. This resulted in pay-outs of 40% of salary for the Chief Executive and 20% of salary for the Executive Directors.

No changes to plan design are planned for the 2013/14 financial year.

Long-term incentives
Vesting of share awards under the LTIP is based on performance measured over three years which is considered appropriate to align rewards to Executive Directors with the strategic objectives of the Company. Certain Executive Directors still retain options granted under the ESOS (details of the holdings are set out in Table 7 of Section B). It is the intention of the Committee not to issue further ESOS options to Executive Directors, although ESOS continues to be used to reward and incentivise certain other members of the senior executive and management teams.

The Remuneration Committee reviews the performance conditions on an annual basis to ensure that the performance targets continue to be relevant to long-term business success. In considering the 2012 award grant, the Committee reviewed the underlying EPS performance condition and following a consultation with shareholders, approved a revised range taking into consideration factors such as the economic environment, market forecasts and changes to group strategy. Accordingly, for LTIP awards granted in 2012, the lower performance threshold (at which 25% of an award vests) is 5% per annum and the upper performance threshold for 100% vesting is 10% per annum. Awards to all Executive Directors during the year were 200% of salary.

During the year the Committee assessed the outcome of the 2009 LTIP awards against the vesting schedule. In its assessment, the Committee took into account the company's underlying earnings growth and the significant increase in UK RPI relative to the expectations at the start of the performance period. The 2009 awards vested at 87.3%.

The Committee is currently reviewing the performance criteria for 2013 LTIP awards. Any significant changes will be discussed with major shareholders in advance and disclosed in next year's report.

Details of Executive Directors' participation in the group's share schemes are set out on pages 53 to 55.

Executive Directors' service contracts

All Directors are appointed for an indeterminate period of office but are subject to annual re-election at the AGM in accordance with the Code.

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

Table 2: Executive Director's service contracts

	Contract term	Date of agreement	Notice period
R McGregor-Smith CBE	Rolling contract	1-Apr-03	12 months
S C Baxter	Rolling contract	10-Apr-06	12 months
W Robson	Rolling contract	1-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 group through the broadening of their experience and knowledge. Ruby McGregor-Smith CBE receives fees of £61,435 per annum in respect of her role as a Non-Executive Director of Michael Page International plc. Suzanne Baxter joined WH Smith PLC in February 2013 as a Non-Executive Director, receiving fees of £7,451. Both are entitled to retain any fees earned.

Non-Executive Directors

Non-Executive Directors' fees

The fee level is designed to recognise the contribution and responsibilities of the role and to attract individuals with the experience and skills required to contribute to the future development of the Board and the group. The Non-Executive Directors are paid a basic fee with an additional fee for chairing a Committee, together with expenses incurred in carrying out their duties on behalf of the Company. Non-Executive Directors are not eligible to participate in any of the Company's share schemes or the annual bonus scheme, nor do they receive pension or ancillary benefits. Further details of fees paid to Non-Executive Directors are provided in Table 2 of Section B.

Non-Executive Directors' engagement terms

The terms of appointment of the Non-Executive Directors are available for inspection at MITIE's registered office, the head office and at the AGM. The Non-Executive Directors are engaged for an initial term of three years which is terminable on either three or six months' notice and thereafter on a rolling term.

Table 3: Non-Executive Directors' engagement terms

	Additional duties	Date of engagement	Initial contract term	Notice period
R J Matthews	Chairman; Chairman of Nomination Committee	4-Dec-06	3 years	6 months
I R Stewart[1]	Deputy Chairman	30-Mar-07	3 years	6 months
D S Jenkins	Senior Independent Director; Chairman of Audit Committee	31-Jan-06	3 years	6 months
G J Potts		1-Aug-06	3 years	6 months
T K Morgan CBE	Chairman of Remuneration Committee	1-Jul-09	3 years	3 months
L Hirst CBE		1-Feb-10	3 years	3 months
C S Gillies[2]		12-Jul-12	3 years	3 months

Note:
1 Ian Stewart retired as a Non-Executive Director on 21 May 2012.
2 Crawford Gillies was appointed as a Non-Executive Director on 12 July 2012.

Employee share schemes

MITIE remains committed to fostering a culture of employee involvement in the business through equity participation whereby employees are enabled to build a stake in the Company through the group's various equity-based incentive schemes. The Board believes that the group's culture of employee equity involvement is a significant driver in the group's growth performance and that this assists in attracting and retaining skilled and committed employees.

Equity-based incentive schemes

The group currently operates six equity-based incentive schemes as set out below and the interests of the Executive Directors in each of these schemes are set out in Tables 5 to 9 of Section B.

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

The 2001 and the 2011 SAYE Schemes are the Company's non-discretionary option schemes open to all eligible employees and approved for HMRC purposes. Salary deductions are made and savings are used to purchase the options at the end of the three-year period. No options have been issued to any Directors under the 2001 SAYE Scheme. The 2001 SAYE expired in September 2011 and future awards may only be granted under the 2011 SAYE rules following the adoption of new plan rules at the Company's 2011 AGM. Executive Directors participated for the first time this year in the 2011 SAYE, contributing the maximum permitted under the plan rules. Details are set out in Table 5 of Section B.

2011 Share Incentive Plan (2011 SIP)

At the 2011 AGM shareholders approved the adoption of the 2011 SIP which allows employees to use their salary to purchase shares in the Company. Eligible employees are offered the opportunity to buy Company shares from pre-tax earnings as part of a regular share purchase plan. Shares are currently purchased monthly using employees' deductions and are placed in trust. All the Executive Directors participate in this scheme with each Director contributing the maximum permitted under the plan rules for which details are set out in Table 6 of Section B.

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

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

Currently, the 2011 ESOS is used to retain, reward and motivate employees with continuous service of six months who form part of the group's management team (includes senior managers, managers and team leaders). The scheme has been approved by HMRC and options over shares to an individual limit of £30,000 can be awarded in the approved element of the scheme. Above £30,000, options are awarded under the unapproved (for HMRC purposes) section of the scheme. Overall, awards in any single year are limited to 100% of an individual's salary. Awards made prior to 2011 were granted with a single performance threshold for vesting of average growth in earnings per share over the three-year vesting period in excess of inflation (measured as RPI) plus 4% per annum. In order to ensure a consistent and aligned approach to performance criteria across other MITIE schemes, for awards granted in 2011, the Committee approved a performance threshold based on a nominal EPS measure. Accordingly, 2011 awards were granted with a performance measure of 6% per annum compound growth over a three-year performance period. The scheme permits the grant of share appreciation rights and the settlement of outstanding unapproved options with share appreciation rights. The Board continues to believe that the ESOS offers incentive and motivation to those employees nominated for awards and proposes to continue with awards on the basis explained above.

The share options detailed in Table 7 of Section B were granted to Executive Directors prior to 2007 under the 2001 ESOS and the performance conditions that applied at the date of grant required a percentage growth in the group's earnings per share equal to or in excess of 10% per annum compound over the period from the date of grant of the option to the date on which the option first became exercisable. The performance conditions relating to the awards to Directors detailed on page 53 are the same as for any other member of the schemes who received awards at the same time. Since these grants to Ruby McGregor-Smith and Suzanne Baxter there have been no grants to Directors under the 2001 or 2011 ESOS (both under the unapproved part and the HMRC-approved part) and it is the Committee's current policy that equity-based incentives for Directors will be based solely upon LTIP awards.

Long Term Incentive Plan (LTIP)

The LTIP is a discretionary scheme focused on incentivising Executive Directors and senior management. Awards under the LTIP may be made, either through a joint-ownership structure or through direct grants in the form of nil-cost options, conditional shares or forfeitable shares. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so. No payment (other than in respect of any individual recipient electing to pay income tax and national insurance, where appropriate) is required for the grant of an award.

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

See section under 'Shares' on page 47 for details of the performance condition for the LTIP.

Table 8 of Section B provides details of the LTIP awards granted to, and exercised by, the Executive Directors, as well as the performance targets governing the vesting of LTIP awards granted in prior years.

Share dilution

The Company manages dilution rates within the ABI guidelines of 10% of issued Ordinary share capital in respect of all employee schemes (ESOS and SAYE) and 5% in respect of discretionary schemes (ESOS). In calculating compliance with these guidelines the Company allocates available 'headroom' on a ten-year flat-line basis, making adjustments for projected lapse rates and projected increases in issued share capital.

LTIP awards are satisfied through the market purchase of shares held by the MITIE Group PLC Employee Benefit Trust 2007 and the MITIE Group PLC Employee Benefit Trust 2008. The potential dilution of the Company's issued share capital is set out below in respect of all outstanding awards granted under the Company's equity-based incentive schemes which are to be satisfied through the allotment of new shares.

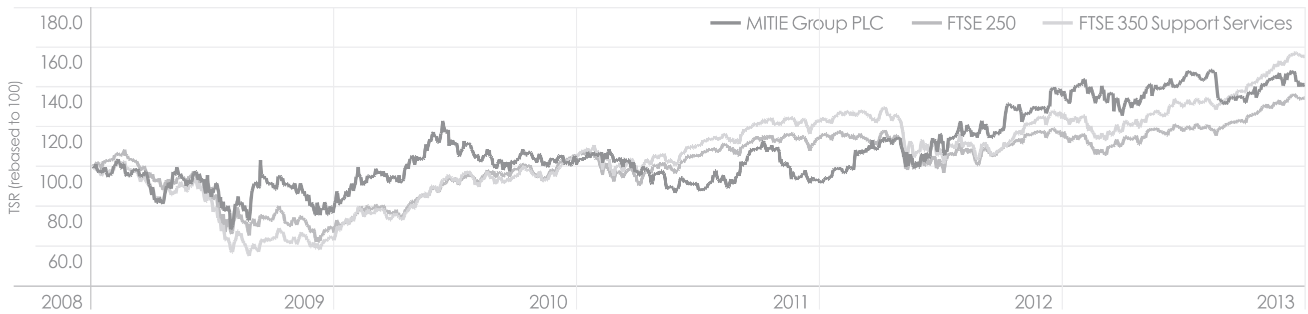
Table 4: Share dilution at 31 March 2013

	Dilution %
All share plan (maximum 10%)	7.4%
Discretionary share plans (maximum 5%)	4.4%

Total shareholder return

The graph below shows the total shareholder return performance of MITIE shares compared with the FTSE 250 and FTSE 350 Support Services indices over a five-year period to 31 March 2013. The Committee is of the opinion that these comparators provide a clear picture of the performance of MITIE relative to a range of companies of comparable size as well as a specific group of companies within the same sector. Total shareholder return is calculated according to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and assumes that all dividends are reinvested.

The market price of the Company's shares as at 28 March 2013 was 280.8p. The highest and lowest prices during the year were 300.8p and 253.9p respectively.



Section B: Information subject to audit

Directors' remuneration

Table 1 and Table 2 provide details of Directors' remuneration paid to or receivable by each person who served as a Director during the year.

Table 1: Executive Directors' remuneration

	Year	Base salary/fees £'000	Performance related bonus earned in year £'000	Performance related bonus deferred in share £'000[1]	Salary supplement in lieu of pension contributions £'000	Contributions to pensions schemes £'000	Benefits £'000	Total £'000
Executive Directors								
R McGregor-Smith CBE	**2013**	**526**	**526**	**186**	**105**	**15**	**16**	**1,374**
	2012	510	510	128	102	13	16	1,279
S C Baxter	**2013**	**335**	**335**	**52**	**67**	**15**	**16**	**820**
	2012	325	325	81	65	–	16	812
W Robson	**2013**	**330**	**330**	**51**	**66**	**15**	**16**	**808**
	2012	320	320	80	64	13	16	813
Total	**2013**	**1,191**	**1,191**	**289**	**238**	**45**	**48**	**3,002**
	2012	1,155	1,155	289	231	26	48	2,904

Note:
1 Deferred into MITIE Group PLC 2.5p shares.

Table 2: Non-Executive Directors' remuneration

	Base salary/fees £'000	
	2013	2012
R J Matthews	**140**	140
I R Stewart[1]	**8**	46
D S Jenkins	**53**	53
G J Potts	**46**	46
T K Morgan CBE[2]	**53**	53
L Hirst CBE	**46**	46
C S Gillies[3, 4]	**33**	–
Total	**379**	384

Note:
1 I R Stewart retired as a Non-Executive Director on 21 May 2012.
2 The fees in consideration for the services of Terry Morgan CBE were paid to TKM Management Services Limited.
3 C S Gillies was appointed as a Non-Executive Director on 12 July 2012.
4 50% of the fees in consideration for the services of Crawford Gillies were paid to CG Advisory Ltd.

Pension

The pension benefits of Directors who are members of the MITIE Group PLC Defined Benefit Pension Scheme are set out in Table 3 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 4.

Table 3: Defined benefit pension scheme benefits

	Accrued pension 31 March 2012 £'000	Increase in accrued pension during the year £'000	Real increase in accrued pension £'000	**Accrued pension 31 March 2013 £'000**
R McGregor-Smith CBE	17	2	2	**19**
S C Baxter[1]	0	2	2	**2**
W Robson	40	3	2	**43**

Note:
1 As disclosed in last year's annual report, Suzanne Baxter was granted entrance to the Defined Benefit scheme in April 2012.

Table 4: Defined benefit pension scheme transfer values

	Transfer values 31 March 2012 £'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 2013 £'000**
R McGregor-Smith CBE	167	0	2	22	**207**
S C Baxter	0	0	2	17	**17**
W Robson	750	0	3	43	**847**

The pension benefits of the Executive Directors are based on a pensionable salary capped at £137,400. The Company made contributions to the group's defined benefit scheme on behalf of the three Directors who are members of the scheme at a rate of 11% of the value of the benefit cap of £137,400. In addition, the Directors received a salary supplement of 20% of salary.

Share ownership

In accordance with the Register of Directors' interests, the rights of the Directors to subscribe for, and their holdings of shares in MITIE Group PLC are as set out in Tables 5 to 9 below:

Table 5: Directors' interests in options granted under the MITIE Group PLC 2011 Save As You Earn Scheme[1]

	Options as of 31 March 2012	Exercised in year	Granted in year	Lapsed in year	Options as at 31 March 2013	Exercise price p	Earliest normal exercise date
R McGregor-Smith CBE	–	–	4,035	–	4,035	223	Dec-15
S C Baxter	–	–	4,035	–	4,035	223	Dec-15
W Robson	–	–	4,035	–	4,035	223	Dec-15

Note:
1 Executive Directors were invited to participate in the 2011 SAYE scheme and are contributing the maximum amount of £250/month over a 36 month period starting December 2012.

Table 6: Directors' interests in shares purchased under the MITIE Group PLC Share Incentive Plan 2011

	Shares outstanding as at 31 March 2012[1]	Number of partnership shares acquired in year[2]	Number of matching shares awarded in year[3]	**Total number of shares outstanding at 31 March 2013[4]**
R McGregor-Smith CBE	579	566	53	**1,198**
S C Baxter	579	566	53	**1,198**
W Robson	579	566	53	**1,198**

Note:
1 Figure is comprised of 527 purchased shares plus 52 matching shares.
2 Shares were acquired at a market price of 285.20p on 14 May 2012. Executive Directors contributed the full annual amount of £1,500 permitted under the Plan. Shares acquired through dividend reinvestment (07 August 2012 and 05 February 2013) have also been included.
3 Matching shares were purchased in the market at a price of 285.20p on 14 May 2012. Awards of Matching Shares must, in normal circumstances, be held for at least three years from the date of award and are subject to forfeiture if corresponding Partnership Shares are withdrawn during that period.
4 The market price of the Company's shares as at 28 March 2013 was 280.8p. The highest and lowest prices during the year were 300.8p and 253.9p respectively.

Table 7: Directors' interests in options granted under the MITIE Group PLC 2001 Executive Share Option Scheme

	ESOS options outstanding at 1 April 2012	Granted during the year	Lapsed during the year	Exercised during the year	**ESOS options outstanding at 31 March 2013[1]**	Exercise price p	Exercisable between	
R McGregor-Smith CBE								
Unapproved scheme	100,000	–	–	–	**100,000**	162	06/08	06/15
Unapproved scheme	100,000	–	–	–	**100,000**	191	06/09	06/16
S C Baxter								
Unapproved scheme	35,000	–	–	–	**35,000**	191	06/09	06/16
Approved scheme	15,000	–	–	–	**15,000**	191	06/09	06/16

Note:
1 The market price of the Company's shares as at 28 March 2013 was 280.8p. The highest and lowest prices during the year were 300.8p and 253.9p respectively.

Table 8: Directors' interests in nil-cost options granted under the MITIE Group PLC 2007 Long Term Incentive Plan

	Year of grant[1]	LTIP options outstanding at 1 April 2012	Granted during the year at 253.9p/share	Lapsed during the year	Exercised during the year[2]	**LTIP options outstanding at 31 March 2013[3]**	Exercise price p	Exercisable between	
R McGregor-Smith CBE	2009	430,338	–	54,653	375,685	**–**	Nil-cost	–	–
	2010	438,989	–	–	–	**438,989**	Nil-cost	06/13	06/14
	2011	446,663	–	–	–	**446,663**	Nil-cost	06/14	06/15
	2012	–	414,336	–	–	**414,336**	Nil-cost	06/15	06/16
S C Baxter	2009	282,847	–	35,922	246,925	**–**	Nil-cost	–	–
	2010	283,103	–	–	–	**283,103**	Nil-cost	06/13	06/14
	2011	284,638		–	–	**284,638**	Nil-cost	06/14	06/15
	2012	–	263,883	–	–	**263,883**	Nil-cost	06/15	06/16
W Robson	2009	134,422	–	17,072	117,350	**–**	Nil-cost	–	–
	2010	137,072	–	–	–	**137,072**	Nil-cost	06/13	06/14
	2011	280,259	–	–	–	**280,259**	Nil-cost	06/14	06/15
	2012	–	259,945	–	–	**259,945**	Nil-cost	06/15	06/16

Note:
1 The performance criteria applicable to the 2009 and 2010 awards are lower and upper performance thresholds of RPI+5% p.a. and RPI+10% p.a. respectively.
The performance criteria applicable to the 2011 award are lower and upper performance thresholds of 7% p.a. and 13% p.a. respectively.
The performance criteria applicable to the 2012 award are lower and upper performance thresholds of 5% p.a. and 10% p.a. respectively.
The Directors acquired a conditional joint beneficial interest with the MITIE Employee Benefit Trust 2008 in the shares awarded under the LTIP in 2008, 2009 and 2010. For the 2011 and 2012 awards, the Directors acquired a conditional joint beneficial interest with the MITIE Employee Benefit Trust 2007. The full beneficial interest will transfer to the Director only if the performance criteria applicable to the award are met.
2 The Committee assessed the extent to which the performance conditions applicable to the 2009 awards had been satisfied and approved the vesting of awards on 24 June 2012. Awards were capable of exercise from 24 June 2012 to 23 June 2013. At the date these awards vested the market price of the Company's shares was 260.90p. This compares to a market price on the date of award on 24 June 2009 of 214.3p.
3 The market price of the Company's shares as at 31 March 2013 was 280.8p. The highest and lowest prices during the year were 300.8p and 253.9p respectively.

Table 9: Director share ownership

	Number of Ordinary MITIE shares beneficially owned as at 31 March 2013	Number of Ordinary MITIE shares beneficially owned as at 1 April 2012 (or date of appointment if later)
Executive Directors		
R McGregor-Smith CBE	**564,782**	564,268
S C Baxter	**213,052**	212,538
W Robson	**1,623,200**	1,622,686
Non-Executive Directors		
R J Matthews	**100,000**	100,000
I R Stewart[1]	**–**	2,020,000
D S Jenkins	**50,000**	50,000
G J Potts	**15,000**	15,000
T K Morgan CBE	**0**	0
L Hirst CBE	**25,000**	25,000
C S Gillies	**10,000**	–

Note:
1 I R Stewart retired as a Non-Executive Director on 21 May 2012.

Shareholder voting

MITIE Group remains committed to on-going shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Executive Directors' remuneration, the group seeks to understand the reasons for any such vote, and will detail here any actions in response to it.

Number of Votes	Votes in favour (as a % of votes cast)	Votes against (as a % of votes cast)
2012 Directors' Remuneration report (2012 AGM)	242.0m	6.2m
	(97.50%)	(2.50%)

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

Terry Morgan CBE
Chairman Remuneration Committee

Other disclosures

Directors' report and Business review
The Directors submit their report together with the audited consolidated financial statements of the MITIE group of companies for the year ended 31 March 2013. This Directors' report includes the Chairman's statement, the Business review, the Governance section, the Directors' responsibility statement, and those documents that are referred to within the Directors' report and which are available at www.mitie.com. The Company is required to set out a fair review of the business of the group, including an analysis of the development and performance of the group during the reporting period, the position of the group at the end of the reporting period and the principal risks and uncertainties facing the group. This review is set out in the Business review on pages 19 to 23, the Chairman's statement on pages 4 and 5 and the review of risks on pages 38 to 40.

The Directors' report has been prepared, and is published, in accordance with, and in reliance upon, applicable English company law and the liabilities of the Directors in relation to that report are subject to the limitations and restrictions provided by such law.

Principal group activities
MITIE Group PLC is the holding company of the group. The principal activity of the Company is to provide management services to the group. The group's activities are focused on the provision of strategic outsourcing services. 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 37 to the financial statements. The group operates registered branch offices in the Isle of Man, Guernsey and Jersey.

Share capital and powers of shareholders
The group is financed through both equity share capital and debt instruments. Details of the Company's share capital are given in Note 29 to the financial statements and the detail of debt instruments are set out in Note 24. 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.

Powers for the Company issuing or buying back its own shares
At the 2012 AGM shareholders authorised:

– the Directors to allot shares up to an aggregate nominal amount of £3,359,945, representing one third of the issued share capital plus 13,766,073 shares representing the outstanding commitment in respect of options granted under MITIE's share schemes (such total equating to 37.1% of the issued share capital as at 31 March 2012).

– the dis-application of pre-emption rights over allotted shares up to an aggregate nominal value equal to £452,369 or a maximum 18,094,762 shares (representing 5% of the issued share capital as at 31 March 2012).

– the Company to make market purchases of its own shares up to a total of 36,189,525 shares (representing 10% of the issued share capital as at 31 March 2012).

During the reporting period, the Directors utilised these authorities (and the preceding authority) to allot 8,184,919 shares to an aggregate nominal amount of £204,623 to employees participating in MITIE's share schemes and to minority shareholders in consideration for shares purchased in connection with MITIE Model investments.

It is not MITIE's current intention to operate a formal share purchase programme; however market purchases may be made to offset share scheme exercise activity, subject to the prior approval of the Board.

Further details of these authorisations are available in the notes to the 2012 Notice of AGM and shareholders are referred to the 2013 Notice (both are available at www.mitie.com/investors) which contains similar provisions in respect of the Company's share capital.

Restrictions on the trading of shares
Certain shares that are issued as consideration upon acquisition by the Company of the shares of minority shareholders in subsidiaries of the group that participate in the MITIE Model (as explained in more detail on page 58) have contractual restrictions placed upon them that both prevent the transfer of such shares and/or attach specific claw-back provisions for periods of up to two years following allotment. Recipients of MITIE Group PLC shares received are contractually restricted from selling the shares issued as consideration generally for a maximum 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.

There are no specific restrictions on the size of any shareholding or on the transfer of shares, which are both governed by the provisions of the Articles of Association of the Company (available at www.mitie.com/investors/shareholder-services/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 34 to the Accounts.

The group operates a Share Trading and Insider Dealing Policy which provides a framework to identify persons who may have access to inside information relating to MITIE and explains the rules applicable to them for dealing in MITIE Group PLC Shares. Individuals who may have access to such information are informed individually and asked to read, understand and follow the procedures detailed in the policy.

Significant interests in MITIE's share capital
As at 18 May 2013 the Company has been notified of the following significant holdings of voting rights in its shares under the Disclosure and Transparency Rules:

	Number of Ordinary shares of 2.5p each	Percentage of share capital
The Capital Group	35,411,000	9.75%
FMR LLC	18,000,006	5.05%
Massachusetts Financial Services Company	18,549,276	5.02%
Majedie Asset Management Limited	18,493,852	5.00%
Norges Bank	11,649,904	3.15%

Details of the Directors' interests in the share capital of the Company are detailed within the report of the Remuneration Committee on pages 53 to 55.

Significant agreements – change of control
There are a number of agreements with provisions that take effect, alter or terminate upon a change of control of the Company such as bank facility agreements, employee share scheme rules and articles of association for certain MITIE Model companies. None of these are considered to be significant in terms of their likely impact on the normal course of the business for the group. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs solely because of a takeover bid.

Board of Directors
The membership of the Board as at 31 March 2013 and biographical details of the Directors (including details of committee chairmanships and other positions held) are given on pages 33 and 34. To comply with relevant provision of the Code, all Directors will submit themselves for re-election at the forthcoming AGM and details are provided in the Notice of AGM which is available at www.mitie.com/investors.

During the year, Non-Executive Director independence was considered by the Board. The Board determined that all Non-Executive Directors as at 31 March 2013 were independent in mind and judgement, and free from any material relationship that could interfere with their ability to discharge their duties effectively.

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

Director conflicts
The Board has a formal policy on the declaration and management of Director conflicts in accordance with the Articles of Association of the Company which has operated effectively during the reporting period. Any potential situation or transactional conflict must be reported as soon as possible to the Chairman, the Chief Executive and the Company Secretary. Where a potential conflict is authorised (under the statutory powers and powers granted under the Articles of Association to the Board), such conflict is kept under on-going review.

Directors' report

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

Director commitments
Executive Directors are permitted to accept appointments outside the group provided permission is sought from the Chairman and the Chief Executive and that the additional appointments do not interfere with the Directors' ability to discharge their duties effectively. The commitments outside the group of the Executive Directors are detailed in the report of the Remuneration Committee on page 49. Executive Directors are entitled to retain any fees earned from these external appointments.

Employee involvement
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.

The Board believes that the group's culture of employee equity involvement is a significant driver in the group's growth performance and that this assists in attracting and retaining skilled and committed employees.

During the year the group has continued to operate the MITIE Long Term Incentive Plan to incentivise and reward senior members of the MITIE management team, the Executive Share Option Scheme for certain other employees and the Savings Related Share Option Scheme and Share Incentive Plan which are open to all eligible employees of the group.

The group has historically grown by giving entrepreneurial managers the opportunity to create wealth by participating in the investment 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 (but cannot require MITIE to buy) that stake to MITIE predominantly in exchange for MITIE shares.

Under the terms of certain shareholder agreements and articles of association relating to MITIE Model companies, minority shareholders in such companies may provide an option for the purchase by the Company of their minority shares. The mechanism for calculating the price to be paid in respect of such transfer is transparent, on an arms-length basis, and in accordance with the pricing structure generally applicable for other transfers under the MITIE Model. In consideration for these purchases, the Company generally has the option to settle payment in cash or in MITIE shares.

In 2011, the group launched a £10m Entrepreneurial Fund to back management teams with innovative ideas for starting mutually owned businesses. The Board remains committed to supporting growing businesses through the Fund which builds on a long history of partnering with management teams to start up new business ventures. On 19 October 2012, the Company approved investment into two new MITIE Model companies: MITIE Catering Services Limited, being MITIE's existing catering business and MITIE Work Wise Limited being a new start-up business providing document services to professional services organisations. In total during the year, the Company has invested over £1.4m from the Entrepreneurial Fund, in the form of MITIE Model start-ups, second generation equity schemes and other equity incentive based businesses.

On 28 August 2012, the Company announced the purchase of certain minority shareholdings in three of its subsidiary companies: MITIE Client Services Limited, MITIE Pest Control (London) Limited and MITIE Security Holdings Limited in accordance with the respective articles of association and shareholders' agreements of those companies. The total maximum consideration for all three transactions amounted to £14.7m, being satisfied as to £1.4m in cash and as to the remaining £11.9m by the issue of 4,448,114 new ordinary shares of 2.5p each valued at 267.58p per share, being the closing market price per MITIE share on 26 July 2012. The balance of £1.4m of consideration is deferred and will be paid in new ordinary shares subject to specified conditions. The selling shareholders gave certain warranties and representations relating to past and future performance of the relevant subsidiary companies. The shares issued in consideration are held in safe custody for a maximum period of two years and may be sold to meet any claims that the Company may have in the future in relation to those warranties and representations. 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.

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

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

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

Through the use of their own communication processes each of the group's businesses is encouraged to ensure that employees are kept informed on group and individual business developments and social networking sites continue to play an important part of engagement and communication with employees.

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

Employees remain actively involved in the group's activities via an employee forum. This year the forum held two meetings and included presentations by senior management or functional heads as requested by the employee representatives. The Executive Board will continue to seek increasing involvement and activity of the employee representatives.

Employee diversity and inclusion

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

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

Financial results and dividends

A detailed commentary on the financial results of the group for the year is contained within the Financial review on pages 29 to 31 of this report. The profit before taxation for the financial year is £58.8m (2012: £94.5m).

- The Directors declared an interim dividend of 4.6p per Ordinary share with a total value of £16.6m (2012: £15.5m) which was paid to shareholders on 4 February 2013.
- The Directors recommend a final dividend of 5.7p per Ordinary share with a total value of £20.6m based upon the number of shares issued as at 20 May 2013 (2012: £18.4m). The final dividend for the year will be paid on 13 August 2013, subject to shareholder approval at the AGM, to ordinary shareholders on the register on 28 June 2013.
- The total dividend per Ordinary share for the year ended 31 March 2013 is 10.3p (2012: 9.6p).

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

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

Financial instruments

The group's financial instruments include bank loans, finance leases, overdrafts, US private placement loan notes and performance guarantees. Various derivatives are used to manage interest, currency and other risks 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 25 to the financial statements.

Events after the balance sheet date

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

Payment of creditors

The group manages its procurement and supply chain with increasing consideration of its impact on the Company's profitability, reputation and sustainability objectives and is committed to proactively developing mutually beneficial and sustainable trading relationships with all of our stakeholders, based on a foundation of trust and co-operation.

Directors' report

The group's Ethical Business Practices Policy provides a framework and demonstrates our values and commitment to developing and implementing ethical business practices throughout the organisation.

The group's policy is to comply with the terms of payment agreed with suppliers on the group's standard purchasing terms as notified to suppliers. Notification of these terms is issued with each generated purchase order and a copy of the group's standard purchasing terms can be found at www.mitie.com/suppliers. At 31 March 2013, the group had 32 days' purchases outstanding (2012: 35 days).

Future developments
The operating review sets out the Board's view on the future developments of the group.

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

Donations
Donations to charity and community projects made during the year amounted to £153,573 (2012: £160,648). The total value of community investment was £728,773 (2012: £541,401).

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

Going concern
The Directors acknowledge the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies' issued in October 2009 and 'An update for Directors of Listed Companies: Responding to increased country and currency risk in financial reports'. The group's business activities, together with factors likely to affect its future development, performance and position are set out in the Business review as referred to on pages 19 to 23. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 29 to 31. In addition, Note 25 to the consolidated financial statements includes details of the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

The group benefits from a large number of long-term contracts with a broad range of public and private customers which provide a strong forward order book of £9.2bn and high visibility of secured work (85% of budgeted revenue) for the financial year ending 31 March 2014. These support the Directors' belief that the group is well placed to manage its business risks successfully.

The group's financial forecasts, taking into account possible sensitivities in trading performance, indicate that the group will be able to operate within the level of its committed borrowing facilities. The group's committed borrowing facilities comprise £251.7m of US Private Placement Loan Notes expiring in December 2017, December 2019, December 2022 and December 2024 and its committed banking facilities of £250m which is available for use until September 2015.

The Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Annual Report and Accounts.

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

- so far as he/she is aware, there is no relevant audit information (being information required by the auditors in the preparation of their report) of which the Company's auditors are unaware; and
- he/she has each taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

This confirmation is given, and should be interpreted, in accordance with Section 418 of the Companies Act 2006.

AGM
MITIE's AGM will be held on 9 July 2013 at 2.30pm at UBS, 1 Finsbury Avenue, London, EC2M 2PP.

By order of the Board

Richard Allan
Company Secretary
20 May 2013

Directors' report: statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the accounts

The Directors are responsible for preparing the Annual Report and Accounts. The Directors are required to prepare the financial statements for the group in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and article 4 of the IAS Regulation and have chosen to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

In the case of International Financial Reporting Standards (IFRS) accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with IFRS where applicable. The Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific IFRS requirements is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and,
- make an assessment of the Company's ability to continue as a going concern.

In the parent company accounts, the Directors have elected to prepare the financial statements in accordance with UK GAAP. The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company, safeguarding the assets, taking reasonable steps for the prevention and detection of fraud and other irregularities, and the preparation of a Directors' report and Directors' remuneration report which comply with the relevant requirements of the Companies Acts, Listing Rules and Disclosure and Transparency Rules (DTRs).

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

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

By order of the Board

Ruby McGregor-Smith CBE
Chief Executive
20 May 2013

Suzanne Baxter
Group Finance Director
20 May 2013

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

For the year ended 31 March 2013

We have audited the group financial statements of MITIE Group PLC for the year ended 31 March 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related Notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

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

Other matters
We have reported separately on the parent company financial statements of MITIE Group PLC for the year ended 31 March 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Colin Hudson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
20 May 2013

Consolidated income statement

For the year ended 31 March 2013

	Notes	2013 Headline £m	2013 Other Items[1] £m	2013 Total £m	2012 Headline[2] £m	2012 Other Items[1,2] £m	2012 Total £m
Continuing operations							
Revenue	3,4	**1,980.6**	**139.9**	**2,120.5**	1,826.3	176.2	2,002.5
Cost of sales		**(1,670.6)**	**(132.3)**	**(1,802.9)**	(1,539.8)	(146.6)	(1,686.4)
Gross profit		**310.0**	**7.6**	**317.6**	286.5	29.6	316.1
Administrative expenses		**(188.0)**	**(59.9)**	**(247.9)**	(173.9)	(40.5)	(214.4)
Operating profit	4,6	**122.0**	**(52.3)**	**69.7**	112.6	(10.9)	101.7
Investment revenue	8	**0.5**	**–**	**0.5**	0.4	–	0.4
Finance costs	9	**(11.4)**	**–**	**(11.4)**	(7.6)	–	(7.6)
Net finance costs		**(10.9)**	**–**	**(10.9)**	(7.2)	–	(7.2)
Profit before tax		**111.1**	**(52.3)**	**58.8**	105.4	(10.9)	94.5
Tax	10	**(26.3)**	**11.8**	**(14.5)**	(25.1)	2.7	(22.4)
Profit for the year		**84.8**	**(40.5)**	**44.3**	80.3	(8.2)	72.1
Attributable to:							
Equity holders of the parent		**84.6**	**(40.5)**	**44.1**	80.1	(8.2)	71.9
Non-controlling interests		**0.2**	**–**	**0.2**	0.2	–	0.2
		84.8	**(40.5)**	**44.3**	80.3	(8.2)	72.1
Earnings per share (EPS)							
– basic	12	**23.7p**	**(11.4)p**	**12.3p**	22.8p	(2.3)p	20.5p
– diluted	12	**23.0p**	**(11.0)p**	**12.0p**	22.2p	(2.3)p	19.9p

1 Other items are restructuring and acquisition related costs and also include the results of businesses being exited. These are analysed in Note 5.
2 Re-presented to include the results of businesses being exited within other items.

Consolidated statement of comprehensive income

For the year ended 31 March 2013

	Notes	2013 £m	2012 £m
Profit for the year		**44.3**	72.1
Other comprehensive income/(expense):			
Actuarial losses on defined benefit pension schemes	35	**(13.7)**	(16.3)
Exchange differences on translation of foreign operations		**0.1**	(0.5)
(Losses)/gains on hedge of a net investment taken to equity		**(0.1)**	0.4
Cash flow hedges:			
Gains arising during the year		**2.8**	–
Reclassification adjustment for losses included in profit and loss		**(8.1)**	(0.1)
Tax credit on items taken directly to equity	10	**4.2**	3.9
Other comprehensive expense for the year, net of tax		**(14.8)**	(12.6)
Total comprehensive income for the financial year		**29.5**	59.5
Attributable to:			
Equity holders of the parent		**29.3**	59.3
Non-controlling interests		**0.2**	0.2

Consolidated balance sheet

At 31 March 2013

	Notes	2013 £m	2012 £m
Non-current assets			
Goodwill	13	**447.2**	347.7
Other intangible assets	14	**88.0**	65.8
Property, plant and equipment	15	**56.2**	64.1
Interest in joint ventures and associates	16	**0.4**	0.4
Financing assets	17	**25.3**	9.1
Trade and other receivables	18	**20.8**	22.6
Deferred tax assets	20	**14.0**	9.6
Total non-current assets		**651.9**	519.3
Current assets			
Inventories	21	**6.7**	5.7
Trade and other receivables	18	**507.4**	507.1
Cash and cash equivalents	22	**90.8**	60.8
Total current assets		**604.9**	573.6
Total assets		**1,256.8**	1,092.9
Current liabilities			
Trade and other payables	23	**(500.7)**	(461.4)
Current tax liabilities		**(10.5)**	(13.2)
Financing liabilities	24	**(2.7)**	(5.4)
Provisions	26	**(1.4)**	(1.2)
Total current liabilities		**(515.3)**	(481.2)
Net current assets		**89.6**	92.4
Non-current liabilities			
Financing liabilities	24	**(284.3)**	(163.0)
Provisions	26	**(8.8)**	(4.4)
Retirement benefit obligation	35	**(29.9)**	(17.3)
Deferred tax liabilities	20	**(13.2)**	(10.7)
Total non-current liabilities		**(336.2)**	(195.4)
Total liabilities		**(851.5)**	(676.6)
Net assets		**405.3**	416.3

Consolidated balance sheet

At 31 March 2013

	Notes	2013 £m	2012 £m
Equity			
Share capital	29	**9.3**	9.0
Share premium account	30	**108.0**	92.5
Merger reserve	30	**97.6**	93.6
Share-based payments reserve	30	**1.9**	5.2
Own shares reserve	30	**(20.3)**	(18.3)
Other reserves	30	**0.3**	0.3
Hedging and translation reserve	30	**(5.9)**	(0.6)
Retained earnings		**210.6**	230.4
Equity attributable to equity holders of the parent		**401.5**	412.1
Non-controlling interests		**3.8**	4.2
Total equity		**405.3**	416.3

The financial statements were approved by the Board of Directors and authorised for issue on 20 May 2013. They were signed on its behalf by:

Ruby McGregor-Smith CBE
Chief Executive

Suzanne Baxter
Group Finance Director

Consolidated statement of changes in equity

For the year ended 31 March 2013

	Share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Hedging and translation reserve £m	Retained earnings £m	**Attributable to equity holders of the parent £m**	Non-controlling interests £m	**Total £m**
At 1 April 2011	8.9	80.6	85.1	7.5	(13.8)	0.2	(0.4)	223.8	**391.9**	6.1	**398.0**
Total comprehensive income	–	–	–	–	–	–	(0.2)	59.5	**59.3**	0.2	**59.5**
Shares issued	0.2	11.9	8.5	–	–	–	–	–	**20.6**	–	**20.6**
Dividends paid	–	–	–	–	–	–	–	(32.6)	**(32.6)**	(0.2)	**(32.8)**
Purchase of own shares	–	–	–	–	(7.4)	–	–	–	**(7.4)**	–	**(7.4)**
Share buybacks	(0.1)	–	–	–	–	0.1	–	(12.4)	**(12.4)**	–	**(12.4)**
Share-based payments	–	–	–	(2.3)	2.9	–	–	2.3	**2.9**	–	**2.9**
Tax on share-based payment transactions	–	–	–	–	–	–	–	1.0	**1.0**	–	**1.0**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(11.2)	**(11.2)**	(1.9)	**(13.1)**
At 31 March 2012	9.0	92.5	93.6	5.2	(18.3)	0.3	(0.6)	230.4	**412.1**	4.2	**416.3**
Total comprehensive income	–	–	–	–	–	–	(5.3)	34.6	**29.3**	0.2	**29.5**
Shares issued	0.3	15.5	4.0	–	–	–	–	–	**19.8**	–	**19.8**
Dividends paid	–	–	–	–	–	–	–	(34.9)	**(34.9)**	(0.1)	**(35.0)**
Purchase of own shares	–	–	–	–	(6.6)	–	–	–	**(6.6)**	–	**(6.6)**
Share-based payments	–	–	–	(3.3)	4.6	–	–	0.8	**2.1**	–	**2.1**
Tax on share-based payment transactions	–	–	–	–	–	–	–	–	**–**	–	**–**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(20.3)	**(20.3)**	(0.5)	**(20.8)**
At 31 March 2013	**9.3**	**108.0**	**97.6**	**1.9**	**(20.3)**	**0.3**	**(5.9)**	**210.6**	**401.5**	**3.8**	**405.3**

Consolidated statement of cash flows

For the year ended 31 March 2013

	Notes	2013 £m	2012 £m
Operating profit		**69.7**	101.7
Adjustments for:			
Share-based payment expense	34	**2.5**	2.9
Defined benefit pension charge	35	**2.9**	2.5
Defined benefit pension contributions	35	**(4.1)**	(4.5)
Acquisition related items	5	**3.2**	0.9
Depreciation of property, plant and equipment	15	**20.4**	18.8
Amortisation of intangible assets	14	**14.1**	11.1
(Gain)/loss on disposal of property, plant and equipment		**(2.6)**	0.1
Operating cash flows before movements in working capital		**106.1**	133.5
Increase in inventories		**(1.0)**	(0.1)
Decrease/(increase) in receivables		**16.7**	(45.0)
Increase in payables		**11.4**	25.6
Decrease in provisions		**(2.2)**	(3.8)
Cash generated by operations		**131.0**	110.2
Income taxes paid		**(21.6)**	(24.4)
Facility arrangement fee paid		**–**	(2.5)
Interest paid		**(9.6)**	(7.5)
Acquisition costs		**(3.2)**	(1.8)[1]
Net cash from operating activities		**96.6**	74.0
Investing activities			
Interest received		**0.3**	0.4
Purchase of property, plant and equipment		**(30.0)**	(21.7)
Purchase of subsidiary undertakings, net of cash acquired	31	**(117.0)**	(22.1)[1]
Investment in joint ventures and associates		**–**	(0.4)
Investment in financing assets		**(13.0)**	(8.4)
Purchase of other intangible assets	14	**(5.8)**	(7.7)
Disposals of property, plant and equipment		**23.4**	1.7
Net cash outflow from investing activities		**(142.1)**	(58.2)

1 The prior year has been re-presented to include acquisition costs as an operating cash flow.

Consolidated statement of cash flows

For the year ended 31 March 2013

	Notes	2013 £m	2012 £m
Financing activities			
Repayments of obligations under finance leases		**(4.1)**	(3.1)
Proceeds on issue of share capital		**8.5**	9.9
Settlement of loan notes on purchase of subsidiary undertakings		**(0.6)**	–
Bank loans repaid		**(38.4)**	(39.5)
Private placement notes raised		**151.5**	–
Purchase of own shares	30	**(6.6)**	(7.4)
Share buybacks	29	**–**	(12.4)
Equity dividends paid	11	**(34.9)**	(32.6)
Non-controlling interests dividends paid		**(0.1)**	(0.2)
Net cash inflow/(outflow) from financing		**75.3**	(85.3)
Net increase/(decrease) in cash and cash equivalents		**29.8**	(69.5)
Net cash and cash equivalents at beginning of the year		**60.8**	130.6
Effect of foreign exchange rate changes		**0.2**	(0.3)
Net cash and cash equivalents at end of the year		**90.8**	60.8
Net cash and cash equivalents comprise:			
Cash at bank		**90.8**	60.8
		90.8	60.8

Reconciliation of net cash flow to movements in net debt	Notes	2013 £m	2012 £m
Net increase/(decrease) in cash and cash equivalents		**29.8**	(69.5)
Effect of foreign exchange rate changes		**0.2**	(0.3)
Decrease in bank loans		**37.7**	40.2
Private placement notes raised		**(151.5)**	–
Non-cash movement in private placement notes and associated hedges		**(5.3)**	(0.3)
Settlement of loan notes on purchase of subsidiary undertakings		**1.6**	–
Decrease/(increase) in finance leases		**2.2**	(0.5)
Increase in net debt during the year		**(85.3)**	(30.4)
Opening net debt		**(106.9)**	(76.5)
Closing net debt	28	**(192.2)**	(106.9)

Notes to the consolidated financial statements

For the year ended 31 March 2013

1. Basis of preparation and significant accounting policies

Basis of preparation

The group's financial statements for the year ended 31 March 2013 have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

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

The group's financial statements have been prepared on the historical cost basis, except for certain financial instruments which are required to be measured at fair value.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 March 2012.

The following amendments and interpretations are effective for the first time in the current year but have had no impact on the results or financial position of the group:

– Amendments to IFRS 7 'Financial Instruments: Disclosures' – transfers of financial assets;

– Amendments to IAS 12 'Income Taxes' – recovery of underlying assets;

The following standards and interpretations have been issued but are not yet effective (and in some cases have not yet been adopted by the EU):

– IFRS 9 'Financial Instruments';

– IAS 27 (Revised) 'Separate Financial Statements';

– IAS 28 (Revised) 'Investments in Associates and Joint Ventures';

– IFRS 10 'Consolidated Financial Statements';

– IFRS 11 'Joint Arrangements';

– IFRS 12 'Disclosures of Interests in Other Entities';

– IFRS 13 'Fair Value Measurement';

– Amendments to IAS 19 'Employee Benefits';

– Amendments to IAS 1 'Presentation of Financial Statements' – presentation of items of Other Comprehensive Income;

– Amendments to IFRS 7 'Financial Instruments: Disclosures' – offsetting financial assets and financial liabilities;

– Amendments to IAS 32 'Financial Instruments: Presentation' – offsetting financial assets and financial liabilities;

– Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities'; and

– Amendments resulting from May 2012 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 as follows:

– Amendments to IAS 19 'Employee Benefits' will impact the measurement of various components representing movements in the defined benefit pension obligation and associated disclosures, but not the group's total obligation. The group will also be required to make additional narrative disclosures. In the year ended 31 March 2014, comparative information for the year ended 31 March 2013 will be restated on a revised IAS 19 basis, which will result in a total pension cost of £5.4m and therefore a reduction in profit before tax of £2.5m. There will be compensating adjustments in other comprehensive income, leaving equity unchanged. It is estimated that the total pension cost relating to defined benefit schemes recognised in the income statement for the year ended 31 March 2014 will be approximately £7m on a revised IAS 19 basis. This is an increase of £1.6m on the restated 2013 total pension cost of £5.4m, and an increase of £4.1m on the reported 2013 total pension cost of £2.9m.

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

1. Basis of preparation and significant accounting policies

Significant accounting policies under IFRS

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

Basis of consolidation

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

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

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. The results, assets and liabilities of joint ventures and associates are accounted for under the equity method of accounting. Where necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring the accounting policies used into line with those used by the group.

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

Foreign currency

The financial statements of each of the group's businesses are prepared in the functional currency applicable to that business. Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

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

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

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

Revenue

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

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

Notes to the consolidated financial statements

1. Basis of preparation and significant accounting policies

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

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

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

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

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

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units ('CGUs') expected to benefit from the synergies of the combination. CGUs 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 CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1. Basis of preparation and significant accounting policies

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.

Property, plant and equipment

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

Freehold buildings and long leasehold property	– 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 CGU 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Intangible assets

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

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

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

Joint ventures and associates

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

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

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.

Bid, mobilisation and pre-contract costs

Rendering of services

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

1. Basis of preparation and significant accounting policies

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

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

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

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

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

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

Financial assets comprise loans and receivables and are measured at initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised where there is objective evidence that the asset is impaired. Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities comprise trade payables and financing liabilities including bank and other borrowings and are measured at initial recognition at fair value and subsequently at amortised cost with the exception of derivative financial instruments which are either classified as fair value through profit and loss or may be accounted for using hedge accounting. Bank and other borrowings are stated at the amount of the net proceeds after deduction of transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement.

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

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

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

1. Basis of preparation and significant accounting policies

Fair value hedges

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

Cash flow hedges

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

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

Hedges of net investments in foreign operations

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

Leasing

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

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Any lease incentives are amortised on a straight-line basis over the non-cancellable period for which the group has contracted to lease the asset, together with any further terms for which the group has the option to continue to lease the asset if, at the inception of the lease, it is judged to be reasonably certain that the group will exercise the option.

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.

1. Basis of preparation and significant accounting policies

Business combinations

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

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

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

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

Share-based payments

The group operates a number of executive and employee share option schemes. For all grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the group's estimate of shares that will eventually vest. Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

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

Retirement benefit costs

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

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

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

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

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

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

2. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the group's accounting policies

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

Revenue recognition

Revenue is recognised for certain project based contracts based on the stage of completion of the contract activity. This is measured by comparing the proportion of costs incurred against the estimated whole-life contract costs.

Key sources of estimation uncertainty

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

Measurement and impairment of intangible assets

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of suitable discount rates. Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of CGUs and also the selection of appropriate discount rates to use in order to calculate present values. The carrying value of goodwill and other intangible assets is £535.2m (2012: £413.5m) at the balance sheet date; see Notes 13 and 14. Management do not consider that any reasonably foreseeable change in the key assumptions would result in an impairment.

Measurement of provisions and defined benefit pension obligations

The group's provisions (per Note 26) comprise deferred contingent consideration and insurance reserves. The measurement of provisions and defined benefit obligations requires judgement. In particular, the calculation of defined benefit obligations is dependent on material key assumptions including discount rates, life expectancy rates, future returns on assets and future contribution rates. The present value of defined benefit obligations at the balance sheet date is £171.8m (2012: £148.5m); see Note 35.

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

	Change in assumption	Increase/ (decrease) in liability £m
Discount rate	+0.5%	(17.2)
	–0.5%	18.8
Retail Price Inflation	+0.5%	14.7
	–0.5%	(9.8)
Consumer Price Inflation	+0.5%	3.3
	–0.5%	(3.3)
Salary increases	+0.5%	4.1
	–0.5%	(3.3)
Life expectancy	+1 year	4.9

3. Revenue

	2013 £m	2012 £m
Rendering of services	**1,918.9**	1,766.4
Construction contracts	**201.6**	236.1
Total revenue as disclosed in the consolidated income statement	**2,120.5**	2,002.5
Investment revenue (Note 8)	**0.5**	0.4
Total revenue as defined in IAS 18	**2,121.0**	2,002.9

4. Business and geographical segments

The group manages its business on a service division basis. These divisions are the basis on which the group reports its primary segmental information. The Healthcare division is the acquired Enara business.

Business segments – structure during the year

	2013 Revenue £m	2013 Headline[1] revenue £m	2013 Headline[1] operating profit £m	2013 Headline[1] operating profit margin %	2013 Profit before tax £m	2012 Revenue £m	2012 Headline[1,2] revenue £m	2012 Headline[1,2] operating profit £m	2012 Headline[1,2] operating profit margin %	2012 Profit before tax £m
Facilities Management	**1,070.6**	**1,070.6**	**73.7**	**6.9**	**67.9**	937.3	937.3	61.9	6.6	62.4
Technical Facilities Management	**481.1**	**481.1**	**26.3**	**5.5**	**20.1**	472.8	472.8	26.9	5.7	21.0
Property Management	**488.8**	**348.9**	**21.3**	**6.1**	**(5.7)**	524.3	348.1	21.1	6.1	18.6
Asset Management	**37.0**	**37.0**	**(5.0)**	**(13.5)**	**(10.5)**	68.1	68.1	2.7	4.0	2.5
Healthcare	**43.0**	**43.0**	**5.7**	**13.3**	**3.9**	–	–	–	–	–
Acquisition-related costs[3]	**–**	**–**	**–**	**–**	**(16.9)**	–	–	–	–	(10.0)
Total	**2,120.5**	**1,980.6**	**122.0**	**6.2**	**58.8**	2,002.5	1,826.3	112.6	6.2	94.5

1 Headline revenue and operating profit exclude other items which are analysed in Note 5.
2 Re-presented to exclude the results of businesses being exited, see Note 5.
3 This includes restructuring costs relating to the integration of Creativevents and Enara of £3.7m (2012: £nil), acquisition costs of £3.2m (2012: £1.8m), deferred consideration not paid of £nil (2012: £0.9m) and the amortisation of acquisition related intangibles of £10.0m (2012: £9.1m), see Note 5.

With effect from 1 April 2013 our operating divisions are as follows. Facilities Management now includes the Technical Facilities Management business with the exception of Utilyx, which has combined with the Asset Management division to form the new Energy Solutions division. The Property Management and Healthcare divisions remain unchanged. A proforma analysis of the financial results of the business for the year ended 31 March 2013 is set out below.

Business segments – structure from 1 April 2013

	2013 Revenue £m	2013 Headline[1] revenue £m	2013 Headline[1] operating profit £m	2013 Headline[1] operating profit margin %	2013 Profit before tax £m	2012 Revenue £m	2012 Headline[1,2] revenue £m	2012 Headline[1,2] operating profit £m	2012 Headline[1,2] operating profit margin %	2012 Profit before tax £m
Facilities Management	**1,542.8**	**1,542.8**	**96.3**	**6.2**	**84.3**	1,407.7	1,407.7	88.6	6.3	84.6
Property Management	**488.8**	**348.9**	**21.3**	**6.1**	**(5.7)**	524.3	348.1	21.1	6.1	18.6
Healthcare	**43.0**	**43.0**	**5.7**	**13.3**	**3.9**	–	–	–	–	–
Energy Solutions	**45.9**	**45.9**	**(1.3)**	**(2.8)**	**(6.8)**	70.5	70.5	2.9	4.1	1.3
Acquisition-related costs[3]	**–**	**–**	**–**	**–**	**(16.9)**	–	–	–	–	(10.0)
Total	**2,120.5**	**1,980.6**	**122.0**	**6.2**	**58.8**	2,002.5	1,826.3	112.6	6.2	94.5

1 Headline revenue and operating profit exclude other items which are analysed in Note 5.
2 Re-presented to exclude the results of businesses being exited, see Note 5.
3 This includes restructuring costs relating to the integration of Creativevents and Enara of £3.7m (2012: £nil), acquisition costs of £3.2m (2012: £1.8m), deferred consideration not paid of £nil (2012: £0.9m) and the amortisation of acquisition related intangibles of £10.0m (2012: £9.1m), see Note 5.

4. Business and geographical segments

The tables below show the movements of headline revenue and operating profit between the old and the new structure:

Headline revenue[1] £m	2013 £m	Technical Facilities Management and Utilyx £m	Asset Management £m	2013 – structure from 1 April 2013 £m
Facilities Management	**1,070.6**	**472.2**	**–**	**1,542.8**
Technical Facilities Management	**481.1**	**(481.1)**	**–**	**–**
Property Management	**348.9**	**–**	**–**	**348.9**
Asset Management	**37.0**	**–**	**(37.0)**	**–**
Energy Solutions	**–**	**8.9**	**37.0**	**45.9**
Healthcare	**43.0**	**–**	**–**	**43.0**
Total	**1,980.6**	**–**	**–**	**1,980.6**

Headline operating profit[1] £m	2013 £m	Technical Facilities Management and Utilyx £m	Asset Management £m	2013 – structure from 1 April 2013 £m
Facilities Management	**73.7**	**22.6**	**–**	**96.3**
Technical Facilities Management	**26.3**	**(26.3)**	**–**	**–**
Property Management	**21.3**	**–**	**–**	**21.3**
Asset Management	**(5.0)**	**–**	**5.0**	**–**
Energy Solutions	**–**	**3.7**	**(5.0)**	**(1.3)**
Healthcare	**5.7**	**–**	**–**	**5.7**
Total	**122.0**	**–**	**–**	**122.0**

1 Headline revenue and operating profit exclude other items which are analysed in Note 5.

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

No single customer accounted for more than 10% of external revenue in 2013 or 2012.

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

Geographical segments

	2013					2012				
	Revenue £m	Headline[1] revenue £m	Headline[1] operating profit £m	Headline[1] operating profit margin %	Profit before tax £m	Revenue £m	Headline[1,2] revenue £m	Headline[1,2] operating profit £m	Headline[1,2] operating profit margin %	Profit before tax £m
United Kingdom	**2,063.8**	**1,923.9**	**120.7**	**6.3**	**58.1**	1,953.8	1,777.6	110.8	6.2	93.1
Other countries	**56.7**	**56.7**	**1.3**	**2.3**	**0.7**	48.7	48.7	1.8	3.7	1.4
Total	**2,120.5**	**1,980.6**	**122.0**	**6.2**	**58.8**	2,002.5	1,826.3	112.6	6.2	94.5

1 Headline revenue and operating profit exclude other items which are analysed in Note 5 and are all incurred in the United Kingdom.
2 Re-presented to exclude the results of businesses being exited, see Note 5.

5. Other items

The group separately identifies and discloses restructuring and acquisition related items (termed 'other items'). The results of the cyclical mechanical and electrical engineering contracting businesses which are being exited are also presented in other items. During the year those businesses generated revenue of £139.9m (2012: £176.2m), and incurred a trading loss of £3.1m (2012: £0.9m) and business closure costs of £22.1m (2012: £nil).

The businesses being exited do not meet the definition of discontinued operations as stipulated by IFRS 5 'Non–current Assets Held for Sale and Discontinued Operations' because the businesses have not been disposed of and there are no assets classified as held for sale. Accordingly the disclosures within non-headline items differ from those applicable for discontinued operations.

Restructuring costs principally reflect the reorganisation of the overhead cost base in our Technical Facilities Management and Asset Management divisions.

Acquisition costs relate to the costs incurred as part of the acquisitions of Enara and Creativevents.

	2013			2012		
	Restructuring and acquisition related costs £m	**Businesses being exited £m**	**Other items £m**	Restructuring and acquisition related costs £m	Businesses being exited[1] £m	Other items £m
Trading losses	**–**	**(3.1)**	**(3.1)**	–	(0.9)	(0.9)
Business closure costs	**–**	**(22.1)**	**(22.1)**	–	–	–
Restructuring costs	**(10.2)**	**–**	**(10.2)**	–	–	–
Restructuring costs relating to the integration of Creativevents and Enara	**(3.7)**	**–**	**(3.7)**	–	–	–
Acquisition costs	**(3.2)**	**–**	**(3.2)**	(1.8)	–	(1.8)
Deferred consideration not paid	**–**	**–**	**–**	0.9	–	0.9
Amortisation of acquisition related intangibles	**(10.0)**	**–**	**(10.0)**	(9.1)	–	(9.1)
Other items before tax	**(27.1)**	**(25.2)**	**(52.3)**	(10.0)	(0.9)	(10.9)
Tax on other items	**6.6**	**5.2**	**11.8**	2.5	0.2	2.7
Other items net of tax	**(20.5)**	**(20.0)**	**(40.5)**	(7.5)	(0.7)	(8.2)

1 In the financial statements for the year ended 31 March 2012 these results were included in the headline results.

6. Operating profit

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

	2013 £m	2012 £m
Depreciation of property, plant and equipment (Note 15)	**20.4**	18.8
Amortisation of intangible assets (Note 14)	**14.1**	11.1
(Gain)/loss on disposal of property, plant and equipment	**(2.6)**	0.1
Staff costs (Note 7)	**1,050.5**	936.0

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

	2013 £'000	2012 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**33**	33
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	**485**	396
Other audit related services to the group	**50**	–
Total audit fees	**568**	429
Tax services – Relating to the acquisition of Enara	**75**	–
Tax services – Other	**170**	161
Corporate finance services – Relating to the acquisition of Enara	**275**	–
Corporate finance services – Other	**–**	92
Other services – Relating to the acquisition of Enara	**33**	–
Other Services – Other	**15**	20
Non-audit fees	**568**	273
Total	**1,136**	702

In addition to the amounts shown above the auditor received fees of £17,000 (2012: £17,000) for the audit of the group pension scheme and trusts.

7. Staff costs

Number of people	2013	2012
The average number of people employed during the financial year was:		
Facilities Management	**57,223**	54,503
Technical Facilities Management	**4,932**	4,632
Property Management	**3,532**	3,672
Asset Management	**107**	123
Healthcare	**3,096**	–
Total group	**68,890**	62,930
The number of people employed at 31 March was:		
Total group	**72,401**	63,569

Their aggregate remuneration comprised:	2013 £m	2012 £m
Wages and salaries	**958.9**	852.4
Social security costs	**77.3**	70.3
Other pension costs	**11.8**	10.4
Share-based payments (Note 34)	**2.5**	2.9
	1,050.5	936.0

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

8. Investment revenue

	2013 £m	2012 £m
Interest on bank deposits	**0.3**	0.4
Other interest receivable	**0.2**	–
	0.5	0.4

9. Finance costs

	2013 £m	2012 £m
Interest on bank loans	**3.8**	2.0
Interest on private placement	**5.4**	3.7
Bank fees	**1.7**	1.5
Interest on obligations under finance leases	**0.3**	0.4
Gain arising on derivatives in a designated fair value hedge	**(2.4)**	(2.8)
Loss arising on adjustment for the hedged item in a designated fair value hedge	**2.6**	3.0
Total interest expense	**11.4**	7.8
Less: amounts included in the cost of qualifying assets	**–**	(0.2)
	11.4	7.6

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 3.2% (2012: 2.7%) to expenditure on such assets.

10. Tax

	2013 £m	2012 £m
Current tax	**17.3**	21.5
Deferred tax (Note 20)	**(2.8)**	0.9
	14.5	22.4

Corporation tax is calculated at 24.0% (2012: 26.0%) 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:

	2013 £m	2012 £m
Profit before tax	**58.8**	94.5
Tax at the UK corporation tax rate of 24.0% (2012: 26.0%)	**14.1**	24.6
Non-taxable items	**1.6**	(0.3)
Impact of changes in statutory tax rates	**(0.1)**	(0.6)
Overseas tax rates	**(0.1)**	(0.2)
Prior year adjustments	**(1.0)**	(1.1)
Tax charge for the year	**14.5**	22.4

In addition to the amount charged to the consolidated income statement, tax relating to retirement benefit costs and hedged items amounting to £4.2m has been credited directly to the statement of comprehensive income (2012: £3.9m) and £0.1m (2012: £1.0m) relating to share-based payments has been credited directly to equity.

11. Dividends

	2013 £m	2012 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2012 of 5.2p (2011: 4.9p) per share	**18.3**	17.1
Interim dividend for the year ended 31 March 2013 of 4.6p (2012: 4.4p) per share	**16.6**	15.5
	34.9	32.6
Proposed final dividend for the year ended 31 March 2013 of 5.7p (2012: 5.2p) per share	**20.6**	18.4

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

12. Earnings per share

Basic and diluted earnings per share have been calculated in accordance with IAS 33 'Earnings Per Share'.

The calculation of the basic and diluted EPS is based on the following data:

	2013 £m	2012 £m
Net headline profit attributable to equity holders of the parent[1,2]	**84.6**	80.1
Other items net of tax[1]	**(40.5)**	(8.2)
Net profit attributable to equity holders of the parent	**44.1**	71.9

Number of shares	2013 million	2012 million
Weighted average number of Ordinary shares for the purpose of basic EPS	**357.7**	351.5
Effect of dilutive potential Ordinary shares: share options	**9.5**	9.0
Weighted average number of Ordinary shares for the purpose of diluted EPS	**367.2**	360.5

	2013 p	2012 p
Headline basic earnings per share[1,2]	**23.7**	22.8
Basic earnings per share	**12.3**	20.5
Headline diluted earnings per share[1,2]	**23.0**	22.2
Diluted earnings per share	**12.0**	19.9

1 Items excluded from headline operating profit are analysed in Note 5.
2 The net headline profit attributable to equity holders of the parent has been re-presented for the year ended 31 March 2012 to exclude the results of the businesses being exited.

The weighted average number of Ordinary shares in issue during the year excludes those accounted for in the Own shares reserve (see Note 30).

13. Goodwill

	£m
Cost	
At 1 April 2011	333.0
Acquisition of subsidiaries	14.9
Impact of foreign exchange	(0.4)
Change in deferred contingent consideration for subsidiaries acquired prior to 31 March 2010	0.2
At 1 April 2012	347.7
Acquisition of subsidiaries	100.3
Impact of foreign exchange	0.1
Change in deferred contingent consideration for subsidiaries acquired prior to 31 March 2010	(0.9)
At 31 March 2013	**447.2**
Accumulated impairment losses	
At 1 April 2011	–
At 1 April 2012	–
At 31 March 2013	**–**
Carrying amount	
At 31 March 2013	**447.2**
At 31 March 2012	347.7

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

Cost	**2013 £m**	2012 £m
Facilities Management	**167.1**	161.6
Technical Facilities Management	**96.8**	95.5
Property Management	**85.2**	86.1
Asset Management	**4.5**	4.5
Healthcare	**93.6**	–
	447.2	347.7

The group tests goodwill at least annually for impairment. A sensitivity analysis has been performed and Management has concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill of any of the CGUs.

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

The group prepares cash flow forecasts derived from the most recent one year financial budgets approved by the Board, extrapolated for four future years by a growth rate applicable to each unit with a terminal value using a 2% inflationary growth rate assumption.

The pre-tax rates used to discount the forecast cash flows from CGUs range from 8.2% to 8.6% (2012: 8.5% to 9.0%) and are derived from the Company's post-tax Weighted Average Cost of Capital, which was 6.8% (2012: 7.0%) at 31 March 2013, and adjusted for the risks specific to the market in which the CGU operates. All CGUs have the same access to the group's Treasury functions and borrowing lines to fund their operations.

14. Other intangible assets

	Acquisition related				
	Customer relationships £m	Other £m	**Total acquisition related £m**	Software and development expenditure £m	**Total £m**
Cost					
At 1 April 2011	50.7	9.5	**60.2**	26.9	**87.1**
Additions	3.6	1.0	**4.6**	7.7	**12.3**
Impact of foreign exchange	(0.1)	–	**(0.1)**	–	**(0.1)**
At 1 April 2012	54.2	10.5	**64.7**	34.6	**99.3**
Additions	30.5	–	**30.5**	5.8	**36.3**
At 31 March 2013	84.7	10.5	**95.2**	40.4	**135.6**
Amortisation					
At 1 April 2011	16.5	3.3	**19.8**	2.6	**22.4**
Charge for the year	6.7	2.4	**9.1**	2.0	**11.1**
At 1 April 2012	23.2	5.7	**28.9**	4.6	**33.5**
Charge for the year	8.3	1.7	**10.0**	4.1	**14.1**
At 31 March 2013	31.5	7.4	**38.9**	8.7	**47.6**
Carrying amount					
At 31 March 2013	53.2	3.1	**56.3**	31.7	**88.0**
At 31 March 2012	31.0	4.8	**35.8**	30.0	**65.8**

Customer relationships are amortised over their useful lives based on the period of time over which they are anticipated to generate benefits. These currently range from six to eight years. Other acquisition related intangibles include acquired software, trade names and non-compete agreements and are amortised over their useful lives which currently range from three to ten years. Software and development costs are amortised over their useful lives of between five and ten years, once they have been brought into use.

15. Property, plant and equipment

	Freehold properties £m	Leasehold properties £m	Plant and vehicles £m	**Total £m**
Cost				
At 1 April 2011	4.8	15.7	89.6	**110.1**
Additions	–	0.5	24.8	**25.3**
Transfers	–	(0.1)	0.1	**–**
Acquired with subsidiaries	–	–	0.1	**0.1**
Disposals	–	(0.1)	(9.1)	**(9.2)**
At 1 April 2012	4.8	16.0	105.5	**126.3**
Additions	–	0.2	31.7	**31.9**
Transfers	–	0.1	(0.1)	**–**
Acquired with subsidiaries	–	–	1.4	**1.4**
Disposals	–	(0.7)	(40.7)	**(41.4)**
At 31 March 2013	4.8	15.6	97.8	**118.2**
Accumulated depreciation and impairment				
At 1 April 2011	0.8	5.6	44.4	**50.8**
Charge for the year	0.1	1.3	17.4	**18.8**
Disposals	–	(0.1)	(7.3)	**(7.4)**
At 1 April 2012	0.9	6.8	54.5	**62.2**
Charge for the year	0.1	1.5	18.8	**20.4**
Disposals	–	(0.7)	(19.9)	**(20.6)**
At 31 March 2013	1.0	7.6	53.4	**62.0**
Carrying amount				
At 31 March 2013	3.8	8.0	44.4	**56.2**
At 31 March 2012	3.9	9.2	51.0	**64.1**

The net book value of plant and vehicles held under finance leases included above was £6.5m (2012: £9.7m).

Additions to fixtures and equipment during the year amounting to £1.9m (2012: £3.6m) were financed by new finance leases.

During the year, Management took the decision to perform a 'sale and operating leaseback' on its commercial vans. Approximately 1,830 vehicles were sold and leased back. These vehicles had a carrying value of £15.6m and were sold for a fair market value of £17.8m.

16. Interest in joint ventures and associates

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

The group's share of net assets of joint ventures and associates as at 31 March 2013 was as follows:

	2013 £m	2012 £m
Non-current assets	**11.0**	3.6
Current assets	**0.5**	0.4
Current liabilities	**(0.5)**	(0.4)
Non-current liabilities	**(10.6)**	(3.2)
Interest in joint ventures and associates	**0.4**	0.4

The group's share of result of joint ventures and associates included in the consolidated income statement was £nil (2012: £nil).

17. Financing assets

	2013 £m	2012 £m
Derivative financial instruments (Note 25)	**4.0**	0.7
Loans to joint ventures and associates	**12.7**	1.6
Infrastructure assets	**8.6**	6.8
	25.3	9.1
Included in current assets	**–**	–
Included in non-current assets	**25.3**	9.1
	25.3	9.1

18. Trade and other receivables

	2013 £m	2012 £m
Amounts receivable for the sale of services	**280.3**	287.8
Allowance for doubtful debt	**(6.0)**	(5.3)
Trade receivables	**274.3**	282.5
Amounts recoverable on contracts (Note 19)	**89.1**	114.2
Other debtors	**19.2**	15.4
Prepayments and accrued income	**145.6**	117.6
	528.2	529.7
Included in current assets	**507.4**	507.1
Included in non-current assets	**20.8**	22.6
	528.2	529.7

18. Trade and other receivables

Ageing of trade receivables:

	2013 £m	2012 £m
Neither impaired nor past due	**216.0**	210.6
Not impaired and less than three months overdue	**43.3**	50.9
Not impaired and more than three months overdue	**18.0**	22.6
Impaired receivables	**3.0**	3.7
Allowance for doubtful debt	**(6.0)**	(5.3)
	274.3	282.5

Movement in the allowance for doubtful debt:

	2013 £m	2012 £m
Balance at the beginning of the year	**5.3**	6.9
Impairment losses recognised	**3.5**	1.7
Amounts written off as uncollectable	**(2.2)**	(2.0)
Amounts recovered during the year	**(0.6)**	(1.3)
	6.0	5.3

The average credit period taken on sales of services was 38 days (2012: 35 days).

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

19. Amounts recoverable on contracts

Contracts in progress at the balance sheet date	2013 £m	2012 £m
Contract costs incurred plus recognised profits less recognised losses to date	**795.0**	770.6
Less progress billings	**(705.9)**	(656.4)
Amounts due from contract customers included in trade and other receivables	**89.1**	114.2
Included in current assets	**68.3**	95.6
Included in non-current assets	**20.8**	18.6
	89.1	114.2

At 31 March 2013, retentions held by customers for contract work amounted to £11.1m (2012: £15.6m).

Amounts recoverable on contracts include applications for payment from customers which have no fixed payment terms until invoiced.

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

Mobilisation costs	2013 £m	2012 £m
At 1 April 2012	**21.0**	15.4
Additions	**9.6**	12.0
Amounts recognised in the income statement	**(7.4)**	(6.4)
At 31 March 2013	**23.2**	21.0
Included in current assets	**9.0**	7.3
Included in non-current assets	**14.2**	13.7
	23.2	21.0

20. Deferred tax

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

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Intangible assets acquired £m	Share options £m	Short-term timing differences £m	Tax losses £m	**Total £m**
At 1 April 2011	(1.0)	0.8	(10.6)	1.2	4.1	1.3	**(4.2)**
(Charge)/credit to income	(1.0)	(0.5)	3.1	0.3	(2.9)	0.1	**(0.9)**
Credit to equity and the statement of comprehensive income	–	3.9	–	0.5	–	–	**4.4**
Acquisition of subsidiaries	–	–	(1.0)	–	–	0.6	**(0.4)**
At 1 April 2012	(2.0)	4.2	(8.5)	2.0	1.2	2.0	**(1.1)**
Credit/(charge) to income	1.6	(0.3)	2.7	(0.8)	(0.3)	(0.1)	**2.8**
Credit to equity and the statement of comprehensive income	–	3.0	–	(0.3)	1.3	–	**4.0**
Acquisition of subsidiaries	–	–	(7.0)	–	2.1	–	**(4.9)**
At 31 March 2013	(0.4)	6.9	(12.8)	0.9	4.3	1.9	**0.8**

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:

	2013 £m	2012 £m
Deferred tax assets	**14.0**	9.6
Deferred tax liabilities	**(13.2)**	(10.7)
Net deferred tax asset/(liability)	**0.8**	(1.1)

The group has unutilised income tax losses of £8.7m (2012: £8.2m) that are available for offset against future profits. In addition the group has £0.7m (2012: £0.4m) of capital losses.

The UK Government announced a reduction in the UK corporation tax rate from 24% to 23% from 1 April 2013, which was substantively enacted on 3 July 2012. The reduction in the balance sheet carrying value of deferred tax assets and liabilities to reflect the rate of tax at which those assets are expected to reverse has resulted in a deferred tax credit of £0.1m to the income statement. The UK Government has indicated that it intends to enact further reductions in the main tax rate of 3% down to 20% by 1 April 2015. Future rate reductions would further reduce the UK deferred tax assets and liabilities recognised but the actual impact will be dependent on the deferred tax position at the time.

21. Inventories

	2013 £m	2012 £m
Work-in-progress	**2.7**	4.0
Materials	**4.0**	1.7
	6.7	5.7

22. Cash and cash equivalents

	2013 £m	2012 £m
Cash and cash equivalents	**90.8**	60.8
	90.8	60.8

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 £4.8m (2012: £7.6m) held by the group's insurance subsidiary, which are not readily available for the general purposes of the group.

23. Trade and other payables

	2013 £m	2012 £m
Payments received on account	**3.7**	2.5
Trade creditors	**210.7**	218.9
Other taxes and social security	**86.2**	65.0
Other creditors	**25.0**	21.5
Accruals and deferred income	**175.1**	153.5
	500.7	461.4

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 32 days (2012: 35 days).

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

24. Financing liabilities

	2013 £m	2012 £m
Bank loans	**18.8**	56.6
Private placement notes	**261.3**	100.8
Loan notes	**–**	1.6
Derivative financial instruments	**0.4**	0.7
Obligations under finance leases (Note 27)	**6.5**	8.7
	287.0	168.4
Included in current liabilities	**2.7**	5.4
Included in non-current liabilities	**284.3**	163.0
	287.0	168.4

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

Included in current liabilities are £2.7m (2012: £3.8m) of obligations under finance leases (see Note 27) and £nil (2012: £1.6m) of loan notes.

With the exception of derivative financial instruments and the private placement notes, all financing liabilities are held at amortised cost. The Directors estimate that their carrying value approximates their fair value. Derivative financial instruments are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value through profit or loss unless they are designated as hedges for which hedge accounting can be applied (see Note 25). The carrying value of the private placement notes at 31 March 2013 includes a fair value adjustment for interest rate and currency risk of £1.7m (2012: £0.8m). The fair value of the private placement notes is not significantly different from their carrying value.

During the year £1.6m of loan notes in respect of the acquisition of Robert Prettie Limited were settled.

24. Financing liabilities

Private placement notes
On 13 December 2012, the group issued US$153.0m and £55.0m of private placement ('PP') notes in the United States Private Placement market. This follows the issue on 16 December 2010 of US$96.0m and £40.0m of PP notes in the United States Private Placement market. The PP notes are unsecured and rank pari passu with other senior unsecured indebtedness of the group. In order to manage the risk of foreign currency fluctuations and to manage the group's finance costs through a mix of fixed and variable rate debt, the group has entered into cross currency interest rate swaps. The swap contracts have the same duration and other critical terms as the borrowings and are considered to be highly effective. The amount, maturity and interest terms of the PP notes are as shown below:

Tranche	Maturity date	Amount	Interest terms	Swap interest
7 year	16 December 2017	US$48.0m	US$ fixed at 3.39%	£ fixed at 3.88%
7 year	16 December 2017	US$48.0m	US$ fixed at 3.39%	£ LIBOR + 1.26%
9 year	16 December 2019	£40.0m	£ fixed at 4.38%	n/a
10 year	16 December 2022	US$76.0m	US$ fixed at 3.85%	£ fixed at 4.05%
10 year	16 December 2022	US$77.0m	US$ fixed at 3.85%	£ fixed at 4.02%
10 year	16 December 2022	£25.0m	£ fixed at 3.87%	n/a
12 year	16 December 2024	£30.0m	£ fixed at 4.04%	n/a

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

	2013 %	2012 %
Overdrafts	**1.9**	1.9
Bank loans	**1.9**	1.8
Private placement notes – 2010	**3.6**	3.6
Private placement notes – 2012	**4.0**	–

At 31 March 2013, the group had available £231.2m (2012: £193.4m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facilities have an expiry date of 2015. The loans carry interest rates which are currently determined at 1.3% over LIBOR. Details of the group's contingent liabilities are provided in Note 32.

25. Financial instruments

Classification
The group's principal financial assets are cash and cash equivalents, trade receivables and derivative financial instruments. With the exception of derivative financial instruments, all financial assets are classified as loans and receivables.

The group's principal financial liabilities are trade payables, financing liabilities and derivative financial instruments. With the exception of derivative financial instruments and private placement notes, contained within financing liabilities, all financial liabilities are held at amortised cost.

Derivative financial instruments and private placement loan notes are measured initially at fair value at the date the contract is entered into and are subsequently remeasured to their fair value through profit or loss unless they are designated as hedges for which hedge accounting can be applied.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expense) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Risk management objectives
The group's Treasury function monitors and manages the financial risks relating to the operations of the group. These risks include those arising from interest rates, foreign currencies, liquidity, credit and capital management. The group seeks to minimise the effects of these risks by using effective control measures and, where appropriate, derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by group policies and reviewed regularly. Group policy is not to trade in financial instruments. The risk management policies remain unchanged from the previous year.

25. Financial instruments

Interest rate risk

The group's activities expose it to the financial risks of interest rates. The group's Treasury function reviews its risk management strategy on a regular basis and will appropriately enter into derivative financial instruments in order to manage interest rate risk. Having issued US$96.0m and £40.0m of notes in the US PP fixed rate market in December 2010, and a further US$153.0m and £55.0m in December 2012, the group has swapped US$48.0m into floating rate debt. Details of derivative financial instruments are given in *Derivative financial instruments* below.

Interest rate sensitivity

The interest rate sensitivity has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. All financial liabilities, other than financing liabilities, are interest free.

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 2013 and reserves would decrease/increase by £0.5m (2012: £0.5m).

Foreign currency risk

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

In addition, the group has fully hedged the US dollar exposure on its PP notes into sterling using cross currency interest rate swaps (see *Hedging activities* below).

At 31 March 2013 £6.0m (2012: £6.5m) of cash and cash equivalents were held in foreign currencies. Included in bank loans were £18.8m (2012: £16.6m) of loans denominated in foreign currency.

Liquidity risk

The group monitors its liquidity risk using a cash flow projection model which considers the maturity of the group's assets and liabilities and the projected cash flows from operations. Bank facilities, which allow for appropriate headroom in the group's daily cash movements, are then arranged. Details of our bank facilities can be found in Note 24.

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

Financial assets at 31 March 2013	**Within one year £m**	**In the second to fifth years £m**	**After five years £m**	**Total £m**
Trade receivables	274.3	–	–	274.3
Financing assets	0.8	26.2	–	27.0
Cash and cash equivalents	90.8	–	–	90.8
Financial assets	**365.9**	**26.2**	–	**392.1**

Financial assets at 31 March 2012	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade receivables	282.5	–	–	282.5
Financing assets	0.1	8.7	0.7	9.5
Cash and cash equivalents	60.8	–	–	60.8
Financial assets	343.4	8.7	0.7	352.8

25. Financial instruments

Financial liabilities at 31 March 2013	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade creditors	**210.7**	**–**	**–**	**210.7**
Financing liabilities	**12.5**	**122.6**	**226.1**	**361.2**
Financial liabilities	**223.2**	**122.6**	**226.1**	**571.9**

Financial liabilities at 31 March 2012	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade creditors	218.9	–	–	218.9
Financing liabilities	8.6	83.4	106.7	198.7
Financial liabilities	227.5	83.4	106.7	417.6

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

The amounts presented in the balance sheet in relation to the group's trade receivables are net of allowances for doubtful receivables.

Before accepting a new customer, the group uses external credit scoring systems to assess the potential customer's credit quality and define an appropriate credit limit which is reviewed regularly.

In determining the recoverability of a trade receivable, the group considers the credit quality of the counterparty. 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. The Directors believe that there is no further provision required in excess of the allowance for doubtful debts at the balance sheet date.

The maximum exposure to credit risk in relation to trade receivables at the balance sheet date is the fair value of trade receivables. The group's customer base is large and unrelated and, accordingly, the group does not have a significant concentration of credit risk with any one counterparty or group of counterparties.

Capital management risk
The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity. The capital structure of the group consists of net debt per Note 28 and equity per the consolidated statement of changes in equity.

The group's capital structure is reviewed regularly. The group is not subject to externally imposed regulatory capital requirements with the exception of those applicable to the group's captive insurance subsidiary, which is monitored on a regular basis.

Hedging activities

Cash flow hedges
The group holds a number of cross currency interest rate swaps designated as cash flow hedges. Bi-annual fixed interest cash flows arising over the periods to December 2022 and denominated in US$ from the US Private Placement market are exchanged for fixed interest cash flows denominated in sterling. The group also holds a number of forward exchange currency contracts designated as hedges of highly probable forecast transactions. All cash flow hedges were assessed as being highly effective as at 31 March 2013.

Fair value hedges
The group holds a number of cross currency interest rate swaps designated as fair value hedges. Fixed interest cash flows denominated in US$ from the US Private Placement market are exchanged for floating interest cash flows denominated in sterling. All fair value hedges were assessed as being highly effective as at 31 March 2013.

Hedge of net investment in foreign operations
Included in bank loans at 31 March 2013 was a borrowing of €9.5m (2012: €9.5m) which has been designated as a hedge of the net investment in the Republic of Ireland business of Dalkia FM in Ireland and is being used to hedge the group's exposure to foreign exchange risk on this investment. Gains or losses on the translation of the borrowing are transferred to equity to offset gains or losses on the translation of the net investment.

25. Financial instruments

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

	Assets 2013 £m	Assets 2012 £m	Liabilities 2013 £m	Liabilities 2012 £m
Cross currency interest rate swaps designated as cash flow hedges	**0.8**	–	**(0.4)**	(0.7)
Cross currency interest rate swaps designated as fair value hedges	**3.2**	0.7	**–**	–
Derivative financial instruments hedging private placement notes	**4.0**	0.7	**(0.4)**	(0.7)

Derivative financial instruments are measured at fair value. Fair values of derivative financial instruments are calculated based on a discounted cash flow analysis using appropriate market information for the duration of the instruments. Fair value measurements are classified into three levels, depending on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities; Level 2 fair value measurements are those derived from other observable inputs for the asset or liability; and Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data.

We consider that the derivative financial instruments fall into Level 2.

All contracts are gross settled.

26. Provisions

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2012	1.2	4.4	**5.6**
Amounts recognised in the income statement	–	0.4	**0.4**
Deferred contingent consideration settled during the period	(1.4)	–	**(1.4)**
Utilised within the captive insurance subsidiary	–	(2.6)	**(2.6)**
Amounts recognised through goodwill	0.3	–	**0.3**
Amounts recognised through equity (arising from transactions with non-controlling interests, Note 31)	7.9	–	**7.9**
At 31 March 2013	8.0	2.2	**10.2**
Included in current liabilities			**1.4**
Included in non-current liabilities			**8.8**
			10.2

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

26. Provisions

The provision for insurance claims represents amounts payable by MITIE Reinsurance Company Limited in respect of outstanding claims incurred at the balance sheet dates.

27. Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Amounts payable under finance leases:				
Within one year	**3.0**	4.0	**2.7**	3.8
In the second to fifth years inclusive	**4.1**	5.4	**3.8**	4.9
	7.1	9.4	**6.5**	8.7
Less: future finance charges	**(0.6)**	(0.7)	**–**	–
Present value of lease obligations	**6.5**	8.7	**6.5**	8.7
Less: Amount due for settlement within 12 months	**(2.7)**	(3.8)	**(2.7)**	(3.8)
Amount due for settlement after 12 months	**3.8**	4.9	**3.8**	4.9

The average remaining lease term is 43 months (2012: 31 months). For the year ended 31 March 2013, the average effective borrowing rate was 2.6% (2012: 3.1%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

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

28. Analysis of net debt

	2013 £m	2012 £m
Cash and cash equivalents (Note 22)	**90.8**	60.8
Bank loans (Note 24)	**(18.8)**	(56.6)
Private placement notes (Note 24)	**(261.3)**	(100.8)
Derivative financial instruments hedging private placement notes (Note 25)	**3.6**	–
Net debt before loan notes and obligations under finance leases	**(185.7)**	(96.6)
Loan notes (Note 24)	**–**	(1.6)
Obligations under finance leases (Note 27)	**(6.5)**	(8.7)
Net debt	**(192.2)**	(106.9)

29. Share capital

Ordinary shares of 2.5p	Number million	£m
Allotted and fully paid		
At 1 April 2012	**361.9**	**9.0**
Issued for acquisitions	**4.5**	**0.2**
Issued under share option schemes	**3.7**	**0.1**
At 31 March 2013	**370.1**	**9.3**
At 1 April 2011	357.8	8.9
Issued for acquisitions	5.3	0.1
Issued under share option schemes	4.2	0.1
Share buybacks	(5.4)	(0.1)
At 31 March 2012	361.9	9.0

During the year 4.5m (2012: 5.3m) Ordinary shares of 2.5p were allotted in respect of the acquisition of non-controlling interests at a mid-market price of 267.6p (2012: 238.7p) giving rise to share premium of £7.8m (2012: £4.0m) and a merger reserve of £4.0m (2012: £8.5m).

During the year 3.7m (2012: 4.2m) Ordinary shares of 2.5p were allotted in respect of share option schemes at a price between 117p and 254p (2012: 117p and 254p) giving rise to share premium of £7.7m (2012: £7.9m).

30. Reserves

Share premium account
The share premium account represents the premium arising on the issue of equity shares (see Note 29).

Merger reserve
The merger reserve represents amounts relating to premiums arising on shares issued subject to the provisions of Section 612 of the Companies Act 2006 (see Note 29).

Share-based payment reserve
The share-based payment reserve represents credits relating to equity-settled share-based payment transactions granted after 7 November 2002 that have not yet fully vested (see Note 34).

Own shares reserve
The group uses shares held in the Employee Benefit Trust to satisfy options under the group's LTIP and SIP share option schemes. During the year 2.3m shares (2012: 3.1m) were purchased at a cost of £6.6m (2012: £7.4m). The own shares reserve at 31 March 2013 represents the cost of 8.4m (2012: 7.8m) shares in MITIE Group PLC, with a weighted average of 8.6m (2012: 7.9m) shares during the year.

Other reserves
Other reserves are comprised of the revaluation reserve of £(0.2)m (2012: £(0.2)m), the capital redemption reserve of £0.4m (2012: £0.4m) and other reserves of £0.1m (2012: £0.1m).

Hedging and translation reserve
The hedging and translation reserve of £5.9m (2012: £0.6m) predominantly represents movements relating to cash flow hedges. It also includes foreign exchange differences arising on translation of the group's overseas operations and movements on net investment hedges.

31. Acquisitions

During the year a net cash outflow of £117.0m arose on the acquisitions set out below:

	£m
Enara Group Limited	**110.8**
Creativevents Limited	**2.9**
Dalkia FM in Norway	**1.1**
Non-controlling interests	**1.4**
Utilyx deferred consideration	**1.2**
Change in deferred contingent consideration for subsidiaries acquired prior to 31 March 2010 (Note 13)	**(0.9)**
Other	**0.5**
Net cash outflow on acquisitions	**117.0**

Current year acquisitions

Entities acquired during the year contributed £57.1m to revenue and £6.4m to the group's headline operating profit for the period. If the acquisitions had taken place at the start of the period, the group's headline revenue and operating profit would have been approximately £2,035m and £128m respectively.

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

IAS 27 'Consolidated and Separate Financial Statements' (revised 2008) requires transactions with non-controlling interests to be accounted for within equity. As a result, the difference of £13.6m between the consideration paid for the purchase of non-controlling interests during the year and the change in non-controlling interests is recognised in retained earnings, along with £6.5m of earnout deferred consideration in respect of the acquisition of Creativevents Limited. Prior to adoption of the revised standard in the year ended 31 March 2011 these amounts would have been recognised in goodwill.

Purchase of Enara Group Limited

On 9 October 2012, MITIE acquired Enara Group Limited ('Enara'), from August Equity LLP and Enara's senior management team, for a total consideration of £110.8m on a cash and debt free basis. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). Below we provide provisional information on the acquisition:

	Fair value £m
Net assets acquired	
Intangible assets	28.5
Property, plant and equipment	0.3
Deferred tax liability	(5.0)
Trade and other receivables	11.3
Cash and cash equivalents	4.9
Trade and other payables	(17.9)
Net assets acquired	**22.1**
Goodwill	93.6
Total consideration	**115.7**

31. Acquisitions

Satisfied by	
Cash	115.7
Total consideration	**115.7**

Net cash outflow arising on acquisition	
Cash consideration	115.7
Cash and cash equivalents acquired	(4.9)
Net cash outflow	**110.8**

Purchase of Creativevents Limited
On 31 July 2012, MITIE acquired a 51% stake in one of the UK's leading independent events and leisure catering companies, Creativevents Limited ('Creativevents'). The initial consideration payable was £5.2m paid in cash on completion, with an additional £0.3m settled in cash in the period. The earn-out of the remaining 49% stake will bring total consideration payable to a maximum of £12.0m, which is dependent on long-term performance. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). Below we provide provisional information on the acquisition:

	Fair value £m
Net assets acquired	
Intangible assets	1.9
Property, plant and equipment	1.1
Deferred tax liability	(0.3)
Trade and other receivables	3.5
Cash and cash equivalents	2.6
Trade and other payables	(8.4)
Net assets acquired	**0.4**
Non-controlling interest	(0.2)
Goodwill	5.3
Total consideration	**5.5**

Satisfied by	
Initial cash consideration	5.2
Deferred contingent consideration cash settled in the period	0.3
Total cash consideration	**5.5**

Net cash outflow arising on acquisition	
Cash consideration	5.5
Cash and cash equivalents acquired	(2.6)
Net cash outflow	**2.9**

Earnout deferred consideration of £6.5m is also provided at the Directors' best estimate of the likely future obligation, which in all likelihood will become payable up to 2017 subject to certain profit targets being attained. This is recognised via equity and is included within Provisions in Note 26.

31. Acquisitions

Purchase of Dalkia FM in Norway
On 7 June 2012, MITIE acquired the facilities management business of Dalkia Energy & Technical Services AS (Dalkia FM) in Norway. MITIE has acquired the FM contracts and the majority of the employees of Dalkia FM for a total cash consideration of NOK 10.0m (£1.1m).

Purchase of non-controlling interests

	MITIE Client Services Ltd £m	MITIE Pest Control (London) Ltd £m	MITIE Security Holdings Ltd £m	**Total £m**
Shares issued – MITIE Group PLC	2.3	1.7	7.9	**11.9**
Cash consideration	0.2	0.4	0.8	**1.4**
Deferred contingent consideration	–	–	1.4	**1.4**
Total purchase consideration	2.5	2.1	10.1	**14.7**
Non-controlling interests	0.6	0.4	0.1	**1.1**
Retained earnings	1.9	1.7	10.0	**13.6**
Total recognised in equity	2.5	2.1	10.1	**14.7**

Prior year acquisitions

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

	Fair value £m
Net assets acquired	
Intangible assets	4.6
Deferred tax liability	(0.5)
Trade and other receivables	3.0
Cash and cash equivalents	0.7
Trade and other payables	(4.4)
Net assets acquired	**3.4**
Goodwill	13.0
Total consideration	**16.4**
Satisfied by	
Cash consideration settled in prior period	15.2
Deferred contingent consideration settled in cash in the period	1.2
Total consideration	**16.4**

Deferred contingent consideration of £1.2m was paid in the period due to the attainment of agreed profit targets.

32. Contingent liabilities

The Company is party with other group companies to cross guarantees of each other's bank and other borrowings, commitments and overdrafts of £551.3m (2012: £390.8m).

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 £8.0m (2012: £1.2m) per Note 26. The actual amounts payable may vary up to a maximum of £8.0m (2012: £1.2m) 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 £30.6m (2012: £33.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

33. Operating lease arrangements

The group as lessee

	2013 £m	2012 £m
Minimum lease payments under operating leases recognised in income for the year	**15.8**	13.2

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:

	2013 £m	2012 £m
Within one year	**22.0**	11.7
In the second to fifth years inclusive	**32.2**	22.5
After five years	**3.5**	4.7
	57.7	38.9

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

During the year, Management took the decision to perform a 'sale and operating leaseback' on its commercial vans. Approximately 1,830 vehicles were sold and leased back. These vehicles had a carrying value of £15.6m and were sold for a fair market value of £17.8m.

34. Share-based payments

Equity-settled share option schemes
The Company has six share option schemes:

Discretionary share plans:

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

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

The MITIE Group PLC 2001 Executive share option scheme
The Executive share option scheme exercise price is equal to the average market value of the shares over the five-day period immediately preceding the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the group. Before options can be exercised, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three-year period.

34. Share-based payments

The MITIE Group PLC 2011 Executive share option scheme
The Executive share option scheme exercise price is equal to the average market value of the shares on the business day preceding grant or, if the Committee decides, the average market value of shares over a number of preceding business days (not to exceed 20). The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the group. Before options can be exercised, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three-year period.

Non-discretionary share plans:

The MITIE Group PLC 2001 SAYE scheme
The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares on the day preceding the date on which invitations to participate in the scheme are issued. For options granted prior to September 2008, the vesting period is five years. For options granted in September 2008 and thereafter, the vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

The MITIE Group PLC 2011 SAYE scheme
The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares determined using either: the share price preceding the date on which invitations to participate in the scheme are issued; or an average share price over five days preceding the invitation date. The vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

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

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

	2013		2012	
	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	**21.2**	**139**	22.5	152
Granted during the year	**8.0**	**148**	6.1	111
Forfeited during the year	**(2.9)**	**114**	(1.9)	188
Exercised during the year	**(5.2)**	**147**	(5.5)	146
Outstanding at the end of the year*	**21.1**	**142**	21.2	139
Exercisable at the end of the year	**2.8**	**196**	3.3	196

* Included within this balance are nil (2012: 0.1m) 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:

	2013 £m	2012 £m
Discretionary share plans	**1.7**	2.3
Non-discretionary share plans	**0.8**	0.6
	2.5	2.9

The weighted average share price at the date of exercise for share options exercised during the year was 267p (2012: 243p). The options outstanding at 31 March 2013 had exercise prices (other than nil in the case of the LTIP and the SIP) ranging from 127p – 254p (2012: 117p – 254p) and a weighted average remaining contractual life of 4.5 years (2011: 4.6 years). In the year ended 31 March 2013, options were granted in May, July and August in respect of the SAYE, LTIP and Executive share option schemes. The aggregate of the estimated fair values of the options granted on those dates was £6.5m. In the year ended 31 March 2012, options were granted in August 2011 in respect of the LTIP and Executive share option schemes. The aggregate of the estimated fair values of the options granted on those dates was £6.1m.

34. Share-based payments

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

	2013	2012
Share price (p)	**198–274**	191–243
Exercise price (p)	**0–254**	0–254
Expected volatility (%)	**32–35**	28–36
Expected life (years)	**3–5**	3–6
Risk-free rate (%)	**0.55–2.42**	1.48–5.25
Expected dividends (%)	**3.30–4.10**	2.22–4.10

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.

35. 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 £8.8m (2012: £7.9m) during the year. As at 31 March 2013, contributions of £0.7m (2012: £0.6m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

Group defined benefit scheme

The group operates a defined benefit pension scheme called the MITIE Group PLC Pension Scheme where MITIE Group PLC is the principal employer.

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

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

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

Other defined benefit schemes

Grouped together under 'Other schemes' are 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, and no schemes (2012: one scheme) in which the group is a participating employer. These valuations are updated by the actuaries at each balance sheet date. The present values of the defined benefit obligations, the related current service cost and past service cost were measured using the Projected Unit Credit Method.

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

35. Retirement benefit schemes

Assumptions

	Group scheme 2013 %	Group scheme 2012 %	Other schemes 2013 %	Other schemes 2012 %
Key assumptions used for IAS 19 valuation:				
Discount rate	**4.50**	4.90	**4.50**	4.90
Expected return on scheme assets:				
Equity instruments	**7.00**	7.50	**7.00**	7.50
Debt instruments	**4.00**	4.50	**4.00**	4.50
Property	**6.50**	7.00	**6.50**	7.00
Other assets	**2.50**	1.00	**2.50**	1.00
Alternative assets	**7.00**	7.50	**7.00**	7.50
Expected rate of salary increases	**3.90**	3.70	**3.90**	3.20
Retail Price Inflation	**3.40**	3.20	**3.40**	3.20
Consumer Price Inflation	**2.40**	2.20	**2.40**	2.20
Future pension increases	**3.40**	3.20	**3.40**	3.20

	Group scheme 2013 Years	Group scheme 2012 Years
Post retirement life expectancy:		
Current pensioners at 65 – male	**88.0**	88.0
Current pensioners at 65 – female	**89.0**	89.0
Future pensioners at 65 – male	**89.0**	89.0
Future pensioners at 65 – female	**91.0**	91.0

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

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

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

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

	2013 Group scheme £m	2013 Other schemes £m	2013 Total £m	2012 Group scheme £m	2012 Other schemes £m	2012 Total £m
Current service cost	**(3.7)**	**(0.3)**	**(4.0)**	(4.0)	(0.4)	(4.4)
Interest cost	**(6.8)**	**(0.3)**	**(7.1)**	(6.6)	(0.1)	(6.7)
Expected return on scheme assets	**7.8**	**0.4**	**8.2**	8.1	0.5	8.6
	(2.7)	**(0.2)**	**(2.9)**	(2.5)	–	(2.5)

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

	2013 Group scheme £m	2013 Other schemes £m	2013 Total £m	2012 Group scheme £m	2012 Other schemes £m	2012 Total £m
Actual return on scheme assets	**11.7**	**0.9**	**12.6**	3.8	0.6	4.4
Expected return on scheme assets	**(7.8)**	**(0.4)**	**(8.2)**	(8.1)	(0.5)	(8.6)
Actuarial (losses)/gains on liabilities	**(17.3)**	**(0.8)**	**(18.1)**	(11.6)	(0.5)	(12.1)
	(13.4)	**(0.3)**	**(13.7)**	(15.9)	(0.4)	(16.3)

35. Retirement benefit schemes

The cumulative amount of actuarial loss recognised since 1 April 2004 in the consolidated statement of comprehensive income is £54.7m (2012: £41.0m).

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:

	2013 Group scheme £m	2013 Other schemes £m	2013 Total £m	2012 Group scheme £m	2012 Other schemes £m	2012 Total £m
Fair value of scheme assets	**134.0**	**7.9**	**141.9**	120.7	10.7	131.4
Present value of defined benefit obligations	**(163.7)**	**(8.1)**	**(171.8)**	(137.9)	(10.6)	(148.5)
(Deficit)/surplus in scheme	**(29.7)**	**(0.2)**	**(29.9)**	(17.2)	0.1	(17.1)
Contract adjustment	**–**	**–**	**–**	–	(0.2)	(0.2)
Net pension liability	**(29.7)**	**(0.2)**	**(29.9)**	(17.2)	(0.1)	(17.3)

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

	2013 Group scheme £m	2013 Other schemes £m	2013 Total £m	2012 Group scheme £m	2012 Other schemes £m	2012 Total £m
At 1 April	**137.9**	**10.6**	**148.5**	117.5	9.3	126.8
Current service cost	**3.7**	**0.3**	**4.0**	4.0	0.4	4.4
Interest cost	**6.8**	**0.3**	**7.1**	6.6	0.1	6.7
Contributions from scheme members	**1.0**	**0.1**	**1.1**	0.6	0.2	0.8
Actuarial gains and losses	**17.3**	**0.8**	**18.1**	11.6	0.9	12.5
Benefits paid	**(3.0)**	**(0.1)**	**(3.1)**	(2.4)	(0.3)	(2.7)
Contract transfers	**–**	**(3.9)**	**(3.9)**	–	–	–
At 31 March	**163.7**	**8.1**	**171.8**	137.9	10.6	148.5

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

	2013 Group scheme £m	2013 Other schemes £m	2013 Total £m	2012 Group scheme £m	2012 Other schemes £m	2012 Total £m
At 1 April	**120.7**	**10.7**	**131.4**	114.5	9.8	124.3
Expected return on scheme assets	**7.8**	**0.4**	**8.2**	8.1	0.5	8.6
Actuarial gains and losses	**3.8**	**0.5**	**4.3**	(4.3)	0.2	(4.1)
Contributions from the sponsoring companies	**3.7**	**0.4**	**4.1**	4.2	0.3	4.5
Contributions from scheme members	**1.0**	**0.1**	**1.1**	0.6	0.2	0.8
Benefits paid	**(3.0)**	**(0.1)**	**(3.1)**	(2.4)	(0.3)	(2.7)
Contract transfers	**–**	**(4.1)**	**(4.1)**	–	–	–
At 31 March	**134.0**	**7.9**	**141.9**	120.7	10.7	131.4

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

	2013 Group scheme £m	2013 Other schemes £m	2013 Total £m	2012 Group scheme £m	2012 Other schemes £m	2012 Total £m
Equity instruments	**59.1**	**5.2**	**64.3**	51.6	7.3	58.9
Debt instruments	**31.3**	**1.9**	**33.2**	27.7	2.3	30.0
Property	**16.1**	**0.5**	**16.6**	16.8	0.6	17.4
Other assets	**0.8**	**0.3**	**1.1**	3.1	0.5	3.6
Alternative assets	**26.7**	**–**	**26.7**	21.5	–	21.5
At 31 March	**134.0**	**7.9**	**141.9**	120.7	10.7	131.4

35. Retirement benefit schemes

The pension schemes have invested in property occupied by the group with a fair value of £2.5m (2012: £2.5m) generating rental of £0.3m (2012: £0.3m). At 31 March 2013 the pension schemes held nil MITIE Group PLC shares (2012: nil). The pension schemes have not invested in any other assets used by the group. Transactions between the group and the pension schemes are conducted at arm's length.

The history of experience adjustments is as follows:

					Group scheme
	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of scheme assets	**134.0**	120.7	114.5	101.4	77.3
Present value of defined benefit obligations	**(163.7)**	(137.9)	(117.5)	(108.2)	(74.3)
(Deficit)/surplus in the scheme	**(29.7)**	(17.2)	(3.0)	(6.8)	3.0
Experience adjustments on scheme liabilities	**0.1**	(5.3)	(0.5)	(0.1)	11.3
Percentage of scheme liabilities	**(0.1)%**	3.9%	0.4%	0.1%	(15.3)%
Experience adjustments on scheme assets	**3.9**	(4.3)	(0.7)	14.5	(21.2)
Percentage of scheme assets	**2.9%**	(3.6)%	(0.6)%	14.3%	(27.4)%

					Other schemes
	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of scheme assets	**7.9**	10.7	9.8	61.5	45.8
Present value of defined benefit obligations	**(8.1)**	(10.8)	(9.8)	(65.2)	(49.2)
Deficit in the scheme	**(0.2)**	(0.1)	–	(3.7)	(3.4)
Experience adjustments on scheme liabilities	**0.2**	0.2	0.9	(0.7)	10.9
Percentage of scheme liabilities	**(2.8)%**	(2.0)%	(9.2)%	1.0%	(22.2)%
Experience adjustments on scheme assets	**0.5**	0.2	(1.3)	11.7	(13.0)
Percentage of scheme assets	**6.1%**	1.6%	(13.3)%	19.0%	(28.4)%

The estimated contributions expected to be paid to the group scheme during the current financial year are £3.4m (2012: £4.6m) and to other schemes £0.4m (2012: £0.4m).

As at 31 March 2013, contributions of £0.3m (2012: £0.7m) due in respect of the current reporting period had not been paid over to the schemes.

36. Related party transactions

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

During the year, the group derived £16.1m (2012: £9.1m) of construction revenue from contracts with joint ventures and associated undertakings. At 31 March 2013 £2.1m (2012: £1.5m) was outstanding.

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.

The group's key management personnel are the Directors and Non-Executive Directors whose remuneration is disclosed in the audited section of the Directors' remuneration report. The share-based payment charge for key management personnel was £1.1m (2012: £1.0m).

37. Principal subsidiaries

The companies set out below are those which were part of the group at 31 March 2013 and in the opinion of the Directors significantly affected the group's results and net assets during the year. Principal subsidiaries are incorporated in the United Kingdom and are held directly or indirectly by MITIE Group PLC.

Division	Activities	Principal subsidiaries	At 31 March 2013 % Voting rights owned	At 31 March 2013 % Ownership interest	At 31 March 2013 % Nominal value owned
Facilities Management	Our Facilities Management division delivers facilities consultancy, management and service delivery to our clients. Services include: security, business services, managed services, catering, client services, PFI, cleaning, landscaping and pest control.	MITIE Facilities Services Ltd	**100%**	**100%**	**100%**
		MITIE Cleaning & Environmental Services Ltd	**100%**	**100%**	**100%**
		MITIE Security Holdings Ltd	**98.91%**	**98.91%**	**99.99%**
Technical Facilities Management	Our Technical Facilities Management division focuses on facilities management that is led by technology, engineering and energy requirements. It comprises the integrated operations of our Engineering Maintenance business and Dalkia FM.	MITIE Technical Facilities Management Ltd (formerly Dalkia Energy & Technical Services Ltd)	**89.99%**	**89.99%**	**99.84%**
Property Management	Our Property Management division offers an integrated property management service, including mechanical and electrical engineering, energy and more general facilities management services in addition to the traditional services such as maintenance, refurbishment, painting, roofing, interior fit-out, fire protection, plumbing and heating.	MITIE Property Services (UK) Ltd	**100%**	**100%**	**100%**
		MITIE Built Environment Ltd	**100%**	**100%**	**100%**
		Environmental Property Services Ltd	**100%**	**100%**	**100%**
Asset Management	Our Asset Management division provides the integration, management and maintenance of technical assets to meet the challenges of the low-carbon economy including; energy design, generation and certification, infrastructure projects, building services and mechanical and electrical engineering.	MITIE Asset Management Ltd	**100%**	**100%**	**100%**
		MITIE Infrastructure Ltd	**100%**	**100%**	**100%**
Healthcare	Our Healthcare division provides high quality homecare in the UK, delivering a wide range of services to people who require help and support due to illness, disability or infirmity. The business cares for people via local authority, NHS and private pay agreements.	Enara Ltd	**100%**	**100%**	**100%**

The companies listed above represent the principal subsidiary companies of the group. A full list of subsidiary companies will be annexed to the next Annual Return.

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

For the year ended 31 March 2013

We have audited the parent company financial statements of MITIE Group PLC for the year ended 31 March 2013 which comprise the Company Balance Sheet and the related notes 38 to 52. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

– give a true and fair view of the state of the parent company's affairs as at 31 March 2013;

– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

– have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

– the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

– the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the group financial statements of MITIE Group PLC for the year ended 31 March 2013.

Colin Hudson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
20 May 2013

Company balance sheet

At 31 March 2013

	Notes	2013 £m	2012 £m
Fixed assets			
Tangible assets	41	**0.1**	31.0
Investments in subsidiary undertakings	42	**714.8**	661.4
Total fixed assets		**714.9**	692.4
Current assets			
Debtors	43	**28.6**	51.6
Total current assets		**28.6**	51.6
Total assets		**743.5**	744.0
Creditors: amounts falling due within one year	45	**(255.0)**	(274.2)
Provisions	47	**(1.4)**	–
Total current liabilities		**(256.4)**	(274.2)
Net current liabilities		**(227.8)**	(222.6)
Total assets less current liabilities		**487.1**	469.8
Creditors: amounts falling due after more than one year	46	**–**	(5.8)
Provisions	47	**–**	(2.0)
Total non-current liabilities		**–**	(7.8)
Total liabilities		**(256.4)**	(282.0)
Net assets		**487.1**	462.0
Capital and reserves			
Share capital	48	**9.3**	9.0
Share premium account	49	**108.0**	92.5
Merger reserve	49	**97.6**	93.6
Share-based payments reserve	49	**10.0**	9.1
Own shares reserve	49	**(20.3)**	(18.3)
Other reserves	49	**0.4**	0.4
Profit and loss account	49	**282.1**	275.7
Equity shareholders' funds		**487.1**	462.0

The financial statements of MITIE Group PLC, company registration number SC 19230, were approved by the Board of Directors and authorised for issue on 20 May 2013. They were signed on its behalf by:

Ruby McGregor-Smith CBE
Chief Executive

Suzanne Baxter
Group Finance Director

Notes to the Company financial statements

For the year ended 31 March 2013

38. Significant accounting policies

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

As more fully detailed in the Directors' report: Corporate governance statement, the Company's financial statements have been prepared on a going concern basis.

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

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

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

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

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

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

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

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

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

38. Significant accounting policies

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

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

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

Trade payables are measured at amortised cost.

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

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

Share-based payments
The Company operates a number of executive and employee share option schemes. For all grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes model and the corresponding expense is recognised on a straight-line basis over the vesting period. Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense. Options over the Company's shares awarded to employees of the Company's subsidiaries are accounted for as a capital contribution within the carrying value of Investments in subsidiary undertakings.

Pensions
Pension costs represent amounts paid to one of the group's pension schemes. For the purposes of FRS 17 'Retirement Benefits' the Company has been unable to identify its share of the underlying assets and liabilities of the group defined benefit pension scheme on a consistent and reasonable basis. Therefore the Company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 35 to the consolidated financial statements sets out the details of the IAS 19 'Employee Benefits' net pension liability of £29.7m (2012: £17.2m).

39. Profit for the year

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. MITIE Group PLC reported a profit after taxation for the financial year ended 31 March 2013 of £44.7m (2012: £32.8m).

The auditor's remuneration for audit services to the Company was £33,000 (2012: £33,000).

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

40. Dividends

	2013 £m	2012 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2012 of 5.2p (2011: 4.9p) per share	**18.3**	17.1
Interim dividend for the year ended 31 March 2013 of 4.6p (2012: 4.4p) per share	**16.6**	15.5
	34.9	32.6
Proposed final dividend for the year ended 31 March 2013 of 5.7p (2012: 5.2p) per share	**20.6**	18.4

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

41. Tangible fixed assets

	Plant and vehicles £m	Software and development costs £m	Total £m
Cost			
At 1 April 2012	14.1	26.7	**40.8**
Additions	–	0.1	**0.1**
Transfers to other group companies	(14.1)	(26.7)	**(40.8)**
At 31 March 2013	–	0.1	**0.1**
Accumulated depreciation			
At 1 April 2012	5.5	4.3	**9.8**
Charge for the year	–	–	**–**
Transfers to other group companies	(5.5)	(4.3)	**(9.8)**
At 31 March 2013	–	–	**–**
Net book value			
At 31 March 2013	–	0.1	**0.1**
At 31 March 2012	8.6	22.4	**31.0**

42. Investments in subsidiary undertakings

	£m
Shares at cost	
At 1 April 2012	673.8
Additions	53.7
Capital contribution re share-based payments	0.9
Disposals	(1.9)
At 31 March 2013	**726.5**
Provision for impairment	
At 1 April 2012	12.4
Impairment	–
Disposals	(0.7)
At 31 March 2013	**11.7**
Net book value	
At 31 March 2013	**714.8**
At 31 March 2012	661.4

Details of the acquisitions in the year are provided in Note 31 of the consolidated financial statements and a listing of principal subsidiaries in Note 37. The cumulative cost of non-compete agreements included in investments is £4.6m (2012: £4.6m).

Disposals in the period relate to the voluntary strike-off of dormant subsidiaries within the group, which has had a net £nil impact on the profit and loss account (2012: £nil).

43. Debtors

	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	**24.2**	43.2
Other debtors	**0.4**	2.0
Prepayments and accrued income	**3.8**	6.4
Deferred tax asset (Note 44)	**0.2**	–
	28.6	51.6

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

44. Deferred tax

	£m
Deferred tax liability at 1 April 2012 (Note 47)	**(2.0)**
Transfer to other group companies	**2.7**
Charge to the profit and loss account	**(0.5)**
Deferred tax asset at 31 March 2013	**0.2**

The closing balance is analysed as follows:

	£m
Depreciation in excess of capital allowances	**(0.1)**
Short-term timing differences	**0.1**
Share-based payment timing differences	**0.2**
Deferred tax asset	**0.2**

45. Creditors: amounts falling due within one year

	2013 £m	2012 £m
Overdraft	**80.2**	133.5
Loan notes	**–**	1.6
Trade creditors	**1.2**	4.7
Amounts owed to subsidiary undertakings	**157.5**	115.6
Other taxes and social security	**0.4**	1.7
Accruals and deferred income	**9.5**	10.7
Corporation tax	**6.2**	6.4
	255.0	274.2

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.

For details of group borrowings, see Note 24.

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

	2013 £m	2012 £m
Bank loans	**–**	5.8
	–	5.8

47. Provisions

	Deferred contingent consideration £m	Deferred tax £m	Total £m
At 1 April 2012	–	2.0	**2.0**
Other movements in the year	1.4	(2.0)	**(0.6)**
At 31 March 2013	1.4	–	**1.4**
Falling due within one year	1.4	–	**1.4**
Falling due after more than one year	–	–	**–**
	1.4	–	**1.4**

The deferred contingent consideration relates to the purchase of non-controlling interests, details of which are provided in Note 26 of the consolidated financial statements.

48. Share capital

Ordinary shares of 2.5p	Number million	£m
Allotted and fully paid		
At 1 April 2012	**361.9**	**9.0**
Issued for acquisitions	**4.5**	**0.2**
Issued under share option schemes	**3.7**	**0.1**
Share buybacks	**–**	**–**
At 31 March 2013	**370.1**	**9.3**
At 1 April 2011	357.8	8.9
Issued for acquisitions	5.3	0.1
Issued under share option schemes	4.2	0.1
Share buybacks	(5.4)	(0.1)
At 31 March 2012	361.9	9.0

Details of movements in share capital during the year are provided in Note 29 of the consolidated financial statements.

49. Reserves

	Share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Profit and loss account* £m	Total £m
At beginning of year	9.0	92.5	93.6	9.1	(18.3)	0.4	275.7	**462.0**
Shares issued	0.3	15.5	4.0	–	–	–	–	**19.8**
Purchase of own shares	–	–	–	–	(6.6)	–	–	**(6.6)**
Share-based payments	–	–	–	0.9	4.6	–	(3.4)	**2.1**
Profit for the year	–	–	–	–	–	–	44.7	**44.7**
Dividends paid to shareholders	–	–	–	–	–	–	(34.9)	**(34.9)**
Balance at 31 March 2013	**9.3**	**108.0**	**97.6**	**10.0**	**(20.3)**	**0.4**	**282.1**	**487.1**

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

50. Contingent liabilities

Details of contingent liabilities have been given in Note 32 of the consolidated financial statements.

51. Share-based payments

Equity-settled share option schemes

The Company has six share option schemes as described in Note 34 of the consolidated financial statements.

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

	2013 £m	2012 £m
Discretionary schemes	**1.6**	1.5
Non-discretionary schemes	–	0.1
	1.6	1.6

The fair value of options is measured by use of the Black-Scholes model. The inputs into the Black-Scholes model are as described in Note 34 of the consolidated financial statements.

52. Related parties

The Company makes management charges to all of its subsidiaries, whether they are wholly-owned or otherwise, and receives dividends from its subsidiaries, according to their ability to remit them. Other details of related party transactions have been given in Note 36 of the consolidated financial statements.

Shareholder information

Results

2014 Interim management statement	12 August 2013
2014 Half-yearly results	18 November 2013

Dividends

2013 Half-yearly dividend 4.6p paid	4 February 2013
2013 Final dividend 5.7p (proposed)	–
2013 Final ex-dividend date	26 June 2013
2013 Final dividend record date	28 June 2013
2013 Final dividend last date for receipt/ revocation of DRIP mandate	13 July 2013
2013 Final dividend payment date	7 August 2013

2013 Annual General Meeting

2013 Annual General Meeting	9 July 2013

Company details

MITIE Group PLC
1 Harlequin Office Park
Fieldfare
Emerson Green
Bristol
BS16 7FN

Telephone: 0117 970 8800
Fax: 0117 301 4159
Email: group@mitie.com
Website: www.mitie.com

Registered number: SC 19230

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone: 0871 664 0300*
Website: www.mitie-shares.com

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

Dividend reinvestment plan (DRIP)
MITIE has set up a dividend reinvestment plan (DRIP) to enable you to build your shareholding by using your cash dividends under a standing election to buy additional shares in MITIE. If you would like to receive further information, including details of how to apply, please call Capita Registrars on 020 8639 3402 or contact them by sending an email to: **shares@capitaregistrars.com.**

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

– access information on shareholdings and movements;

– update address details;

– view dividend payments received and register bank mandate instructions;

– sell MITIE shares;

– complete an online proxy voting form; and

– register for e-communications allowing MITIE to notify shareholders by email that certain documents are available to view on its website. This will further reduce MITIE's carbon footprint as well as reduce costs.

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

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

MITIE Group PLC
1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol BS16 7FN
United Kingdom

T: +44 (0) 117 970 8800
F: +44 (0) 117 301 4159
E: group@mitie.com

people + passion

MITIE