inspiring change...

Mitie Group plc
Annual Report and Accounts 2015

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...in the way people live and work.

Our business is focused on helping clients to run their businesses more effectively.

We're all about developing people to excel at what they do, challenge how things are done and inspire change.

Creating value…

Understanding client needs

We get to know our clients' strategy and what they need from their people and their property, so we can help them to achieve their goals.

Advising and designing services

We use our extensive knowledge and experience of property, workplaces and services to advise our clients on the best way forward. We apply fresh thinking to create innovative ways to live and work.

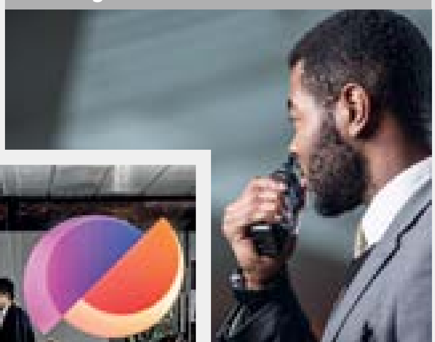
Motivating and managing people

Our fundamental skill is in getting the best out of a large and diverse workforce and supply chain, allowing a client to focus on their core objectives. Our ethos of share ownership makes us different.

…across the breadth of our offer managing our clients facilities and looking after their people

Hard FM

Security



Integrated FM

Catering and front of house

Cleaning and environmental services

Facilities Management

£1.9bn

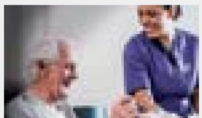
We provide a wide range of facilities management (FM) services across the UK, Ireland and Europe. These are delivered as integrated FM contracts, in bundles or as single services, depending on client requirements.

Our property management business provides repair and maintenance services in the social housing markets.

And 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.

Property Management

£273m



Healthcare

£91m

Technology and systems that provide data and management information

We make sure that our people have the right technology and systems do their job properly. To manage and deliver services, we analyse and act on our own and our clients' data to provide the best service and most efficient solutions.

Delivering value for Mitie clients, people, communities and shareholders

We provide a service that helps our clients run their organisations more efficiently. We engage with local communities to recruit apprentices, develop careers and inspire people, to benefit society as a whole. In return we are able to deliver sustainable profit that creates value for our shareholders.

Integrated FM
- Advice
- Strategy
- Management
- Data
- Property consultancy
- Care and custody

mitie | source8 | care+custody

Hard FM
- Maintenance
- Compliance
- Projects
- Energy

mitie | Utilyx

Catering and front of house
- Catering
- Events
- Reception
- Helpdesk

mitie | Creative Taste | Gather & Gather | creativevents

Security
- Manned guarding
- Systems
- Vetting
- Document management

mitie | procius background checking people | ukcrbs

Cleaning and environmental services
- Cleaning
- Landscaping
- Waste Management
- Pest Control

mitie

Property Management
- Housing maintenance
- Painting
- Insurance claim response management

mitie

Healthcare
- Homecare
- Complex care

mi homecare | complete care

More on our operational performance: Page 16

Well-positioned for growth

Headline financial highlights

+5.8%
Revenue (4.9% organic growth)
£2,266.2m (2014: £2,142.6m)

+0.9%
Operating profit
£128.6m (2014: £127.5m)

5.7%
Operating profit margin
(2014: 6.0%)

95.1%
Cash conversion
(2014: 102.4%)

+6.4%
Dividend per share
11.7p (2014: 11.0p)

+2.1%
Basic earnings per share
24.8p (2014: 24.3p)

18.6%
Return on capital employed
(2014: 16.9%)

85%
2016 budgeted revenue secured
(prior year: 84%)

£9.0bn
Order book
(2014: £8.7bn)

£9.7bn
Sales pipeline
(2014: £8.2bn)

Overview

This has been a year of significant progress for Mitie. We have repositioned the business to focus on our profitable and successful facilities management (FM) business. We have also completed the exit from our mechanical and electrical engineering construction and Asset Management businesses. Whilst this has come at a significant cost, this action has significantly reduced the potential volatility of the group's future earnings. We are confident that the right long-term decisions have been made for the business and we now have a substantially lower risk profile.

Our FM business has continued to perform strongly, with a steady flow of contract awards and retentions across our key sectors, generating strong organic revenue growth of 6.1%. There are significant market opportunities that will enable us to further grow our share of single, bundled and integrated work, across all of our service lines. Our focus has always been on building long-term partnerships with our clients. The extension of our integrated FM contract with Lloyds Banking Group this year, through to 2022, was particularly significant.

The other two main areas we work in – social housing and healthcare – experienced a challenging year, as a result of pricing pressure in both these markets. However, we still see good long-term opportunities to deliver growth in both these markets.

People

We believe in recruiting the best people and motivating them to produce excellent performance. I would like to personally thank all the people of Mitie, who have contributed to our performance this year, for their hard work and dedication to our clients.

Results

During the year, headline revenue grew by 5.8% to £2,266.2m (2014: £2,142.6m), of which 4.9% was organic. Headline operating profit increased by 0.9% to £128.6m (2014: £127.5m), reflecting a margin of 5.7% (2014: 6.0%). Headline profit before tax increased by 0.7% to £114.1m (2014: £113.3m) and headline earnings per share increased by 2.1% to 24.8p (2014: 24.3p).

Our statutory results include £72.6m of other items (2014: £44.9m), of which £62.5m are non-recurring (2014: £33.9m). The key non-recurring items are: £15.9m of trading losses incurred as part of our exit from our mechanical and electrical engineering construction business (2014: £13.6m); exceptional charges of £45.7m relating to our Asset Management business (2014: £25.4m) and costs resulting from acquisitions and related integration costs of £0.9m (2014: £5.4m). Statutory profit before tax was £41.5m (2014: £68.4m) and statutory earnings per share was 9.7p (2014: £13.4p).

Cash generation was excellent, with cash inflows from operations of £113.2m (2014: £124.1m), representing good conversion of headline EBITDA to cash of 95.1% (2014: 102.4%). The balance sheet remains robust with net debt at the year-end of £177.8m or 1.2x headline EBITDA (2014: £186.6m or 1.3x). It is our aim to increase return on capital employed and it was 18.6% (2014: 16.9%).

In July 2014 the group completed a refinancing of its revolving credit facility through a syndicate of six banks which secured £275m of committed facilities for a further five years at margins favourable to the previous facility. Including US Private Placement notes, the group now has committed funding of £527m in place to support future growth.

During this period, our order book has increased by £0.3bn to £9.0bn (2014: £8.7bn). Our sales pipeline currently stands at £9.7bn (2014: £8.2bn) and our forward revenue visibility is excellent, with contracted revenue for the year ending 31 March 2016 at 85% of budgeted revenue (prior year: 84%).

Dividend

The Board's policy is to grow the dividend at least in line with the underlying earnings of the group, while maintaining dividend cover at a prudent level. The final dividend proposed by the Board has increased by 6.6% to 6.5p per share (2014: 6.1p per share), bringing the full year dividend to 11.7p per share (2014: 11.0p per share), an increase of 6.4%. This results in a dividend cover of 2.1x (2014: 2.2x). Subject to shareholder approval at the Annual General Meeting (AGM), the dividend will be paid on 4 August 2015 to shareholders on the register at 26 June 2015.

Board and corporate governance

Corporate governance remains an important and committed area of focus for the Board. The priorities during the year were our growth strategy, the exit from loss-making businesses, the ongoing review of performance and risk and the composition of the Board.

On 31 July 2014, Bill Robson stepped down as an Executive Director of the Board. On behalf of the Board, we thank him for his contribution and am delighted that he remains as part of the executive team, in his role as Managing Director of our Property Management division.

On 1 October 2014, Crawford Gillies stepped down from his role as Chairman of the Remuneration Committee; and he will step down as a Non-Executive Director of the Board at the AGM on 13 July 2015. We thank him for his valuable contribution to the Board. Jack Boyer, Non-Executive Director, has taken on the role of Chairman of the Remuneration Committee.

David Jenkins will retire from the Board in December 2015. He will step down as Chairman of the Audit Committee and Senior Independent Director at the AGM. We thank David for his valuable contribution to date and for his commitment to the group by continuing on the Board to ensure a smooth transition. Larry Hirst, who has been a Non-Executive Director for the past five years, will be appointed Senior Independent Director at the AGM. Mark Reckitt will be appointed as a Non-Executive Director of the Board with effect from 1 July 2015. He will be appointed Chairman of the Audit Committee as David's successor, and will also be appointed to the Nomination and Remuneration Committees. Mark brings significant expertise and experience, having held senior business, strategy and finance roles at Smiths Group plc, Kraft Foods Inc., and Cadbury plc. He is Non-Executive Director and Chairman of the Audit Committees at both Cranswick plc and J D Wetherspoon plc.

Outlook

Mitie has made good progress this year. We have repositioned the business and lowered our risk profile. Our Facilities Management business accounts for c.85% of group revenue and is the UK market leader.

We see considerable opportunities across our markets to provide clients with higher quality, innovative services that save them money.

We are only as good as all our people, and supporting and developing them is critical to our ongoing success.

We are focused on generating profits backed by cash, maintaining strong margins and growing the dividend. With a substantial order book and sales pipeline, we are now well placed to deliver consistently good growth. We look ahead with confidence.

Roger Matthews
Chairman

A successful business with huge potential

Overview

Mitie is a really successful business and we have huge potential. We continue to focus on our core facilities management (FM) business where our outsourcing services help clients run their businesses more efficiently and effectively. In short, we look after our clients' buildings, facilities, and people, and we did so with great success during the year.

We do this by building long-term relationships with clients and always looking at every aspect of service delivery from the client's perspective. We constantly challenge the status quo, and these high standards translate into cost and performance benefits for our clients.

Our teams are responsible for delivering the widest range of FM services in the UK, from cleaning, landscaping, pest control and waste to security, catering, front of house, technical engineering maintenance and building services.

At the same time, we have a property management business providing social housing maintenance and painting, and a healthcare business that provides homecare services that enable individuals to live more comfortable and independent lives. Whilst this has been a challenging year for these businesses, the long-term prospects for both markets remain positive.

Developments during the year

This has been a year of important contract awards and retentions. With repeat business being an excellent indicator of a company's strengths and the most important driver of our own organic growth, it was rewarding to again see our contract retention rate in FM above our target of 90%, at 96%.

During the year we were particularly delighted to extend our transformational partnership to deliver integrated FM for Lloyds Banking Group. Our initial five-year contract commenced in 2012 and the new agreement will extend it through to the end of 2022. This is one of the biggest private sector FM contracts of its type and is an excellent example of two organisations working in partnership.

At Heathrow Airport, our proactive working relationship has led to an expansion of our FM contracts there to include additional security services such as hold baggage screening and immigration presentation services, and we see significant opportunities to further expand our presence across the Heathrow estate.

We were also awarded a number of major contracts with new clients during the year. Jones Lang LaSalle has appointed us to deliver FM services across its UK property portfolio, in a contract valued in excess of £85m over three years.

Our Environmental+ business was awarded a £90m first-generation outsourcing contract to deliver soft FM services for seven years, across three sites of the Royal Cornwall Hospitals NHS Trust. We also made good progress in the areas of waste management, landscaping and pest control. The waste business was awarded its largest ever contract with a multinational consumer goods company, for a value of £18m over three years. Our landscaping and pest control businesses benefited from a very strong year of retention as well as cross-selling to our existing client base. It extended or retained contracts with valued clients including the Co-op, Sainsbury's and Mitchells & Butlers.

The ethos of employee share ownership has always been at the heart of our business. The 'Mitie Model' underpins our entrepreneurial culture and is a key differentiator in the market; we continue to use this to attract great management teams and build our service offering.

We believe this is the best environment in recent years in which to start and grow new businesses, and we plan to back entrepreneurs to do this through the launch of a £20m entrepreneurial fund.

Our catering business, Gather & Gather, is an example of where our equity model is resulting in very strong performance. We brought in a management team four years ago, who invested in the business and have since more than trebled its revenues and transformed our offering. It launched its offering in Ireland during the year and has had notable success there already with the award of landmark new contracts, including Primark and LinkedIn, generating revenue of £15m per annum.

Our Care and Custody business was also built using the Mitie model, and just four years after entering the market, it is now the largest provider of immigration detention services to the Home Office. During the year we successfully mobilised the eight-year, £180m contract to manage and maintain the Colnbrook and Harmondsworth detention centres for the Home Office, and this contract is progressing well.

In-house	Single services	Bundled services	Integrated FM
Shift	A range of specialist single services	Broader cost savings Synergies between service lines Standardised provision	Integrated delivery – one client contact Significant synergies Management team employed by Mitie (thin client layer) Data and information systems drive strategic property decisions
Incremental savings	**20-30%** In-house to single service	**+10-15%** Single to bundled services	**+10%** Bundled to integrated FM

Strategic partnering

Creating value beyond cost savings

In January 2015, we were pleased to acquire the remaining 49% of Mitie Compliance. This is a business which we acquired a majority stake of in 2011, then called Direct Enquiries. The management team retained a minority stake, with an incentive to continue building the business, based on the Mitie model. It has been very successful, having grown into one of the UK's leading compliance consultancies. It helps clients to stay compliant with building legislation, which is vital to sustain safe, robust and legally compliant operations. It provides comprehensive technology-led, evidence-based auditing services and has extensive experience in providing compliance services for some of the UK's biggest businesses.

In November 2014, we acquired a majority stake of Source8, the real estate, technology and risk management consultancy. It provides advisory and business support services to governmental and non-governmental organisations on the implementation of real estate, technology and risk management solutions globally. Its clients include leading global corporations, and the business has particular expertise in emerging markets and complex environments. Source8 brings a strategic offering with strong growth potential and consulting capabilities both in the UK and overseas. The high quality management team has retained a minority stake in the business, and are incentivised to grow the business, again using our unique equity model. This purchase is enabling us to build on our consultancy offer and is another example of how we are working hard to deliver a greater breadth of the FM services that our clients rely on.

In October 2014 we acquired Procius, which specialises in pre-employment screening. It has particular expertise in the aviation and transportation sectors. The acquisition is providing our security business with extra capabilities and is supporting its growth as one of the UK's largest providers of pre-employment screening.

Our homecare and social housing businesses both work predominantly in the local government sector. Local authorities have significant challenges and as a result we have experienced pricing pressure in both of these businesses, which has negatively impacted their financial performance. In both businesses, we are focused on working with clients who truly value the people who deliver such important services, and with whom we are able to develop long-term, sustainable relationships.

In our homecare business, against this market backdrop, we have closed or streamlined a number of branches where the cost pressures are most intense. In regions where pricing has reached levels that are not economically viable, we have withdrawn from bidding altogether, which has resulted in a lower volume of hours worked during the year. We have concurrently continued to invest in resources and infrastructure to grow the business for the long term. Recruitment remains one of the biggest challenges in this market and we have taken a number of steps during the year to address this issue.

We remain confident of the longer-term opportunities in the healthcare market – the fundamental demand for care for the elderly, which can be provided more cost-efficiently in the home, is growing steadily and projected to grow faster in the years to come. We also anticipate growth will come from working with partners such as the NHS to improve the overall delivery of public health services at a lower cost, through a significantly improved operating model in care at home. We will also strengthen our position in the complex care market, where our Complete Group business is performing steadily.

Exiting non-core businesses

In 2012, we made the decision to reduce our exposure to cyclical, high risk, construction-related markets. This was not an easy decision, and a very difficult course of action for Mitie, but it was undoubtedly the right thing to do for our long-term future.

We have now completed our exit from the legacy, loss-making mechanical and electrical (M&E) engineering construction businesses as well as our Asset Management business. Both were characterised by design and build risk, high overhead costs and cyclicality. The M&E construction business closed before the end of the financial year, with exceptional losses of £15.9m for the period. In our Asset Management business, all operational and financial risk on the remaining design and build contracts has been assessed and a charge of £45.7m is included in Other items (see Note 3). Beyond these amounts, no further exceptional charges will be incurred from either of these businesses.

A strategy for sustainable growth

Our strategy continues to deliver results and therefore remains unchanged: we will focus on our UK FM business across both private and public sectors. Specifically, in FM we aim to remain the UK market leader in integrated services, to further grow our specialist single-service businesses and to be a top four provider in each of these markets. Our strategy in property management is focused on long-term contracts with housing associations and local authorities.

The FM business provides good, consistent margins and strong organic growth potential, backed by a healthy order book and excellent revenue visibility. We are well-respected leaders in all of our sectors and see many opportunities to take further market share by winning new business and, importantly, retaining contracts and growing the scope of services with existing clients. Our clients are at various stages of the journey from single service delivery to fully integrated FM, where we lead the UK market, and we will support them with a wide range of services as they move along this path.

In Healthcare, our target is to grow our homecare business, MiHomecare, into one of the UK's leading homecare businesses. We will also seek to benefit from the longer-term consolidation in the market, as Councils shift to more strategic partnering. This change will be driven by their need to address financial challenges, and desire to deliver new and better service models through greater integrated working with the NHS.

Brilliant people, brilliantly engaged

As always, we are only as good as our people. Our people are what make Mitie such a compelling partner for organisations looking to improve performance and reduce costs. Passionate and skilled, our people are also determined to 'do the right thing' at all times, and during the year we produced a new code of conduct to support them. The Code promotes our core values and the responsible behaviours that underpin them. It provides guidance and support for our people when undertaking their work and draws together all of our longstanding policies and procedures from all business areas into one simple and practical guide. Every Mitie person is encouraged to understand the importance of following its principles at all times.

This is just one example of how we engage with and support our people. From communicating via social media to developing training programmes, we aim to help them be the best they can be and to enjoy fulfilling and rewarding careers. Clearly, that is good for our people but it is also good for our clients and, ultimately, for Mitie itself.

We are also really passionate about ensuring we have a diverse business, at every level of our organisation. Like most other organisations in the UK, we can improve on this, particularly at the most senior levels. Whilst at the plc Board level, we have a strong track record of diversity, at the executive management levels of our business, we would like to be more diverse. That is why we are setting internal, aspirational diversity targets for all of our subsidiary boards over the next five years. It is important that everyone has equal opportunities to progress and succeed in their careers, and these targets will encourage debate and discussion around this incredibly important agenda. It will also achieve real results.

Looking ahead

We have delivered a strong performance in our facilities management business during the year, and we expect to make further progress next year. We have significantly de-risked our group by finalising the exit from our engineering construction and asset management businesses.

We are focused on maximising the long-term growth potential of our facilities management, property management and healthcare businesses. Our order book and sales pipeline are substantial and allow us to look ahead with confidence.

The group is well placed to deliver sustainable, profitable growth.

Ruby McGregor-Smith CBE
Chief Executive

A strategy for sustainable and profitable growth

Our strategy is to deliver sustainable, profitable growth. You can find details on our progress against a range of financial KPIs on page 32.

The strategy is enabled by a focus on six key elements:

1

People

Develop the best talent at every level of our business.

2

Clients

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

3

Operational excellence

Deliver market-leading, innovative services with maximum efficiency.

4

New markets and services

Develop our service capability in our current markets and in markets that offer attractive growth opportunities.

5

Risk

Manage risk and protect our business and brand.

6

Responsibility

Take a long-term view by acting responsibly.

1

People

People are the lifeblood of our business, the single factor that makes the difference between Mitie and our peers.

Every year, we make a significant investment in attracting, retaining and developing the best people in the industry at all levels. This ensures that our people have the expertise to do a great job and are motivated to put the client first by carrying out their tasks efficiently and effectively. In 2014, for example, our FM business launched a Key Accounts programme, which aims to develop our most senior account directors and future leaders. Working in partnership with the Manchester Business School, we have conducted three intensive courses focusing on strategic intent, customer relationships and commercial acumen.

In addition, 120 middle and senior managers completed structured personal development through the Mitie Academy. We have also continued to actively support the Government's apprenticeship programme.

Over 800 Mitie apprentices have gained nationally recognised qualifications at levels 2 and 3, working in our Environmental+, Total Security Management and Gather & Gather businesses.

At the year end, we employed 69,557 people. We recognise the value of training and motivating all of our people. E-learning is an important tool in our development programmes and in 2014 we designed and launched Career Pathways e-learning support, which helps all of our people learn how to move ahead in their careers. We have also expanded our national employee roadshows, which several thousand of our managers attended during the year. Our employee discount programme, Mideals, remains a really important benefit to all of our people and we have expanded the range of rewards it offers.

Management retention KPI

%

2011	89.5
2012	82.5
2013	97.1
2014	89.2
2015	87.9

Description:
Mitie is a people business and we pride ourselves on creating and nurturing outstanding managers.

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

Target:
Maintaining a management retention rate of over 80%.

Comment:
Our management retention rate was 87.9% for the year, excluding redundancies.

2 Clients

Everything we do is focused on our clients. We are all about service excellence and mark our progress as much by client satisfaction and retention rates as by our own financial performance. Our FM contract retention stands at above 90%. We are working hard to make sure that our track record in all sectors, for all client contracts, reaches those same high standards.

Mitie clients stay with us because we prove our value. Often, our relationships begin with a contract to provide a single service. Then, as the client experiences the value we bring to the business, the relationship evolves into a bundle of services or a fully integrated contract which sees us deliver a raft of different services under a single agreement.

In addition to initiatives such as the Key Accounts programme – which although part of our People strategy also delivers tangible benefits to clients – we strive to create a culture that always puts client focus at the heart of how we work.

In the complex outsourcing marketplace, it is clear that one size will never fit all. So we treat each client as unique; as an opportunity to create a tailored service – or a bundle of services – that meet their needs with pinpoint precision.

Single, bundled and integrated contracts KPI

%

	Single	Bundled	Integrated
2011	42	58	
2012	41	46	13
2013	41	33	26
2014	40	29	31
2015	38	30	32

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 market towards bundled 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:
62% of revenues are attributable to bundled and integrated FM contracts.

Client focus means creating a clear simple message that resonates for one client and one client alone. This is uniquely tailored and demonstrates a real understanding of where they are, the pressures they are under and how the services we provide can be linked together in ways that unlock potential and deliver new benefits.

Secured revenue KPI

%

2011	81
2012	83
2013	85
2014	84
2015	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, 85% of budgeted revenue for 2015/16 was secured, our highest level ever and a reflection of the success of our strategy to focus on long-term secured revenue.

Order book KPI

£bn

2011	6.8
2012	8.6
2013	9.2
2014	8.7
2015	9.0

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 3.4% during the year to £9.0bn.

3

Operational excellence

Helping clients operate more efficiently is our core skill. It is why clients choose to work with us and why we have grown so consistently. However, we know that there is always a better way of working – a better way to deliver operational excellence and the best way to stay ahead of the competition. Management information, data and technology is an increasingly critical part of our service offering, and we continue to invest in this area.

Our team continually seeks out new and better ways of working. That means concentrating on what matters most to customers, listening to feedback and being innovative to meet ever-increasing expectations. It means efficient delivery, using standard processes, key performance metrics and knowing exactly who is doing what, where and when. And it means being effective, with clearly defined roles and a culture of continuous improvement supported by sharing best practice, such as how we use management information and technology.

Technology is also a key driver for efficiency improvement. Our teams have a long track record of deploying innovative tools to enhance performance, from remote surveillance systems to our Miworld portal which enables clients to monitor and manage all their buildings and equipment in one place, in real time. During 2014, we launched a number of new technology-led initiatives, including the security industry's first 'all incident' crime mapping software. This brings together our recorded security incidents and police crime data in an online, UK-wide registry to provide the most up-to-date intelligence and analytics.

Headline operating profit margin **KPI**

%

2011	5.7
2012	6.2
2013	6.1
2014	6.0
2015	5.7

Description:
Our headline operating profit margin provides us with a good indicator of the efficiency of our business.

Objective:
Margin increases over the medium-term.

Comment:
Our headline operating profit margin was 5.7%.

4

New markets and services

Our current and future performance will be driven by our experience and expertise in our core FM markets. However, our skills are also relevant to adjacent sectors where we can connect strategically with customers and offer them efficient and quality services.

Technology-led solutions have become a key differentiator to our offering. We have continued to invest in niche areas that give us different capabilities and enable us to constantly expand the breadth of what we do for our clients.

For example, our acquisition of Procius, a leading pre-employment screening and vetting company with over 3,000 clients across all sectors. Procius provides our security business with additional niche capability in a high margin sector, and will drive its growth as one of the country's largest providers of pre-employment screening, competency management and criminal records checking services.

The year also saw the acquisition of Source8, which has added a valuable real estate, technology and risk management consultancy offer to our portfolio, complementing the services we already provide to our clients. Source8 brings strong growth potential to Mitie, supported by a high quality management team.

Organic revenue growth **KPI**

%

2011	2.1
2012	5.4
2013	5.0
2014	5.2
2015	4.9

Description:
Mitie has historically tracked and reported organic revenue growth as a key measure of its success. Organic growth is calculated by using revenue as reported in the Accounts, based on the continuing businesses and excluding the impact of material acquisitions or disposals made during the performance period.

Objective:
Grow revenue organically every year.

Comment:
Mitie achieved 4.9% organic headline revenue growth across the group in 2015. The operating margin in our FM business improved, however the overall group margin was impacted by pricing pressure in our Property Management and Healthcare businesses.

5

Risk

Risk management is not a 'nice to have' but an essential aspect of how we work. Our approach to risk management is based on an enterprise-wide framework through which we identify, mitigate and manage our significant risks at both an operational and strategic level. Risk management informs every single decision we take, including our exits from our M&E engineering construction and Asset Management businesses, both of which were completed during the year.

Health and safety is a key risk for Mitie and we are pleased to see the number of reportable health and safety incidents reduce again this year. However, we will never be complacent about the well-being of our people and continue to focus on continual improvement. Ethical matters and behaviours also influence our risk profile and we encourage the highest standards across the business. In 2014, for example, we produced 'One Code', a new code of conduct that promotes our values and enables our people to do the right thing at all times.

Reportable accidents

per 1,000 employees

KPI

2011	3.1
2012	3.4
2013	3.1
2014	2.6
2015	2.3

Description:
The health and safety of our people is critical to our business. Reportable accidents are those defined as fatalities, major injuries or resulting in over seven days absence or restriction from work.

Objective:
In line with our Work Safe Home Safe! employee engagement programme, our objective is to embed safe working behaviours and ensure every employee goes home safely at the end of their working day.

Comment:
Our reportable accident rate shows a significant improvement on the 2014 rate, with an 11.5% reduction in the number of reportable accidents. We will maintain our focus on continual improvement in health and safety risk management to fulfil our Work Safe Home Safe! vision.

6

Responsibility

Our business is about more than delivering great service to clients and meeting shareholder expectations. As a very large employer, we touch the lives of countless people, directly and indirectly. We have a huge opportunity to use our expertise and resources to support local communities and minimise our impact on the environment. This year was one of our most successful years to date for the way in which we succeeded on both counts.

Youth employment is an issue that really matters for us. Mitie started out as a small business in 1987, and we have not forgotten these roots – it is important that we continue to support young people and give them opportunities to fulfil their potential. We currently have over 2,000 apprentices in training across our businesses. In November, we entered into a partnership with Mosaic, HRH The Prince of Wales' mentoring charity. This will provide ex-offenders with transferable skills through a series of workshops and training programmes, ultimately leading to a work placement with Mitie. This scheme is overseen by the Mitie Foundation, our charitable arm, which focuses on creating opportunities for people of all backgrounds to join the world of work by raising aspirations and unlocking potential.

Since its establishment in 2013, the Foundation has supported careers events at more than 122 schools, and successfully helped 42 people into employment during the year. We encourage our people to take part in Foundation events when possible, with over 200 joining the Mitie London Revolution, a 192 mile cycle ride that raised over £28,000 for a new Business Development Academy with our education social enterprise partner, Working Knowledge.

We continue to actively promote diversity and were named as one of The Times Top 50 Employers for Women for the fifth consecutive year. We also successfully completed the Business in the Community Gender and Race Benchmark 2014, earning two gold and one silver awards.

In terms of the environment, we've set an ambitious target of reducing our carbon footprint by 35% by 2020, from a 2010 baseline. This year CO_2 emissions remained constant at 0.63 tonnes per employee.

More on our financial performance: **Page 32**

Carbon dioxide emissions

tonnes per employee

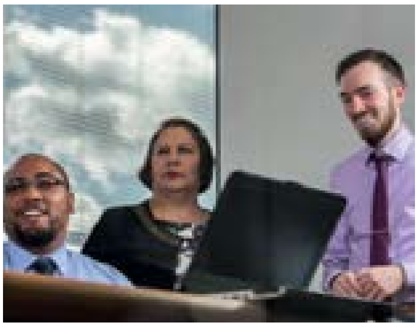
KPI

2011	0.74
2012	0.71
2013	0.64
2014	0.63
2015	0.63

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 20% lower than the baseline.



Good growth opportunities

Customers are always looking for better value and improved service levels. Our role is to be the experts in providing quality services and the best outsourcing solutions for them. As a people business, we do this by having the right people, supporting them, and ensuring they have the right skills and do things the right way.

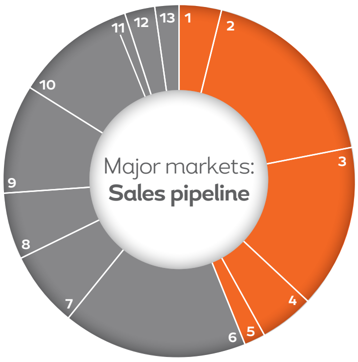
We continue to see major opportunities to help clients in both the public and private sectors shift from outsourcing single services to benefit from the cost and efficiency advantages of more integrated FM.

Economic climate and marketplace

Although the UK economy gathered momentum during 2014 and is outperforming countries in mainland Europe, there remain risks to the economic situation. Growth in outsourcing has remained relatively flat over the last year. In general terms, our industry is slow to enter recession but also slow to emerge, due to the long-term nature of outsourcing contracts.

The total UK FM market is valued at £125bn. At present, an estimated £75bn is outsourced, £45bn of which represents our principal addressable market, defined as contracts worth over £500,000 per year. We hold a 4% share of this market. We expect demand for FM services to grow by up to 2% annually until 2017, up on the 1.2% annual growth from 2007 to 2013. The market is fragmented and dominated by around 120 large providers, with the 12 largest accounting for 34% of the market. The markets for individual service lines are in general led by different specialists (sources: management consultancy; MTW Research).

Public sector	£0.8bn 36%
1 Central and other government	7%
2 Local government	7%
3 Social housing	11%
4 Healthcare	6%
5 Education	5%
Private sector	**£1.5bn 64%**
6 Finance and professional services	17%
7 Manufacturing	10%
8 Retail	12%
9 Property management	5%
10 Technology and communications	6%
11 Utilities	3%
12 Leisure	4%
13 Transport and logistics	7%



Public sector	£4.3bn 44%
1 Central and other government	4%
2 Local government	18%
3 Social housing	15%
4 Healthcare	5%
5 Education	2%
Private sector	**£5.4bn 56%**
6 Finance and professional services	17%
7 Retail	7%
8 Manufacturing	6%
9 Transport and logistics	10%
10 Property management	10%
11 Technology and communications	1%
12 Utilities	3%
13 Leisure	2%

Market trends

Outsourcing remains a key government strategy, as both central government and local authorities continue to adopt austerity measures. This focus on costs is creating opportunities for outsourcing, which is well-established as a proven route to greater efficiency. Government procurement is still driven by price and not quality, which means that we are selective about the contracts we are prepared to bid for in the public sector. The perception of outsourcers is negative in some quarters, due to significant bad press in recent years. The task for those at the quality end of the market, including Mitie, is to remain vigilant and to consistently promote the benefits and quality we bring to our clients and their customers.

As an industry, FM continues to move from single services to bundles of services, with many contracts now seeing the integration of multiple services across different and diverse sites.

For both public and private sectors, value is the watchword and the lack of inflation means that most organisations are operating in a zero price rise environment. In light of the ongoing debate around minimum wage versus living wage, we expect employee wages will continue to be a key area of focus during contract negotiations. Our view is that great work deserves decent pay. Our policy is to offer clients the choice of paying either current market wage rates, which may include the minimum wage, or an alternative outsourcing model to adopt a geographically appropriate, fair wage. We are uniquely placed to see the challenges that many of our people face in the service industry, and we believe that fair wages are critical in motivating and supporting them.

As part of our Executive Relationship Programme, we continued to develop 'Mitie Debates', which aim to more closely understand trends in the market, and help to inform and shape the way we work with our clients and plan for their future needs.

To support this programme we commissioned another independent research report, 'Delivering the vision of an integrated workplace', which found that large corporate organisations are gradually bringing property, HR, FM and IT together to provide 'Workplace Services' that recognise new working practices and the importance of people. This represents an opportunity for the FM sector to provide new service solutions that focus more on supporting people at work and less on the buildings in which they work.

To share our research findings and discuss a range of other industry challenges and opportunities, we have held a number of roundtables and discussion dinners that brought together small groups of property and facilities directors. Through forums like this, our clients can share and discuss their own experiences, innovations and best practice with their peers from other organisations.

Another roundtable discussion looked at how property and FM data could be used for strategic decision making around a property estate and to improve the delivery of FM services. Following this event, we released a strategy guide 'Using data to reshape the workplace' which recognised how the rise in use of technology has been accompanied by a rapid increase in data. This has given FM and property professionals the opportunity to capture basic property data on rent, business rates and utility costs, but also dynamic information on a vast range of factors, such as how people are using and moving around the building, that can help determine the efficiency and value of each building. With access to a single view of data across an estate, the guide highlighted how property and facilities directors can use this rich source of information to improve the management of workplaces and influence the quality and cost of long-term occupancy decisions – insight that adds real value to an organisation.

Energy is another key area that impacts an organisation's ability to manage costs and this topic was also explored. Our strategy guide, 'Taking an integrated approach to energy' investigated how it is becoming harder to make significant savings via traditional efficiency measures, but looked at how many clients are benefiting from integrated energy strategies that deliver better working environments, greater employee engagement and an enhanced reputation, in addition to cost and carbon savings.

Private sector

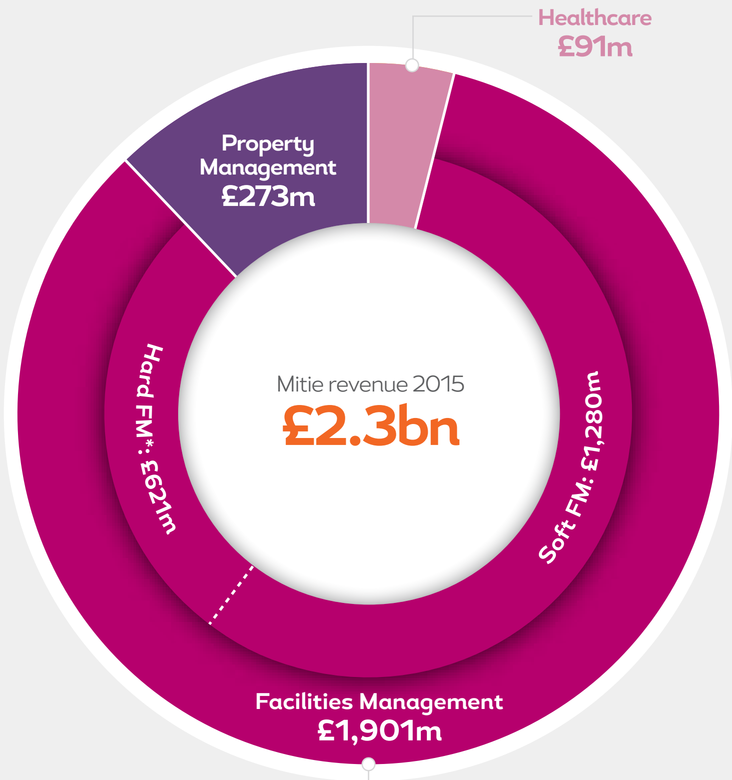
Mitie remains focused predominantly on the private sector, and this has been the primary source of our growth over the past five years. The market drivers in the private sector are broadly similar to those in the public sector – including the need to reduce costs by outsourcing non-core activities, while maintaining and where possible improving service. We provide services to a wide range of companies in sectors including finance and professional services, manufacturing and leisure. Our performance for the year has again been led by the private sector, which accounted for 64% of revenue, and we expect this trend to continue through the coming year.

Public sector

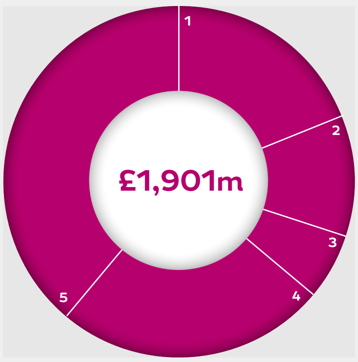
We focus on the justice, local government and health sectors, where we continue to see a good range of long-term opportunities. We are highly selective about the areas in which we bid and rigorously review pricing and risk transfer. In 2014, the public sector accounted for 36% of revenue, including 7% from central and other government.

We still foresee selected opportunities in the public sector over the medium term. All governments, across the world and in the UK, will continue to face pressure in three key areas: the growing cost of healthcare and an ageing population; the need to reduce public debt and spending deficits; and high expectations of the quality of public services. Consequently, we believe the range of outsourcing opportunities will increase as the private sector looks to support the public sector in innovative new models that can support them with their challenges.

The shape of our business today



Facilities Management revenue split



		2015 £m	2014 £m
1	Cleaning and environmental service	360	363
2	Security	214	216
3	Catering and front of house	114	76
4	Hard FM	479	463
5	Integrated FM	734	668

* Energy Solutions incorporated in Hard FM

Facilities Management

	2015	2014	Growth
Revenue			
Soft FM	£1,280.3m	£1,190.8m	7.5%
Hard FM	£621.1m	£595.3m	4.3%
	£1,901.4m	£1,786.1m	6.5%
Operating profit			
Soft FM	£81.9m	£74.8m	9.5%
Hard FM	£31.4m	£25.6m	22.7%
	£113.3m	£100.4m	12.8%
Operating profit margin			
Soft FM	6.4%	6.3%	+0.1ppt
Hard FM	5.1%	4.3%	+0.8ppt
	6.0%	5.6%	+0.4ppt
Order book	£7.6bn	£7.4bn	2.7%

Our core FM business comprises two divisions: Soft FM, which includes cleaning and environmental services, security, and catering and front of house; and Hard FM, which consists of a range of technical and building services. Our integrated FM offering brings together the full range of soft and hard FM services in a single tailored proposition.

There has been a slight change to the way we report our FM results this year, with our Energy Solutions business now incorporated into Hard FM because it supports the strengths and objectives of that division.

Developments during the year

The FM business performed very well throughout the year, delivering strong organic growth of 6.1%, through important contract awards and extensions. The operating profit margin improved in both the Soft and Hard FM divisions, reflecting good market conditions and a continued focus on operational efficiency.

Client satisfaction is central to our success and we were rated the top overall service provider in the FM industry for the second consecutive year in the 2014 i-FM brand survey. The same survey also identified us as the most innovative provider with the best brand identity, and placed us either first or second in several of the service categories, including integrated FM, technical FM, cleaning and security.

We have made considerable progress developing our FM business, working with our clients to deliver both tactical and strategic support to their activities. For our largest clients, we utilise our extensive experience to: provide tailored consultancy services to support their strategic objectives; operational solutions to manage and oversee the demands of complex and changing estates; and trained people who carry out day-to-day, bespoke FM services.

Our ability to deploy such broad expertise demonstrates our value to clients, supports the generation of new, profitable revenue streams and positions us as a clear leader in our chosen markets.

In addition, the introduction of a wider mix of service lines has enabled us to support our margins through the introduction of consultancy activities to support our clients' strategic estate management objectives, with margins consistent with those achieved by other consultancy or professional services businesses. In the second half of the year, we have seen a significant contribution from our consultancy stream in FM, and we expect revenues in this area to continue to develop. Our operationally-led, professional expertise and experience in FM is highly valued by our clients and the provision of selected FM consulting services will also incorporate our activities from Source8 and Utilyx going forward.

Our international presence remains relatively small. In continental Europe, we support a small number of key clients; in some countries through a self-delivery model and in others using supply chain management. In Ireland, we have made excellent progress since our entry into that market in 2010, where our revenues have trebled over that time. Our catering business, Gather & Gather, has now expanded into Ireland and has made excellent progress with the award of a number of exciting contracts there during the year.

Elsewhere, our recent acquisition, Source8, provides property consulting services across the globe for a range of UK, European and US based businesses.

Our Care and Custody business is also continuing to expand its presence in the justice sector, where we look after a number of immigration removal centres. In 2014, we successfully mobilised our £180m, eight-year contract to manage and maintain two immigration centres. Three years after entering the market, we are now the largest provider of immigration detention services to the Home Office.

The mobilisation process included merging the two centres into one, helping two discrete groups of staff adopt a new operating model based on a central team, consistent operations and centralised services such as the control room.

Integrated FM

Key clients

- Lloyds Banking Group
- Rolls-Royce
- Vodafone
- Ministry of Justice
- BSkyB

Our integrated FM business incorporates the full range of hard and soft FM services. During the year it generated revenue of £0.7bn, a 10% increase on the prior year.

With the integrated FM UK market valued at around £22bn, we continued to prosper and grow, underlining a clear trend for clients to outsource multiple FM services to a single partner as it offers them greater access to value added advice beyond day-to-day operations.

Our clients see us as their trusted adviser – we manage all services delivered on the account and are the single point of contact from an operational, tactical and strategic perspective. Delivering over 95% of the services through our specialist businesses means we also offer our clients a level of ownership, performance and value that is a critical differentiator.

Clients also view a provider's track record as a way for them to achieve assured quality and our broad expertise across multiple sectors has underpinned much of our success this year. In the financial and professional sector, in addition to extending our contract with Lloyds Banking Group, we were awarded a new contract with a major insurance and professional services company. In the technology and communications sector, we retained and extended our contracts with both Vodafone and Eircom.

Expertise in other areas, such as technology, is also critical to our success. Investment in systems, such as our management platform Miworld, has enabled us to provide greater data and management information and therefore insight into strategic decision making – helping clients reduce total cost of occupancy while still improving service quality and responsiveness.

Soft FM

Cleaning and environmental services

Key clients

- Tesco
- Co-op
- Royal Cornwall Hospitals
- St George's Hospital
- First Great Western

We are one of the UK's largest providers of cleaning, pest control, landscaping, waste management and winter gritting, employing over 30,000 people.

The cleaning business today is more sector oriented, with a sharp focus on the transport, commercial, retail, manufacturing, leisure and health sectors. The year's highlights included contract retentions with clients including Ascot Racecourse, Standard Life and Heathrow Airport, as well as new agreements with Santander and Arriva, where we clean, fuel and garage 1,600 buses every day.

In the healthcare sector, we secured major cleaning contracts with Marie Curie, Hull NHS Trust, Epsom and St Helier Hospitals, as well as a soft FM contract with Royal Cornwall Hospitals NHS Trust.

In the retail and consumer goods sector, our waste management business was awarded its largest contract to date with a multinational consumer goods company, providing services across 22 sites, with a value of £18m over three years. Our pest control business also retained its largest contract, with Sainsbury's, for a further two years.

Our landscaping business is growing rapidly; during the year it was awarded its largest ever contract, as part of the FM services we will be delivering for Jones Lang LaSalle.

Security

Key clients

Heathrow
Eurostar
AWE
Jaguar Land Rover
Eurotunnel

We provide customers with total security management, from traditional manned security to technology-led services such as remote monitoring and pre-employment vetting services. The addressable market for our services is around £2.5bn, which is now growing at approximately 1% per annum following industry contraction.

We follow a risk-based approach built on people, technology and consultancy and see excellent opportunities in sectors including critical security environments (CSE), the public sector, and transport and aviation. In CSE, we work for risk-averse clients who need high standards of security, such as AWE, Cumbrian Collaboration, Lockheed Martin and BAE. In the public sector, we gained several new clients, notably in the health and education sector. We continue to dominate the aviation and transport sector, where we work with clients including Eurostar, Eurotunnel, Birmingham Airport, airlines at Heathrow Airport and Virgin Atlantic Airways.

Catering and front of house

Key clients

RBS
Standard Life
Channel 4
Olympia
Co-op

With the UK contract catering market estimated at £4.2bn, our Gather & Gather catering business continues to thrive and grow in this market. It has created a differentiated offer based on innovative, locally-sourced food and hand roasted coffee. During the year it was awarded important new contracts, including with White Rose, TSB and Gloucester Police. It also expanded into Ireland, through contracts with Primark and LinkedIn. In London, Gather & Gather opened its first retail café, The Bench, situated in the new Goldsmiths' Centre in Clerkenwell.

The focus for our events hospitality business, Creativevents, shifted during the year, from a predominantly venue-based operation to an outdoor events business. Highlights included the Chelsea Flower Show, the RHS Hampton Court Show, Royal Ascot Silver Ring and Winter Wonderland at Hyde Park.

The front of house team made steady progress during the year, with a regular flow of contract awards and retentions, both standalone and as part of our integrated contracts.

Hard FM

Key clients

Heathrow Airport
Ashworth & Rampton Hospitals
Tesco
Jones Lang LaSalle
BBC Worldwide

We deliver a full range of technical and building services to clients across a broad range of market sectors. We are the largest provider of these services in the UK, employing over 5,000 people in this area of the business, as well as training over 120 apprentices at any one time.

Our focus is on building long-term relationships with clients, managing and maintaining all of their mechanical and electrical engineering maintenance needs. We also provide additional, critical specialist services, which extend our offering and bring valuable new opportunities to the business. These include heating, cooling, lighting, fire and security, water treatment, compliance, building controls, roofing and projects.

The business performed well during the year, continuing to grow with existing clients and building new relationships. Highlights include maintaining two of the largest, state of the art, data centres in the UK and new work awarded with Heathrow and Gatwick airports, BBC Worldwide, Turner Broadcasting, Tesco and AB InBev.

Our lighting business, the largest in the UK, has had a good year, with demand for LED lighting projects driving growth in this area. We utilise the latest technology to improve visual quality as well as significantly improving energy savings and efficiency.

Our compliance business is one of the fastest growing in the UK. Changing legislation means that our clients need to stay a step ahead, and we have the broadest range of services and are the market leaders in our use of technology in this area.

With energy continuing to be a major factor for all our clients, our energy proposition provides the analytics and solutions that help improve efficiency and reduce costs. Through our Utilyx consultancy, we enable clients to take a more strategic approach to energy issues, helping them buy better and use smarter. Utilyx is one of the largest buyers of business energy in the UK, on behalf of its clients, making it an energy partner of choice. In 2014, Utilyx was named Most Trusted Consultancy and also Large Consultancy of the Year at the Energy Live Consultancy Awards.

We are differentiated by our national scale, but have a focus on local delivery, enabling us to service both regional and national clients. We have continued to invest in technology during the year, for example market-leading auditing tools and engineering systems, which allows us to provide truly integrated, end-to-end solutions. We have also focused on our account management capabilities and our infrastructure, ensuring we continue to provide quality services and maintain our proven track record.

Property management

	2015	2014	Growth
Revenue	£273.4m	£264.8m	3.2%
Operating profit	£10.4m	£14.4m	(27.8%)
Operating profit margin	3.8%	5.4%	(1.6ppt)
Order book	£1.0bn	£0.8bn	25.0%

Our Property Management business serves a wide range of clients in the domestic housing market, including housing associations and local authorities, through long-term contracts.

Whilst the business delivered good growth in revenues, there was some pricing pressure in its markets during the year. We experienced an acceleration of revenues in the second half of the financial year and the pipeline of future opportunities is strong.

Property management works in whatever way best meets clients' needs. This includes via a variety of models such as bespoke partnering models, strategic planning, investment consultation and stock surveys. An increasing number of existing clients are joining the trend towards bundled services and we have also seen a renewed emphasis on the quality of service delivery.

Although currently the majority of revenues are derived from the public sector, the business is moving towards a sharper focus on the private rented sector, which currently accounts for 17% of the UK housing market and is experiencing high levels of growth.

Over the last 12 months we were awarded a number of property management contracts with clients such as Circle Housing, Orbit, London & Quadrant Housing Association and A2Dominion, while retaining key contracts with clients including Leeds Council and Sovereign Housing.

We are the market leaders in painting and repair services, with national coverage, and during the year we secured new contracts with Home Group and A2 Dominion, amongst others. We also provide domestic heating services and have identified increasing opportunities to supply boiler replacements, insulation and associated projects. Our insurance services business, which performs repair services on behalf of insurance companies, has also made good progress during the year. We anticipate growth across these service offerings over the coming year.

Healthcare

	2015	2014	Growth
Revenue	**£91.4m**	£91.7m	(0.3%)
Operating profit	**£4.9m**	£12.7m	(61.4%)
Operating profit margin	**5.4%**	13.8%	(8.4ppt)
Order book	**£0.4bn**	£0.5bn	(20,0%)

We provide homecare (also known as adult social care) services to people who require help and support due to illness or disability, through our MiHomecare business. We also have Complete Group, which provides nurse led complex care solutions in the home. Today, homecare is in most cases publicly funded and privately delivered.

The financial performance of this business has been impacted significantly as a result of the local authority spending cuts, which is the primary client base of this business. In the last year, we continued to focus resource on branches that were able to perform to the standards that we expect and our service users deserve, and exit regions where local authority cost pressures are most intense. The other major short-term challenge in the homecare market relates to recruiting and retaining the right number of high quality care workers. We are investing in recruitment, training and development programmes in order to ensure a pipeline of well-trained, committed staff.

While the branch closures impacted our performance during the year, we are confident of the longer-term growth drivers in the homecare market, which is valued at £17bn.

Like other developed nations, the UK has an ageing population, with the number of over 85s expected to double in the next 25 years. Homecare services undoubtedly benefit both the person receiving care and the body funding that care: people often prefer to remain in their own homes whenever possible; and central government and local authorities recognise homecare as a more cost-efficient alternative to care in hospitals or retirement homes. We expect this will also drive a long-term trend towards integrating health and social care provision.

Growth in the medium to long term will come from two main sources. Firstly, our MiHomecare brand continues to win important new contracts. The second area where we anticipate growth is in working with partners such as the NHS to improve the delivery of public services. Such partnerships combine the best of both private and public sectors and can lead to a marked improvement in quality accompanied by increased efficiency and reduced costs. We have continued to invest in the business with a view to these medium and long-term opportunities and during the year, we were part of the UnitingCare Partnership which was awarded a contract to provide older people's healthcare and adult community services in Cambridgeshire and Peterborough.

Building and creating excellent client relationships in our key markets and sectors

This summary shows a selection of contracts that we have retained, expanded or were awarded during the year.

Technology and communications

Private

Client	Timeframe	Total value
LinkedIn A new contract for Gather & Gather to provide catering services in at LinkedIn's headquarters	5 years	ND
Vodafone Retained and extended an integrated FM contract to deliver services including fabric and engineering maintenance, workplace management, security and cleaning across 1,500 Vodafone sites	5 years	£250m
BBC Worldwide A new contract delivering the full range of FM services including maintenance and repairs, cleaning, catering, security and front of house services at BBC Worldwide's new offices in Television Centre, White City, London	3 years + 3 years + 3 years	ND
Turner Broadcasting A new contract to deliver FM services at three of the broadcaster's sites, including maintenance and repairs, cleaning, front of house, waste management and mailroom services	4 years	£4m
Interxion Awarded a contract to provide a range of security services to its London data centre campus	3 years	ND
International technology company Gather & Gather were awarded a new contract to deliver catering services in the UK and Ireland	3 years	€30–40m

Transport

Private

Client	Timeframe	Total value
Heathrow Airport Expanded existing relationship to provide security services and hard FM to Terminals 3, 4, 5, the Heathrow Express and in the headquarter building, the Compass Centre and the Heathrow Academy	3 years	£40m
Arriva Awarded a new contract to clean buses at depots across the UK	5 years	£20m
Eurostar Retained a contract to deliver a range of security services at all UK terminal stations	3 years	ND

ND = not disclosed

Finance and professional services

Private

Client	Timeframe	Total value
Lloyds Banking Group Extended transformational partnership delivering integrated facilities management across the bank's entire UK branch and office estate	7 years	ND
Santander A new contract to provide cleaning services to around 1,000 branches and banking centres across the UK	3 years	ND
Standard Life Retained and expanded a contract to provide cleaning, gritting, landscaping, pest control and catering	ND	ND
Bank of America Retained a contract to provide front of house services, which includes reception, switchboard, helpdesk and meeting and event bookings for the bank at four locations across the UK	3 years	ND
Major high street insurance company Appointed to provide hard FM services to the group's property portfolio	3 years	£6m
Major insurance and professional services company Awarded a contract to provide the full range of FM services at 47 buildings across the UK and Ireland	5 years	£40m

Retail and leisure

Private

Client	Timeframe	Total value
AB-InBev Appointed to provide installation, maintenance and repairs to drinks dispense equipment in the brewer's 25,000 outlets across the UK. This builds on our existing contract delivering cleaning, security, catering and technical FM services across 37 European countries	5 years	c. £30m
Gunwharf Quays shopping centre Awarded a new contract to manage the Portsmouth retail outlet's guest relations team	ND	ND
Ascot Racecourse Rescured a cleaning contract, building on our existing security and events catering offering	3 years	£6m
Ladbrokes Awarded the UK's largest LED lighting project with the high street bookmaker	30 weeks	£9m
Fujitsu Retained a contract to provide security services at over 40 locations in the UK	3 years	ND
Multinational consumer goods company Appointed to deliver waste management services to 22 UK sites, including 13 production sites	3 years	£18m
Primark A new contract delivered by Gather & Gather, providing catering services in the UK and Ireland	3 years	ND
Sainsbury's Retained a contract to deliver pest control	2 years	ND

Property management

Private

Client	Timeframe	Total value
Jones Lang LaSalle Awarded a significant new contract to provide a range of FM services including technical FM and landscaping services across the group's UK property portfolio	3 years	£85m

Healthcare

Public

Client	Timeframe	Total value
Larchwood Care Homes A new contract to deliver hard FM services to care homes across the UK	3 years	£10m
Royal Cornwall Hospitals NHS Trust Awarded a first-generation outsourcing contract to deliver soft FM services across three sites	7 years	£90m
Marie Curie Cancer Care Awarded a contract with Marie Curie Cancer Care to provide cleaning, laundry and hostess services for their hospices in the West Midlands and Cardiff and the Vale	3 years	£1m

Education

Public

Client	Timeframe	Total value
Queen Mary University Awarded a contract to deliver hard FM services including maintenance and repairs, fire protection, water treatment and building audit services to 64 buildings over three campuses	5 years + 2 years	£5m
Durham University Extended an IFM contract delivering a comprehensive range of services including cleaning, landscaping, pest control and security	3 years	£5m

Central government

Public

Client	Timeframe	Total value
Home Office Mobilised our contract to manage and maintain Colnbrook and Harmondsworth detention centres	8 years + 3 years	£180m (phase 1)

Homecare

Public

Client	Timeframe	Total value
Surrey County Council A new contract to deliver homecare services	7 years	£19m
London Borough of Hillingdon A new contract to deliver homecare services for 300 service users	5 years + 1 year	£16m
London Borough of Brent A new contract to deliver homecare services	4 years	£4m
Hampshire County Council A new contract to deliver homecare services	4 years	£4m
London Borough of Redbridge A new contract to deliver homecare services, including reablement and complex care	4 years	£3m
London Borough of Hounslow A new contract to deliver homecare services	3 years	£2m

Social housing

Public

Client	Timeframe	Total value
L&Q Housing Association Rescured a planned works contract to deliver internal refurbishment works to properties across London	5 years	£9m
A2Dominion Extended our existing contract to service two planned maintenance contracts plus a cyclical decoration and repair works contract covering their properties in London and the South	2 years	£35m
Circle Housing Appointed to provide responsive repairs and maintenance services to customers at Circle Housing Old Ford, managing 6,500 homes in East London	1 year	£6m
Orbit East and Orbit South Secured a contract to deliver pre-paint repairs, redecoration and associated works to approximately 18,000 properties. This is in addition to our existing work with the client and brings the total contract value to £157m over eight years	5 years	£5m
Derwent Living Appointed to carry out internal and external cyclical decoration, pre-decoration repairs, minor roofing repairs and small works	7 years	£5m
Home Group Awarded a painting contract to provide pre-painting repairs, external refurbishment and internal redecoration to communal spaces	4 years	£6m

Creating a safe and pleasant environment

Royal Cornwall Hospitals NHS Trust

Contract
£90m total value
7 years (+3 year extension)
Commenced 2014

Mitie people
500

Mitie services
Cleaning
Catering
Portering
Waste and recycling
Security
Managing the switchboard and helpdesk

In October 2014, we started working with the Royal Cornwall Hospitals NHS Trust, servicing three hospitals in the region: The Royal Cornwall Hospital in Truro, St Michaels Hospital in Hayle and West Cornwall Hospital in Penzance. The way we work here is truly innovative. We've introduced a system where patients can choose their meal on a smart device. We've also recently given the retail restaurants a complete refresh, with a complete new menu serving delicious fresh food. This is the first time the Trust has outsourced their facilities management so it's important we work closely together to make sure that everything runs as smoothly as possible. We have the Trust's full support and together, we are focused on our goal of creating a safe and pleasant environment for patients, visitors and employees alike.

60,000

patient meals served in the first month

We understand risk

← Source 8

Mitie people
50

Mitie services
Real estate consulting services and risk management

In November 2014, Mitie acquired a majority stake in Source8. A leading consultancy, Source8 offers companies pragmatic advice on how to increase efficiencies and reduce risk when they're looking to relocate offices in new markets or just consolidate the spaces they already use. It does this through optimising their use of land, buildings and infrastructure, fully understanding the environment they work in, enhancing the supply chain and helping out local communities. This partnership enhances our overall offering to clients, combining Mitie's technical know-how with Source8's specialist knowledge and expertise across a range of sectors and geographies.

50

operating in 50 countries worldwide

Building a long-term relationship

→ Ascot Racecourse

Contract
£6m total value
3 years
Commenced 2014

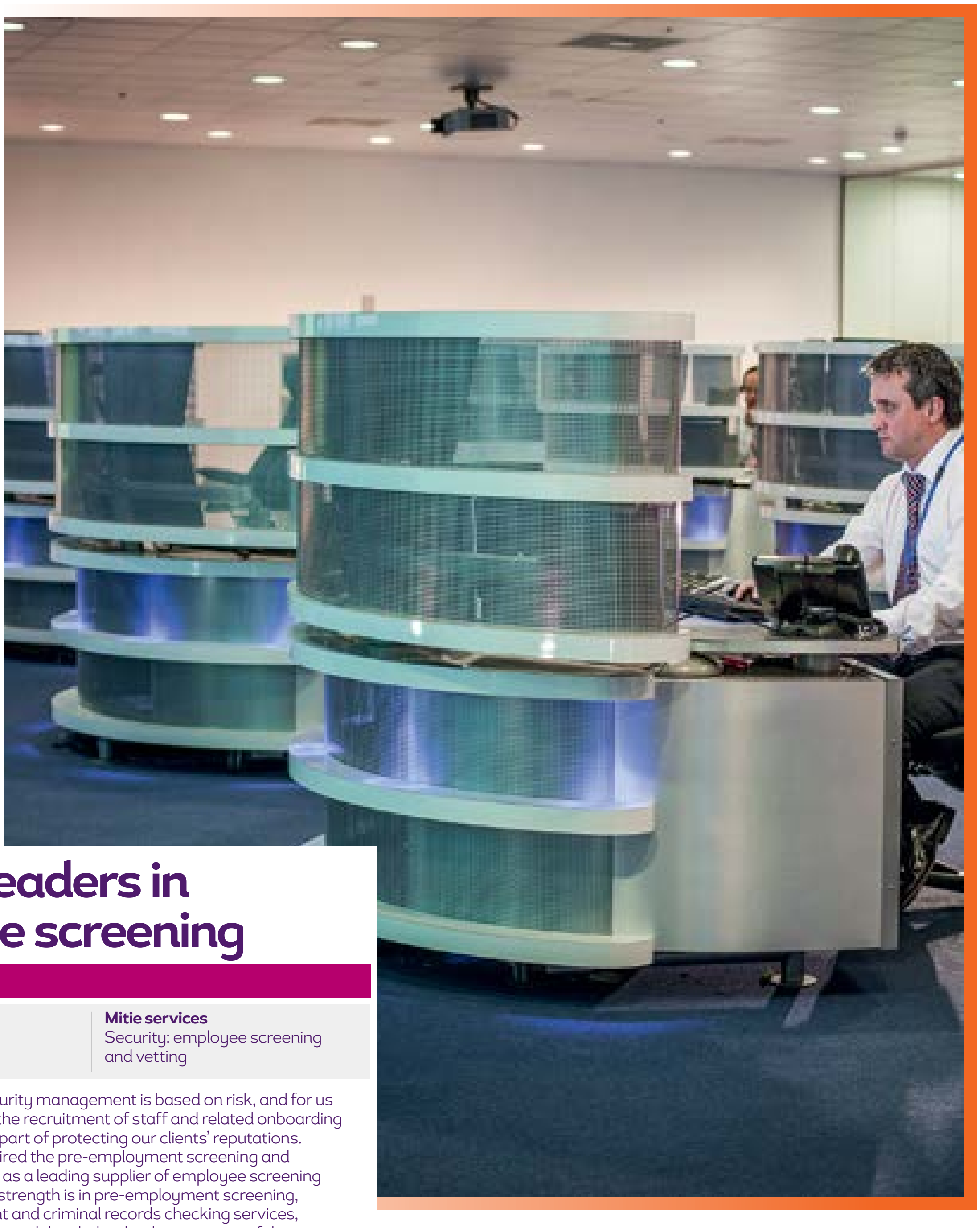
Mitie people
Up to 700 per day for Royal Ascot

Mitie services
Cleaning
Security
Events Catering

We've been working with Ascot Racecourse since 2011 when we were awarded a contract for their day-to-day security. This was rapidly followed by a contract for everyday and race day cleaning as well as on-site waste management services which we resecured in 2014. When we acquired Creativevents, our events catering company, later in 2012, they brought with them a relationship with Ascot that had started in 1997 with a pop-up champagne bar at Royal Ascot. Royal Ascot is of course the main event at the racecourse, and this year we catered in the Silver Ring, serving up the best quality local ingredients to 69,400 race goers over five days. The event was a huge success, with a 31% increase in food sales and fantastic feedback from customers.

700

up to 700 Mitie people on hand at Royal Ascot



Market leaders in employee screening

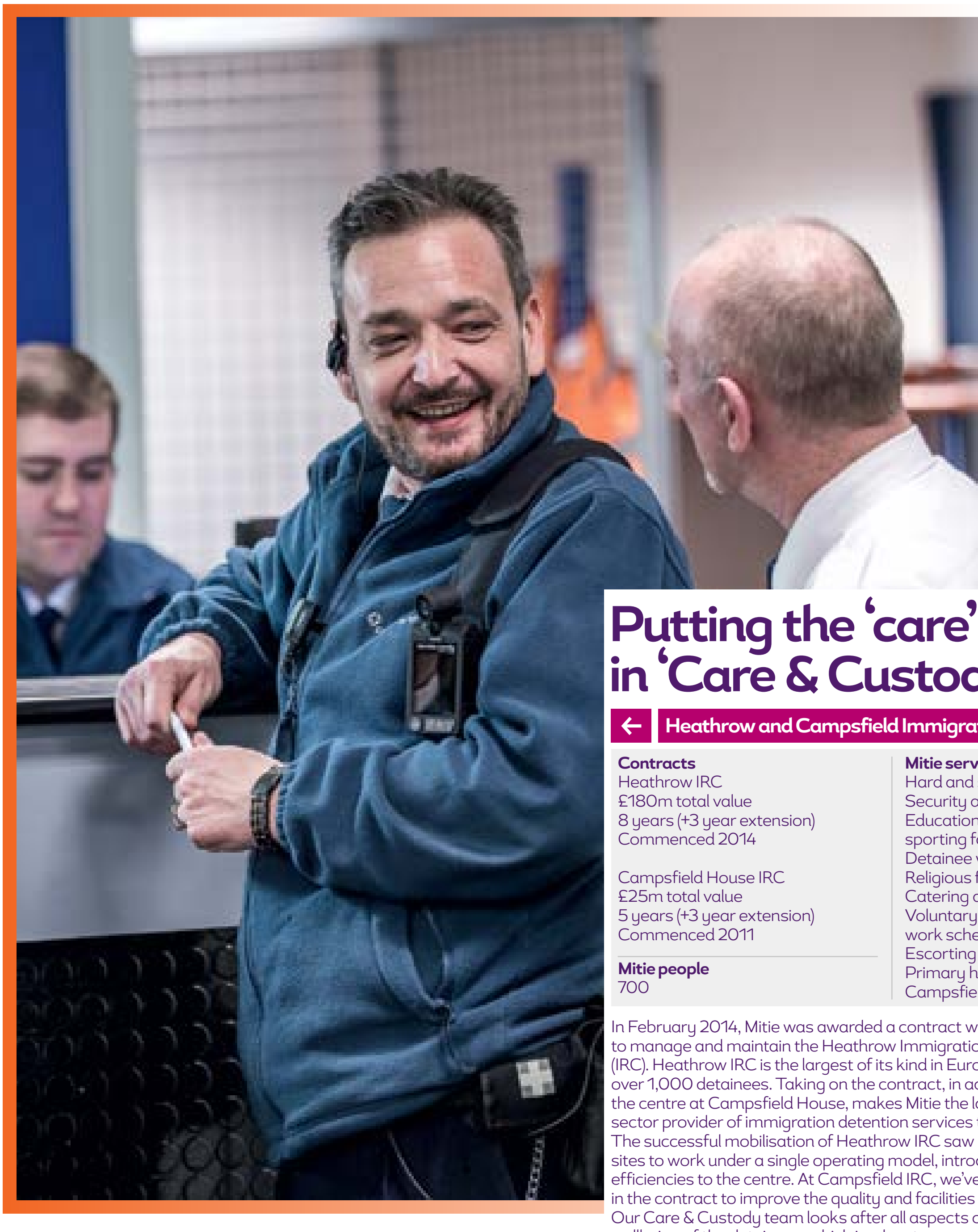
Procius

Mitie people	**Mitie services**
87	Security: employee screening and vetting

Our approach to total security management is based on risk, and for us the risks associated with the recruitment of staff and related onboarding process is a fundamental part of protecting our clients' reputations. In October 2014, we acquired the pre-employment screening and vetting company Procius, as a leading supplier of employee screening and vetting services. Our strength is in pre-employment screening, competency management and criminal records checking services, where our meticulous approach has helped us become one of the UK market leaders.

3,000+

Procius serves over 3,000 customers



Putting the 'care' in 'Care & Custody'

← **Heathrow and Campsfield Immigration Removal centres**

Contracts
Heathrow IRC
£180m total value
8 years (+3 year extension)
Commenced 2014

Campsfield House IRC
£25m total value
5 years (+3 year extension)
Commenced 2011

Mitie people
700

Mitie services
Hard and soft FM
Security and guarding services
Educational, recreational, sporting facilities
Detainee welfare
Religious facilities
Catering and shop services
Voluntary detainee paid work scheme
Escorting services
Primary healthcare at Campsfield House

In February 2014, Mitie was awarded a contract with the UK Home Office to manage and maintain the Heathrow Immigration Removal Centre (IRC). Heathrow IRC is the largest of its kind in Europe, accommodating over 1,000 detainees. Taking on the contract, in addition to managing the centre at Campsfield House, makes Mitie the largest single private sector provider of immigration detention services to the UK Home Office. The successful mobilisation of Heathrow IRC saw us consolidate two sites to work under a single operating model, introducing significant efficiencies to the centre. At Campsfield IRC, we've invested over £1.4m in the contract to improve the quality and facilities at the centre.
Our Care & Custody team looks after all aspects of the everyday wellbeing of the detainees, which is why strong, open staff-detainee relationships are so important.

1,300+

we care for over 1,300 people

Performance takes off

Heathrow Airport

Contract
£40m total value
A range of 3 year contracts

Mitie people
250

Mitie services
Hard FM
Cleaning
Landscaping
Waste management
Pest control
Security

We've provided facilities management services to Heathrow Airport's terminal and non-terminal buildings since 2007. Over the last year our proven track record has helped us develop and grow the contract. We've been awarded a number of additional contracts at Heathrow Terminals 3, 4, 5, the Heathrow Express and in the headquarter building, the Compass Centre and the Heathrow Academy. Working alongside the Heathrow team, Mitie embraces a "one team" spirit, ensuring the smooth delivery of facilities management services across the airport. Our focus is on adding value – whether that's through technology, sustainability initiatives or service quality. We're proud of our performance, and having grown the contract in size by 90% over the past two years, scope for further growth remains. From gritting car parks at 4am, to screening luggage in the hold, to maintenance within the air traffic control tower, Mitie operates all across Heathrow and the pipeline of opportunities is strong.

+90%
growth in the contract in two years

59m
passengers passing through each year

Creating a great place to work and study

Durham University

Contract
£5m
3 year extension
Commenced 2014

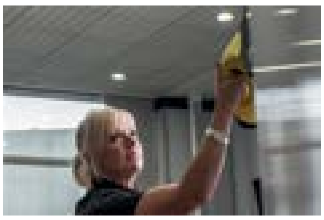
Mitie people
100

Mitie services
Cleaning
Landscaping
Pest control
Security
Caretaking

A successful retender in November 2014 helped us to secure an extension on our contract with Durham University. Mitie was originally awarded the integrated facilities management contract with the university in October 2010 to provide a full range of services, and over the past five years, we've developed a firm understanding of the university's objectives. To ensure we work together with the university to deliver on its strategic aims and future FM requirements, we set up a Strategic Board, made up of members from Mitie and Durham. We've introduced the LEAN Six Sigma concept and implemented better cleaning processes such as the flat mop system and the use of top of the range equipment to support our efficiency goals. We're also rolling out the British Institute of Cleaning Science training to our teams and have carried out soft services workshops too. As a result of our efforts, we were awarded the supplier recognition award by the university's procurement team in 2013 and 2014, recognising our commitment to good customer service, innovation and corporate social responsibility.

17,500

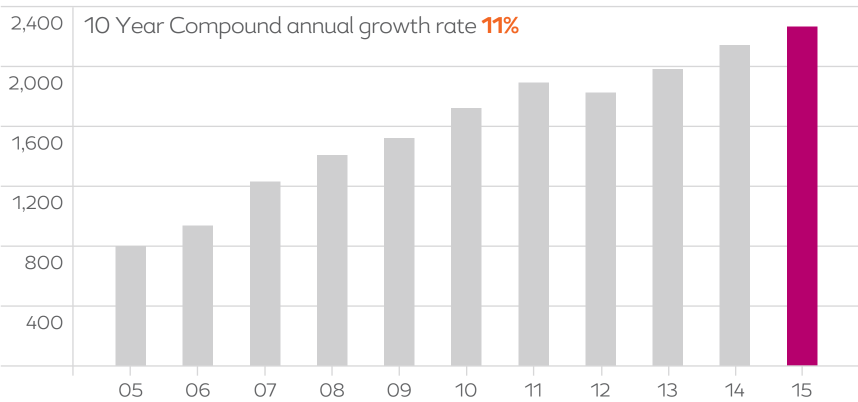
students on site



Positioned for future growth

Our business has changed fundamentally over the past ten years. Our revenue has grown by £1.5bn to £2.3bn through both strong organic growth and acquisitions. We have invested in our facilities management offering to create the leading integrated FM brand in the UK, to strengthen our order book and enhance our margins by exiting our cyclical mechanical and electrical engineering and Asset Management businesses. Our group has delivered strong organic growth and built an order book of £9.0bn with a high quality client base. We have maintained a strong cash performance, returned £0.3bn in dividends to our shareholders over ten years and grown the dividend per share every year.

Headline revenue
£m



Highlights

£2.3bn +5.8% (Organic: 4.9%)
Headline revenue
(2014: £2.1bn)

£128.6m +0.9%
Headline operating profit
(2014: £127.5m)

5.7% (0.3)ppts
Headline operating profit margin
(2014: 6.0%)

24.8p +2.1%
Headline basic earnings per share
(2014: 24.3p)

95.1% (7.3)ppts
Headline cash conversion
(2014: 102.4%)

11.7p +6.4%
Dividend per share
(2014: 11.0p)

1.2x
Net debt: Headline EBITDA
(2014: 1.3x)

18.6% +1.7ppts
Headline return on capital employed
(2014: 16.9%)

£56.0m (32.2)%
Statutory operating profit
(2014: £82.6m)

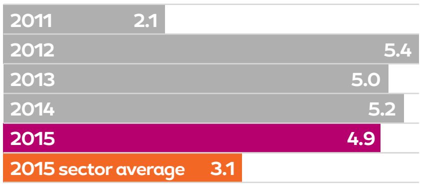
9.7p (27.6)%
Statutory basic earnings per share
(2014: 13.4p)

Organic growth of 4.9% outperforms the sector

Headline revenue grew by 5.8% to £2.3bn. This represented organic growth of 4.9% which outperformed the FM sector average of 3.1%.

Mitie has a strong track record of delivering organic growth with an average of 4.5% over the past five years. This has been achieved by focusing on our core facilities management offering both by winning work with new customers and expanding our service offering with existing customers.

Organic revenue growth KPI
%

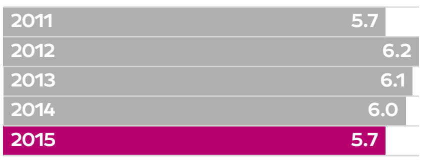


Sector: Selected FTSE 250 Business Support Service providers

Strong margins, growing profitability

Headline operating profit grew by 0.9% to £128.6m. Our operating profit margin was 5.7%, in line with our target range of 5.5% to 6.5%. It is our medium term objective to grow margins above 6.0%.

Headline operating profit margin KPI
%



Reshaping our business for future growth

	2015 £m	2014 £m
Results relating to the exit of the mechanical and electrical engineering business	15.9	13.6
Exceptional charges in relation to design and build Asset Management contracts in Energy Solutions	45.7	25.4
Integration costs	0.6	4.4
Acquisition costs	0.3	0.7
Amortisation of acquisition related intangibles	10.1	11.0
Restructuring of the Mitie Group defined benefit pension scheme	–	(10.2)
Total other items before tax	72.6	44.9
Tax on other items	(18.3)	(5.7)
Total other items after tax	54.3	39.2

We have recognised the impact of a number of non-recurring and non-cash items which are separately presented within Other items. We have incurred charges as the result of the exit from two businesses which no longer meet our growth, risk or return expectations. As a result, we have repositioned our business for long term growth.

During the year we completed the exit from our loss-making mechanical and electrical (M&E) engineering construction business with exceptional losses of £15.9m for the period. In our Asset Management business, all operational and financial risk on the remaining design and build contracts has been assessed and a charge of £45.7m has been incurred. Beyond these amounts, no further exceptional charges will be incurred from either of these businesses. Further details of Other items are set out in Note 5 to the accounts.

Generating sustainable shareholder value

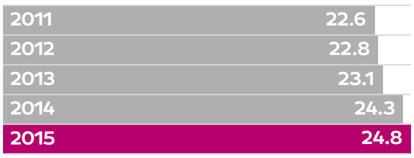
Headline profit after tax of £90.0m resulted in basic headline earnings per share of 24.8p, an increase of 2.1% on prior year (2014: 24.3p).

Including Other items, statutory profit after tax of £35.7m resulted in statutory basic earnings per share of 9.7p (2014: 13.4p).

In 2013, the Board approved a share purchase policy to maintain share numbers at a broadly consistent level year-on-year, with the aim of ensuring that the interests of shareholders are not diluted by the issue of shares that support the group's various share schemes, nor by the issue of shares as consideration for earn outs under the Mitie Model. To this end, in 2015 the group bought back 3.7 million shares (2014: 5.8 million) at a cost of £10.7m. The shares purchased are held in Treasury. The total number of shares the group holds in Treasury is 9.5 million.

The average number of shares in issue in the year was 359.3 million (2014: 359.9 million).

Headline earnings per share KPI
pence

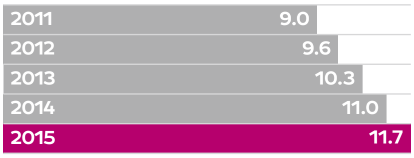


Returning cash to shareholders

The group has a strong track record of dividend growth, having consistently increased dividends annually since the group was listed on the London Stock Exchange in 1987 and paid £175m in cash dividends to shareholders in the last five years. It is now our policy to grow dividends at least in line with underlying earnings. This year's cash returns to shareholders fully reflect our continued confidence in the business and have not been discounted by the impact of non-recurring charges and additionally reflect growth of 6.4% compared with growth in headline basic earnings per share of 2.1%. The full year dividend recommended by the Board is 11.7p per share (2014: 11.0p per share), reflecting a cover of 2.1x (2014: 2.2x) headline earnings per share.

During the year, total dividends of £40.5m were paid to shareholders (2014: £38.1m).

Dividend per share
pence

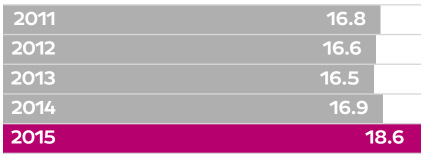


Return on capital employed

Our return on capital employed (ROCE) for the year is 18.6%. ROCE is calculated as headline operating profit after tax (adjusted for the proforma, full year effect of acquisitions) divided by capital employed. Capital employed is calculated as net assets excluding net debt less non-controlling interests.

Our ROCE demonstrates our ability to generate returns from the capital employed by our business. We focus on our ROCE through the management of our asset base and profit streams and take into consideration returns on capital when we invest to maximise the profitability of the group. By generating returns that exceed our weighted average cost of capital, currently 7.4%, we are ensuring that our investment decisions add value to our business.

ROCE
%



Balance sheet

	2015 £m	2014 £m
Goodwill and other intangible assets	541.0	538.9
Property, plant and equipment	53.3	56.7
Net working capital	(48.5)	(27.8)
Net debt	(177.8)	(186.6)
Other	46.1	41.8
Pensions	(35.8)	(19.1)
Net assets	378.3	403.9

At 31 March 2015, the Group had £378.3m of net assets.

Goodwill and other intangible assets of £541.0m are held on the balance sheet. In relation to net assets, this profile is typical of our sector, which is people based and low in capital intensity, and of businesses growing through acquisition. Details of the group's goodwill are set out in Note 13.

Our group has a limited requirement for investment in property, plant and equipment and accordingly capital expenditure as a percentage of revenue is 1.0% and is expected to remain close to 1% going forward. Our principal investment requirement in capital terms is in working capital. Working capital management is a key focus for the group.

Our revenue has grown by over 30% in the past five years to £2.3bn. Our working capital balances have been managed to stay in line with the growth of our business and working capital investment has remained relatively constant.

Short-term working capital balances at 31 March 2015 were £(48.5)m or £10.0m after the inclusion of non-current trade and other receivables. The net working capital outflow per the cash flow statement of £2.6m reflects our ongoing focus on working capital management.

	2015 £m	2014 £m
Inventories	**11.0**	7.4
Current trade and other receivables	**421.4**	491.6
Current trade and other payables	**(476.0)**	(525.6)
Current provisions	**(4.9)**	(1.2)
Short-term working capital	**(48.5)**	(27.8)
Non-current trade and other receivables	**58.5**	41.2
Working capital	**10.0**	13.4

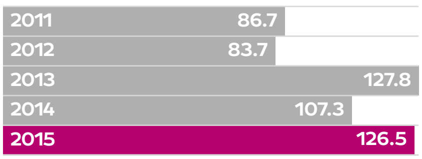
Excellent cash conversion

Our profits are strongly backed by cash flows. Cash conversion measures our success in converting operating profit (measured by earnings before interest, tax, depreciation and amortisation 'EBITDA') to cash and reflects both the quality of our earnings and the effectiveness of our cash management activities. As a key indicator of our business performance, we target headline cash conversion of 80% which we have consistently exceeded over the past five years. This year, headline cash inflows from operations were £144.6m (2014: £152.4m), representing headline cash conversion of 95.1% (2014: 102.4%).

On a statutory basis, cash conversion was 126.5% (2014: 107.3%). The consistency of our cash generation has been a key feature of our results and remains a major focus going forward.

Conversion of statutory EBITDA to cash **KPI**

%



Net debt

As at 31 March 2015, net debt was £177.8m, a reduction of £8.8m on the prior year. Strong free cash flow of £57.5m has enabled us to return £40.5m to shareholders through growing dividend payments.

We remain comfortably within each of our banking covenants. As at 31 March 2015, net debt stood at 2.0x statutory EBITDA (2014: 1.6x) and 1.2x headline EBITDA (2014: 1.3x).

Committed facilities to fund future growth

	2015 £m	Tenure
Syndicated revolving credit facility	**275**	July 2019
US private placement loans notes	**252**	2017–2024
Committed facilities	**527**	

In July 2014 the group completed a refinancing of its revolving credit facility through a syndicate of six banks which secured facilities for a further five years at margins favourable to the previous facility. The group now has committed funding of £527m in place to support our future growth opportunities.

Our interest rate exposure is predominantly fixed, at around 4% per annum.

The group has a centralised treasury function whose principal role is to ensure that adequate liquidity is available to meet funding requirements as they arise, and that financial risk is effectively identified and managed. Treasury policies and procedures are approved by the Board. No transactions of a speculative nature are undertaken. Dealings are restricted to those banks with suitable credit ratings and counterparty risk and credit exposure is monitored frequently.

Acquisitions

During the year we acquired two businesses which added £10m to group revenue and £2m to group operating profit on a pro forma basis.

On 16 October 2014, we acquired Procius Limited, the leading UK pre-employment screening company, for total consideration of up to £2.3m.

On 26 November 2014, we acquired a 51% stake in Source Eight Limited, a real estate, technology and risk management consultancy for a maximum initial consideration of £2.95m. Further cash consideration may be payable in respect of put options over the remaining 49% stake bringing total consideration for a 100% stake to a maximum of £15.5m. At 31 March 2015, a liability of £8.0m has been recognised in respect of the put options which are potentially exercisable in tranches between 2017 and 2019.

From the date of ownership, the acquired businesses have contributed headline revenue of £3.7m and headline operating profit of £0.6m to the group, which is in line with our expectations.

Driving entrepreneurialism through equity participation

Mitie operates an entrepreneurial investment programme known as the Mitie Model. Investment companies are structured so that the management team takes an equity stake of up to 49% in a business which they grow over a five to ten-year period, and may eventually be acquired by Mitie in full, should the acquisition criteria in the respective Articles of Association and shareholder agreements be met. Mitie has supported over 100 start-up businesses to grow using the Mitie model. Currently, Mitie holds majority interests in 11 Mitie Model companies with a carrying value of £3.3m.

On 30 January 2015, Mitie Group plc acquired the remaining 49% share in Direct Enquiries Holdings Limited. The total consideration was £5.6m being satisfied by £1.8m in cash paid during the year and £3.8m paid in cash in April 2015.

This purchase and other acquisitions are discussed in more detail in Note 32 to the accounts.

Tax contribution

Our tax strategy is to manage all taxes, both direct and indirect, such that we pay the appropriate amount of tax in each country whilst ensuring that we respect the applicable tax legislation and utilise, where appropriate, any legislative reliefs available. This tax strategy is reviewed, regularly monitored and endorsed by the Board.

Mitie is a significant contributor of tax in the UK, paying £522m in 2015 (2014: £599m). This comprised £15m of UK corporation tax and £507m of indirect taxes including business rates, VAT and payroll taxes paid and collected.

The group's headline tax charge was £24.1m (2014: £25.6m). The effective headline rate was 21.1% for the year (2014: 22.6%). As Mitie is predominantly UK based, our effective rate of tax reflects the UK statutory rate of tax.

After adjusting for the tax credit on other items of £18.3m (2014: £5.7m), the statutory income tax charge was £5.8m (2014: £19.9m), an effective rate of 14.0% (2014: 29.1%).

Pensions

Our financial strength and balance sheet remain unaffected by any significant pensions deficit, with the net deficit of all the defined benefit pension arrangements included on the balance sheet being £35.8m (2014: £19.1m).

During the year we completed the actuarial triennial valuation of the Mitie Group scheme. The scheme actuarial deficit was £6.0m at 31 March 2014. We have agreed with the trustees that no cash injection into the scheme is currently required, but have committed to potential cash injections of up to a total of £11m over ten years should the funding position deteriorate materially.

The accounting deficit on Mitie Group plc's principal defined benefit scheme at 31 March 2015 was £34.9m (2014: £17.0m), reflecting a reduction in bond rates. The performance of scheme assets has, however, remained strong in the year; the scheme has also benefited from the positive impact of amendments made to the terms of the Mitie Group defined benefit pension scheme during the previous year.

The group also makes contributions to customers' defined benefit pension schemes under Admitted Body arrangements 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 £0.9m (2014: £2.1m).

Statutory and non-statutory measures of performance

Our financial statements contain all the information and disclosures required by the relevant accounting standards and regulatory obligations that apply to the group. We have elected to provide some further disclosures and performance measures in order to present our financial results in a way that best demonstrates the performance of our business.

The results described as 'headline' report the performance of the trading activity of our core business along with the central overhead required to manage the group. The headline measure illustrates the performance of the underlying activities of the group, and is a non-statutory measure.

We have separately disclosed any restructuring and acquisition-related items together with the results of the engineering construction and Asset Management businesses, which we have exited.

These items are described as Other items within the income statement and in related parts of this Annual Report and Accounts. The Other items measure of our results is a non-statutory measure. In the current year, Other items comprise:

- The results of the mechanical and electrical engineering construction business we have exited
- Exceptional charges in respect of design and build Asset Management contracts
- Acquisition related charges, including amortisation of acquisition related intangible assets

The sum of the headline and other items columns are the statutory reported results of the business and reflect the full trading result of the group, reported in accordance with IFRS. This presentation is consistent with the way in which we manage and report on our business internally and is consistently applied to assist in the explanation of our performance.

Suzanne Baxter
Group Finance Director

Principal risks and uncertainties

Identified principal risks to the achievement of our strategic business objectives are outlined in the section below, together with their potential impact and the mitigation measures in place. The Board believe these risks to be the most significant with the potential to impact our strategy, our financial and operational performance and, ultimately, our reputation. There may be other risks which are currently unknown to the group or which may become material in the future. Our key risk categories continue to be: strategic, financial, operational, and regulatory.

Strategic risks

	Risk	Mitigation
Contract bidding, mobilisation and management	Central to achieving our strategy is the successful delivery of our contract portfolio, particularly our large scale, complex integrated FM contracts. Our strong financial position relies on our ability to successfully bid, mobilise, operate and manage such contracts. We see an increasingly complex service offering as a business differentiator to our clients, supported by more sophisticated and complex technological solutions. When compared to our more traditional business activities, these solutions necessarily carry increased risk around bidding, design, delivery and successful implementation. Winning new and retaining existing contracts of this nature continues to be critical for the future success of our business.	Our bid, mobilisation and contract management processes operate under strict delegated authorities and are subject to rigorous executive management oversight and approval for the large and complex integrated FM contracts. These contracts are supported by teams of experienced bid, mobilisation and operational delivery specialists to mitigate the risk of failure at any stage. On-going contract assurance occurs together with regular client dialogue to ensure service delivery remains in line with the client's expectations. Through these activities we aim to develop long term client relationships, supported by a strengthened framework to retain our existing client base. Investment and support for the development and deployment of technical solutions is governed by our Board to provide assurance on their on-going performance.
Company performance and resourcing requirements impacted by change to the market and economic conditions	The UK market remains our principal macro-economic exposure, with only very limited exposure to the wider global economy. We anticipate a continued improvement in the pipeline of new opportunities and so our business model needs to adapt and grow with any on-going economic upturn. Our ability to recognise and respond to variations in the volume, value and range of services required, particularly from our private sector clients, may impact the Group's ability to win or retain significant business opportunities. Resilience is provided by our diverse business portfolio during times of economic change, with varying demands on our resources dependent on the way in which our client base responds to the economic cycle. We are well placed to adapt to any policy changes from the Government.	We continue to be focused on the delivery of sustainable, profitable growth and during the year we completed our exit strategy from more cyclical, complex, margin-diluting markets and have de-risked the business as a result. We continue to strategically target growth areas with good margins, underpinned by the right supporting business infrastructure and our financial exposure to rapid changes in the economic environment is mitigated through the continued development of our long term diverse contract portfolio. Formal control occurs over entry into new business areas and is subject to Board approval.
Protecting our reputation	Maintaining a strong reputation is vital to our success as a business. A loss in market confidence in our ability to maintain current business or undertake new client opportunities may be caused by an adverse impact to our reputation which may, in turn, significantly affect our financial performance and growth prospects; this is particularly the case in our public sector contracts where the need for transparency is paramount. Significant impact to our reputation could be caused by any incident involving major harm to one of our people or our clients/partners, corrupt practices involving fraud or bribery, inadequate financial control processes or failure to comply with regulatory requirements. Impacts of this type would potentially result in financial penalties, losses of key contracts, an inability to win new business and challenges in retaining key staff and recruiting new staff.	The basis for effective reputational management is a strong corporate governance framework supported by clear and demonstrable values and behaviours, clearly communicated at all levels of our business. Our governance and ethical business frameworks provide a set of linked policies, procedures, training programmes and audits, all centred on our code of conduct (One Code), to address specific issues which, if realised, may give rise to reputational impact. These frameworks were further strengthened in 2014/15 to ensure our people are aware of their responsibilities. A strong and consistent 'tone from the top' is provided by our senior management to ensure our values and expected behaviours are clear and understood by everyone. We have also strengthened our public relations and external communications programme to ensure a fair and balanced view of our services is provided to our clients and other interested parties. As our business continues to grow and develop into new sectors we will remain strongly focused on protecting the strength of our reputation through effective governance, leadership, the continued enhancement of our ethical business framework, and through maintaining open and transparent relationships with all stakeholders.

Financial risks

	Risk	Mitigation
Financial strength and access to appropriately scaled and diverse sources of funding	Our financial strength makes us an attractive partner to our clients and stakeholders (including our funding partners).Our ability to grow if our financial performance deteriorates, by weakening profitability and limiting our ability to access diverse sources of funding on competitive terms, causing an increase in the cost of borrowing or cash flow issues which could, in turn, further affect our financial performance. As a people business staff costs remain our most significant area of expenditure. Our ability to pay our people and suppliers regularly and at specific times relies upon funding being continually available and, in particular,our ability to manage our cash flow and working capital exposures.	We have mature financial governance arrangements in place, providing oversight and monitoring of our financial performance including daily monitoring of bank balances, cash flow reporting on a daily and weekly basis and regular financial performance and balance sheet reviews, which include detailed working capital reviews. We have strong banking, debt finance and equity relationships, a diverse committed long term funding portfolio and appropriate levels of gearing for our business.

Financial risks

Reliance on material counterparties	We depend on a number of significant counterparties such as insurers, banks, clients and suppliers to maintain our business activities. The failure of a key business partner, supplier, subcontractor, financer or other provider could materially affect the operational and financial effectiveness of our business and our ability to trade. Ensuring on-going relationships with our material counterparties will underpin the Group's ability to meet its strategic objectives. Lloyds Banking Group is a material counterparty to the Group, providing both banking facilities and being our largest client, accounting for 7% of the Group's revenue.	We are limited on the dependency of any one counterparty and hence the impact of any potential failure, through strategic development of a diverse and robust counterparty base. The Board undertakes a formal review of material counterparty risk at divisional and business level.

Operational risks

	Risk	Mitigation
Significant health, safety or environmental incident	Due to our diverse operational portfolio, the potential to cause significant harm to our employees, our business partners, members of the public, or to damage the environment will always exist. We have an unwavering commitment to safeguarding our people and protecting the environment wherever we operate. Failure to maintain our high standards could result in a significant incident affecting an employee, their family, friends or colleagues or lead to regulatory action, financial impact or damage to our reputation.	The Board, through effective governance, oversight and management standards maintains its commitment to the highest standards of quality, health, safety and environmental (QHSE) performance, which remains the first item on every Board agenda. Our performance is achieved through two cornerstones, QHSE management systems and employee engagement. Our well established management systems are certified to the ISO 9001, 14001 and OHSAS 18001 standards, and our Work Safe Home Safe! programme is central to achieving employee engagement, having been revised and strengthened during the year. To support our management system and engagement programme we focus on developing training programmes to ensure every employee, at every level of the business, has the core competencies required to do their work safely. We have a network of dedicated and experienced QHSE professionals who strive to deliver continual improvement in support of the operational delivery of our services.
System, process or control failure may impact our operational performance	Sophisticated, interdependent business systems underpin our operations. Such systems form the basis for our contract management and business support activities and we foresee increasing future reliance on such capability. These systems, in conjunction with our governance framework of policies and procedures, will help to drive innovation in customer requirements, improve our operational efficiency and provide the foundation of our business support functions. As such they remain critical for the control and success of the business and the achievement of our strategic aims. Operational failure may result in a significant impact on operational delivery, contract management and client expectations due to the business critical nature of these systems. System failure could also result in a breakdown in the controls around high volume transactions and compliance areas such as vetting and employment legislation. Financial or other misstatements, fines through statutory non-compliance issues and loss of client and/or regulator confidence could occur as a result.	The basis of our governance framework is provided by our core policies, which are subject to continual review and optimisation to manage our growing and diversifying business requirements in line with sound governance practice. Our internal control effectiveness continues to be reviewed formally, supported by a programme of internal audits and self-certification on the operation of key controls and procedures. Formal testing of our business critical systems occurs to ensure effective recovery following a potential disaster scenario and we have in place an assurance programme to test the adequacy of our mitigation activity. IT related governance oversight is provided by the IT steering group (compromising senior management) who continue to monitor the effectiveness of the information security management system, which is aligned with recognised international standards.
Attracting and retaining skilled people	Attracting and retaining the best skilled people at all levels of the business is critical. This is particularly the case in ensuring we have access to a diverse range of views and experience and in attracting specific expertise at both managerial and operational levels where the market may be highly competitive. Failure to attract new talent, or to develop and retain our existing employees, could impact our ability to achieve our strategic growth objectives. As we continue to grow and diversify into new areas, this risk will continue to be a focus for the Board.	To ensure a pipeline of opportunities exist for staff at every level of the business our career development and talent management programmes are a key focus for our management teams. Additionally, to ensure a talent pool is identified, developed and ready for succession if needed, succession plans exist for key management. We are also aiming to develop the next generation of leaders via our graduate programme. Our focus on training and competency at all levels of the business continues to ensure that we develop our people and enable them to successfully manage the changing profile of our business.

Regulatory risks

	Risk	Mitigation
Non-compliance with the developing regulatory framework	As a major employer, further development of the regulatory and legal framework in areas where we work may have a material financial and reputational impact on the business. As such we continue to provide a strong focus on ensuring, as a minimum requirement, legal and regulatory compliance in all of our business areas, in particular where we enter into new areas. Failure to achieve this could lead to enforcement action, fines, adverse publicity and therefore potential damage to our reputation, all of which would threaten the ability to achieve our strategic objectives.	A key element of our management system is the legal compliance framework, developed to ensure proactive identification of legal and regulatory requirements in our diverse range of business areas. Our operational teams remain primarily responsible for ensuring legal compliance, supported by experienced teams of functional experts and backed up by our assurance teams. Where required we obtain specialist technical advice to support our in-house teams. We continue to proactively monitor the developing regulatory framework to plan and budget for on-going compliance.

Our sustainable business strategy

Our business strategy explicitly aims not just for growth, but sustainable growth.

It rests on six pillars – and delivering each of those depends on having a sustainable mindset – seeking to deliver value not just for shareholders in the short term, but for all stakeholders over the long term.

We know from experience that we can only achieve our business goals, and deliver financial returns, by having the best relationships possible and managing resources thoughtfully, looking for new and better solutions.

Sustainable, profitable growth

Delivers

Our business goals

People	Clients	Operational excellence	New markets and services	Risk	Responsibility
Develop the best talent at every level of our business.	Provide world-class services to attract new clients and retain and expand contracts with existing clients.	Deliver market-leading, innovative services with maximum efficiency.	Develop our service capability in our current markets and in markets that offer attractive growth opportunities.	Manage risk and protect our business and brand.	Take a long-term view by acting responsibly.

Delivers

Sustainable working

Attracting and retaining people is not just about money but about valuing them and giving them opportunities. If they're happy and productive, so are we.	We retain clients by sharing our experiences, partnering and helping them to be successful every day That in turn makes us successful.	Sustainable approaches like cutting energy consumption help our clients reduce costs, benefiting their business – and ours.	A greener economy is an opportunity to offer new products and services – like waste and energy management.	Good risk management depends on being alert not just to financial risks but to the full range of environmental, social and governance trends, so we can future proof our business.	We set targets in key areas like diversity and emissions reduction. Being responsible helps us to deliver all our other goals by making us a business people want to work with.

Code of conduct

A responsible company is one that will succeed and continue to grow, and that is why a strong code of conduct is critical to how we work. It provides our people with the guidance and support necessary to carry out their work in the right way.

People are the single factor that makes Mitie such a compelling partner for organisations. Passionate and skilled, our people are also determined to 'do the right thing' at all times, and during the first half of the year we produced a new code of conduct to support them.

The Code promotes our core values and the responsible behaviours that underpin them. It provides guidance and support for our people when undertaking their work and draws together all of our longstanding policies and procedures from across our business into one simple and practical guide. Every Mitie person has access to the Code and is encouraged to understand the importance of following its principles at all times.

Incorporated within its guidance and principles, the Code outlines our zero tolerance policy against unsafe and unethical working practices. We strongly condone unsafe working practices, discrimination on any grounds – including race, gender, religion and age, bullying and harassment, bribery and corruption and retaliation against those who speak up.

We take all breaches in best practice very seriously and encourage our people to speak up whenever they witness anything unsafe or unethical. We've set up an independent hotline to deal solely with this and have a team in place who are on hand to listen and offer confidential advice to individuals who raise any issues with us.

Our position on human rights issues

Mitie is committed to the UN Guiding Principles on Business and Human Rights and International Labour Organisation convention. Protecting and preserving human rights in every territory we operate in is embedded in our culture and fundamental to our Company values. This is reflected in our policies and actions toward our employees, suppliers, clients and the communities and countries where we do business.

Our sustainability targets for 2020

Last year we set ourselves aspirational targets to be achieved by 2020. The table below shows progress on those targets at a very high level – for the details of our performance, including highlights and challenges, go to www.mitie.com/sustainability for the full report.

On track
Work to be done

→ Improve client satisfaction to achieve a Net Promoter Score of 25%

Progress

Our Net Promoter Score is 20% which is a 2% increase on last year.

→ Achieve 90% employee engagement based on Mitie's proprietary model

Progress

Our score this year, based on an employee survey is 74%. This is an increase of 2% on last year.

→ Embed diversity in all our practices (achieve 90% diversity score based on Mitie's proprietary model)

Progress

We calculate this by using the responses to our engagement survey. The statement "I feel that Mitie values people's differences" scored 79%. This is an increase of 7% on last year.

→ Embed our key Work Safe Home Safe! behaviours

Progress

In our last sustainability survey 94% of employees said they were aware of the programme, which is unchanged from last year.

→ Dedicate 1% pre-tax profit to community investment, through the Mitie Foundation activities

Progress

Our community investment for the year 2014/15 represents 0.8% of our pre-tax profit which is fantastic news and we are looking to build on this progress next year.

→ Reduce our carbon footprint by 35%

Progress

So far we have achieved a 26% carbon footprint reduction.

→ Embed our values and beliefs into our supply chain

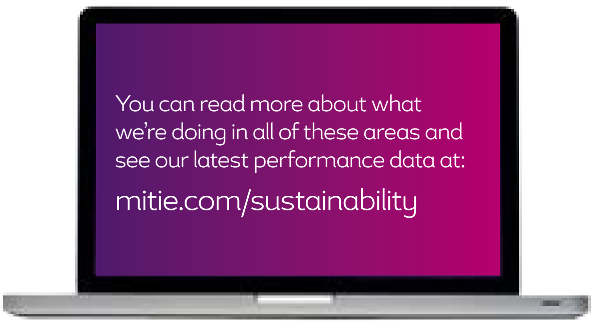
Progress

We continue to work with all our suppliers, collaborating with them to embed our values and achieve sustainable improvements that benefit them and us, as well as our clients.

	Resource	Units	2010 restated baseline	2014	2015	% change against baseline
Scope 1	Gas and fleet fuel	Tonnes of CO_2e	41,343	42,075	**41,090**	-1%
Scope 2	Electricity	Tonnes of CO_2e	3,490	3,223	**2,938**	-16%
Scope 1 and 2	Intensity	Tonnes of CO_2e/employee	0.79	0.63	**0.63**	-20%
	Intensity	Tonnes/£m	26.07	20.39	**19.36**	-26%
Scope 3	Energy and business car travel	Tonnes of CO_2e	4,564	10,455	**7,411**	62%*
Upstream	Water	Tonnes of CO_2e	10	12	**12**	15%
	Created waste	Tonnes	1,436	1,536	**1,503**	5%
	Intensity	Tonnes/employee	0.025	0.021	**0.022**	-15%
	General waste	Tonnes	989	793	**792**	-20%
	Recycled waste	Tonnes	447	743	**711**	59%
	% recycled		31	48	**47**	52%

Directors of the parent company	Senior managers of the Company**	Employees of the Company
2 women	**109** women	**33,462** women
0 men	**449** men	**36,095** men

* Variance to the base year due to the integration of MiHomecare
** Defined as employees earning >£60,000 per annum



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 in December 2006 and was appointed as Non-Executive Chairman in July 2008. He was previously Non-Executive Chairman of Pertemps Network Group Limited and LSL Property Services plc and held the roles of Group Finance Director of J Sainsbury plc, and Group Managing Director and Group Finance Director of Compass Group PLC.

Ruby McGregor-Smith CBE

Chief Executive

Chair of the Results and Investment Committees

Ruby joined Mitie in December 2002 and was appointed as Chief Executive in April 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 the Senior Independent Non-Executive Director of Michael Page International PLC, appointed to the board in May 2007, and is also 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 acting as Chair of the Confederation of British Industry's Public Services Strategy Board, Chair of the Women's Business Council, and Business Ambassador for UK Trade and Investment.

Suzanne Baxter

Group Finance Director

Member of the Results and Investment Committees

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. Suzanne is 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 Chairman and a member of the Counsel of the Business Services Association, a policy and research centre of excellence for the support services industry, and Chair of the Business in the Community (BITC) South West Strategic Advisory Board. She was previously Deputy Chairman of Opportunity Now, a part of the BITC organisation, with a focus on gender diversity in the workplace.

David Jenkins

Senior Independent Director

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

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. He is Chairman of Development Securities PLC and a Non-Executive Director of Renewable Energy Systems Holdings Limited.

Larry Hirst CBE

Independent Non-Executive Director

Member of the Audit
Nomination and Remuneration Committees

Larry was appointed as a Non-Executive Director in February 2010. Until his retirement from IBM in 2010, Larry was Chairman of IBM (EMEA) and held a number of other senior positions during his 33 year career with IBM. Larry is a Non-Executive Director and Chairman of the Remuneration Committee of ARM Holdings plc, he is also Chairman of the Imperial College Data Science Institute Advisory Board. His community interests include acting as an Ambassador to Everywoman, Black British Business and POWERful Women.

Crawford Gillies

Independent Non-Executive Director

Member of the Audit
Nomination and Remuneration Committees

Crawford was appointed as a Non-Executive Director to the Board in July 2012 and was Chairman of the Remuneration Committee from November 2013 to September 2014. He spent 25 years with Bain & Co., the international management consultancy, where he was Managing Director Europe. He was appointed to the Board of Barclays plc in April 2014 and is Senior Independent Director of Standard Life plc. Crawford is also the Chairman of Scottish Enterprise and Control Risks Group.

Jack Boyer

Independent Non-Executive Director

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

Jack was appointed as a Non-Executive Director to the Board in June 2013 and Chairman of the Remuneration Committee in October 2014. He is Chairman of Ilika plc and a Non-Executive Director of Laird PLC where he chairs the Remuneration Committee. He also sits on the board of the Engineering and Physical Sciences Research Council and is Deputy Chair of the Advanced Materials Leadership Council. A serial entrepreneur, he previously founded and was CEO of companies in the engineering, telecommunications and biotechnology sectors. He has been an investment banker at Goldman Sachs and strategy consultant at Bain & Co.

Chairman's introduction to Corporate Governance

The Board is ultimately responsible to shareholders and other stakeholders for the group's activities and its long-term success. The value of good governance is recognised by the Board as an area of great importance and, in this governance report, we explain how the main principles of good governance are applied across the group. It also describes how the governance framework implements the UK Corporate Governance Code 2012 (the 'Code'). The Board acknowledges the changes in corporate governance set out in the UK Corporate Governance Code issued in September 2014 (the '2014 Code') and is actively considering its implications for the governance of the group.

Compliance with the Code
I can confirm on behalf of the Board that the group has complied with the main principles and all the relevant provisions set out in the Code throughout the year. Details of how we have applied the principles and complied with the provisions are explained throughout the report. The Code and the 2014 Code can be found on the Financial Reporting Council website at www.frc.org.uk.

The Board considers that throughout the year sufficient time has been spent reviewing and discussing strategy, risk, financial performance, investor communication and engagement, and key matters of governance both at the Board and the Committee meetings. An overview of the activities and the effectiveness of each of our Board Committees is explained further on pages 48 to 56.

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

Ethics, compliance and code of conduct
During the year the group has strengthened its existing policies and programmes which form the current ethical business framework. This included the development, implementation and embedding of a Code of Conduct (One Code), launched in July 2014, which provides clear expectations for all employees on behaviours and alignment with the group's core values. The One Code can be found on our website at http://www.mitie.com/about-us/our-culture/one-code-our-code-of-conduct.

In addition, enhancements have been made across the group in support of One Code, including assurance of core policy compliance and of the whistle blowing service.

Board composition
As a Board, we are keen to ensure that a balance of views is available and that the right decisions are taken. Our Board comprises directors with a breadth of professional and sector experience from various backgrounds. As a result we have a balanced Board with the right range of skills and experience to contribute to and, where appropriate, challenge decision making.

During the year Jack Boyer was appointed as Chairman of the Remuneration Committee. Crawford Gillies will step down from the Board at the AGM in July. Crawford will have been on the Board for three years, for a part of which he chaired the Remuneration Committee. We would like to thank Crawford for his contribution.

David Jenkins will retire from the Board in December 2015. He will step down as Chairman of the Audit Committee and Senior Independent Director at the AGM in July. We would like to thank David for his contribution to date, and for his commitment to the group by continuing on the Board to ensure a smooth transition to each of his successors. Larry Hirst, who has been a Non-Executive Director for the past five years, will be appointed Senior Independent Director upon David stepping down at the AGM.

Mark Reckitt will be appointed as a Non-Executive Director of Mitie with effect on 1 July 2015, and we are delighted to welcome him to Mitie. He will be appointed Chairman of the Audit Committee upon David Jenkins stepping down at the AGM, and will also be appointed to the Nomination and Remuneration Committees. Mark brings significant expertise and experience, having held senior business, strategy and finance roles at Smith Group plc, Kraft Foods Inc., and Cadbury plc. Mark is Non-Executive Director and Chairman of the Audit Committee at both Cranswick plc and J D Wetherspoon plc.

Review of Committee Terms of Reference and Delegated Authorities
During the year the division of responsibilities between the Chairman and Chief Executive, and the Committee Terms of Reference were reviewed and updated to ensure that they were in line with best practice. The Board also reviewed and adopted updated Delegated Authorities for the group.

Remuneration Policy Review
During 2014 the executive remuneration policy was reviewed. Mitie's principal shareholders were consulted prior to finalising the policy and, at the end of the process, we were pleased that a strong majority of shareholders consulted were supportive of the proposals. The review is now complete and a revised policy designed to operate for the next three years will be presented at the AGM in July.

Further details are provided in the Directors' Remuneration Report which can be found on pages 57 to 78.

Roger Matthews
Chairman

The Board

Board members
The members of the Board and their accompanying biographies are set out on pages 42 and 43. 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.

Chairman	Roger Matthews
Board members (executive)	Ruby McGregor-Smith
	Suzanne Baxter
	Bill Robson (until 31 July 2014)
Board members (non-executive)	David Jenkins
	Crawford Gillies
	Larry Hirst
	Jack Boyer

Key purpose of the Board
The Board is collectively responsible for the sustainable long term success of the Company and provides leadership and direction to management. Accordingly, the Board reviews and agrees the strategy for the group, proposed by the Executive Directors, on an annual basis and reviews certain aspects of the strategy at Board meetings during the year. In setting the strategy, the Board takes account of matters such as: market trends; competitive environment; private/public sector approach; international aspects of the business and opportunities; finance; people and talent; and the Mitie Model, ensuring at all times that sufficient consideration is given to risk and internal controls.

Key responsibilities
There are key matters and responsibilities that are set aside to be dealt with exclusively by the Board. These include:

- strategy – including setting group strategies and objectives;
- financial reporting – including approving the group's Half-Yearly and Annual Report and Accounts, and approving business plans and budgets and monitoring performance against them;
- internal controls – including management of the group's risk profile;
- acquisitions, disposals and contracts – including approving material acquisitions, disposals and business start-ups (including any material transactions outside of the normal course of business);
- corporate governance matters – including appointing and removing the Chairman, Directors and Company Secretary;
- delegation of authority – including the division of responsibilities between the Chairman and the Chief Executive; and
- communication – including making arrangements for dialogue with shareholders and canvassing shareholder opinion.

The Board recognises its overall responsibility for the group's system of internal control, which is designed to safeguard assets and ensure the reliability of financial information for both internal use and external publication. Within a framework set by and with oversight of Group Finance, the implementation of the system of internal control is managed by the leadership of each division. The Audit Committee monitors the effectiveness of these controls on behalf of the Board, through Internal Audit and the Group Enterprise Risk framework.

The Directors are mindful of their legal duties to act in the way they consider, in good faith, will be most likely to promote the success of the Company for its shareholders, having regard also to other stakeholders.

Frequency of Board meetings
During the year ended 31 March 2015, 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.

	Attendance
Number of scheduled Board meetings held in the year:	6
Roger Matthews	6
Ruby McGregor-Smith	6
Suzanne Baxter	6
Bill Robson*	2 of 2
Crawford Gillies	6
Larry Hirst	6
David Jenkins	6
Jack Boyer	6

Note:
* Bill Robson retired from the Board on 31 July 2014.

Division of responsibilities of our Chairman and Chief Executive

Our Chairman and Chief Executive have clearly defined and separate roles divided between running the Board on the one hand, and the business on the other, whilst maintaining a close working relationship. They have an open dialogue and meet regularly between Board meetings to ensure a full understanding of business issues, and facilitate efficient decision making. The document setting out this division of responsibilities was updated during the year and is available on the website at http://www.mitie.com/investors/shareholder-services/corporate-governance.

The Chairman
The Chairman is a Non-Executive Director and is responsible for running the Board and ensuring its effectiveness in all aspects of its role, including the regularity and frequency of meetings. He liaises with the Company Secretary to set Board agendas, taking into account the issues and concerns of all Board members. Key matters covered at each Board meeting include: strategy, enterprise risk management, financial and management reporting, investor relations, corporate governance, and operating business reviews, with updates received from each Committee Chair. The Chairman manages the Board to ensure 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. He facilitates the effective contribution of Non-Executive Directors and encourages active engagement by all members of the Board. He ensures constructive relations between the Executive and Non-Executive Directors, and that the Executive and Non-Executive Directors are aware of the views of major shareholders. The Chairman is also responsible for ensuring that the Board addresses major challenges faced by Mitie and for the effective performance of the Board and its Committees. The Chairman is available to consult with shareholders throughout the year and will be available at the AGM.

The Chief Executive
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 group objectives and strategy, having regard to the group's responsibilities to its shareholders, customers, employees and other stakeholders. The Chief Executive's remit includes effectively implementing strategy following approval of the strategic and financial plan by the Board, proposing investment in new business and geographical areas, and ensuring at all times that the group's risk profile is appropriately considered. She ensures the effective implementation of Board decisions, and regularly reviews the operational performance and strategic direction of the group's business. 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 and manages the appropriate disclosure of information to the Board and to shareholders. The Chief Executive maintains regular dialogue with the Chairman on all important Company matters and together they provide coherent leadership of the group.

The Executive Directors
Executive Directors oversee the entire operations of the group and in addition have specific responsibility for managing their own area of the business.

The Non-Executive Directors
Non-Executive Directors review the proposals for the strategic direction of the group, constructively challenging and probing proposals presented by the Executive Directors, based on their breadth of knowledge, experience and individual skills, and 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 controls. The Non-Executive Directors

have a responsibility to exercise their independent skill and judgement in carrying out their duties, and meet without the Executive Directors present during the year.

The terms of appointment of the Non-Executive Directors and the Executive Directors' service contracts are available for inspection at Mitie's registered office, Mitie's head office in Bristol, and at the AGM.

The Senior Independent Director

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.

Evaluation of the performance of the Board and the Committees

During the year the Board internally reviewed its performance and that of its Committees and individual Directors. The process was based upon the completion of an appropriately designed questionnaire and one-to-one meetings or telephone calls (where required) between the Chairman and individual Directors. Key areas addressed were the Board's composition (balance of skills, experience, independence, knowledge of the Company, and diversity, including gender), clarity of strategy, frequency of Board and Committee meetings, proficiency and quality of information provided, and follow-through on the prior Board evaluation.

Evaluation of the Chairman was conducted by the Senior Independent Director. The conclusions and recommendations of the review were shared with the Board at the meeting in May 2015. The Board is satisfied as to its effectiveness and that of its Committees and Directors. In addition to reviewing performance and governance, the Board will continue to focus on its composition and the balance of its skills and experience. The Board will receive regular updates and management presentations during the year on the strategic development and operational and financial performance of the group.

The Board was assisted by independent consultants, Condign Board Consulting, during the previous financial year and will solicit external support again in the coming two years in line with the requirements of the Code.

Director re-election

The performance of each Director has been reviewed as part of the annual board evaluation process and the Board is satisfied that they continue to operate effectively and demonstrate clear commitment to their roles. All Directors other than Crawford Gillies will submit themselves for re-election at the 2015 AGM. Further details on this can be found on page 44 (Board composition).

The Director Induction process

All Directors receive a personally tailored induction to Mitie which includes meetings with key senior managers, and visits to divisional offices and key client sites. They receive an information pack, which includes: copies of Mitie's Articles of Association; the latest Annual Report and Accounts; the Committee terms of reference and copies of recent Board and Committee minutes; and supporting papers. Directors are given access to the online board portal which, as well as holding all Board reports and Board minutes, has a reading room containing 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. Additional briefing notes are circulated where appropriate on matters such as changes in the regulatory and governance environment.

Our Board accountability and assurance explained

Risk management approach

The Board understands that effective risk management and a sound system of internal control is central to the achievement of the group's business strategy of delivering sustainable, profitable growth. The Board, supported by the Audit Committee, has continued to drive improvements to better understand the nature of the risks the group faces as it continues to grow in size, shape and complexity. The group will continue to focus on embedding risk management across all areas of the business to ensure the continued identification of risks to, and opportunities supporting, the delivery of our strategic objectives.

Risk management processes

It is recognised that a flexible and adaptable approach to risk management is required to meet the demands of the dynamic and quickly evolving environment in which the group operates. Processes are in place to ensure that each operating division and support function identifies and assesses the risks to achieving its objectives, the associated mitigation measures and the potential impact of the crystallisation of those risks. This process was reviewed during the year and refocused to ensure clarity of requirements were understood via formal risk management workshops to provide consistency in risk identification and assessment. Responsibility for specific areas of risk flows through the business, with delegated accountability and responsibility assigned to specific risk owners. The group risk profile is reviewed by the Chief Executive and Group Finance Director in advance of review and approval by the Audit Committee and the Board. This information is captured in risk registers at business, divisional and functional level, which are subsequently consolidated into strategic, operational, financial and regulatory risk categories within an overall group risk register that is maintained by the Enterprise Risk function.

Risk identification and assessment
Both internal and external perspectives are taken into account when considering the risks that pose a threat to the achievement of the group's strategy to ensure a thorough identification process occurs. The external view will include the economic position, political factors, and sector and geographical risks. The internal view takes into account factors including our changing and developing business profile, operational processes, technology and people.

Identified risks are then assessed using standard impact and likelihood ratings to quantify the risk to the achievement of business objectives. This approach is consistent across all our operations and support functions and provides executive management and the Board with the ability to prioritise resources to manage risk. Independent challenge and oversight of the risks identified within the divisional and functional risk registers is provided by the Enterprise Risk function and divisional managers, to ensure meaningful and consistent results are achieved.

Risk mitigation
The control and mitigation element of our risk management process continues to be reviewed and enhanced to ensure the provision of more robust information on the effectiveness of the identified controls in place. Each identified risk has a defined control owner who is responsible for developing a plan to mitigate the risk. Assessment of the effectiveness of this control environment is undertaken at divisional and group level, with the Audit Committee formally reviewing performance.

Risk monitoring and review
As our business profile continues to change, the risk management process remains a dynamic one, with principal risks monitored throughout the year to ensure the risk profile is accurate and the control environment remains effective. Through this process, newly identified risks will feature on the risk register and some risks may be removed. The overall risk profile for 2015 has remained in line with that reported previously, although the definition of a number of risk events has been refined in order to more accurately reflect the evolving business and the potential challenges to achieving our strategic objectives. 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 the group's overall ability to achieve 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 ownership of mitigation improvements where required.

Ultimately the risk management framework is designed to manage rather than eliminate the risk of failing to achieve the objectives and strategies of the group and can therefore only provide reasonable, and not absolute, assurance against material risk and loss. The Board, through the Audit Committee, considers the nature and extent of significant risks in setting the group's strategy. Details of the principal risks of the group are set out on pages 38 and 39. The Audit Committee confirms that this risk management process has been applied throughout the reporting year and up to the date of approval of the Annual Report and Accounts.

Internal control and assurance
In line with Mitie's operating model and within the framework set by Group Finance, the implementation of the system of internal control is managed by the leadership of each division. Group functions (such as Finance, Human Resources and Risk) collaborate with divisional teams to promote continuous improvement and ensure that controls are operating effectively. A formal review of the internal control environment, led by the Divisional Directors, is undertaken annually in each division through the Internal Control Questionnaire, which evaluates controls in all key business processes. The Audit Committee receives assurance over the effectiveness of divisional controls through this process, updates from specific functions, and Internal and External Audit.

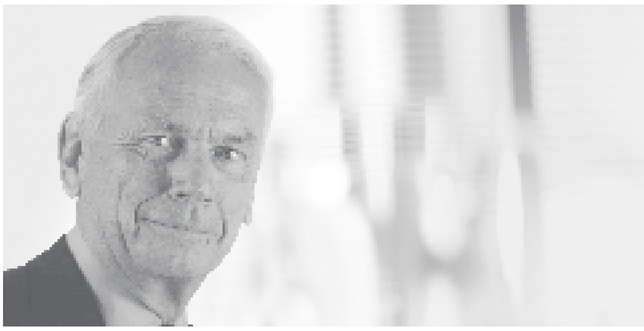
The Internal Audit function is structured by way of a co-source arrangement with in-house auditors working alongside specialists from Grant Thornton LLP to achieve the overall delivery of the Internal Audit programme. The Internal Audit programme is designed to provide a level of assurance over the principal risks and controls to the group and is developed by the Head of Internal Audit. 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 reports from the Internal Audit function, and reviewing plans to address identified areas for improvement arising from the audits.

The Audit Committee also receives regular reports from the Independent Auditor, Deloitte LLP, who contribute a further independent perspective on the internal financial control systems arising from their audit work. The Audit Committee also receives an update from the Head of Internal Audit and the Executive Directors on the operation of controls within the business.

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 scope of which are set out on the following pages.

Audit Committee



Chairman's introduction

The primary role of the Audit Committee is to oversee and assist the Board in its responsibility to approve a set of fair, balanced and understandable group Annual Report and Accounts. The accounts should provide the information necessary for shareholders to assess the Company's strategy, business model and financial performance throughout the year.

The Committee ensures that the group has in place effective financial governance in respect of the group's financial results, the performance of both the Internal Audit function and the Independent Auditor, and the management of the group's systems of internal control, business risks and related compliance activities.

Audit Committee members

The Chairman of the Committee is David Jenkins, who 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 ongoing positions. David will retire from the Board in December 2015, and will step down as Chairman of the Committee at the AGM in July. Mark Reckitt will be appointed Non-Executive Director with effect on 1 July 2015, and will be appointed Chairman of the Audit Committee upon David stepping down. Mark is similarly deemed by the Board to have significant, recent and relevant financial experience through his qualifications and ongoing positions. Mark's biography is included in the Notice of AGM.

The Audit Committee comprises independent Non-Executive Directors who are all considered appropriately experienced to fulfil their duties.

Chairman	David Jenkins
Committee members	Crawford Gillies
	Larry Hirst
	Jack Boyer

Key purpose of the Audit Committee

The Audit Committee provides effective governance over the appropriateness of the group's financial reporting, and the performance of both the Internal and External Audit functions. The Committee also oversees the group's internal control systems, business risks management and related compliance activities.

The Committee meets independently with the Independent Auditor and the Head of Internal Audit without the Executive Directors present. As Chairman of the Committee David Jenkins will be available at the AGM to answer any questions about the work of the Committee.

Key responsibilities of the Audit Committee

The key responsibilities of the Audit Committee include:

- monitoring the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and estimates and judgments having regard to matters communicated to it by the Independent Auditor;
- reviewing summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;
- reviewing the Half-Year Financial Report and Annual Report and Accounts, including the fair, balanced and understandable statement, and recommending the same for Board approval;
- keeping under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems (being the systems established to identify, assess, manage and monitor financial and other risks);
- reviewing accounting policies and key areas of accounting judgement;
- reviewing the Independent Auditor's audit plan, nature and scope of work and overall summary of key issues and judgements;

- assessing the effectiveness of the Independent Auditor including the appropriateness and skills of its audit team, the quality of its services, and its re-appointment;
- reviewing and monitoring compliance with the Non-Audit Services Policy and maintenance of auditor independence;
- reviewing the group's consolidated risk register prior to its approval by the Board;
- approving the group's assurance framework and the internal audit plan;
- reviewing key internal audit reports and findings;
- reviewing the adequacy and security of the Company's arrangements for its employees and business partners to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action);
- considering management's response to any major internal or external audit recommendations; and
- monitoring the effectiveness of the internal audit, independent audit and risk management systems and functions.

The Audit Committee's terms of reference were updated during the year and are available at http://www.mitie.com/investors/shareholder-services/corporate-governance.

Frequency of Audit Committee meetings
During the financial year, the Audit Committee met five times. Meetings may, by invitation, be attended by the Company's Independent Auditor, the Chairman, the Chief Executive, the Group Finance Director and the Head of Internal Audit.

	Attendance
Number of meetings held in year:	5
David Jenkins	5
Crawford Gillies	4 of 5
Larry Hirst	5
Jack Boyer	5

The role of the Committee – financial reporting
The primary role of the Committee in relation to financial reporting is to review with both management and the Independent Auditor the appropriateness of the Half-Year and Annual Report and Accounts concentrating on, amongst other matters:

- the consistency of, and any changes to, significant accounting policies and practices both on a year on year basis and across the Company;
- the clarity and completeness of disclosure in the Company's financial statements and the context in which statements are made;
- the methods used to account for significant or unusual transactions where different approaches are possible; and
- whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

To aid the review, the Committee considers reports from the Group Finance Director and also reports from the Independent Auditor on the outcomes of the Half-Year review and Independent Audit.

Going concern
The Audit Committee considered the evidence that supports the ability of the Directors to conclude that Mitie has adequate financial resources to continue in operation for the foreseeable future and can prepare its accounts on a going concern basis. The Committee considered the future prospects and performance of the group including the potential impact of acquisition activity; the projected future cash flows of the group; the availability of core and ancillary financing facilities and compliance with related covenants; and the projected drawn positions and headroom available on the core committed financing facilities. It also reviewed and considered the disclosures on the matter of going concern in the Annual Report and Accounts and considered them to be appropriate.

Significant issues considered by the Committee during the year
The Audit Committee considered the following significant matters of judgement in relation to the accounting judgements contained in the Annual Report and Accounts. In all cases, papers were presented to the Audit Committee by management, setting out the material matters of accounting estimates and the judgements associated with each item. A separate paper was presented to the Audit Committee by the Independent Auditor that set out his views on each area of judgement. The Audit Committee discussed the papers with management and sought the views of the Independent Auditor on each matter, and for each area of judgement concurred with the treatment presented by management and in the Annual Report and Accounts.

Accounting for material contracts
The group operates a broad portfolio of contracts and discloses revenue recognition as a critical judgement in the Annual Report and Accounts. The methodology used for the recognition of contract revenue influences the amount of profit recognised on a contract as well as the inclusion and valuation of contract related assets and liabilities on the balance sheet.

The Audit Committee considered papers prepared by management on revenue and profit recognition on contracts; on the accounting treatment applied to the group's larger integrated facilities management contracts, where judgement is required in respect of the percentage of completion of contracted work when recognising revenue and profit; on contract performance and the recognition and valuation of contract related assets and liabilities; and on the recoverability of certain specific contract receivables and the risk associated with their collection.

The Committee concurred that the judgements made in respect of accounting for material contracts were appropriate.

The valuation of goodwill
The group has undertaken a number of acquisitions in the past and carries goodwill as an intangible asset on its balance sheet in respect of the businesses acquired (see Note 13).

The valuation and impairment review of goodwill is assessed for each individual cash-generating unit (CGU) and considers the balance sheet value of the goodwill compared to the net present value of the post-tax cash flows that are expected to be generated by that CGU. This involves an estimation of the future cash flows deriving from each CGU and also the selection of appropriate discount rates, which are then applied to the cash flows to calculate a net present value.

The assumptions underpinning the review were considered by the Audit Committee. The cash flow forecasts used in the review were derived from the most recent CGU budgets which have been reviewed and approved by the Board and the long-term business plans of the group. The assumptions underpinning the review, and also the sensitivity of the decision on goodwill impairment to changes in key assumptions including the discount factor was considered by management and presented to the Audit Committee. The Audit Committee reviewed the goodwill associated with the group's Healthcare CGU where the financial performance of the business has deteriorated during the year. The Committee considered a detailed paper from management on the key assumptions underpinning the business plan for the CGU, the sensitivity of the impairment testing to potential changes to both the key assumptions and the discount rate applied therein, and the disclosures to be made in the accounts. On the basis of this review, the Audit Committee agreed with management that no impairment to goodwill was necessary.

Accounting for the exit from the group's engineering contracting business and from certain Energy Solutions contracts
The full trading result of the cyclical mechanical and electrical engineering contracting business has been separately disclosed within Other items (see Note 5) due to the significance of its scale to the group, along with the costs of closure of that business. A number of contract provisions and costs have also been incurred in the year in reducing the group's exposure to design and build construction contracts in the Energy Solutions business. These have also been separately disclosed as Other items on the face of the income statement.

In forming judgements on the accounting estimates in respect of these businesses throughout the year, the papers presented to the Committee considered the performance of the contracts within each business area, the carrying value of contract related assets and liabilities in the balance sheet and the extent of any continuing obligations of the group in respect of those businesses. The Committee also considered the disclosures made in the accounts in respect of the charges arising from the curtailment of the group's exposure to these businesses.

During the year, the Committee specifically considered the accounting treatment afforded to the group's 30% non-controlling equity interest in O-Gen Plymtrek Limited (O-Gen), to which Mitie had also extended subordinated debt. The Energy Solutions division had a contract to construct and operate a renewable energy plant for O-Gen which had been subject to delays and considerable cost overruns . At 31 March 2015, the group had no remaining obligations or liabilities in connection with the project to construct the plant or any material exposures arising from its interest in O-Gen that were not provided for in the accounts following the termination of contractual arrangements in March 2015. During the year, consideration was given to the treatment that should be adopted for the joint venture on consolidation of the group's results, and whether it should be considered to be a subsidiary or an associate. As a result of a number of factors, and in particular the combination of not having a majority of directors on the Board and having no veto rights over substantive matters, the group's interest in O-Gen was accounted for as an associate and is held at nil value on the balance sheet at 31 March 2015 (see Note 5).

The Committee satisfied itself that the accounting treatment and disclosures in respect of the group's exit from these business activities was appropriate.

The presentation of the income statement
The financial statements contain all the information and disclosures required by the relevant accounting standards and regulatory obligations that apply to the group. Mitie has elected to provide some further disclosures and performance measures in order to present its financial results in a way that best demonstrates the performance of its business. In particular, Mitie adopts headline measures of its performance and separately discloses certain costs and income as Other items in its income statement in order to demonstrate the underlying performance of its business.

The Audit Committee considered the use of these non-statutory measures of performance and related reporting formats and extent of disclosures in order to satisfy itself that the presentation of the group's results is transparent, fairly reflects the activity of the business during the reporting period and enables a clearer understanding of the underlying performance of the business over time.

In satisfying itself, the Committee had regard to:

→ the nature of the item and the circumstances leading to recognition; and
→ the requirement for a fair, balanced and understandable presentation of performance and the need to separately disclose and explain certain items to fully understand and give clarity to the underlying activities and performance of the group.

The role of the Committee – external audit
Each year the Audit Committee reviews the performance of the Independent Auditor in respect of audit related services and non-audit related services and is committed to ensuring the independence, effectiveness and objectivity of the Independent Auditor.

Appointment and tendering of Independent Audit Services
The Audit Committee will continue to give consideration to the timing of the next formal tender in light of guidance and changes in regulatory requirements. There are no contractual obligations restricting the Company's choice of Independent Auditor.

Deloitte LLP has been the Company's Independent Auditor since its market listing over 25 years ago. However, Mitie tendered its full external audit services in 2012 and concluded that Deloitte LLP should be re-appointed as Independent Auditor given its relevant experience in both the PLC environment and the support services sector.

Independent Auditor effectiveness
The Audit Committee monitored the conduct and effectiveness of the Independent Auditor through its assessment of:

→ the experience, expertise and perceptiveness of the auditor;
→ the planning and execution of the agreed audit plan and quality of audit reports; and
→ the conduct of the auditor including the Audit Committee's experience of interaction with the auditor, which included meetings held in the absence of management.

The Audit Committee is satisfied with the effectiveness of the independent audit and, in light of the audit tender conducted in 2012, has assessed and recommended to the Board the continued engagement of Deloitte LLP as the Company's Independent Auditor. Deloitte LLP has expressed willingness to continue in office as our Independent Auditor and accordingly the Board is recommending their re-appointment as Independent Auditor at the forthcoming AGM.

Non-Audit Services provided by the Independent Auditor
The Audit Committee has approved a Non-Audit Services Policy that ensures the Independent Auditor remains independent and objective throughout the provision of their independent audit services and when formulating their audit opinion. In order to retain the flexibility of utilising the Independent Auditor to provide non-audit services, the following criteria must also be met. These are such that the Independent Auditor does 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 group.

The Non-Audit Services 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 Independent 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 Independent Auditor for non-audit services, the following factors are taken into account:

- the quality of work provided by the Independent Auditor;
- representations provided by the Independent Auditor regarding independence and objectivity, along with internal controls implemented by them when providing non-audit services;
- the level of the Independent 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 finance services associated with the extension of the group multi-currency revolving credit facility. The Audit Committee considered reports from both management and the Independent Auditor, none of which raised concerns about auditor independence.

A summary of the fees paid to the Independent Auditor 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.

Assurance
In accordance with 'Internal Control: Guidance for Directors' and the revised section 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.

These activities are monitored at executive level to ensure that control changes are implemented appropriately and that they are effective. The Head of Internal Audit oversees the application of control environment improvements and 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; 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.

David Jenkins
Chairman of the Audit Committee

Nomination Committee

Chairman's introduction
The role of the Nomination Committee Chairman is to ensure the Board is appropriately balanced in terms of composition, skills and experience. The Committee is comprised of independent Non-Executive Directors who are all considered to be appropriately experienced to fulfil their duties.

Who is on the Nomination Committee?

Chairman	Roger Matthews
Committee members	David Jenkins
	Crawford Gillies
	Larry Hirst
	Jack Boyer

Key purpose of the Nomination Committee
The Nomination Committee evaluates the composition, experience, knowledge, skills and independence of the Board and its Committees. This allows the appropriate balance to be maintained and ensures continued effectiveness.

The Committee also ensures that appropriate succession plans for the Non-Executive Directors, Executive Directors and the group's senior management are also kept under review, taking into account the challenges and opportunities facing the group, and what skills and expertise are therefore required in the future.

Key responsibilities of the Nomination Committee
The responsibilities of the Nomination Committee include:

- giving full consideration to succession planning for Directors and other senior executives;
- making recommendations to the Board concerning the following:
  - potential candidates to fill Board vacancies when they arise,
  - suitable candidates for the role of Senior Independent Director,
  - appointment of the Company Secretary; and
  - membership of the Committees;
- keeping up to date and fully informed about strategic issues and commercial changes affecting the group and the market in which it operates; and
- reviewing the results of the Board performance evaluation process that relate to the composition of the Board.

The Nomination Committee's terms of reference were updated during the year and are available at http://www.mitie.com/investors/shareholder-services/corporate-governance.

Key activities during the year
The Committee reviewed the composition and chairmanship of the Board and each of its Committees and determined that all Non-Executive Directors remained independent in character and judgement. The Committee continues to be satisfied that the Board's composition has been appropriate throughout the year, having regard in particular to the integrity, skills, knowledge and experience of its Directors and the size and nature of the business.

The Committee worked with executive search firms Inzito and Norman Broadbent during 2014/15. Both firms supported the Committee in its search for potential appointees to replace David Jenkins as Non-Executive Director and Chairman of the Audit Committee and Crawford Gillies as Non-Executive Director. Mark Reckitt will be appointed Non-Executive Director on 1 July 2015, and Chairman of the Audit Committee upon David Jenkins stepping down from that post at the AGM in July, as notified to the market in May 2015. It is intended that Mark be appointed as Chairman of the Audit Committee after the AGM. David Jenkins will step down as Chairman of the Audit Committee and Senior Independent Director on 13 July 2015, but will remain as a Non-Executive Director of the Board until his retirement in December 2015.

A detailed and personally tailored induction programme is undertaken for Non-Executive Directors joining the Board in line with Mitie's standard procedure.

Frequency of Nomination Committee meetings
During the financial year, the Committee met four times.

	Attendance
Number of meetings held in year:	4
Roger Matthews	4
David Jenkins	4
Crawford Gillies	4
Larry Hirst	4
Jack Boyer	4

Our policy on diversity
Mitie has a company-wide Diversity Policy that clearly states its commitment to the inclusion and diversity of all employees at all levels, up to and including Board level. The Chief Executive and the Group Finance Director are both female and serve on the Board.

The Group's employment practices and policies are designed to recruit, motivate, retain, train and develop 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.

The Board is responsible for driving the diversity agenda throughout the organisation, supported by an independently-chaired Diversity Steering Group comprised of senior business leaders from all business areas. The Steering Group identifies group-wide strategy and facilitates business specific diversity action plans to drive the diversity agenda.

The Board remains committed to developing a culture that encourages the inclusion and diversity of all of the group's employees, respecting and appreciating their differences and promoting the continuous development of employees through skills enhancement and training programmes. 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.

Workforce data is reviewed and monitored across all business areas, by salary banding, to track progress made on employee diversity, with particular regard to gender, age, disability and ethnicity. Particular achievements include continued improvements in the percentage of women at all salary bands within the organisation and an increase in the mix of ethnicity across salary bandings.

Mitie has a Board-sponsored women's network (Women at Work) with the aim of promoting, supporting and encouraging women in progressing their careers within Mitie. Both men and women are able to join the network and participate in all networking/development events.

The model of an employee-led, Board sponsored, forum has proven successful, and in 2015 further networks will be launched covering the Black, Asian and minority ethnic (BAME), lesbian, gay, bisexual and transgender (LGBT), and disability communities.

Mitie continues to successfully build on its' long-standing relationship with Remploy, which has been in place since 2006. Mitie actively provides support for disabled people through provision of work experience and employment opportunities, with more than 550 disabled people employed to date.

Mitie continues to support individuals with complex barriers to work and has formed a strategic partnership with Mosaic. This is a national initiative aimed at providing mentoring and training for young people in the offender system.

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.

Roger Matthews
Chairman of the Nomination Committee

Remuneration Committee

The Directors' remuneration report is set out on pages 57 to 78 and details the Remuneration Committee's activities during the year and its policy on remuneration. The Directors' remuneration report contains full details of any earnings that the Executive Directors are permitted to retain from their external appointments. The Chairman of the Remuneration Committee will be available at the AGM to respond to any shareholder questions relating to the Remuneration Committee.

Investment Committee

Overview and purpose

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 Chair, and Group Finance Director, met ten times during the year and considered matters such as major bids and contracts, acquisitions, disposals, large capital expenditure and Mitie Model investments.

Results Committee

Overview and purpose

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

Directors' remuneration report

Statement from the Remuneration Committee Chairman

Introduction
On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 March 2015.

I was pleased to be appointed as Chairman of the Remuneration Committee from 1 October 2014. My thanks go to Crawford Gillies, who served as Chairman of the Committee from November 2013, for his support when I took over the role.

At Mitie, we work hard to ensure that our people are fully engaged with our company and its clients. To continue delivering strong results, it is imperative that we are able to attract and retain the right people and motivate them to make a positive contribution to the business. Attraction, incentivisation and retention are key tenets of our reward strategy.

In my first annual statement to shareholders, I would like to share with you:

- How our executive remuneration policy is aligned to Mitie's strategy;
- How Mitie's performance has affected incentive-linked remuneration for 2014/2015; and
- Our long-term approach to executive remuneration and the proposed future policy.

How the pay policy is aligned to our KPIs and strategy
Our pay policy supports and rewards the achievement of our strategy to deliver sustainable and profitable growth. This is driven and measured by how we perform against a number of KPIs, both non-financial and financial, further details of which can be found on pages 10 to 13 and pages 32 to 37 respectively.

We align our pay policy to our strategy and performance in a number of ways:

Annual Bonus – awarded based on a combination of financial and non-financial measures set by the Board at the beginning of the financial year; and

Long Term Incentive Plan (LTIP) – based on a number of measures, including: earnings per share (EPS); relative total shareholder return (TSR); organic revenue growth; and cash conversion.

Pages 58 and 59 gives you more information on bonus and LTIP targets.

Performance and remuneration outcomes for 2014/15
As set out in the Chairman's overview and Group Finance Director's report, Mitie has delivered the following results, during the year:

- Headline revenue growth of 5.8% of which 4.9% was organic;
- Headline operating profit growth of 0.9%;
- Headline basic EPS growth of 2.1%; and
- Dividend per share growth of 6.4%.

Mitie's statutory results include trading losses and exceptional charges resulting from the exit of our mechanical and electrical engineering construction and asset management businesses. Whilst this has come at a significant cost, we are confident that the right longer term decisions have been made for the business and shareholders.

It has been in this context that the Committee has approached the key decisions regarding the remuneration of our Executive Directors. With regard to fixed pay, it has been agreed that the Executive Director's base salaries should be increased by 2.9% from 1 April 2015. This is line with average salary increases awarded to Mitie's salaried non-contract UK employees.

For the Executive Directors, this year's annual bonus was based on the achievement of financial targets (110% of salary) and performance against strategic objectives relating to organic growth, people management and strategy (50% of salary for the Chief Executive and 25% of salary for the Group Finance Director). Overall, annual bonus outcomes for 2014/15 are at broadly half of maximum opportunity (80% of salary for the CEO and 62.5% of salary for the other Executive Directors). Under the financial element, the threshold level was achieved which produced an entitlement of c. 90% of salary. However, the Committee, in conjunction with the three Executive Directors in the financial year, determined that the financial element should be reduced to half of the threshold level, recognising the statutory result. Against the strategic elements, the Committee has awarded 35% of salary for the CEO and 17.5% of salary for the other Executive Directors, reflecting good progress on all metrics. Bill Robson stepped down as an Executive Director on 31 July 2014 and remains a key part of our management team as the Managing Director of our Property Management division.

With regard to long-term incentives, the LTIP awards granted in 2012 vested at a threshold level of 25%.

Remuneration policy for 2015/16 and onwards

In last year's report, we informed shareholders that we would be reviewing our executive remuneration policy during the course of 2014. At the 2014 AGM, shareholders voted overwhelmingly in favour of the policy resolution, with just under 99% of votes cast in favour. The Directors remuneration report resolution achieved a 73% level of support. Whilst being supported by a number of our major investors, the votes cast against this resolution were influenced by concerns raised by governance agencies and by certain shareholders, primarily the exceptional level of LTIP award to the Chief Executive at 250% of salary rather than 200% of salary and the EPS target set as part of the balanced scorecard of 2013 LTIP performance measures (of which EPS had a 20% weighting). We engaged with our shareholders regarding these concerns both at the time of the 2014 AGM and later in the year when undertaking the review of the remuneration policy described further below. Looking back to 2013, the Committee's perspective was that the 2013 LTIP award was designed to strengthen further the CEO's appropriate alignment to shareholders and that the EPS targets for LTIP were considered stretching in the circumstances prevailing at the time. The CEO's LTIP award in 2014 was made at a 200% of salary level.

Our review of the remuneration policy is now complete and we will be presenting to our shareholders a revised policy designed to operate for the next three years at the forthcoming AGM. We consulted with Mitie's principal shareholders and the leading governance agencies prior to finalising the policy and are grateful for their constructive comments, engagement and support during the consultation process. We refined the final proposal in light of their feedback.

The main aims of the review were to:

→ Maintain the role played by equity in our remuneration policy and thereby strengthen the alignment between executive pay and long-term value creation;

→ Ensure remuneration is aligned with our pay for performance culture that rewards strong performance, but also protects against inappropriate pay outturns;

→ Address recent shareholder concerns regarding how the policy had been operated; and

→ Recognise current trends in best practice and provide greater transparency.

Our new proposed policy is detailed on pages 62 to 65. In summary, the major elements include:

Element	Remuneration for 2015/16	Key decisions
Base Salary	Set by reference to the individual's role, experience and performance. Increases will normally be broadly in line with the average increase for the salaried non-contract UK based workforce whose salaries Mitie determine	No change
Benefits	Package of benefits in line with market practice	No change
Pension	Defined benefit accrued at a rate of 1/70th of pensionable salary up to the level of the HMRC salary cap. A salary supplement of 20% is also paid above this cap	No change. For new Executive Directors the policy is to offer no more than a 20% of salary pension contribution
Annual Bonus	**Maximum opportunity** Chief Executive – 160% of salary Group Finance Director – 135% of salary	No change

<table>
<tr><th>Element</th><th>Remuneration for 2015/16</th><th>Key decisions</th></tr>
<tr><td></td><td>Performance Measures
Up to 110% of salary – Earnings Before Interest, Tax and Amortisation (EBITA)
Above 110% of salary – strategic targets (relating to matters such as organic growth, strategic deliverables, people management)</td><td>No change</td></tr>
<tr><td></td><td>EBITA Payout Schedule
<table>
<tr><th>Performance level</th><th>EBITA performance – % of target EBITA</th><th>Bonus payout – % of salary</th><th>Bonus payout – % of maximum</th></tr>
<tr><td>Threshold</td><td>95%</td><td>60%</td><td>55%</td></tr>
<tr><td>Target</td><td>100%</td><td>90%</td><td>82%</td></tr>
<tr><td>Maximum</td><td>105%</td><td>110%</td><td>100%</td></tr>
</table></td><td>Under the new bonus payout range, there will be:
→ A lower bonus earned at ‘threshold’ and ‘target’ performance;
→ A wider payout range between ‘threshold’ and ‘maximum’ performance; and
→ A greater level of outperformance against ‘target’ will be required to receive a maximum payout.</td></tr>
<tr><td></td><td>Deferral
Any bonus paid over 100% of salary is deferred into shares for two years</td><td>No change (but now subject to malus – see below)</td></tr>
<tr><td></td><td>Disclosure
Disclosure of the EBITA threshold, target and maximum numbers will be published in the Directors’ remuneration report immediately following the year end</td><td>Timing of disclosure brought forward. Previous approach was to defer disclosure for one year</td></tr>
<tr><td>New LTIP</td><td>Award Levels
Chief Executive – up to 200% of salary
Group Finance Director – up to 200% of salary</td><td>The maximum LTIP award limit will be reduced from 250% of salary to 200% of salary. This removes the opportunity for the Committee to make exceptional awards above 200% of salary</td></tr>
<tr><td></td><td>Performance Conditions
Adjusted EPS growth – 20% of award
Relative TSR – 20%
Organic revenue growth – 30%
Cash conversion – 30%</td><td>No change. The targets will be agreed each year at the time of grant</td></tr>
<tr><td></td><td>Post Vesting Holding Period
Following vesting, a holding period will apply for continuing employees such that 50% of the shares are released immediately after the third anniversary of the award date, 25% are released a year later and the remaining 25% a further year later</td><td>Post vesting holding period introduced (shares subject to malus during this holding period)</td></tr>
<tr><td>Malus</td><td>Deferred Bonus and LTIP
Any unvested awards granted under the deferred bonus or the new LTIP and any shares subject to a holding period will be able to be lapsed in certain circumstances</td><td>Malus clause introduced</td></tr>
<tr><td>Share Ownership Guidelines</td><td>200% of base salary as a minimum</td><td>Increased from 150% of base salary</td></tr>
</table>

The new policy has evolved from the current one and maintains the focus on long-term value creation for our shareholders. Our expectation is that fixed pay increases will be broadly in line with those of our salaried non-contract UK employees, reflecting the individual's role, experience and performance. We have made the annual bonus plan more robust and challenging through the wider target range that incorporates lower payment levels at threshold and target performance and through the introduction of malus, with the Committee happy to be accountable to our investors via immediate retrospective disclosure of the EBITA targets.

As our current LTIP would require renewal of its ten year authority at the 2017 AGM, we are bringing forward this item to the 2015 AGM when we are seeking approval for our new policy. The proposed new LTIP 2015 follows the current LTIP but with additional features, to protect shareholders. The new LTIP now includes a malus clause. The role played by equity in our remuneration policy, which perhaps provides the most direct and powerful alignment of the long-term interests of our executive team and our investors, is also further strengthened by the increase in shareholding guidelines and the post vesting holding period introduced in the new LTIP.

Conclusion

Shareholders will be invited to approve our new remuneration policy for the year ending 31 March 2016 and beyond, the introduction of the new LTIP and the annual remuneration report for the year ended 31 March 2015, at the Company's AGM on 13 July 2015.

Jack Boyer
Chairman of the Remuneration Committee

Remuneration Policy

Who is on the Remuneration Committee?

The members of the Remuneration Committee are Non-Executive Directors.

Chairman:	Jack Boyer (from 1 October 2014)
	Crawford Gillies (until 30 September 2014)
Committee Members:	Crawford Gillies
	Larry Hirst, CBE
	David Jenkins
	Roger Matthews

What is the Committee's key purpose?

We have the responsibility for determining remuneration for Mitie's Executive Directors and the Chairman, taking into account the need to recruit and retain executives and ensuring they are properly incentivised to perform in the interests of the Company, our people and our shareholders.

What are the Committee's key responsibilities?

Our key responsibilities are:

- Shaping and agreeing with the Board the policy framework 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, determining the structure of awards and the setting of performance targets;
- Overseeing the remuneration policy for the group as a whole; and
- Drafting and approving the Directors' remuneration report and any remuneration related resolutions to be put to the shareholders at the group's AGM.

Who attends Committee meetings?

The Committee regularly consults with Ruby McGregor-Smith CBE, Chief Executive and the People and Transformation Director on various matters relating to the appropriateness of rewards for the Executive Directors. However, the Chief Executive is not present when matters relating directly to her individual remuneration are discussed. This is also the case for other executives attending Committee meetings.

The Company Secretary and/or the Assistant Company Secretary attended the meetings as Secretary to the Committee. The Chief Executive and People & Transformation Director also attend meetings by invitation only.

How many times did the Committee meet?

During the financial year, we met as a Committee 6 times.

	Attendance
Number of meetings held in year:	6
Jack Boyer	6
David Jenkins	6
Crawford Gillies	5
Larry Hirst, CBE	6
Roger Matthews	6

What were the key activities of the Committee during the year?

During the year and immediately following the year end, we addressed a number of key issues, such as:

- Setting base salaries for the Executive Directors;
- Assessing performance of the Executive Directors and determining annual bonuses;
- Setting bonus targets for the Executive Directors;
- Approving share awards and the vesting of legacy share awards;
- Designing our revised policy and new LTIP, together with a consultation exercise with our major shareholders; and
- Preparing the Directors' remuneration report.

This report

We have presented this report in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report also describes how the Board has complied with the provisions set out in the UK Corporate Governance Code relating to remuneration matters.

At our 2015 AGM we will be holding two votes relating directly to this report: a binding vote on the revised Directors' remuneration policy as set out in the policy section of this report and an advisory vote on the implementation section of this report. In addition, we will also be holding a vote to approve our new LTIP.

The Independent Auditor has reported on certain parts of this report and stated whether, in his opinion, those parts of the report have been properly prepared in accordance with the Companies Act 2006. Those sections of the report which have been subject to audit are clearly indicated.

The Company's remuneration policy

The key principles of the policy

The remuneration policy promotes and embeds the Company's remuneration principles. The key principles of this policy are:

Performance-related	At the Executive Director and senior management levels, the majority of reward opportunity is provided through performance-related incentives linked to the Company's strategic goals and taking account of the Company's attitude to risk Reward under these incentives is linked to both individual and group performance
Shareholder aligned	The performance-related incentive arrangements are designed to align the interests of the executives with those of shareholders and to promote the Company's long-term success
Comprehensive and simple	The overall remuneration policy is comprehensive without becoming overcomplicated and encourages executives to concentrate on profitable growth

The policy

As stated above, following a review, major shareholders were consulted regarding changes to the policy which, if approved by shareholders, will take effect from the date of the AGM.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base Salary Set at levels to attract and retain individuals of the calibre required to drive the vision and direction for Mitie.	Salaries are generally reviewed annually and effective from 1 April. The review is influenced by: → The individual's role, experience and performance; → Business performance and the wider market and economic conditions; → The range of increases across the group; and → An external comparator group comprised of sector comparators and size adjusted FTSE 250 comparator organisations.	Base salary increases will be broadly in line with the average increase for the salaried non-contract UK employees whose salaries Mitie determines, although on occasion other specific circumstances such as changes of responsibilities, progression in role, experience, or a significant increase in the scale of the role and/or size, value and/or complexity of the group may also be taken into consideration.	N/A
Benefits To aid retention and be competitive within the marketplace.	The group provides a range of benefits which may include a company car/car allowance, private fuel, private health insurance, life assurance and annual leave. Benefits are reviewed periodically against market and new benefits may be added and/or amended as required to support the attraction and retention of key talent. Additional benefits may be awarded in certain recruitment circumstances which may include relocation expenses, housing allowance and school fees. Other benefits may be offered if considered appropriate and reasonable by the Committee.	Benefits are set at a level which the Committee considers: → Appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market. → Provides a sufficient level of benefit based on the role and individual circumstances (for example, relocation). The Committee retains discretion to approve a higher cost than currently incurred where factors outside the Company's control have changed materially (e.g. medical inflation) or in exceptional circumstances (e.g. relocation).	N/A
All Employee Share Schemes To provide opportunities for the Directors to voluntarily invest in the Company on the same terms as other employees.	Executive Directors are eligible to participate in any all-employee share plan operated by the Company, in line with HMRC guidelines currently prevailing (where relevant), on the same basis as for other eligible employees.	N/A	N/A

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Pension To aid retention and provide competitive retirement benefits.	Executive Directors currently participate in the group's defined benefit scheme which is now closed to new entrants. The plan has a cap on pensionable salary. A cash supplement is payable in respect of full salary. The Directors are subject to the same scheme rules as other members of the Final Salary scheme. The rules detail the pension benefits which members receive on retirement, death or leaving service. New Executive Directors will be eligible to participate in the defined contribution pension scheme or receive a cash allowance in lieu of a pension contribution.	All Directors accrue at a rate of 1/70th of pensionable salary. Pension salary supplement for each of the Directors is 20% of salary. The pension salary supplement for new Directors will be determined based on the Committee's assessment of competitive levels needed to attract and retain such individuals, but will be capped at 20% of salary.	N/A
Annual Bonus Plan To incentivise and recognise execution of the Company's strategy on an annual basis. Rewards the achievement of annual financial and strategic goals. Deferral provides alignment with shareholders.	Measures and targets are set annually and pay-out levels determined by the Committee after the year end based on performance against those targets. The Committee may, in exceptional circumstances, amend the bonus pay-out should this not, in the view of the Committee, reflect overall business performance or individual contribution. Up to 100% of Base Salary is paid in cash with anything over 100% being deferred in shares which vest in two years (normally subject to continued employment). Dividends are accrued on deferred shares and paid in cash. Malus provisions apply to deferred share awards made after the 2015 AGM.	Maximum bonus opportunity is 160% of salary for the Chief Executive and 135% of salary for the Group Finance Director or any other Executive Director.	Bonuses are based on stretching financial and strategic objectives as set at the beginning of the year and assessed by the Committee at the end of the year, with the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders. The Committee has discretion to determine the appropriate weightings each year depending on business priorities. The financial measures will represent the majority of the bonus, with the strategic objectives representing the balance. These elements are additive. For the strategic element of the award, payment at threshold performance is zero. At the start-to-earn performance level under the financial element, a bonus of no more than 60% of salary is payable.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Long Term Incentive Scheme Awards will be delivered under a replacement LTIP for the year ending March 2016. To motivate and incentivise delivery of sustained performance and alignment with shareholder interests.	Annual awards (in the form of nil-cost options, conditional share awards or cash settlements) are made with vesting dependent upon the achievement of performance conditions over three years. Award levels and the framework for determining vesting are reviewed annually to ensure they continue to support the group's strategy. The Committee has the discretion to decide whether, and to what extent, targets have been met, and, if an exceptional event occurs that causes the Committee to consider that the targets are no longer appropriate, the Committee may adjust them. Dividend equivalents are paid in cash on or after the date shares are received. Subject to shareholder approval at the AGM on 13 July 2015, in respect of awards made from 2015/2016 onwards, vested shares will be subject to an additional holding period. Malus provisions apply for any awards made after the 2015 AGM.	Awards may be made up to a maximum level of 200% of salary for any Executive Director.	Performance over three financial years is measured against stretching objectives set at the beginning of the performance period which again have the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders. The targets that will apply to the LTIP awards that are to be made in 2015/2016 are referred to in the notes below. Vesting under the LTIP depends on the achievement of performance conditions, for which a minimum performance threshold has been set. Awards attributable to each performance condition vest at 25% on the achievement of the minimum performance threshold rising to 100% for the achievement of a defined upper performance threshold.
Share Ownership To ensure alignment between Executive Directors and shareholders.	Executive Directors are required, over time, to build and maintain a minimum shareholding in the Company worth 200% of salary. They are required to retain half of the post-tax shares vesting under the LTIP until the guideline is met.	N/A	N/A

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Chairman and Non-Executive Director fees To attract and retain high-calibre individuals. Non-Executive Directors do not participate in any incentive schemes.	Fees are normally reviewed every three years. The fee structure is as follows: → The Chairman is paid an all-inclusive single fee for all Board responsibilities; → The Non-Executive Directors are paid a basic fee, plus additional fees for Chairmanship of committees; → Fees are currently paid in cash but the Company may choose to provide some of the fees in shares; and → Benefits, including expenses, can be provided if considered necessary on a case by case basis.	Fees are set at the level which: → Reflects the commitment and contribution that is expected from a Chairman and the Non-Executive Directors; and → Is appropriately positioned against comparator roles in companies of a similar size and complexity in the relevant market. Actual fees are disclosed in the Directors' remuneration report for the relevant financial year. Aggregate fees/value of benefits are capped at the amount set out in the Company's Articles of Association.	N/A

Notes:
2015/2016 salaries for the Executive Directors can be found on page 70.
2015/2016 bonus targets and measures are discussed on pages 71 and 72.
Award levels, performance conditions and details of the holding period for the LTIP award for 2015/2016 are provided on page 72.
The malus provision under the Annual Bonus Plan and LTIP may be operated if it comes to light within three years that information used to determine performance was materially inaccurate and resulted in a material overstatement of the award or in the event of any act/omission by an individual that would give grounds for summary dismissal (with no time limit).

What discretions are retained in operating the incentive plans under our policy?
The Committee will operate the Annual Bonus Plan and LTIP according to their respective rules and the above policy table. The Committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of these plans.

These discretions include, but are not limited to, the following:

- → The selection of participants;
- → The timing of grant of an award/bonus opportunity;
- → The size of an award/bonus opportunity subject to the maximum limits set out in the policy table;
- → The determination of performance against targets and resultant vesting/bonus pay-outs;
- → Discretion required when dealing with a change of control or restructuring of the group;
- → Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- → Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- → The annual review of performance measures, weightings and targets from year to year.

In relation to both the LTIP and Annual Bonus Plan, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. material acquisition and/or divestment of a group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy. Any use of these discretions would, where relevant, be explained in the Directors' remuneration report and may, where appropriate and practicable, be the subject of consultation with the Company's major shareholders.

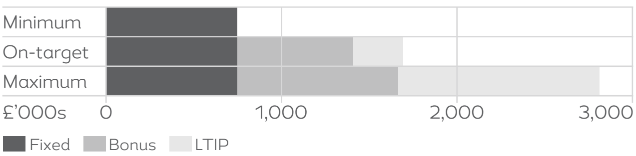
In addition, for the avoidance of doubt, in approving this policy report, authority is given to the Company to honour any commitments entered into with current or former Directors under previous policies. Details of any payments to former Directors will be set out in the relevant report going forward as required by the current reporting regulations.

How our policy actually influences levels of remuneration
Under our policy, a significant proportion of remuneration is linked to performance. The charts below show how much the Executive Directors could earn under Mitie's remuneration policy (as detailed above) under different performance scenarios. The following assumptions have been made:

- → Minimum performance (below threshold) – fixed pay only comprising salaries effective as of 1 April 2015, benefits received in the year ended March 2015 (excluding the value of any matching SIP shares) and pension received in 2015;
- → On-target performance – fixed pay plus an on-target bonus and 25% of the maximum possible LTIP award vesting. On-target bonus represents 90% of salary for financial targets and 50% of the maximum for strategic targets; and
- → Maximum performance – fixed pay plus maximum bonus and maximum LTIP awards.

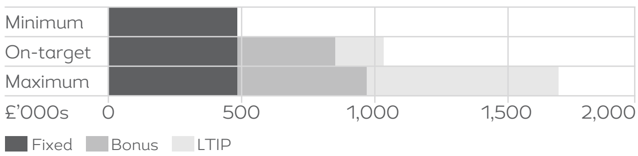
The scenarios do not include share price growth or dividend assumptions.

Ruby McGregor-Smith



Value of Package (£000)	Fixed	Bonus	LTIP	Total
Minimum	738.7			**738.7**
% of package	100%			**100%**
On-target	738.7	650.8	283.0	**1,672.5**
% of package	44%	39%	17%	**100%**
Maximum	738.7	905.5	1,131.9	**2,776.1**
% of package	26%	33%	41%	**100%**

Suzanne Baxter



Value of Package (£000)	Fixed	Bonus	LTIP	Total
Minimum	482.3			**482.3**
% of package	100%			**100%**
On-target	482.3	369.2	180.1	**1031.5**
% of package	47%	36%	17%	**100%**
Maximum	482.3	486.2	720.3	**1,688.8**
% of package	28%	29%	43%	**100%**

Our policy on Executive Directors' service contracts
All Directors are appointed on rolling service contracts but are subject to annual re-election at the AGM in accordance with the Code.

Under the service contracts, the Company is required to give 12 months' notice of termination of employment; Executive Directors are required to give 6 months' notice.

For Executive Directors, if notice is served by either party, the Executive Director can continue to receive basic salary, benefits and pension for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave.

With respect to the current Group Finance Director's contract, the Company has the right to make a payment in lieu of notice equivalent in value of up to 12 months' salary payable in either monthly instalments or as a lump sum. The Company will also pay for any benefit which the individual would have been eligible for until the date of cessation had full notice been given.

The Executive Directors' service contracts are available for inspection at Mitie's registered office, the head office and at the AGM. There are no other provisions for compensation on termination of employment set out within the contracts of the Executive Directors.

As reported in last year's Annual Report, Bill Robson stepped down from the Mitie Group plc Board on 31 July 2014 and has stayed within the group as Managing Director of our Property Management division.

For future Directors, notice periods will not exceed 12 months, save in exceptional circumstances and should a longer than 12 month notice period be necessary, the Committee would expect this to reduce to a 12 months' notice period over time.

The effective dates of the service contracts of the Executive Directors are set out below:

	Date of agreement
Ruby McGregor-Smith, CBE	01-Apr-03
Suzanne Baxter	10-Apr-06
Bill Robson[1]	01-Apr-03

Note:
1 Bill Robson retired as an Executive Director on 31 July 2014.

Our policy on loss of office
The rules of the Annual Bonus Plan and LTIP set out what happens to awards if a participant ceases to be an employee or Director of Mitie before the end of a vesting period, with the relevant service contracts also determining the general treatment of Executive Directors on cessation.

Regarding the annual bonus, in the event that the participant ceases to be an eligible employee before the date the bonus is paid or is subject to notice of termination of their employment on the bonus date, they shall forfeit all entitlement to the bonus in respect of that financial year, unless the Committee in its absolute discretion determines otherwise. The deferred shares will vest in full on the date of cessation for 'good leaver' reasons, otherwise the shares will lapse on cessation.

Generally, any outstanding LTIP awards will lapse on cessation of employment, except in certain circumstances. Specifically, if the Executive ceases to be an employee or Director as a result of death, injury, disability, redundancy, retirement, the sale of the business or company that employs the individual or any other reason at the discretion of the Committee, then they will be treated as a 'good leaver' under the LTIP rules in which case awards will vest either on cessation or, for leavers within the first three years, the normal vesting dates subject to the performance conditions and, if the Committee determines, a pro-rata reduction. A good leaver has 12 months to exercise their vested awards structured as options following the cessation of employment.

In addition, and consistent with market practice, in the event of termination of an Executive Director's employment, the Company may settle any claims that may arise, pay a contribution towards the individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees would be disclosed as part of the detail of termination arrangements. Should it become necessary to make additional payments in respect of such professional fees that were not ascertained at the time of reporting, the Company may do so up to a level of a further £10,000. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

Our 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 received fees of £56,167 pa in respect of her role as a Non-Executive Director of Michael Page International plc and £15,000 for her role as Non-Executive Director of the Department of Culture, Media and Sport. Suzanne Baxter received fees of £55,000 for her role as a Non-Executive Director of WH Smith plc. Both individuals are entitled to retain any fees earned.

Our policy on the recruitment of a new director
In cases of a new hire, the Committee will typically align the Executive Director's remuneration package to the above remuneration policy. However, where appropriate, the Committee retains discretion to make decisions outside of policy to facilitate hiring key talent as set out below.

Base salaries will be set based on the individual's role and experience, with consideration given to internal equity.

Benefits will be provided in line with those offered to other employees at the similar level, with relocation expenses/arrangements provided if necessary. In the case of new Executive Directors, individuals will be given a choice of either participation in a defined contribution pension or a cash allowance in lieu of pension.

The maximum level of variable pay that may be offered on an on-going basis and the structure of remuneration will be in accordance with the approved policy detailed above (i.e. for the CEO an aggregate maximum of 360% of salary – 160% annual bonus and up to 200% for LTIP, for the Group Finance Director an aggregate maximum of 335% of salary – 135% annual bonus and up to 200% for LTIP). This limit does not include the value of buy-out arrangements.

The above policy applies to both internal promotions to the Board or an external hire. For external hires, if it is necessary to buy-out existing incentive pay or benefit arrangements (which would be forfeited on leaving their previous company), this would be provided taking into consideration relevant factors such as the commercial value of the amount forfeited from the previous employer, the performance conditions (e.g. the likelihood of achieving those) and timing (e.g. where the award is in the vesting cycle). Buy-out awards, if used, will be granted using Mitie's existing share plans, although, if necessary, additional buy-out awards may be made on more bespoke terms regarding matters such as vesting and performance conditions as permitted under the Listing Rules (provision 9.4.2.). The Committee has placed a maximum limit on any such buy-out awards which it may be necessary to make; these will not exceed the commercial value of the amount forfeited from the previous employer.

In the case of an internal promotion to the Board, any outstanding variable pay awarded in relation to the individual's previous role will be allowed to pay out according to its terms of grant.

On appointment of a new Chairman or Non-Executive Director, their fees will be set taking into account the existing fee structure.

Our policy on Non-Executive Director remuneration and appointment terms
The Chairman and Non-Executive Directors receive an annual fee which is paid in monthly instalments. The Chairman's fee is set by the Remuneration Committee and the fees for the Non-Executive Directors are approved by the Board, on the recommendation of the Chairman and the Chief Executive. 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 Plan, nor do they receive pension or ancillary benefits.

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. They are also subject to annual re-election.

Non-Executive Directors' engagement terms

	Additional duties	Date of engagement	Initial contract term	Notice period
Roger Matthews	Chairman; Chairman of Nomination Committee	04-Dec-06	3 years	6 months
David Jenkins	Senior Independent Director; Chairman of Audit Committee	31-Jan-06	3 years	6 months
Larry Hirst, CBE		01-Feb-10	3 years	3 months
Crawford Gillies		12-Jul-12	3 years	3 months
Jack Boyer[1]	Chairman of Remuneration Committee	01-Jun-13	3 years	3 months

Note:
1 Jack Boyer was appointed as Chairman of the Remuneration Committee on 1 October 2014.

How does the executive pay policy differ from that of other Mitie employees?
The remuneration policy for the Executive Directors is more heavily weighted towards variable pay than for other employees, ensuring that the greater part of their pay is conditional on the successful delivery of business strategy. This helps create a clear link between the value created for shareholders and the remuneration received by the Directors. The LTIP is limited to the most senior employees. For employees below this level, variable pay may consist of share-based awards and annual bonus (both of which will be based on role) and the opportunity to participate in SAYE and SIP.

How we take account of employment conditions elsewhere in the Company when setting our policy
The Remuneration Committee is responsible for overseeing the remuneration policy for the group as a whole and is mindful of pay and employment conditions in the wider workforce within the group and externally when determining Executive remuneration. When considering base salary increases, benefits and pension provision, the Committee reviews overall levels and increases offered to employees across the group. The Committee also reviews information with regard to share awards made to other senior management of the group, noting that (i) all employees can participate in the SAYE and SIP, and (ii) participation in the LTIP is limited to a selection of senior executives. However, consistent with general practice, the Committee does not consult with employees in preparing the policy or its implementation.

How we take account of shareholder views when setting our policy
The Committee is committed to a continuing discussion with major shareholders and obtains their views when any significant changes to remuneration arrangements are being proposed. A recent example of this was the consultation with major shareholders undertaken in relation to the proposed new pay policy and LTIP.

Remuneration Committee and its Advisers
The Remuneration Committee seeks and considers advice from independent remuneration advisers where appropriate. FIT Remuneration Consultants ('FIT') were appointed by the Committee in December 2013 to provide independent advice on executive remuneration. FIT attended Committee meetings and provided advice and analysis on executive remuneration. The advisers provide no other services to the Company and also comply with the Code of Conduct for Remuneration Consultants. FIT's total cost of advice for the year they advised was £132,340 (such fees being charged in accordance with FIT's standard terms of business).

The Committee specifically considered the position of FIT and was satisfied that the advice it received was objective and independent, given that no other services were provided to the Company.

Annual Report on Remuneration

Executive Director remuneration (subject to audit)

The table below reports a single figure for total remuneration for each Executive Director for the financial years ending 31 March 2014 and 31 March 2015.

	Year	Salary	Benefits	Annual Bonus	LTIP	Pension	Other	Total
Ruby McGregor-Smith, CBE	**2015**	**£550,000**	**£26,864**	**£440,000**	**£330,271**	**£145,851**	**£2,430**	**£1,495,416**
	2014	£526,000	£20,251	£757,966	–	£142,901	£148	£1,447,266
Suzanne Baxter	**2015**	**£350,000**	**£23,450**	**£218,750**	**£210,344**	**£98,696**	**£2,430**	**£903,670**
	2014	£335,000	£18,009	£411,548	–	£95,973	£148	£860,678
Bill Robson[1]	**2015**	**£110,000**	**£5,686**	**£68,750**	**£161,159**	**£45,211**	**£2,430**	**£393,236**
	2014	£330,000	£18,035	£405,405	–	£115,198	£148	£868,786
Total Remuneration	**2015**							**£2,792,322**
	2014							£3,176, 730

Notes:

1 Bill Robson stepped down as an Executive Director on 31 July 2014. The information in the table above confirms his earnings for his position as an Executive Director up to this date. The Annual Bonus figure is the pro-rated amount relating to the year ending March 2015, for the time he was an Executive Director of the business; this will be paid to him in May 2015.

Benefits relate to the cost to the Company of private medical cover, private fuel and the car allowance.

Bonus payable in respect of the financial year includes any deferred element at face value at the date of award. Further information about how the level of the award, for the year ending March 2015, was determined is provided on page 71.

The value of the 2015 LTIP is based on the 2012 LTIP award, which will vest in June 2015 at a rate of 25% (valuation based on the number of shares vesting at the share price calculated as an average over the period 1 January to 31 March 2015 and includes the value of the Dividend Equivalent to that date). The value of the 2014 LTIP was based on 2011 LTIP award which lapsed in full.

The Other column denotes the value of matching shares during the year under the Company Share Incentive Plan along with the value in respect of the intrinsic gain on the option grant under the 2014 SAYE. In 2014 these figures were included in the figure for Benefits but have now been extracted for comparison purposes.

The pension benefits of the Directors comprise a pension supplement paid in cash in the year of 20% of salary and a capped cash contribution to a defined benefit pension scheme of £16,104 (2014: £15,576) made by Mitie for each of the Directors.

The disclosures above in respect of pension benefits comprise the 20% pension supplement along with an actuarially derived value of the annually accrued pension benefits under the defined benefit pension scheme, net of personal contributions made by each Director. This calculation is known as the net pension input amount and is affected by the number of years of scheme membership, the value of annual accrued benefits at each year end, inflation and a prescribed multiplication factor of 20.

The net pension input amount for the Directors included in the pension benefits disclosed above was:

	Year	Years of scheme membership at 31 March	£
Ruby McGregor-Smith, CBE	**2015**	**12**	**35,851**
	2014	11	37,701
Suzanne Baxter	**2015**	**3**	**28,696**
	2014	2	28,973
Bill Robson	**2015[1]**	**23**	**23,211**
	2014	22	49,198

Note:

1 The 2015 figures for Bill Robson relate to the pension accrued up to 31 July when he was an Executive Director.

Non-Executive Directors' fees (subject to audit)
The fees for the Non-Executive Directors for the financial year ended 31 March 2015 and 31 March 2014 are set out below:

Non-Executive Directors' remuneration

	Base salary/fees £'000	
	2015[1]	2014
Roger Matthews	**185**	140
David Jenkins	**67**	53
Larry Hirst, CBE	**52**	46
Crawford Gillies[2]	**56**	49
Jack Boyer[3]	**56**	38
Terry Morgan, CBE[4]	**–**	37
Graeme Potts[5]	**–**	27
Total	**416**	390

Notes:
1 All amounts were paid in cash and no other benefits were received in the year.
2 Crawford Gillies was Remuneration Committee Chairman until 30 September 2014.
3 Jack Boyer was appointed as a Non-Executive Director on 1 June 2013 and as Remuneration Committee Chairman on 1 October 2014.
4 Terry Morgan retired as a Non-Executive Director on 31 October 2013.
5 Graeme Potts retired on 9 July 2013.

What happened in 2014/2015 and changes for 2015/2016

Base salary and benefits
Effective 1 April 2014, the Remuneration Committee awarded average salary increases of 4.6% for two of the Executive Directors, resulting in the following base salaries being payable:

- → Ruby McGregor-Smith, CBE – £550,000
- → Suzanne Baxter – £350,000

Bill Robson received no increase and his salary remained at £330,000. Bill subsequently stepped down as an Executive Director of the Group on 31 July 2014 and his salary was amended accordingly.

Commencing 1 April 2015 and effective for the remainder of the financial year, the Committee awarded salary increases of 2.9% for the Executive Directors, resulting in the following base salaries being payable:

- → Ruby McGregor-Smith CBE – £565,950
- → Suzanne Baxter – £360,150

A review of Non-Executive Director fees was undertaken in March 2014. The broad policy is for the fees to be reviewed every three years. The fees for the year ending March 2016 remain unchanged and are as follows:

	Base salary/fees £'000	
	2016[1]	2015
Chairman fees[2]	**185**	185
Non-Executive Director core fees[3]	**52**	52
Additional fees		
Senior Independent Director	**7**	7
Chairman of a Committee	**8**	8

Notes:
1 The core fee of £52,000 paid to each Non-Executive Director (including the Chairman) will total £260,000 for the year ending March 2016 which is unchanged from the year ended March 2015. Total fees including additional duties are expected to amount to £416,000 for the year ending March 2016 (£416,000 for the year ended March 2015).
2 The Chairman's fee is inclusive of the Non-Executive Directors core fee and no additional fees are paid to the Chairman where he is a Chairman, or is a member of, other committees.
3 For Non-Executive Directors, individual fees comprise the core fee and additional supplemental fees for chairing committees where a greater responsibility and time commitment is required.

Benefits are as described in the Remuneration policy table. No changes are planned for the year ending March 2016.

Pension (subject to audit)
Pension is as described in the Remuneration policy table. The pension entitlement for each Director is as follows:

Defined benefit pension scheme transfer values

	Normal retirement date	Transfer value 31 March 2014 £'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 2015 £'000**
Ruby McGregor-Smith, CBE	22/02/2028	238	0	3	32	**307**
Suzanne Baxter	16/04/2033	34	0	2	20	**59**
Bill Robson[1]	11/08/2015	913	0	3	43	**1,166**

Note:
1 Benefits for Bill Robson are valued up to the point he stepped down as an Executive Director of the business on 31 July 2014.

The pension benefits of the Executive Directors are based on a pensionable salary capped at £146,400. 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. In addition, the Directors received a salary supplement as described in the policy table. The normal retirement age for the three Directors is 65 and there are no additional benefits available to the Directors upon early retirement.

No changes are planned for the year ending March 2016.

Annual Bonus Plan
Awards in respect of the year ended March 2015 were made under the Group Annual Bonus Plan. The outcomes were determined as set out below.

Evaluation of performance for the year ended March 2015
At the beginning of the year the Committee set a range for EBITA performance for threshold, target and maximum levels of performance. Performance against these targets was assessed at the threshold level of performance resulting in a pay-out of c.90% of base pay for this element. However, the Committee, in conjunction with the three Executive Directors, determined that the financial element should be reduced to half of the threshold level, recognising the statutory result.

The Committee also set objectives relating to organic growth, people management and strategy. Key deliverables for the year included:

→ To deliver organic revenue growth at a level that out performs sector comparatives for UK businesses;
→ To strengthen the talent pipeline;
→ Invest in sector specialisation to maximise organic growth; and
→ Define and implement a plan for operational efficiencies.

Having evaluated a range of outcomes and indicators of performance, the Committee determined that overall progress was good and warranted a pay-out of 35% of salary for the Chief Executive and 17.5% of salary for the other Executive Directors.

Therefore, based on the Committee's assessment of achievement for both the financial and strategic objectives, the bonus was, following the reduction referred to above, calculated as follows:

	Financial performance				Strategic performance			Total bonus payable		
	% of salary payable at threshold	% of salary payable at on-target	% of salary payable at maximum	% of salary payable	% of salary payable at threshold	% of salary payable at maximum	% of salary payable	Total bonus £'000	Cash £'000	Deferred shares £'000
Ruby McGregor-Smith, CBE	90	100	110	45	0	50	35	440.0	440.0	0.0
Suzanne Baxter	90	100	110	45	0	25	17.5	218.8	218.8	0.0
Bill Robson[1]	90	100	110	45	0	25	17.5	68.8	68.8	0.0

Note:
1 The bonus calculated for Bill Robson relates to the bonus he earned for the period up to 31 July 2014 when he was an Executive Director.

Achievement against financial targets for the year ended March 2015
The financial performance for the organisation to March 2015 was assessed against a threshold of £131m, a target of £135m and a maximum of £139m. The achievement was £131.8m reflecting the EBITA before the settlement of a legacy pension cost. This would have generated a payout of 92.0% of salary before the reduction by the Committee.

Achievement against financial targets for the year ended March 2014
In the Report & Accounts for the year ended March 2014 we made a commitment to disclose the financial targets that were used to determine the level of performance for the Annual Bonus Plan in respect of that year.

The financial performance for the organisation to March 2014 was assessed against a threshold of £123.1m a target of £126.9m and a maximum of £130.7m; performance achieved was £127.5m and this equated to 100.5% of the target.

For the year ending March 2016, there are some changes proposed to the structure of the Annual Bonus Plan, details of which can be found in the table below:

	Financial performance			Strategic performance		Total bonus payable
	% of salary payable at threshold	% of salary payable at on-target	% of salary payable at maximum	% of salary payable at threshold	% of salary payable at maximum	% of salary payable at maximum
Ruby McGregor-Smith, CBE	60	90	110	0	50	160
Suzanne Baxter	60	90	110	0	25	135

The financial and strategic targets for 2015/16 are not disclosed at this time as they are considered commercially sensitive. However, full disclosure of the above financial targets for 2015/16 will be provided in next year's report.

Details of LTIP vesting in June 2015 (2012 award)
The Committee assessed the outcome of the 2012 LTIP awards against the performance condition of adjusted EPS growth (%) pa.

Number of shares capable of vesting was determined based on the following scale:

EPS% growth	% of award vesting
10% or more	100%
Between 5% and 10%	On a straight-line basis between 25% and 100%
5%	25%
Less than 5%	0%

For the performance period, adjusted EPS growth achieved the threshold at 5% and therefore resulted in vesting at a level of 25% of the original award made. Adjusted EPS excludes the impact of IAS19 pensions accounting changes and the settlement of a legacy pension cost.

LTIP awards granted in June 2014

Awards granted will vest depending on performance against four weighted measures assessed over three years:

Performance measure	Weighting	Performance range	Vesting of portion of the award (performance period 3 years ending 31 March 2017)
Absolute Earnings Per Share (EPS) growth	20% of the award	3% – 8% pa	Zero vesting if adjusted EPS growth is less than 3% pa. If performance is equal to 3%, 25% of the award will vest. If Mitie achieves 8% EPS growth pa, all the awards will vest. Between these two points the proportion of awards vesting will be determined on a linear sliding scale basis.
Relative Total Shareholder Return (TSR)	20% of the award	Outperformance against FTSE 350 Support Services index	Zero vesting if Mitie's TSR performance is less than the median of the index. If Mitie's TSR performance is equal to the median of the index, 25% of the award will vest and if it exceeds the index median TSR by 10% pa or more, all the awards will vest. Between these two points the proportion of awards vesting will be determined on a linear sliding scale basis. An underpin condition for underlying financial performance also applies.
Organic revenue growth	30% of the award	3% – 6% pa with a financial underpin based on the achievement of target margin of 5.5% pa	Zero vesting if organic revenue growth is less than 3% pa. If performance is equal to 3% pa, 25% of the award will vest. If Mitie achieves 6% organic growth pa, all the awards will vest. Between these two points, the proportion of awards vesting will be determined on a linear sliding scale basis. Entire portion of award is subject to Mitie achieving an average 5.5% margin in the performance period.
Cash conversion	30% of the award	75% – 85% pa	Zero vesting if cash conversion is less than 75% pa. At 75%, 25% of the award will vest. 70% of the award will vest if Mitie achieves 80%. Full vesting for this portion will occur if 85% pa is achieved. Between 75% and 80% and 80% and 85%, the proportion of awards vesting will be determined on a linear sliding scale basis.

Details of the awards made to the Executive Directors under the LTIP (granted as nil cost options) are summarised below, with further details given in the table on outstanding share interests on page 76.

What was granted in June 2014 (subject to audit)

	Award	Type	Number of shares	Face value[1] (£000's)	% of salary	Performance condition[2]	Performance period	% vesting at threshold
Ruby McGregor-Smith, CBE	Performance	Nil-cost option	345,261	£1,100	200%	20% Absolute Earnings Per Share	3 financial years ending 31 March 2017	25%
Suzanne Baxter	Performance		219,711	£700	200%	20% Relative TSR		
Bill Robson	Performance		103,578	£330	100%	30% Organic Revenue Growth 30% Cash Conversion		

Notes:
1 Face value was calculated based on the grant date share price of 318.60p on 30 June 2014.
2 Performance conditions are set out in the table at the top of this page.

2015 awards will be made under a replacement LTIP, as outlined on page 64. The same basic approach to the performance conditions described above will apply to these 2015 awards, with the actual targets being as follows:

Performance measure	Weighting	Performance range	Vesting of portion of the award (performance period 3 years ending 31 March 2018)
Absolute Earnings Per Share (EPS) growth	20% of the award	3% – 8% pa	Zero vesting if adjusted EPS growth is less than 3% pa. If performance is equal to 3%, 25% of the award will vest. If Mitie achieves 8% EPS growth pa, all the awards will vest. Between these two points the proportion of awards vesting will be determined on a linear sliding scale basis.
Relative Total Shareholder Return (TSR)	20% of the award	Outperformance against FTSE 350 Support Services index	Zero vesting if Mitie's TSR performance is less than the median of the index. If Mitie's TSR performance is equal to the median of the index, 25% of the award will vest and if it exceeds the index median TSR by 10% pa or more, all the awards will vest. Between these two points the proportion of awards vesting will be determined on a linear sliding scale basis. An underpin condition for underlying financial performance also applies.
Organic revenue growth	30% of the award	3% – 6% pa with a financial underpin based on the achievement of target margin of 5.5% pa	Zero vesting if organic revenue growth is less than 3% pa. If performance is equal to 3% pa, 25% of the award will vest. If Mitie achieves 6% organic growth pa, all the awards will vest. Between these two points, the proportion of awards vesting will be determined on a linear sliding scale basis. Entire portion of award is subject to Mitie achieving an average 5.5% margin in the performance period.
Cash conversion	30% of the award	75% – 85% pa	Zero vesting if cash conversion is less than 75% pa. At 75%, 25% of the award will vest. 70% of the award will vest if Mitie achieves 80%. Full vesting for this portion will occur if 85% pa is achieved. Between 75% and 80% and 80% and 85%, the proportion of awards vesting will be determined on a linear sliding scale basis.

Awards made under the replacement LTIP will, for continuing employees, be subject to a holding period, post vesting, with 50% of the shares being released immediately after the end of the performance period, 25% being released a year later and 25% two years later.

Loss of office payments (subject to audit)
No payments for loss of office were made to past directors during the year.

Payments to past Directors
No payments have been made to past directors, with the exception of the remuneration arrangements for Bill Robson, who remains an employee of the business.

Change in CEO pay for the year compared to UK salaried employees
The table below sets out the change in remuneration of the Chief Executive and Mitie's UK salaried population.

%	Salary	Benefits[1]	Bonus
Chief Executive	4.6%	32.7%	-41.9%%
Average pay based on Mitie's UK non-contract employees[2]	5.5%	15.3%	-13.1%

Notes:
1 Includes car/car allowance, private medical and private fuel.
2 Reflects the change in average pay for salaried non-contract UK employees employed at both ended 31 March 2014 and 31 March 2015.

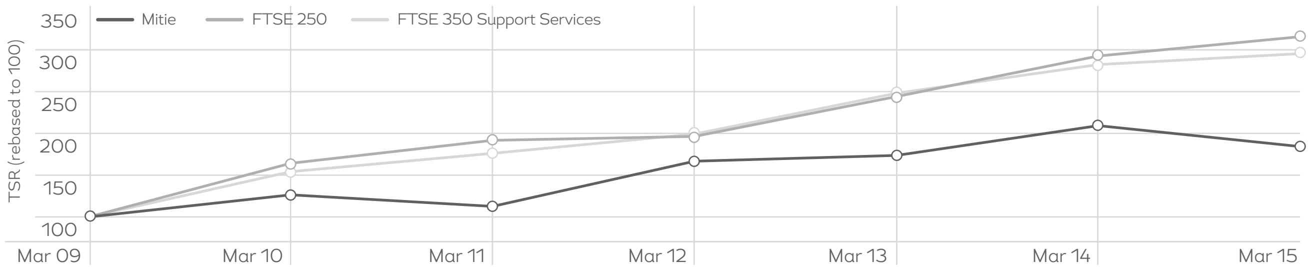
Relative spend on pay

The table below shows both the total cost of remuneration in the group, compared with the dividends distributed and share buybacks.

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m	Change
Aggregate employee remuneration	**1,150**	1,137	1.1%
Equity dividends and share buybacks	**41**	46	-10.9%

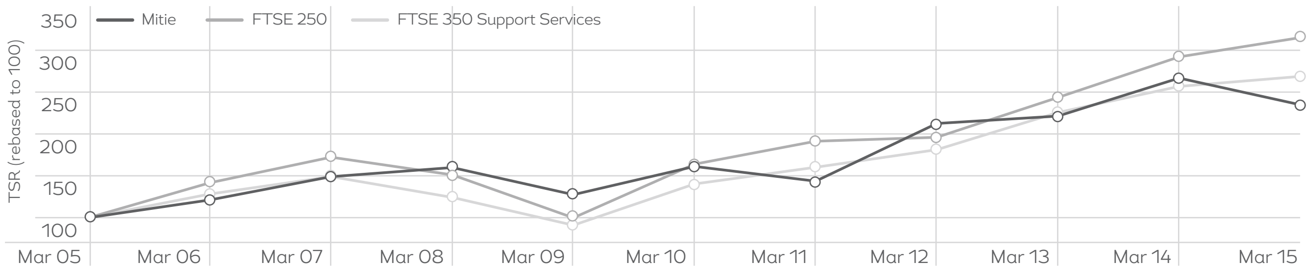
Assessing pay and performance

In the table below we provide a summary of the Chief Executive's single figure remuneration over the past six years, as well as the pay out and vesting levels of our variable pay plans in relation to the maximum opportunity. This is compared with historical TSR performance over the same period. We have chosen these indices (FTSE 250 and FTSE 350 Support Services) as they are widely recognised and we have been members of both indices during the period:



	2010	2011	2012	2013	2014	**2015**
Single figure remuneration	£1,703,031	£2,324,443	£2,431,773	£2,105,131	£1,447,266	**£1,495,416**
Annual bonus element (actual as a % of max)	100%	100%	100%	85%	90%	**50%**
LTIP element (actual vesting as a % of max)	100%	100%	87.2%	57.2%	0%	**25%**

The reporting requirements state that the time period for the above TSR chart be lengthened to ten years over time and we have therefore included a ten year chart below:



Share ownership

	Number of ordinary shares owned as at 31 March 2015	Value of target holding at 1 May 2014 based on % of salary as at 31 March 2015	Value of holding for guideline[1]	Percentage of base salary achieved for guideline[2]	Compliance with the share ownership guidelines
Ruby McGregor-Smith, CBE	**566,283**	£825,000	£1,634,066	297%	Achieved
Suzanne Baxter	**214,553**	£525,000	£619,114	177%	Achieved
Bill Robson[3]	**1,624,701**	£495,000	£4,688,237	1421%	Achieved

Notes:
1 Calculated at a share price of 288.56p which is the 5 day average share price up to 30th April 2015, required to be used for the guideline.
2 Against the guidelines in force for the year to 31 March 2015 of 150% of salary. In the following year, this increases to 200%.
3 Values for Bill Robson are based on his salary on 1 April 2014.

Directors' outstanding share interests (subject to audit)

The following tables provide the outstanding share interests for the Executive Directors:

Directors' interests in options granted under the Mitie Group plc 2011 Save As You Earn Scheme[1]

	Year of Grant	Options as at 31 March 2014	Exercised in year	Granted in year	Lapsed in year	**Options as at 31 March 2015**	Exercise price p	Earliest normal exercise date
	2012	4,035	–	–	–	**4,035**	223.0	Dec-15
Ruby McGregor-Smith, CBE	2014	–	–	3,459	–	**3,459**	260.2	Sep-17
	2012	4,035	–	–	–	**4,035**	223.0	Dec-15
Suzanne Baxter	2014	–	–	3,459	–	**3,459**	260.2	Sep-17
Bill Robson	2012	4,035	–	–	–	**4,035**	223.0	Dec-15
	2014	–	–	3,459	–	**3,459**	260.2	Sep-17

Notes:
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 and £250/month starting 1 September 2014.
2 Details for Bill Robson have been included although the SAYE contract started in September 2014 after he stepped down as an Executive Director.

Directors' interests in shares purchased under the Mitie Group plc Share Incentive Plan 2011

	Shares outstanding as at 31 March 2014[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 2015
Ruby McGregor-Smith, CBE	1,874	**663**	57	2,594
Suzanne Baxter	1,874	**663**	57	2,594
Bill Robson	1,874	**663**	57	2,594

Notes:
1 Figure comprises 1,714 purchased shares plus 160 matching shares.
2 Shares were acquired at a market price of 319.3p on 13 May 2014. Executive Directors contributed the full annual amount of £1,800 permitted under the Plan. Shares acquired through dividend reinvestment (13 August 2014 and 2 February 2015) have also been included.
3 Matching shares were purchased in the market at a price of 319.3p on 13 May 2014. 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 31 March 2015 was 276.0p. The highest and lowest prices during the year were 335.3p and 265.3p respectively.

Directors' interests in options granted under the Mitie Group plc 2001 Executive Share Option Scheme

	ESOS options outstanding as at 31 March 2014	Granted during the year	Lapsed during the year	Exercised during the year	**ESOS options outstanding as at 31 March 2015[1]**	Exercise price p	Exercisable between	
Ruby McGregor-Smith, CBE								
Unapproved scheme	100,000	–	–	–	**100,000**	162	Jun-08	Jun-15
Unapproved scheme	100,000	–	–	–	**100,000**	191	Jun-09	Jun-16
Suzanne Baxter								
Unapproved scheme	35,000	–	–	–	**35,000**	191	Jun-09	Jun-16
Approved scheme	15,000	–	–	–	**15,000**	191	Jun-09	Jun-16

Note:
1 The market price of the Company's shares as at 31 March 2015 was 276.0p. The highest and lowest prices during the year were 335.3p and 265.3p respectively.

Directors' interests in shares granted under the Mitie Group plc 2010 Deferred Bonus Plan

	Year of grant[1]	Shares outstanding as at 31 March 2014	Granted during the year	Lapsed during the year	Exercised during the year[2,3]	**Shares outstanding as at 31 March 2015[4]**	Earliest exercise date
Ruby McGregor-Smith, CBE	2012	45,883	–	–	45,883	**–**	–
	2013	71,616	–	–	–	**71,616**	May-15
	2014	–	71,670	–	–	**71,670**	May-16
Suzanne Baxter	2012	29,239	–	–	29,239	**–**	–
	2013	19,842	–	–	–	**19,842**	May-15
	2014	–	23,651	–	–	**23,651**	May-16
Bill Robson	2012	28,789	–	–	28,789	**–**	–
	2013	19,546	–	–	–	**19,546**	May-15
	2014	–	23,298	–	–	**23,298**	May-16

Notes:
1 The 2012 award was granted on 28 May 2012 at a grant price of 277.9p.
The 2013 award was granted on 28 May 2013 at a grant price of 260.0p.
The 2014 award was granted on 28 May 2014 at a grant price of 323.7.p.
2 Awards vested on 27 May 2014 and were transferred to the participant. At the date these awards vested the market price of the Company's shares was 323.7p.
3 The awards attract dividend equivalents which are accrued from grant date and paid out on vesting.
4 The market price of the Company's shares as at 31 March 2015 was 276.0p. The highest and lowest prices during the year were 335.3p and 265.3p respectively.

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 31 March 2014	Granted during the year at 318.60p/ share	Lapsed during the year	Exercised during the year[2]	**LTIP options outstanding at 31 March 2015[3]**	Exercise price	Exercisable between	
Ruby McGregor-Smith, CBE	2011	446,663	–	446,663	–	**–**	Nil-cost	–	–
	2012	414,336	–	–	–	**414,336**	Nil-cost	Jun-15	Jun-16
	2013	527,371	–	–	–	**527,371**	Nil-cost	Jun-16	Jun-17
	2014	–	345,261	–	–	**345,261**	Nil-cost	Jun-17	Jun-18
Suzanne Baxter	2011	284,638	–	284,638	–	**–**	Nil-cost	–	–
	2012	263,883	–	–	–	**263,883**	Nil-cost	Jun-15	Jun-16
	2013	268,698	–	–	–	**268,698**	Nil-cost	Jun-16	Jun-17
	2014		219,711	–	–	**219,711**	Nil-cost	Jun-17	Jun-18
Bill Robson	2011	280,259	–	280,259	–	**–**	Nil-cost	–	–
	2012	259,945	–	–	–	**259,945**	Nil-cost	Jun-15	Jun-16
	2013	264,688	–	–	–	**264,688**	Nil-cost	Jun-16	Jun-17
	2014	–	103,578	–	–	**103,578**	Nil-cost	Jun-17	Jun-18

Notes:
1 The performance criteria applicable to the 2011 award: lower and upper performance thresholds of 7% pa and 13% pa respectively.
The performance criteria applicable to the 2012 award: lower and upper performance thresholds of 5% pa and 10% pa respectively.
The performance criteria applicable to the 2013 award reflect a basket of measures relating to TSR, EPS, organic growth and cash conversion.
The performance criteria applicable to the 2014 award are the same as those for the 2013 award and are provided on page 73.
The Directors acquired a conditional joint beneficial interest with the Mitie Employee Benefit Trust 2008 in the shares awarded in 2011 and 2012 under the LTIP. 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 2011 awards were met and assessed that they did not achieve the threshold level of performance and the award lapsed in full. The Committee also assessed the extent to which the performance conditions applicable to the 2012 awards were met and assessed that the scheme should vest at 25% of the original award granted.
3 The market price of the Company's shares as at 31 March 2015 was 276.0p. The highest and lowest prices during the year were 335.3p and 265.3p respectively.

Director share ownership

	Number of Ordinary Mitie shares beneficially owned as at 31 March 2015	Number of Ordinary Mitie shares beneficially owned as at 31 March 2014 (or date of appointment if later)
Executive Directors		
Ruby McGregor-Smith, CBE	**566,283**	565,403
Suzanne Baxter	**214,553**	213,673
Bill Robson	**1,624,701**	1,623,821
Non-Executive Directors		
Roger Matthews	**100,000**	100,000
David Jenkins	**50,000**	50,000
Larry Hirst, CBE	**25,000**	25,000
Crawford Gillies	**10,000**	10,000
Jack Boyer	**5,000**	2,000
Terry Morgan, CBE[1]	**n/a**	0
Graeme Potts[2]	**n/a**	15,000

Notes:
1 Terry Morgan CBE retired as a Non-Executive Director on 31 October 2013.
2 Graeme Potts retired as a Non-Executive Director on 9 July 2013.

Share dilution

The Company manages dilution rates within the ABI guidelines of 10% of issued Ordinary share capital in respect of all employee schemes and 5% in respect of discretionary schemes. 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 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 or Treasury shares.

Share dilution at 31 March 2015

	Dilution %
All share plan (maximum 10%)	7.9%
Discretionary share plans (maximum 5%)	4.5%

Shareholder voting

Mitie remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. During the financial year there have been continued discussions with major shareholders relating to the proposed changes to the Remuneration Policy. 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	Votes against	Votes withheld
2014 Directors' Remuneration policy 2014 AGM	238.9m 98.7%	2.1m 0.9%	0.9m 0.4%
2014 Directors' Remuneration report 2014 AGM	173.8m 71.9%	65.5m 27.1%	2.5m 1.0%

The Committee understands that votes against the remuneration report resolution related to the lack of explanation around certain elements of 2013 remuneration (e.g. the reduction in the EPS targets in the LTIP and the CEO's exceptional LTIP award). We have sought to address these issues going forward as part of the review process conducted during the year as explained in the Chairman's Statement on page 58.

Directors' report: other disclosures

Principal group activities

The Company is the holding company of the group. The principal activity of the Company is to provide management services to the group. The group's activities are focused on the provision of strategic outsourcing services. The detailed strategy for the group can be found on pages 10 to 13 of the Strategic report. 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 39 to the financial statements.

The group operates in the UK, the Republic of Ireland, the Isle of Man, Guernsey, Jersey, Germany, France, Finland, Norway, Sweden, the Netherlands, Spain, Poland, Switzerland, Belgium, Nigeria, Kenya, Ghana and UAE.

Shares and shareholders

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 30 to the financial statements and the detail of its debt instruments is set out in Note 29 to the financial statements.

The Company has a single class of shares being 2.5p ordinary shares ('Ordinary shares'). The Ordinary shares have no right to any fixed income and each share has the right to one vote per share 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.

In accordance with the Articles of Association, 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.

The Articles of Association can be amended in accordance with its provisions, the Companies Act and related legislation.

Powers of the Company to issue or buy back its own shares

At the 2014 AGM shareholders authorised:

- the Directors to allot Ordinary shares up to an aggregate nominal amount of £3,374,263 representing one-third of the issued share capital plus 12,395,869 Ordinary shares representing the outstanding commitment in respect of options granted under Mitie's share schemes (such total equating to 40.15 % of the issued share capital as at 31 March 2014);
- the dis-application of pre-emption rights over allotted shares up to an aggregate nominal value equal to £ 466,905 or a maximum 18,676,200 Ordinary shares (representing 5% of the issued share capital as at 31 March 2014); and
- the Company to make market purchases of its own shares up to a total of 37,352,400 Ordinary shares (representing 10% of the issued share capital as at 31 March 2014).

Further details of these authorisations are available in the notes to the 2014 Notice of AGM and shareholders are referred to the 2015 Notice (both are available at www.mitie.com/investors) which contains similar provisions in respect of the Company's share capital.

During the reporting period, the Directors utilised the above authorities to allot 1,862,179 Ordinary shares to an aggregate nominal amount of £46,554 to employees participating in Mitie's share schemes and to minority shareholders in consideration for shares purchased in connection with Mitie Model investments.

The Company undertook market purchases of 3,746,160 of its own shares during the reporting period representing 1.0% of the called-up share capital of the Company as at 31 March 2014. The shares equated to an aggregate nominal value of £93,654 and the total aggregate amount paid was £10,544,401. The shares purchased are held in treasury so that they can be re-issued at a later date and used to hedge future share scheme issues. The total number of shares held by the Group in treasury as at the end of the reporting period is 9,546,160.

It is not Mitie's current intention to operate a formal share purchase programme in 2015; however market purchases may be made to offset share scheme exercise activity, subject to the prior approval of the Board.

Significant interests in the Company's share capital

As at 15 May 2015, 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	Percentage of share capital
Invesco Limited	18,642,841	5.06
FMR LLC	18,000,006	5.05
Massachusetts Financial Services Company	18,549,276	5.02
Heronbridge	18,366,728	5.00
The Capital Group	14,470,331	3.99

Details of the Directors' interests in the share capital of the Company are detailed within the Directors' remuneration report on pages 75 to 78.

Restrictions on the trading of Mitie shares

Ordinary shares that are issued as consideration upon the acquisition by the Company of the shares of minority shareholders in subsidiaries of the group that participate in the Mitie Model 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 Company shares received in this way 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 aided Mitie's past performance and continues to ensure a close alignment of interests between Company 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 http://www.mitie.com/investors/shareholder-services/corporate-governance).

The Directors are not aware of any agreements entered into by 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 35 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 the Company and explains the rules applicable to them for dealing in Company 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 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 of certain Mitie Model companies. None of these are considered to be significant in terms of their likely impact on the normal course of business of 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.

Shareholder engagement

The Board is committed to an ongoing, pro-active 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 year and full year results announcements.

Last year, the Board appointed a capital markets advisory firm to maintain the shareholder register and assist in register analysis, advise on investor relations strategy and obtain analyst and investor feedback. Significant importance is attached to investor feedback on the group's performance, and as such the Board receives an investor relations report at each Board 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 full year 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 ongoing dialogue between the Directors and investors and as such all Directors were present at the 2014 AGM. The Company hosted a Capital Markets Day in October 2014, which gave analysts, shareholders and other stakeholders the opportunity to have direct discussions with Directors as well as with the Chief Executive and Group Finance Director.

Latest group information, financial reports, corporate governance and sustainability matters, half yearly and full year 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.

Directors

Board of Directors
The membership of the Board as at 31 March 2015 and biographical details of the Directors (including details of committee chairmanships and other positions held) are given on pages 42 and 43. To comply with relevant provision of the Code, all Directors other than Crawford Gillies 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 2015 were independent in mind and judgement, and free from any material relationship that could interfere with their ability to discharge their duties effectively.

Director development and succession planning
The Chairman regularly meets with both the Executive and Non-Executive Directors to discuss specific director development and training needs. The annual Board evaluation also addresses these requirements and ensures that the appropriate level of knowledge, understanding and expertise of the Board is sufficiently maintained.

Succession planning is discussed in more detail on page 54 and 55.

Director appointments
With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Code, the Companies Acts and related legislation.

Director conflicts
The Board has a formal policy on the declaration and management of Director conflicts of interests 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 ongoing review.

Director indemnities
The group 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 each Executive Director are detailed in the Directors' remuneration report on page 67. Executive Directors are entitled to retain any fees earned from these external appointments.

Statement of the Directors in respect of the Annual Report and financial statements
As required by the Code, the Directors confirm that they consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy. When arriving at this position the Board was assisted by a number of processes including the following:

- the Annual Report and Accounts is drafted by senior management with overall co-ordination by the Head of Group Finance to ensure consistency across the relevant sections;
- an internal verification process is undertaken to ensure factual accuracy;

- an independent review is undertaken by the Assurance team to assess whether the Annual Report and Accounts is fair, balanced and understandable using a set of pre-defined indicators (such as consistency with internally reported information, investor communications and relative performance in the industry);
- comprehensive reviews of drafts of the Annual Report and Accounts are undertaken by the Executive Directors and other senior management;
- an advanced draft is reviewed by the Company's Group General Counsel and Company Secretary and external legal advisers; and
- the final draft is reviewed by the Audit Committee prior to consideration by the Board.

Employees

Employee involvement

The Board remains committed to fostering and developing a culture of employee involvement in the business through communication with employees and equity participation 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. In line with HMRC regulations the Company increased the maximum value of SIP free shares (shares that can be awarded annually to an employee), and of SIP partnership shares (shares an employee can purchase annually). The maximum monthly amount that an employee can contribute to SAYE savings arrangements was also increased in line with HMRC regulations.

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 (without requiring Mitie to buy) that stake to Mitie predominantly in exchange for Company shares.

Under the terms of certain shareholders' 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 Company shares.

The group continues to back management teams with innovative ideas for starting mutually owned businesses. The Board remains committed to supporting growing businesses, which builds on a long history of partnering with management teams to start up new business ventures.

During the year Mitie purchased 49% of the share capital of Direct Enquiries Holdings Limited for cash consideration of £5.6m, of which £1.8m was paid in the current year and £3.8m was paid in April 2015.

Communication with employees

Communication with Mitie's employees remains a high priority, and has been the focus of a comprehensive review of employee engagement undertaken in the past year. The group communicates with employees via multiple channels, including group-wide mailings, employee magazines and updates, employee-focused initiatives and events (including group business roadshows), 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 has improved communication and information sharing across the business and includes blog updates from Executive Board members and functional teams. Through this system employees are able to access key information (such as online payslips), platforms (such as eLearning), and key strategic messages as well as group news.

Each of the group's businesses is encouraged to ensure that employees are kept informed of group and individual business developments through the use of their own communication processes, and social networking sites continue to play an important part in engaging and communicating with employees.

Our group-wide *Mitie Stars* programme continues to grow year on year, and recognises and rewards exceptional performance displayed by Mitie people. *Mitie's Got Talent*, the 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.

Mitie's 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.

Our Speak Up service (the whistleblowing programme) continued to operate during the year, providing every employee with the ability to confidentially report any concerns or wrong-doings that they were aware of, if they felt unable to report these via our existing line management or human resources channels. All Speak Up contacts are individually investigated. The Audit Committee and Board receive regular reports on the status of material Speak Up investigations.

Employee diversity and inclusion
The Board remains committed to developing 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.

Disabled persons

As set out in our Equality, Diversity and Inclusion Policy, Mitie's approach to business is underpinned by a belief that all individuals should be treated fairly and have access to equal opportunities, regardless of their status. More specifically, the policy states that no job applicant or employee should receive less favourable treatment on grounds of, among others, disability.

Finance

Financial results and dividends
A detailed commentary on the operational and financial results of the group for the year is contained within the Strategic report and Financial review on pages 32 to 37 of this report. The profit before taxation for the financial year is £41.5m (2014: £68.4m).

- The Directors declared an interim dividend of 5.2p per Ordinary share with a total value of £18.6m (2014: £17.6m) which was paid to shareholders on 2 February 2015.
- The Directors recommend a final dividend of 6.5p per Ordinary share with a total value of £22.9m (2014: £21.9m) based upon the number of shares issued as at 18 May 2015. The final dividend for the year will be paid on 4 August 2015, subject to shareholder approval at the AGM, to ordinary shareholders on the register on 26 June 2015.
- The total dividend per Ordinary share for the year ended 31 March 2015 is 11.7p (2014: 11.0p).

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.

Financing liabilities
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.

Future developments
The Strategic report 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.

Political donations
The company included a resolution in its 2014 AGM notice to shareholders in relation to the ability to make political donations. Although, Mitie's long standing policy of not making any political donations will continue, it is possible that certain routine activities (including charitable donations) undertaken by Mitie might unintentionally fall within the wide definition of payments constituting political donations and expenditure as set out in the Companies Act 2006. The resolution, which was duly passed, granted the Company the relevant statutory authority until the 2015 AGM subject to a total aggregate cap for Mitie and its subsidiary companies of £50,000.

Requirements of the Listing Rules
Pursuant to listing rule 9.8.4C, the table below provides references to where the relevant information required by listing rule 9.8.4R is disclosed.

Listing Rule requirement

Long term incentive plans	Directors remuneration report pages 57 to 78
Agreement to waive dividends	Directors' report page 83

Carbon reporting and the environment
The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the group is responsible, including combustion of fuel and the operation of facilities. Details of our emissions during the year ended 31 March 2015 are set out in the Strategic report on page 41 and form part of the Directors' report disclosures.

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 Strategic report as referred to on pages 16 to 19. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial review, as part of the Strategic report, on pages 32 to 37. In addition, Note 26 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 £9.0bn and high visibility of secured work (85% of budgeted revenue) for the financial year ending 31 March 2016. These support the Directors' belief that the group is well-placed to manage its business risks successfully.

In assessing the group's ability to continue as a going concern, the Board reviews and approves the annual budget including 12 month forecasts of cash flows and borrowing requirements. The Board reviews the group's sources of available funds and the level of headroom available against its committed borrowing facilities. 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.

On 23 July 2014, the group announced the extension of its multi-currency revolving credit facility. The group now benefits from a committed facility of £275m, which will mature in July 2019. Together with the £252m US Private Placements, this gives the group total committed funding of £527m, of which £261m was undrawn at 31 March.

The Directors have a reasonable expectation that the group has adequate resources to continue its operational existence for the foreseeable future. Accordingly, 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 13 July 2015 at 2.30pm at Rothschild, New Court, St Swithin's Lane, London EC4N 8AL.

By order of the Board

James Ormrod
Company Secretary
18 May 2015

Directors' report: statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the Annual Report, the remuneration report and the financial statements

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations. 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 International Accounting Standard (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 IFRS accounts, IAS 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 of the assets, the reasonable steps taken for the prevention and detection of fraud and other irregularities, and the preparation of a Directors' remuneration report which complies 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;
- the Strategic 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 a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Ruby McGregor-Smith CBE
Chief Executive
18 May 2015

Suzanne Baxter
Group Finance Director
18 May 2015

Independent auditor's report to the members of Mitie Group plc

For the year ended 31 March 2015

Opinion on financial statements of Mitie Group plc	In our opinion: → the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended; → the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; → the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and → the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. The financial statements 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, the Company Balance Sheet and the related notes 1 to 51. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
Going concern	As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' Report that the group is a going concern. We confirm that: → we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and → we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Revenue recognition and accounting for complex contracts	
There are significant accounting judgements required to apply the group's revenue recognition policies to the long-term complex contracts entered into by the group for the provision of project-based services, predominantly integrated facilities management contracts. In particular this relates to determining the stage of completion of the contract activity, forecasting whole-life contract costs and assessing the separability of services provided under the contract in accordance with IAS 18. The group's policy on revenue recognition is set out in Note 1 to the group financial statements and revenue is analysed in Note 3. The matter is also disclosed as a critical Judgement in Note 2.	We have evaluated management's application of their accounting policy, with particular focus on the long-term facilities management contracts, the largest contracts and new contracts that were significant either due to size or specific characteristics. We have assessed the design and implementation of the key controls, including monthly contract reviews; the automated IT controls over the systems used to generate the information and Management's review and approval of the contract accounting applied. We have 'performed substantive tests and analytical procedures on costs incurred to date and forecast performance, including agreeing significant contract terms, analysing margin trends and obtaining signed variation orders. In certain instances, we have independently contacted customers to confirm the nature of the services and the terms of the contracts and evaluated the separability of the contract services.

Risk	How the scope of our audit responded to the risk
Recoverability of trade receivables The group has exposures on its balance sheet in relation to the recoverability of contract mobilisation costs capitalised of £30.6m and contract receivables, including accrued income of £192.6m. Judgement is required to assess the recoverability of contract assets and to evaluate whether provisions or allowances are required. The risk arises where amounts are in dispute with customers as a result of contract performance disputes or where payment is significantly overdue. The group's policy on financial assets is set out in Note 1 and a breakdown and analysis of the balances is provided in Note 18 to the group financial statements.	We have challenged the judgements made with respect to the recoverability of certain specific contract receivables by reading underlying contracts and legal correspondence where appropriate. We have assessed the reasonableness of financial and operational forecasts and challenged the assumptions adopted by Management to support the recoverability of contract assets. We have assessed the design and implementation of the key controls, including monthly contract reviews; monthly reviews of aged debtors and billing reports; and the automated IT controls over the systems used to generate the information. We performed cash after date testing over the contract debtor population to assess recoverability of existing contract receivables.
Goodwill and intangible assets In accordance with IFRS and the Group's accounting policy, management is required to carry out an annual impairment test of the Group's goodwill of £464.4m and intangible assets of £76.6m, which incorporates judgements based on assumptions about future profitability, revenue growth, margins and forecast cash flows, and the selection of appropriate discount rates for the related businesses. The Group's policy on impairment of goodwill is disclosed in note 1 and note 2. Further details in respect of the carrying value of goodwill and intangible assets, and the recoverability of individual cash-generating units and sensitivities of the key assumptions are outlined in note 13.	Our work focussed on challenging Management's assumptions including specifically the determination of cash-generating units ('CGU'), the forecast cashflows for each CGU and the discount rates, particularly with respect to the Healthcare CGU. In making this critical assessment of the cash flow projections we considered the output of the Group's budgeting process, historical forecasting accuracy and compared forecast profit margins to historical margins and benchmarked the discount and growth rates employed to available market data. We challenged the appropriateness of the inclusion of cashflows relating to new initiatives. With respect to Healthcare, we critically assessed management's position as to whether or not a reasonably possible change to key operating assumptions could result in an impairment. In doing so, we have considered the sensitivity of the key assumptions relating to future growth in revenue, costs savings to be achieved and the discount rate applied. We also specifically reviewed the appropriateness of the disclosures set out in note 13 to the accounts detailing the point at which the recoverable value of goodwill would equal the carrying amount.
Presentation of "other items" on the consolidated income statement The group records certain transactions that fall outside the normal course of trading as "other items" on the consolidated income statement. In light of the material value of the items disclosed, we have identified their appropriate presentation as a significant risk. There is no specific definition in respect of the classification and disclosure of such items within IFRS as adopted by the European Union, although IAS 1 does require disclosure of significant items, and therefore judgement is required by the Directors to identify such transactions as "other items" and to maintain the comparability of results with previous years and in accordance with the Group's accounting policy. Failure to disclose clearly the nature and impact of "other items" may distort the reader's view of the financial result in the year. The Group's policy on disclosure of "other items" is outlined in note 1. Further details of "other items" is given in note 5	We have reviewed the transactions disclosed with other items and obtained documentation to understand their nature and evaluate whether their inclusion within "other items" is in line with the Group's accounting policy. We have challenged management over the fair presentation of the balances and considered whether any further transactions meet the requirements for classification as "other items" by reference to minutes of board meetings held and a review of external announcements. In critically evaluating the appropriate presentation of "other items", we have taken into consideration the guidance provided by the FRC. We have read the Group's accounting policy for "other items" and considered the adequacy of the disclosures with respect to "other items".

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 49 and 50.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined planning materiality for the group to be £5.0 million (2014: £6.0 million) , which is based on 4.4% (2014: 5.3%) of headline profit before tax and which equates to 0.2% (2014: 0.3%) of revenue, 12.0% (2014: 8.8%) of profit before tax and 1.3% (2014: 1.5%) of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £100,000 (2014: £150,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, our group audit scope focused primarily on the audit work at the five divisions and at head office. All of these were subject to a full audit, led by the Senior Statutory Auditor. These five divisions represent the principal business units within the group's four reportable segments and, together with head office, account for 100% (2014: 100%) of the group's net assets, 98.2% (2014: 98.4%) of the group's revenue and 100% (2014: 100%) of the group's profit before tax. Our audit work was executed at levels of materiality applicable to each individual entity which was lower than group materiality and ranged from £0.0m to £3.5m (2014: £0.0m to £3.4m)

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

→ we have not received all the information and explanations we require for our audit; or

→ 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: → materially inconsistent with the information in the audited financial statements; or → apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or → otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.
Respective responsibilities of directors and auditor	As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the 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 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. 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.
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 and 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. 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.

Colin Hudson FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
18 May 2015

Consolidated income statement

For the year ended 31 March 2015

		2015			2014		
	Notes	Headline £m	Other Items[1] £m	Total £m	Headline £m	Other Items[1] £m	Total £m
Continuing operations							
Revenue	3,4	**2,266.2**	**7.6**	**2,273.8**	2,142.6	78.5	2,221.1
Cost of sales		**(1,928.3)**	**(17.4)**	**(1,945.7)**	(1,819.3)	(76.5)	(1,895.8)
Gross profit		**337.9**	**(9.8)**	**328.1**	323.3	2.0	325.3
Administrative expenses		**(210.0)**	**(62.8)**	**(272.8)**	(196.3)	(46.9)	(243.2)
Share of profit of joint ventures and associates	16	**0.7**	**–**	**0.7**	0.5	–	0.5
Operating profit	4,6	**128.6**	**(72.6)**	**56.0**	127.5	(44.9)	82.6
Investment revenue	8	**0.3**	**–**	**0.3**	1.2	–	1.2
Finance costs	9	**(14.8)**	**–**	**(14.8)**	(15.4)	–	(15.4)
Net finance costs		**(14.5)**	**–**	**(14.5)**	(14.2)	–	(14.2)
Profit before tax		**114.1**	**(72.6)**	**41.5**	113.3	(44.9)	68.4
Tax	10	**(24.1)**	**18.3**	**(5.8)**	(25.6)	5.7	(19.9)
Profit for the year		**90.0**	**(54.3)**	**35.7**	87.7	(39.2)	48.5
Attributable to:							
Equity holders of the parent		**89.3**	**(54.3)**	**35.0**	87.5	(39.2)	48.3
Non-controlling interests		**0.7**	**–**	**0.7**	0.2	–	0.2
		90.0	**(54.3)**	**35.7**	87.7	(39.2)	48.5
Earnings per share (EPS)							
– basic	12	**24.8p**	**(15.1)p**	**9.7p**	24.3p	(10.9)p	13.4p
– diluted	12	**24.2p**	**(14.7)p**	**9.5p**	23.6p	(10.6)p	13.0p

Notes:
1 Other items are as described in Note 5.

Consolidated statement of comprehensive income

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
Profit for the year		**35.7**	48.5
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit pension liability	36	**(15.0)**	2.4
Income tax relating to items not reclassified		**3.0**	(1.0)
		(12.0)	1.4
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(2.0)**	(0.6)
Gains on hedge of a net investment taken to equity		**1.1**	0.2
Cash flow hedges:			
Gains/(losses) arising during the year		**13.4**	(10.1)
Reclassification adjustment for (losses)/gains included in profit and loss		**(14.6)**	12.1
Income tax credit/(charge) relating to items that may be reclassified		**0.2**	(0.8)
		(1.9)	0.8
Other comprehensive (expense)/income for the financial year		**(13.9)**	2.2
Total comprehensive income for the financial year		**21.8**	50.7
Attributable to:			
Equity holders of the parent		**21.1**	50.5
Non-controlling interests		**0.7**	0.2

Consolidated balance sheet

At 31 March 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Goodwill	13	**464.4**	459.6
Other intangible assets	14	**76.6**	79.3
Property, plant and equipment	15	**53.3**	56.7
Interest in joint ventures and associates	16	**1.1**	0.9
Financing assets	17	**8.0**	20.4
Trade and other receivables	18	**58.5**	41.2
Deferred tax assets	21	**13.4**	8.4
Total non-current assets		**675.3**	666.5
Current assets			
Inventories	22	**11.0**	7.4
Trade and other receivables	18	**421.4**	491.6
Cash and cash equivalents	23	**96.4**	89.1
Total current assets		**528.8**	588.1
Total assets		**1,204.1**	1,254.6
Current liabilities			
Trade and other payables	24	**(476.0)**	(525.6)
Current tax liabilities		**(5.2)**	(11.0)
Financing liabilities	25	**(1.8)**	(2.7)
Provisions	27	**(4.9)**	(1.2)
Total current liabilities		**(487.9)**	(540.5)
Net current assets		**40.9**	47.6
Non-current liabilities			
Trade and other payables	24	**(8.0)**	–
Financing liabilities	25	**(279.2)**	(273.0)
Provisions	27	**(7.4)**	(8.8)
Retirement benefit obligation	36	**(35.8)**	(19.1)
Deferred tax liabilities	21	**(7.5)**	(9.3)
Total non-current liabilities		**(337.9)**	(310.2)
Total liabilities		**(825.8)**	(850.7)
Net assets		**378.3**	403.9

Consolidated balance sheet

At 31 March 2015

	Notes	2015 £m	2014 £m
Equity			
Share capital	30	**9.4**	9.3
Share premium account	31	**122.6**	118.9
Merger reserve	31	**80.1**	101.2
Share-based payments reserve	31	**7.2**	2.6
Own shares reserve	31	**(47.5)**	(37.2)
Other reserves	31	**0.4**	0.4
Hedging and translation reserve	31	**(6.4)**	(4.3)
Retained earnings		**209.2**	210.0
Equity attributable to equity holders of the parent		**375.0**	400.9
Non-controlling interests		**3.3**	3.0
Total equity		**378.3**	403.9

The financial statements of the group, company registration number SC019230 were approved by the Board of Directors and authorised for issue on 18 May 2015. 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 2015

	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 2013	9.3	108.0	97.6	1.9	(20.3)	0.3	(5.9)	210.6	**401.5**	3.8	**405.3**
Profit for the year	–	–	–	–	–	–	–	48.3	**48.3**	0.2	**48.5**
Other comprehensive income	–	–	–	–	–	–	1.6	0.6	**2.2**	–	**2.2**
Total comprehensive income	–	–	–	–	–	–	1.6	48.9	**50.5**	0.2	**50.7**
Shares issued	0.1	10.9	3.6	–	–	–	–	–	**14.6**	–	**14.6**
Dividends paid	–	–	–	–	–	–	–	(38.1)	**(38.1)**	(0.1)	**(38.2)**
Purchase of own shares	–	–	–	–	(19.8)	–	–	–	**(19.8)**	–	**(19.8)**
Share-based payments	–	–	–	0.7	2.9	–	–	1.1	**4.7**	–	**4.7**
Tax on share-based payment transactions	–	–	–	–	–	–	–	1.0	**1.0**	–	**1.0**
Share buybacks	(0.1)	–	–	–	–	0.1	–	(7.4)	**(7.4)**	–	**(7.4)**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(6.1)	**(6.1)**	(0.9)	**(7.0)**
At 31 March 2014	9.3	118.9	101.2	2.6	(37.2)	0.4	(4.3)	210.0	**400.9**	3.0	**403.9**
Profit for the year							–	35.0	**35.0**	0.7	**35.7**
Other comprehensive expense	–	–	–	–	–	–	(2.1)	(11.8)	**(13.9)**	–	**(13.9)**
Total comprehensive income	–	–	–	–	–	–	(2.1)	23.2	**21.1**	0.7	**21.8**
Shares issued	0.1	3.7	–	–	–	–	–	–	**3.8**	–	**3.8**
Dividends paid	–	–	–	–	–	–	–	(40.5)	**(40.5)**	(0.1)	**(40.6)**
Purchase of own shares	–	–	–	–	(10.7)	–	–	–	**(10.7)**	–	**(10.7)**
Share-based payments	–	–	–	4.6	0.4	–	–	1.4	**6.4**	–	**6.4**
Tax on share-based payment transactions	–	–	–	–	–	–	–	(0.1)	**(0.1)**	–	**(0.1)**
Transfer between reserves	–	–	(21.1)	–	–	–	–	21.1	**–**	–	**–**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(5.9)	**(5.9)**	(0.3)	**(6.2)**
At 31 March 2015	9.4	122.6	80.1	7.2	(47.5)	0.4	(6.4)	209.2	**375.0**	3.3	**378.3**

Consolidated statement of cash flows

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
Operating profit		**56.0**	82.6
Adjustments for:			
Share-based payment expense	35	**6.5**	5.0
Defined benefit pension charge/(credit)	36	**4.0**	(6.1)
Defined benefit pension contributions	36	**(3.1)**	(3.6)
Acquisition costs	5	**0.3**	0.7
Depreciation of property, plant and equipment	15	**19.7**	16.1
Amortisation of intangible assets	14	**13.8**	17.0
Other non-cash movement in Other items		**19.0**	–
Share of profit of joint ventures and associates	16	**(0.7)**	(0.5)
Loss/(gain) on disposal of property, plant and equipment		**0.3**	(0.7)
Operating cash flows before movements in working capital		**115.8**	110.5
Increase in inventories		**(3.8)**	(0.8)
Decrease/(increase) in receivables		**53.4**	(2.4)
(Decrease)/increase in payables		**(50.9)**	16.8
Decrease in provisions		**(1.3)**	–
Cash generated by operations	38	**113.2**	124.1
Income taxes paid		**(15.5)**	(18.2)
Interest paid		**(13.1)**	(14.3)
Facility extension fees		**(2.0)**	–
Acquisition costs	5	**(0.3)**	(0.7)
Net cash from operating activities		**82.3**	90.9
Investing activities			
Interest received		**–**	1.2
Purchase of property, plant and equipment		**(23.0)**	(20.6)
Purchase of subsidiary undertakings, net of cash acquired	32	**(0.5)**	(10.7)
Dividends received from joint ventures and associates		**0.5**	–
Investment in financing assets		**(0.3)**	0.8
Purchase of other intangible assets	14	**(3.9)**	(6.2)
Disposals of property, plant and equipment		**1.8**	6.0
Net cash outflow from investing activities		**(25.4)**	(29.5)

Consolidated statement of cash flows

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
Financing activities			
Repayments of obligations under finance leases		**(2.0)**	(3.6)
Proceeds on issue of share capital		**3.8**	8.9
Bank loans repaid		**0.6**	(2.8)
Purchase of own shares	31	**(10.7)**	(19.8)
Share buybacks	30	**–**	(7.4)
Equity dividends paid	11	**(40.5)**	(38.1)
Non-controlling interests dividends paid		**(0.1)**	(0.1)
Net cash outflow from financing		**(48.9)**	(62.9)
Net increase/(decrease) in cash and cash equivalents		**8.0**	(1.5)
Net cash and cash equivalents at beginning of the year		**89.1**	90.8
Effect of foreign exchange rate changes		**(0.7)**	(0.2)
Net cash and cash equivalents at end of the year		**96.4**	89.1
Net cash and cash equivalents comprise:			
Cash at bank		**96.4**	89.1
		96.4	89.1

Reconciliation of net cash flow to movements in net debt	Notes	2015 £m	2014 £m
Net increase/(decrease) in cash and cash equivalents		**8.0**	(1.5)
Effect of foreign exchange rate changes		**(0.7)**	(0.2)
Decrease in bank loans		**1.4**	3.5
Non-cash movement in private placement notes and associated hedges		**(1.3)**	2.2
Decrease in finance leases		**1.4**	1.6
Decrease in net debt during the year		**8.8**	5.6
Opening net debt		**(186.6)**	(192.2)
Closing net debt	29	**(177.8)**	(186.6)

Notes to the consolidated financial statements

For the year ended 31 March 2015

1 Basis of preparation and significant accounting policies

Basis of preparation

The group's financial statements for the year ended 31 March 2015 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 2014 except for the adoption of IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosures of Interests in Other Entities', IAS 27 (Revised) 'Separate Financial Statements' and IAS 28 (Revised) 'Investments in Associates and Joint Ventures'. These standards clarify aspects of the basis for consolidation. The adoption of these standards has had no impact on the results or financial position of the group.

The following amendments were also effective for the first time in the current period but had no impact on the results or financial position of the group:

- Amendments to IAS 32 'Financial Instruments: Presentation' – offsetting financial assets and financial liabilities;
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting;
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets; and
- IFRIC Interpretation 21 'Levies'.

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

- IFRS 9 'Financial Instruments';
- Amendments to IAS 19 'Employee Benefits' – Employee Contributions;
- Amendments to IFRS 11 'Joint Arrangements' – Accounting for Acquisitions of Interests in Joint Operations;
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Clarification of Acceptable Methods of Depreciation and Amortisation;
- IFRS 15 'Revenue from Contracts with Customers'
- Amendments to IAS 27 'Separate Financial Statements' – Equity Method in Separate Financial Statements
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'– Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosures of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' – Investment Entities: Applying the Consolidation Exception;
- Amendments to IAS 1 'Presentation of Financial Statements' – Disclosure Initiative; and
- Amendments resulting from Annual Improvements to IFRSs 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle.

The group are conducting a review of IFRS 15 'Revenue from Contracts with Customers' which is currently due to be effective for periods beginning on or after 1 January 2017, although this is subject to a proposal, by the International Accounting Standards Board, to defer the effective date by one year. The Directors do not anticipate that the adoption of other standards and interpretations that have been issued but are not yet effective (and in some cases have not yet been adopted by the EU) will have a material financial impact on the group's financial statements in the period of initial application.

Significant accounting policies under IFRS

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Mitie Group plc and all its subsidiaries. The financial statements of the parent company and subsidiaries are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) with the exception of a small number of 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.

1 Basis of preparation and significant accounting policies

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.

Operating profit before other items
The group's chosen supplementary measure of performance is operating profit before other items. The Directors believe that operating profit before other items provides a meaningful indication of the long-term operating performance of the group. To align the measure of the group's performance with the long-term nature of the business, operating profit before other items excludes items which create short-term volatility. The measure excludes restructuring and acquisition costs, amortisation of acquired intangible assets and items that are one-off in nature and which, due to their size or nature, are not indicative of the long-term operating performance of the group.

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 represents income recognised in respect of services provided during the period (stated net of sales taxes) and is earned predominantly within the United Kingdom. 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. When revenue is recognised but has not yet been billed accrued income arises. Deferred income arises when the group has billed clients in advance of recognising revenue.

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. 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.

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, the group distinguishes between the following types of contract:

Revenue recognition: repeat service-based contracts (single and bundled contracts)
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.

1 Basis of preparation and significant accounting policies

Costs incurred after confirmation of preferred bidder, 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.

Revenue recognition: long-term complex contracts
The group has a number of long-term contracts for the provision of complex project-based services, predominantly integrated facilities management contracts. Where the outcome of such complex project-based contracts can be measured reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is measured by the proportion of contract costs incurred for work performed to date compared to the total estimated contract costs. Contract costs used to determine the stage of completion are recognised as expenses in the period in which they are incurred and include transition costs which are costs incurred in the performance of transitioning services provided after confirmation of preferred bidder and before commencement of full service delivery. Where the outcome of a complex project-based contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that contract costs will be recovered. Full provision is made for all known or anticipated losses on each contract immediately such losses are forecast.

Revenue recognition: other
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 taxable 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; 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.

1 Basis of preparation and significant accounting policies

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.

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 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. 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.

1 Basis of preparation and significant accounting policies

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 transferred, 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, financing liabilities, including bank and other borrowings, put options on non-controlling interests and deferred contingent consideration. These are measured at initial recognition at fair value and subsequently at amortised cost with the exception of derivative financial instruments which are measured at fair value, and deferred contingent consideration which is measured at the Directors' best estimate of the likely future obligation. 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.

Put options on the shares of subsidiaries held by non-controlling interest shareholders that oblige the group to purchase those shares for cash are recognised as a financial liability at their present value of the option exercise price. The initial financial liability and subsequent changes in its carrying value are recognised in equity.

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.

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.

1 Basis of preparation and significant accounting policies

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.

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.

1 Basis of preparation and significant accounting policies

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. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. For all grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes or Monte Carlo models 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. At each balance sheet date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. 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.

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, the return on plan assets (excluding interest) and the effect of the asset ceiling (if applicable) 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.

Current service cost and past service cost are recognised in profit and loss, in administrative expenses, whilst the net interest cost is recognised in net finance costs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to 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 long-term complex projects based on the stage of completion of the contract activity. This is measured by comparing the proportion of costs incurred, which include transition costs reflecting costs incurred in the performance of transitioning services (see Note 1), against the estimated whole-life contract costs. Particular judgement is required in evaluating the operational and financial business plans for these contracts to forecast the expected whole-life contract billings, costs and margin and to assess the recoverability of any resulting accrued income through the life of the contract. In forming the judgement around expected whole-life contract billings, account is taken of potential deductions from and increments to revenue that may arise from the application of performance related measures under contracts.

Accounting for joint ventures and associates
The group has interests in entities in which it considers that it does not have control and which are accounted for using the equity method. In the group accounts, consideration is given to the treatment that should be adopted for the results of those entities in which the group has a participation, taking into account the ownership of the entity and the group's influence over its control. Particular consideration was given to the group's interest in a special purpose company, O-Gen Plymtrek Limited ('O-Gen'). As a result of a number of factors, and in particular the combination of not having a majority of directors on the Board and having no veto rights over substantive matters, the group equity accounts for its interest in O-Gen (see Note 5).

2 Critical accounting judgements and key sources of estimation uncertainty

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 goodwill and other 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 £541.0m (2014: £538.9m) at the balance sheet date; see Notes 13 and 14. A sensitivity analysis has been performed and Management have concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill of any of the Soft FM, Hard FM, Property Management or Energy Solutions CGUs. Further sensitivity testing was performed for the group's Healthcare CGU where the financial performance of the business has deteriorated during the year. On the basis of this review Management have concluded that no impairment to goodwill is necessary. A sensitivity analysis is included in Note 13.

Measurement of defined benefit pension obligations
The measurement of defined benefit obligations requires judgement. It 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 £207.5m (2014: £179.1m); see Note 36.

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% -0.5%	(20.7) 20.7
Retail price inflation	+0.5% -0.5%	15.8 (13.8)
Consumer price inflation	+0.5% -0.5%	4.9 (4.9)
Salary increases	+0.5% -0.5%	3.9 (3.9)
Life expectancy	+1 year	7.1

Measurement of provisions
The group's provisions (per Note 27) comprise deferred contingent consideration and insurance reserves. The measurement of provisions requires judgement. In particular the measurement of deferred contingent consideration is dependent on key assumptions including future cashflows.

3 Revenue

	2015 £m	2014 £m
Headline		
Rendering of services	**2,265.8**	2,113.2
Construction contracts	**0.4**	29.4
Headline revenue	**2,266.2**	2,142.6
Other items		
Construction contracts	**7.6**	78.5
Total revenue as disclosed in the consolidated income statement	**2,273.8**	2,221.1
Investment revenue (Note 8)	**0.3**	1.2
Total revenue as defined in IAS 18	**2,274.1**	2,222.3

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.

Business segments – structure during the year

	2015					2014				
	Revenue £m	Headline revenue[1] £m	Headline operating profit[1] £m	Headline operating profit margin[1] %	Profit before tax £m	Revenue £m	Headline revenue[1] £m	Headline operating profit[1] £m	Headline operating profit margin[1] %	Profit before tax £m
Soft FM	**1,280.3**	**1,280.3**	**81.9**	**6.4**	**79.6**	1,190.8	1,190.8	74.8	6.3	72.2
Hard FM	**609.7**	**609.7**	**30.0**	**4.9**	**24.2**	579.4	579.4	30.0	5.2	22.6
Property Management	**273.4**	**273.4**	**10.4**	**3.8**	**9.9**	264.8	264.8	14.4	5.4	15.1
Healthcare	**91.4**	**91.4**	**4.9**	**5.4**	**0.4**	91.7	91.7	12.7	13.8	8.4
Energy Solutions	**11.4**	**11.4**	**1.4**	**12.3**	**–**	15.9	15.9	(4.4)	(27.7)	(5.0)
Other Items (Note 5)	**7.6**	**–**	**–**	**–**	**(72.6)**	78.5	–	–	–	(44.9)
Total	**2,273.8**	**2,266.2**	**128.6**	**5.7**	**41.5**	2,221.1	2,142.6	127.5	6.0	68.4

With effect from 1 April 2015 Energy Solutions is being reported as part of Hard FM. Soft FM, Healthcare and Property Management remain unchanged. A proforma analysis of the financial results of the business for the year ended 31 March 2015 is set out below.

Business segments – structure from 1 April 2015

	2015					2014				
	Revenue £m	Headline revenue[1] £m	Headline operating profit[1] £m	Headline operating profit margin[1] %	Profit before tax £m	Revenue £m	Headline revenue[1] £m	Headline operating profit[1] £m	Headline operating profit margin[1] %	Profit before tax £m
Soft FM	**1,280.3**	**1,280.3**	**81.9**	**6.4**	**79.6**	1,190.8	1,190.8	74.8	6.3	72.2
Hard FM	**621.1**	**621.1**	**31.4**	**5.1**	**24.2**	595.3	595.3	25.6	4.3	17.6
Property Management	**273.4**	**273.4**	**10.4**	**3.8**	**9.9**	264.8	264.8	14.4	5.4	15.1
Healthcare	**91.4**	**91.4**	**4.9**	**5.4**	**0.4**	91.7	91.7	12.7	13.8	8.4
Other Items (Note 5)	**7.6**	**–**	**–**	**–**	**(72.6)**	78.5	–	–	–	(44.9)
Total	**2,273.8**	**2,266.2**	**128.6**	**5.7**	**41.5**	2,221.1	2,142.6	127.5	6.0	68.4

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 2015 or 2014.

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

	2015					2014				
	Revenue £m	Headline[1] revenue £m	Headline[1] operating profit £m	Headline[1] operating profit margin %	Profit before tax £m	Revenue £m	Headline[1] revenue £m	Headline[1] operating profit £m	Headline[1] operating profit margin %	Profit before tax £m
United Kingdom	**2,190.7**	**2,183.1**	**126.8**	**5.8**	**40.0**	2,149.5	2,071.0	125.7	6.1	66.9
Other countries	**83.1**	**83.1**	**1.8**	**2.2**	**1.5**	71.6	71.6	1.8	2.5	1.5
Total	**2,273.8**	**2,266.2**	**128.6**	**5.7**	**41.5**	2,221.1	2,142.6	127.5	6.0	68.4

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

5 Other items

The group's chosen supplementary measure of performance is operating profit before other items (see Note 1). The group separately identifies and discloses restructuring and acquisition related items (termed 'other items').

The results of the mechanical and electrical engineering construction businesses which are being exited are also presented in Other items. During the year those businesses generated revenue of £7.6m (2014: £78.5m) and incurred a trading loss of £15.9m (2014: £13.6m) . 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.

Within our Asset Management business, which became part of our Energy Solutions division, there are a small number of contracts where the forecast operational and financial performance has deteriorated and where returns were highly uncertain. As a result of significant deterioration in the forecast performance of three key remaining contracts, together with the decision taken by mutual agreement with a customer to exit one contract which crystallised a loss, exceptional charges of £45.7m (2014: £25.4m) have been included in other items. £27.2m of the £45.7m charge relates to the most material of these projects, O-Gen Plymtrek Limited:

The group has a 30% non-controlling equity interest in a special purpose company, O-Gen Plymtrek Limited ('O-Gen'), to which Mitie had extended subordinated debt. The balance of the subordinated debt included within Financing assets was £nil at 31 March 2015 (2014: £13.4m before provisions). As a result of a number of factors, and in particular the combination of not having a majority of directors on the Board and having no veto rights over substantive matters, the group's interest in O-Gen is accounted for as an associate and is held at nil value (2014: nil). The Energy Solutions division had a contract to construct and operate a renewable energy plant for O-Gen which had been subject to delays and considerable cost overruns. In the year ended 31 March 2014, these delays and overruns gave rise to exceptional charges of £17.1m which were included within the exceptional charges in Energy Solutions of £25.4m. These charges included impairment losses of £8.7m in respect of the subordinated debt and £3.0m in respect of trade and other receivables. At 31 March 2014, the group's trade and other receivables included a balance of £6.1m before provisions in respect of the plant design and build contract. In our 2014 Annual Report and Accounts, the group disclosed a contingent liability with a maximum value of £20.6m in relation to guarantees provided in respect of O-Gen. At 30 September 2014, the group reassessed its exposure to O-Gen and, due to the deterioration in financial returns, accrued its potential liability under its guarantee arrangements of £19.4m together with other charges of £9.6m relating to the residual financial exposure to the project. In December 2014, after notification of further delays to the construction programme, the group decided to stop construction of the energy plant. As a consequence, the main funder of the project exercised its rights under one of the project's financing agreements and on 27 March 2015 Mitie paid £15.9m in cash to settle its residual liability to the funder. O-Gen sold its interest in the energy plant in March 2015. A total of £27.2m (2014: £17.1m) of exceptional charges have been recognised in respect of the project during the year and are included within Other items. These charges include impairment losses of £4.7m (2014: £8.7m) and £3.1m (2014 £3.0m) in respect of the group's subordinated debt and trade and other receivables respectively. At 31 March 2015, all financial assets in relation to O-Gen were fully impaired (2014: £13.4m and £6.1m gross carrying values in respect of the subordinated debt and trade and other receivables respectively) and Mitie has no remaining obligations or liabilities in connection with the project.

Acquisition costs in the year to 31 March 2015 relate to the acquisition of Procius Limited and Source Eight Limited.

5 Other items

Other items impacted administrative expenses with the exception of £9.8m of trading losses (2014: £2.0m profit) which impacted gross profit.

	2015			2014		
	Restructuring and acquisition related costs £m	**Businesses being exited £m**	**Other items £m**	Restructuring and acquisition related costs £m	Businesses being exited £m	Other items £m
Revenue	**–**	**7.6**	**7.6**	–	78.5	78.5
Cost of Sales	**–**	**(17.4)**	**(17.4)**	–	(76.5)	(76.5)
Administrative expenses:						
Overheads	**–**	**(6.1)**	**(6.1)**	–	(15.6)	(15.6)
Exceptional charges in relation to design and build Asset Management contracts in Energy Solutions	**(45.7)**	**–**	**(45.7)**	(25.4)	–	(25.4)
Restructuring costs relating to the integration of Complete Group (2014: Enara and Complete Group)	**(0.6)**	**–**	**(0.6)**	(4.4)	–	(4.4)
Acquisition costs	**(0.3)**	**–**	**(0.3)**	(0.7)	–	(0.7)
Amortisation of acquisition related intangibles	**(10.1)**	**–**	**(10.1)**	(11.0)	–	(11.0)
Restructuring of Mitie Group defined benefit pension scheme	**–**	**–**	**–**	10.2	–	10.2
Other items before tax	**(56.7)**	**(15.9)**	**(72.6)**	(31.3)	(13.6)	(44.9)
Tax on other items	**15.0**	**3.3**	**18.3**	3.7	2.0	5.7
Other items net of tax	**(41.7)**	**(12.6)**	**(54.3)**	(27.6)	(11.6)	(39.2)

6 Operating profit

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

	2015 £m	2014 £m
Depreciation of property, plant and equipment (Note 15)	**19.7**	16.1
Amortisation of intangible assets (Note 14)	**13.8**	17.0
Loss/(gain) on disposal of property, plant and equipment	**0.3**	(0.7)
Staff costs (Note 7)	**1,149.9**	1,136.7

6 Operating profit

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

	2015 £'000	2014 £'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	**605**	586
Total audit fees	**638**	619
Other audit related services to the group	**80**	50
Tax services	**89**	140
Corporate finance service	**125**	99
Other services	**36**	10
Non-audit fees	**330**	299
Total	**968**	918

In addition to the amounts shown above the auditor received fees of £nil (2014: £19,000) for the audit of the group pension scheme and trusts.

7 Staff costs

Number of people	2015	2014
The average number of people employed during the financial year was:		
Soft FM	**56,473**	57,410
Hard FM	**5,015**	4,841
Property Management	**2,286**	3,297
Healthcare	**6,605**	6,587
Energy Solutions	**116**	113
Total group	**70,495**	72,248

The number of people employed at 31 March was:

Total group	**69,557**	72,768

Their aggregate remuneration comprised:	2015 £m	2014 £m
Wages and salaries	**1,042.9**	1,035.8
Social security costs	**81.6**	80.5
Other pension costs	**18.9**	15.4
Share-based payments (Note 35)	**6.5**	5.0
	1,149.9	1,136.7

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

8 Investment revenue

	2015 £m	2014 £m
Interest on bank deposits	**0.3**	0.2
Other interest receivable	**–**	1.0
	0.3	1.2

9 Finance costs

	2015 £m	2014 £m
Interest on bank facilities	**1.4**	2.1
Interest on private placement loan notes	**9.6**	9.5
Bank fees	**2.8**	2.3
Interest on obligations under finance leases	**0.2**	0.3
(Gain)/loss arising on derivatives in a designated fair value hedge	**(3.7)**	3.8
Loss/(gain) arising on adjustment for the hedged item in a designated fair value hedge	**3.8**	(4.0)
Net interest on defined benefit pension scheme assets and liabilities	**0.7**	1.4
	14.8	15.4

10 Tax

	2015 £m	2014 £m
Current tax	**9.7**	19.1
Deferred tax (Note 21)	**(3.9)**	0.8
	5.8	19.9

Corporation tax is calculated at 21.0% (2014: 23.0%) of the estimated taxable profit for the year.

A reconciliation of the tax charge to the elements of profit before tax per the consolidated income statement elements is as follows:

	2015			2014		
	Headline £m	Other items £m	Total £m	Headline £m	Other items £m	Total £m
Profit before tax	**114.1**	**(72.6)**	**41.5**	113.3	(44.9)	68.4
Tax at UK rate of 21.0% (2014: 23%)	**23.9**	**(15.2)**	**8.7**	26.0	(10.3)	15.7
Reconciling tax charges for:						
Non-tax deductible charges	**0.7**	**0.1**	**0.8**	0.6	0.2	0.8
Energy Solutions contract exit costs	**–**	**(3.2)**	**(3.2)**	–	3.3	3.3
Overseas tax rates	**0.1**	**–**	**0.1**	0.2	–	0.2
Impact of change in statutory tax rates	**–**	**–**	**–**	(1.0)	–	(1.0)
Prior year adjustments	**(0.6)**	**–**	**(0.6)**	(0.2)	1.1	0.9
Tax charge for the year	**24.1**	**(18.3)**	**5.8**	25.6	(5.7)	19.9
Effective tax rate for the year	**21.1%**	**25.2%**	**14.0%**	22.6%	12.7%	29.1%

In addition to the amounts charged to the consolidated income statement, a tax credit relating to retirement benefit costs and hedged items amounting to £3.2m (2014: £1.8m charge) has been taken directly to the statement of comprehensive income and £0.1m relating to share-based payments has been charged (2014: £1.0m credited) directly to equity.

10 Tax

The effective tax rate on Headline profits is generally higher than the statutory tax rate due to entertaining costs, commercial property depreciation and share-based payment charges not being wholly tax deductible and tax losses incurred overseas. In the prior year this was offset by the restatement of deferred tax items for the legislated change in the UK corporate tax rate from 23% to 20%.

The effective tax rate on Other items generally differs from the statutory rate due to tax relief not being obtained for certain acquisition costs. In the prior year tax relief was not fully recognised on provisions relating to the exit from Energy Solutions design and build contracts, as the form of the exit from certain joint venture arrangements was not agreed. Exit from these contracts was completed in the current year and tax relief is now recognised on the basis of the actual costs incurred. Accordingly, the higher effective tax relief rate in the current year reflects a reversal of the lower effective rate in the prior year. The prior year charge in 2014 was due to the lapse of historic tax losses in businesses being exited and is not repeated in the current year.

11 Dividends

	2015 £m	2014 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2014 of 6.1p (2013: 5.7p) per share	**21.9**	20.5
Interim dividend for the year ended 31 March 2015 of 5.2p (2014: 4.9p) per share	**18.6**	17.6
	40.5	38.1
Proposed final dividend for the year ended 31 March 2015 of 6.5p (2014: 6.1p) per share	**22.9**	21.9

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:

	2015 £m	2014 £m
Net headline profit attributable to equity holders of the parent	**89.3**	87.5
Other items net of tax	**(54.3)**	(39.2)
Net profit attributable to equity holders of the parent	**35.0**	48.3

Number of shares	**2015 million**	2014 million
Weighted average number of Ordinary shares for the purpose of basic EPS	**359.3**	359.9
Effect of dilutive potential Ordinary shares: share options	**10.4**	11.1
Weighted average number of Ordinary shares for the purpose of diluted EPS	**369.7**	371.0

	2015 p	2014 p
Headline basic earnings per share[1]	**24.8**	24.3
Basic earnings per share	**9.7**	13.4
Headline diluted earnings per share[1]	**24.2**	23.6
Diluted earnings per share	**9.5**	13.0

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

The weighted average number of Ordinary shares in issue during the year excludes those accounted for in the Own shares reserve (see Note 31).

13 Goodwill

Cost	£m
At 1 April 2013	447.2
Acquisition of subsidiaries	12.7
Impact of foreign exchange	(0.3)
At 1 April 2014	459.6
Acquisition of subsidiaries	5.7
Impact of foreign exchange	(0.9)
At 31 March 2015	**464.4**
Accumulated impairment losses	
At 1 April 2013	–
At 1 April 2014	–
At 31 March 2015	**–**
Carrying amount	
At 31 March 2015	**464.4**
At 31 March 2014	459.6

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. Additions during the year relate to goodwill recognised on two acquisitions and finalisation of the acquisition accounting for acquisitions made in the prior year. More details are presented in the Acquisitions note (Note 32).

Goodwill has been allocated to CGUs, which align with the business segments, as this is how goodwill is monitored by the group internally. Goodwill has arisen principally on the acquisitions of Initial Security in 2006, Dalkia Technical Facilities Management in 2009 and Enara in 2012.

	Discount rate 2015 %	Discount rate 2014 %	**Goodwill 2015 £m**	Goodwill 2014 £m
Soft FM	**8.7**	9.8	**171.3**	168.1
Hard FM	**8.7**	9.8	**83.8**	83.8
Property Management	**10.0**	11.0	**85.2**	85.2
Healthcare	**10.0**	11.0	**106.6**	105.0
Energy Solutions	**10.0**	12.0	**17.5**	17.5
			464.4	459.6

The group tests goodwill at least annually for impairment or more frequently if there are indicators that goodwill may be impaired.

13 Goodwill

Key assumptions
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 revenue 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 revenue and direct costs are based on past practices and expectations of future changes in the market.

Management recognise that there has been a deterioration in the profitability of the Healthcare business in the last financial year. The decline has been driven by a combination of market pricing pressures due to local authority spending cuts and difficulties in recruiting and retaining healthcare workers in a significantly improving jobs market. We have undertaken a complete review of the business resulting in changes to the operating model and a reinvigorated business plan which supports our long term view of the growth rates for this business.

Growth rates and terminal values
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 the expected growth applicable to each unit with a terminal value using an inflationary growth rate assumption in the range 2.0% – 2.5% dependent on the CGU.

Discount rates
The pre-tax rates used to discount the forecast cash flows from CGUs are derived from the Company's post-tax Weighted Average Cost of Capital, which was 7.4% (2014: 8.2%) at 31 March 2015, 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.

Sensitivity analysis
A sensitivity analysis has been performed and the Directors have concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill of any of the Soft Facilities Management, Hard Facilities Management, Property Management and Energy Solutions CGUs. In particular, a 1% increase in the discount rate or a 1% decrease in the terminal value growth rate would not result in impairment in any of these CGUs.

Further sensitivity testing was performed for the group's Healthcare CGU as it has seen deterioration in profitability in the last financial year following two years of good performance. The Directors believe that the assumptions within the business plan for the Healthcare business are reasonable and there is headroom between the carrying value of goodwill for that CGU and the net present value of the future cash flows that are expected to be generated by the business. There continues to be significant focus on and investment in the healthcare business and the Directors continue to see long term growth opportunities in the domiciliary care market. The Directors recognise that it is possible that an impairment to the healthcare goodwill could be identified if the performance of the business does not improve as expected over the longer term in line with the business plan. Factors that could cause deterioration in the future cash flows of the business compared to the plan and cause an impairment in goodwill include;

- the inability to recruit and retain staff at appropriate wage rates;
- the inability to win new and retain contracts to provide care hours at sustainable prices; and
- an adverse structural change to outsourcing of care in the UK caused by changes in UK Government policy.

We have considered the impact of a range of sensitivities on the headroom between the recoverable amount and the carrying value of the goodwill attributable to the Healthcare CGU. The carrying value of goodwill (and other intangible assets) becomes equal to its recoverable amount following the application of the following sensitivities:

- an increase in the pre-tax discount rate of 3%; or
- a fall in the terminal value growth rate to a negative long-term inflationary assumption of 1%; or
- a 34% reduction in operating profit by year 5 compared to the plan.

14 Other intangible assets

	Acquisition related: Customer relationships £m	Acquisition related: Other £m	**Total acquisition related £m**	Software and development expenditure £m	**Total £m**
Cost					
At 1 April 2013	84.7	10.5	**95.2**	40.4	**135.6**
Additions	2.1	–	**2.1**	6.2	**8.3**
At 1 April 2014	86.8	10.5	**97.3**	46.6	**143.9**
Additions	1.6	0.4	**2.0**	3.9	**5.9**
Reclassifications from Property, plant and equipment (Note 15)	–	–	**–**	5.2	**5.2**
At 31 March 2015	88.4	10.9	**99.3**	55.7	**155.0**
Amortisation					
At 1 April 2013	31.5	7.4	**38.9**	8.7	**47.6**
Charge for the year	10.2	0.8	**11.0**	6.0	**17.0**
At 1 April 2014	41.7	8.2	**49.9**	14.7	**64.6**
Charge for the year	9.5	0.6	**10.1**	3.7	**13.8**
At 31 March 2015	51.2	8.8	**60.0**	18.4	**78.4**
Carrying amount					
At 31 March 2015	37.2	2.1	**39.3**	37.3	**76.6**
At 31 March 2014	45.1	2.3	**47.4**	31.9	**79.3**

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 four 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 2013	4.8	15.6	97.8	**118.2**
Additions	–	2.4	20.2	**22.6**
Disposals	(1.5)	(2.3)	(16.2)	**(20.0)**
At 1 April 2014	3.3	15.7	101.8	**120.8**
Additions	–	3.1	20.5	**23.6**
Reclassifications to intangible assets (Note 14)	–	–	(5.2)	**(5.2)**
Disposals	(0.6)	(0.8)	(7.7)	**(9.1)**
At 31 March 2015	2.7	18.0	109.4	**130.1**
Accumulated depreciation and impairment				
At 1 April 2013	1.0	7.6	53.4	**62.0**
Charge for the year	0.1	1.6	14.4	**16.1**
Disposals	(0.4)	(1.7)	(11.9)	**(14.0)**
At 1 April 2014	0.7	7.5	55.9	**64.1**
Charge for the year	–	1.7	18.0	**19.7**
Disposals	(0.1)	(0.8)	(6.1)	**(7.0)**
At 31 March 2015	0.6	8.4	67.8	**76.8**
Carrying amount				
At 31 March 2015	2.1	9.6	41.6	**53.3**
At 31 March 2014	2.6	8.2	45.9	**56.7**

The net book value of plant and vehicles held under finance leases included above was £3.4m (2014: £4.9m).

Additions to fixtures and equipment during the year amounting to £0.6m (2014: £2.0m) were financed by new finance leases.

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 result of joint ventures and associates included in the consolidated income statement was as follows:

	2015 £m	2014 £m
Revenue	**3.8**	3.3
Operating profit	**0.7**	0.6
Net finance costs	**–**	(0.1)
Share of result of joint ventures and associates	**0.7**	0.5

16 Interest in joint ventures and associates

The group's share of net assets of joint ventures and associates as at 31 March 2015 was as follows:

	2015 £m	2014 £m
Non-current assets	**1.7**	13.1
Current assets	**1.3**	1.2
Current liabilities	**(0.6)**	(2.4)
Non-current liabilities	**(1.3)**	(11.0)
Interest in joint ventures and associates	**1.1**	0.9

Joint ventures and associated undertakings are not material to the group. None have significant restrictions on the ability to transfer funds to the group in the form of cash dividends, or to repay loans or advances made by the group. Exceptional charges arose in connection with the group's participation in an associated undertaking, O-Gen Plymtrek Limited (see Note 5).

17 Financing assets

	2015 £m	2014 £m
Derivative financial instruments (Note 26)	**6.8**	–
Loans to joint ventures and associates	**1.2**	14.8
Infrastructure assets	**–**	5.6
	8.0	20.4
Included in current assets	**–**	–
Included in non-current assets	**8.0**	20.4
	8.0	20.4

18 Trade and other receivables

	2015 £m	2014 £m
Amounts receivable for the sale of services	**202.3**	259.0
Allowance for doubtful debt	**(8.4)**	(6.2)
Trade receivables	**193.9**	252.8
Amounts recoverable on construction contracts (Note 19)	**8.1**	13.0
Mobilisation costs (Note 20)	**30.6**	30.3
Accrued income	**192.6**	183.4
Prepayments	**38.2**	28.9
Other debtors	**16.5**	24.4
	479.9	532.8
Included in current assets	**421.4**	491.6
Included in non-current assets	**58.5**	41.2
	479.9	532.8

18 Trade and other receivables

Ageing of trade receivables:

	2015 £m	2014 £m
Neither impaired nor past due	**149.7**	198.6
Not impaired and less than three months overdue	**34.6**	36.5
Not impaired and more than three months overdue	**13.5**	21.3
Impaired receivables	**4.5**	2.6
Allowance for doubtful debt	**(8.4)**	(6.2)
	193.9	252.8

Movement in the allowance for doubtful debt:

	2015 £m	2014 £m
Balance at the beginning of the year	**6.2**	6.0
Impairment losses recognised	**5.6**	2.5
Amounts written off as uncollectable	**(2.4)**	(1.1)
Amounts recovered during the year	**(1.0)**	(1.2)
	8.4	6.2

The average credit period taken on sales of services was 26 days (2014: 37 days).

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

19 Amounts recoverable on construction contracts

Contracts in progress at the balance sheet date	2015 £m	2014 £m
Construction contract costs incurred plus recognised profits less recognised losses to date	**127.1**	268.5
Less progress billings	**(119.0)**	(255.5)
Amounts due from construction contract customers included in trade and other receivables	**8.1**	13.0
Included in current assets	**8.1**	12.5
Included in non-current assets	**–**	0.5
	8.1	13.0

At 31 March 2015, retentions held by customers for contract work amounted to £2.8m (2014: £8.9m).

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

20 Mobilisation costs

Mobilisation costs	2015 £m	2014 £m
At 1 April	**30.3**	23.2
Additions	**19.6**	15.7
Amounts recognised in the income statement	**(19.3)**	(8.6)
At 31 March	**30.6**	30.3
Included in current assets	**12.4**	13.7
Included in non-current assets	**18.2**	16.6
	30.6	30.3

21 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 2013	(0.4)	6.9	(12.8)	0.9	4.3	1.9	**0.8**
Credit/(charge) to income	0.5	(2.0)	4.0	(0.3)	(1.2)	(1.8)	**(0.8)**
(Charge)/credit to equity and the statement of comprehensive income	–	(1.1)	–	0.5	(0.6)	–	**(1.2)**
Acquisition of subsidiaries	–	–	(0.5)	–	0.8	–	**0.3**
At 1 April 2014	0.1	3.8	(9.3)	1.1	3.3	0.1	**(0.9)**
Credit/(charge) to income	0.4	0.3	2.2	1.0	0.1	(0.1)	**3.9**
(Charge)/credit to equity and the statement of comprehensive income	–	3.0	–	(0.2)	0.2	–	**3.0**
Acquisition of subsidiaries	–	–	(0.4)	–	0.3	–	**(0.1)**
At 31 March 2015	0.5	7.1	(7.5)	1.9	3.9	–	**5.9**

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:

	2015 £m	2014 £m
Deferred tax assets	**13.4**	8.4
Deferred tax liabilities	**(7.5)**	(9.3)
Net deferred tax asset/(liability)	**5.9**	(0.9)

The group has unutilised income tax losses of £10.2m (2014: £8.5m) that are available for offset against future profits. In addition the group has £0.8m (2014: £0.8m) of capital losses.

22 Inventories

	2015 £m	2014 £m
Work-in-progress	**4.5**	2.9
Materials	**6.5**	4.5
	11.0	7.4

23 Cash and cash equivalents

	2015 £m	2014 £m
Cash and cash equivalents	**96.4**	89.1
	96.4	89.1

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 £0.9m (2014: £2.1m) held by the group's insurance subsidiary, which are not readily available for the general purposes of the group.

24 Trade and other payables

	2015 £m	2014 £m
Payments received on account	**2.4**	1.4
Trade creditors	**201.8**	186.9
Other taxes and social security	**84.8**	96.8
Other creditors	**13.1**	17.9
Accruals	**132.1**	190.3
Deferred income	**41.8**	32.3
Put options on non-controlling interests	**8.0**	–
	484.0	525.6
Included in current liabilities	**476.0**	525.6
Included in non-current liabilities	**8.0**	–
	484.0	525.6

Trade creditors, accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 44 days (2014: 46 days).

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

The non-controlling interest shareholders of Source Eight Limited, in which Mitie bought a controlling interest during the year (see Notes 26 and 32), have put options that can oblige the group to purchase their shareholdings. A financial liability of £8.0m has been recognised in respect of the put options based on the present value of their expected redemption price. The options are exercisable in tranches between 2017 and 2019. The maximum amount payable is £12.5m.

25 Financing liabilities

	2015 £m	2014 £m
Bank loans	**13.9**	15.3
Private placement notes	**263.6**	245.2
Derivative financial instruments	**–**	10.3
Obligations under finance leases (Note 28)	**3.5**	4.9
	281.0	275.7
Included in current liabilities	**1.8**	2.7
Included in non-current liabilities	**279.2**	273.0
	281.0	275.7

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 £1.8m (2014: £2.7m) of obligations under finance leases (see Note 28).

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 26). The carrying value of the private placement notes at 31 March 2015 includes a fair value adjustment for interest rate and currency risk of £0.9m (2014: £0.6m). The fair value of the private placement notes is not significantly different from their carrying value.

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 followed 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:

	2015 %	2014 %
Overdrafts	**2.7**	2.5
Bank loans	**1.5**	1.9
Private placement notes	**3.8**	3.8

At 31 March 2015, the group had available £261.1m (2014: £234.7m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facilities have an expiry date of July 2019. The loans carry interest rates which are currently determined at 1.0% over LIBOR. Details of the group's contingent liabilities are provided in Note 33.

26 Financial instruments

Classification

The group's principal financial assets are cash and cash equivalents, trade receivables and financing assets. 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 deferred contingent consideration. With the exception of derivative financial instruments, private placement notes and deferred contingent consideration, 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. Deferred contingent consideration is measured at the Directors' best estimate of the likely future obligation.

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.

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$249.0m and £95.0m of notes in the US PP fixed rate market, 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 2015 and reserves would decrease/increase by £0.3m (2014: £0.2m).

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 2015 £5.5m (2014: £3.9m) of cash and cash equivalents were held in foreign currencies. Included in bank loans were £13.9m (2014: £15.3m) 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 25.

26 Financial instruments

The tables below summarise the maturity profile (including both undiscounted interest and principal cash flows) of the group's financial liabilities:

Financial liabilities at 31 March 2015	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade creditors	**198.7**	**–**	**–**	**198.7**
Financing liabilities	**26.3**	**143.5**	**172.9**	**342.7**
Put options on non-controlling interests	**–**	**11.0**	**–**	**11.0**
Deferred contingent consideration	**4.9**	**6.5**	**–**	**11.4**
Financial liabilities	**229.9**	**161.0**	**172.9**	**563.8**

Financial liabilities at 31 March 2014	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade creditors	186.9	–	–	186.9
Financing liabilities	12.8	115.3	216.7	344.8
Deferred contingent consideration	1.3	6.5	–	7.8
Financial liabilities	201.0	121.8	216.7	539.5

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.

The group's credit risk is primarily attributable to its trade 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 29 and equity per the consolidated statement of changes in equity.

The group's capital structure is reviewed regularly. In 2013, the Board approved a share purchase policy to maintain share numbers at a broadly consistent level year on year with the aim of ensuring that the interests of shareholders are not diluted by the issue of shares that support the group's various share schemes, nor by the issue of shares as consideration for earn outs under the Mitie model. During the year, the group bought back nil (2014: 2.9m) shares at a cost of £nil (2014: £7.4m) and subsequently cancelled these shares. To offset shares issued under various share schemes and to hedge against shares to be issued in the future, 3.7m (2014: 5.8m) shares were bought to be held in Treasury at a total cost of £10.7m (2014: £17.0m) . Further details are provided in Notes 30 and 31.

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.

26 Financial instruments

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 2015.

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 2015.

Hedge of net investment in foreign operations

Included in bank loans at 31 March 2015 was a borrowing of €9.5m (2014: €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.

Derivative financial instruments

The carrying values of derivative financial instruments at the balance sheet date were as follows:

	Assets 2015 £m	Assets 2014 £m	**Liabilities 2015 £m**	Liabilities 2014 £m
Cross currency interest rate swaps designated as cash flow hedges	**3.7**	–	**–**	(9.7)
Cross currency interest rate swaps designated as fair value hedges	**3.1**	–	**–**	(0.6)
Derivative financial instruments hedging private placement notes	**6.8**	–	**–**	(10.3)

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.

Financial instruments fair value disclosure

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 and that deferred contingent consideration and put options on non-controlling interests fall into Level 3.

Deferred contingent consideration is measured at the Directors' best estimate of the likely future obligation based on the attainment of certain profit targets. In assessing the likely future obligation, the directors have used their experience and knowledge of market conditions, alongside internal business plans and growth forecasts. Actual amounts payable may vary up to a maximum of £11.4m (2014: £7.8m) dependent upon the results of the acquired businesses. The put options of non-controlling interests (see Note 32) are measured at amortised cost based on the expected redemption value, which is determined by the Directors' best estimate of the present value of the likely future obligation based on the attainment of certain profit targets.

The following table shows the reconciliation from the opening to closing balances for Level 3 fair values:

	Deferred contingent consideration £m	Put options of non-controlling interests £m
At 1 April 2014	7.8	–
Arising from business combinations in the period	1.1	–
Put options of non-controlling interests granted in the period	–	7.8
Movement of put options recognised in equity	–	0.2
Other amounts recognised through equity arising from transactions from non-controlling interests	2.5	–
At 31 March 2015	11.4	8.0

There were no transfers between levels during the year. All contracts are gross settled.

27 Provisions

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2014	7.8	2.2	**10.0**
Amounts recognised in the income statement	–	0.1	**0.1**
Amounts recognised through goodwill	1.1	–	**1.1**
Utilised within the captive insurance subsidiary	–	(1.4)	**(1.4)**
Amounts recognised through equity	2.5	–	**2.5**
At 31 March 2015	11.4	0.9	**12.3**
Included in current liabilities			**4.9**
Included in non-current liabilities			**7.4**
			12.3

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

The deferred contingent consideration recognised through goodwill of £1.1m relates to the acquisitions of Procius Limited and Source Eight Limited (see Note 32).

Amounts recognised through equity of £2.5m arises from transactions with non-controlling interests and comprises £3.8m in respect of the purchase of the remaining 49% in Direct Enquiries Holdings Limited net of a £1.3m release in respect of Mitie Security Holdings Limited (see Note 32).

28 Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Amounts payable under finance leases:				
Within one year	**1.8**	2.9	**1.8**	2.7
In the second to fifth years inclusive	**2.0**	2.5	**1.7**	2.2
	3.8	5.4	**3.5**	4.9
Less: future finance charges	**(0.3)**	(0.5)	**–**	–
Present value of lease obligations	**3.5**	4.9	**3.5**	4.9
Less: Amount due for settlement within 12 months	**(1.8)**	(2.7)	**(1.8)**	(2.7)
Amount due for settlement after 12 months	**1.7**	2.2	**1.7**	2.2

The average remaining lease term is 17 months (2014: 52 months). For the year ended 31 March 2015, the average effective borrowing rate was 4.5% (2014: 2.5%). 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.

29 Analysis of net debt

	2015 £m	2014 £m
Cash and cash equivalents (Note 23)	**96.4**	89.1
Bank loans (Note 25)	**(13.9)**	(15.3)
Private placement notes (Note 25)	**(263.6)**	(245.2)
Derivative financial instruments hedging private placement notes (Note 26)	**6.8**	(10.3)
Net debt before obligations under finance leases	**(174.3)**	(181.7)
Obligations under finance leases (Note 28)	**(3.5)**	(4.9)
Net debt	**(177.8)**	(186.6)

30 Share capital

Ordinary shares of 2.5p	Number million	£m
Allotted and fully paid		
At 1 April 2014	**373.5**	**9.3**
Issued under share option schemes	**1.7**	**0.1**
At 31 March 2015	**375.2**	**9.4**
At 1 April 2013	370.1	9.3
Issued for acquisitions	2.3	–
Share buybacks	(2.9)	(0.1)
Issued under share option schemes	4.0	0.1
At 31 March 2014	373.5	9.3

During the year no (2014: 2.3m) Ordinary shares of 2.5p were allotted in respect of the acquisition of non-controlling interests (2014: at a mid-market price of 267.0p) giving rise to share premium of £nil (2014: £2.4m) and a merger reserve of £nil (2014: £3.6m).

During the year no (2014: 2.9m) Ordinary shares of 2.5p were purchased at a cost of £nil (2014: £7.4m) and subsequently cancelled.

During the year 1.7m (2014: 4.0m) Ordinary shares of 2.5p were allotted in respect of share option schemes at a price between 127p and 260p (2014: 127p and 254p) giving rise to share premium of £3.7m (2014: £8.5m).

31 Reserves

Share premium account
The share premium account represents the premium arising on the issue of equity shares (see Note 30).

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 . During the year, £21.1m was transferred from the merger reserve to retained earnings following investment impairments and voluntary strike-offs of dormant companies (see Note 42).

Share-based payment reserve
The share-based payment reserve represents credits relating to equity-settled share-based payment transactions that have not yet fully vested (see Note 35).

31 Reserves

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 no shares (2014: 1.0m) were purchased at a cost of £nil (2014: £2.8m). In addition, 3.7m (2014: 5.8m) Treasury shares were purchased at a cost of £10.7m (2014: £17.0m) and are held so that they can be reissued at a later date if required (see details of Capital management risk in Note 26). The own shares reserve at 31 March 2015 represents the cost of 17.5m (2014: 13.9m) shares in Mitie Group plc, with a weighted average of 15.1m (2014: 11.1m) shares during the year.

Other reserves
Other reserves are comprised of the revaluation reserve of £(0.2)m (2014: £(0.2)m), the capital redemption reserve of £0.5m (2014: £0.5m) and other reserves of £0.1m (2014: £0.1m).

Hedging and translation reserve
The hedging and translation reserve of £6.4m (2014: £4.3m) includes balances in respect of the group's cash flow hedges (see Note 26) of £5.0m (2014: £3.8m). The net cash flow hedge movement during the year of £(1.2)m (2014: £2.0m) is included within Other comprehensive income. The hedging and translation reserve also includes balances arising on translation of the group's overseas operations and in respect of net investment hedges.

32 Acquisitions

During the year a net cash outflow of £0.5m arose on the acquisitions set out below:

	£m
Procius Limited	**2.0**
Source Eight Limited	**2.2**
Direct Enquiries Holdings Limited	**1.8**
Mitie Security Holdings Limited	**(5.5)**
Net cash outflow on acquisitions	**0.5**

Current year acquisitions
Entities acquired during the year contributed £3.7m to revenue and £0.6m 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 £2,272m and £130m respectively.

The acquisitions enhanced our overall offering to clients. 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.

Purchase of Procius Limited
On 16 October 2014, Mitie acquired the leading UK pre-employment screening company Procius Limited ('Procius') from the management team for a total consideration of £3.1m (£2.3m on a cash free basis). The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). The provisional information on the acquisition is provided below.

Purchase of Source Eight Limited
On 26 November 2014, Mitie acquired a 51% stake in the real estate, technology and risk management consultancy Source Eight Limited ('Source8') for initial consideration of £2.5m paid in cash on completion and up to £0.8m of deferred contingent consideration. Further cash consideration may be payable in respect of put options over the remaining 49% bringing total consideration for a 100% stake up to a maximum of £15.8m (£15.5m on a cash free basis). The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). The provisional information on the acquisition is provided below.

32 Acquisitions

Fair value	Procius £m	Source8 £m	Total £m
Net assets acquired			
Intangible assets	1.0	0.9	1.9
Trade and other receivables	0.3	2.8	3.1
Cash and cash equivalents	0.8	0.3	1.1
Trade and other payables	(0.6)	(2.2)	(2.8)
Corporation tax	–	(0.2)	(0.2)
Deferred tax liability	(0.1)	(0.1)	(0.2)
Net assets acquired	**1.4**	**1.5**	**2.9**
Non-controlling interests	–	(0.7)	(0.7)
Goodwill	1.7	2.5	4.2
Total consideration	**3.1**	**3.3**	**6.4**
Satisfied by			
Cash	2.8	2.5	5.3
Deferred contingent consideration	0.3	0.8	1.1
Total consideration	**3.1**	**3.3**	**6.4**

The non-controlling shareholders of Source8 have options to put their shareholding to Mitie Group plc. Accordingly, a financial liability of £8.0m has been recognised and a corresponding entry has been recorded against retained earnings. The options are exercisable in tranches between 2017 and 2019.

Purchase of non-controlling interests
During the year Mitie purchased 49% of the share capital of Direct Enquiries Holdings Limited for a cash consideration of £5.6m of which £1.8m was paid in the current year and £3.8m was paid in April 2015.

In February 2015, Mitie reduced its original business valuation of the acquisition of Mitie Security Holdings Limited in March 2013, which resulted in a net cash inflow of £5.5m.

32 Acquisitions

Prior year acquisitions
The provisional acquisition accounting for prior year acquisitions as disclosed in the 2014 Annual Report and Accounts was reviewed during the period resulting in a reduction of the fair value of net assets acquired of £1.5m and an increase of goodwill of £1.5m. These adjustments comprise an adjustment to estimates made at the end of the prior year and within a year from the date of acquisition in line with the requirements of IFRS 3 'Business Combinations'. The adjustments have not materially changed the net assets of the group and therefore the 2014 comparative information has not been restated. The final information on prior year acquisitions is shown below.

Purchase of Complete Care Holdings Limited
On 15 January 2014, Mitie acquired the high acuity care provider Complete Care Holdings Limited ('Complete Group') for a total consideration of £9.0m. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). The provisional acquisition accounting in the 2014 Annual Report and Accounts was reviewed during the period resulting in a reduction of the fair value of net assets acquired of £1.5m and an increase in goodwill of £1.5m to £8.0m. The final information on the acquisition is provided below:

	Fair value £m
Net assets acquired	
Intangible assets	2.1
Trade and other receivables	2.8
Cash and cash equivalents	0.2
Trade and other payables	(4.1)
Net assets acquired	1.0
Goodwill	8.0
Total consideration	9.0
Satisfied by	
Cash	9.0
Total consideration	9.0

33 Contingent liabilities

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, other than as provided for in the accounts.

Deferred contingent consideration relating to acquisitions has been accrued at the Directors' best estimate of the likely future obligation of £11.4m (2014: £7.8m) per Note 27. This is the maximum amount payable subject to certain targets being attained.

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 £28.9m (2014: £27.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

34 Operating lease arrangements

The group as lessee

	2015 £m	2014 £m
Minimum lease payments under operating leases recognised in income for the year	**25.8**	27.7

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:

	2015 £m	2014 £m
Within one year	**15.0**	22.4
In the second to fifth years inclusive	**21.8**	35.0
After five years	**2.7**	4.8
	39.5	62.2

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.

35 Share-based payments

The Company has seven equity-settled 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, performance conditions must be satisfied which are based on movements in a range of market and non-market measures 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 (ESO)
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.

The Mitie Group plc 2011 Executive share option scheme (ESO)
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.

35 Share-based payments

The Conditional share plan (CSP)
The CSP was introduced in 2014 and is a discretionary scheme. The awards of shares or the rights to acquire shares (the award) are offered to a small number of key senior management. Where offered as options the exercise price is nil. The vesting period is determined at the discretion of the Remuneration Committee and, for the 2014 scheme, was one year. If the awards remain unexercised after a period of ten years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the group.

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% 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% 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:

	2015		2014	
	Number of share options (million)	**Weighted average exercise price (p)**	Number of share options (million)	Weighted average exercise price (p)
Outstanding at beginning of the year	**20.3**	**138**	21.1	142
Granted during the year	**8.4**	**167**	7.9	137
Forfeited during the year	**(4.8)**	**77**	(3.2)	121
Exercised during the year	**(1.8)**	**203**	(5.5)	158
Outstanding at the end of the year	**22.1**	**157**	20.3	138
Exercisable at the end of the year	**2.4**	**220**	2.0	204

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

	2015 £m	2014 £m
Discretionary share plans	**5.4**	4.5
Non-discretionary share plans	**1.1**	0.5
	6.5	5.0

The weighted average share price at the date of exercise for share options exercised during the year was 310p (2014: 290p). The options outstanding at 31 March 2015 had exercise prices (other than nil in the case of the LTIP, the CSP and the SIP) ranging from 162p – 318p (2014: 120p – 254p) and a weighted average remaining contractual life of 4.0 years (2014: 4.3 years). In the year ended 31 March 2015, options were granted in June, July and November 2014 in respect of the SAYE, LTIP, CSP and ESO schemes. The aggregate of the estimated fair values of the options granted on those dates was £6.9m. In the year ended 31 March 2014, options were granted in June, July and November 2013 in respect of the SAYE, LTIP and ESO schemes. The aggregate of the estimated fair values of the options granted on those dates was £4.0m.

The fair value of options is measured by use of the Black-Scholes and Monte Carlo models.

35 Share-based payments

The inputs into the Black-Scholes model are as follows:

	2015	2014
Share price (p)	**219-313**	219-274
Exercise price (p)	**0-319**	0-254
Expected volatility (%)	**30-32**	30-32
Expected life (years)	**3-5**	3-5
Risk-free rate (%)	**0.55-1.48**	0.55-1.48
Expected dividends (%)	**3.5-4.1**	3.5-4.1

The inputs into the Monte Carlo model are as follows:

	2015	2014
Share price (p)	**251-319**	251
Average correlation with TSR benchmark (%)	**29-32**	32
Expected volatility (%)	**21-24**	24
Expected life (years)	**3**	3
Risk-free rate (%)	**0.64-1.29**	0.64
Expected dividends (%)	**3.5-4.1**	4.1

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.

36 Retirement benefit schemes

The group has a number of pension arrangements for employees:

a) Defined contribution schemes for the majority of our employees; and

b) Defined benefit schemes which include a group scheme and other, smaller schemes.

The group operates a number of defined contribution pension schemes for qualifying employees. In the year ended 2014, the group auto-enrolled eligible employees into a defined contribution scheme in line with the automatic enrolment regulations. The group has a defined benefit pension scheme called the Mitie Group plc Pension Scheme ('Group scheme') where Mitie Group plc is the principal employer. The group participates in a number of other defined benefit schemes ('Other schemes') in respect of certain employees who joined the group under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ('TUPE').

Defined contribution schemes
A defined contribution scheme is a pension scheme under which the group pays contributions to an independently administered fund – such contributions are based upon a fixed percentage of employees' pay. The group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to take at retirement. As a result, actuarial risk (that pension will be lower than expected) and investment risk (that assets invested in do not perform in line with expectations) are borne by the employee.

The contributions are recognised as employee benefit expense when they are due.

The group operates three separate schemes: a stakeholder defined contribution plan, which is closed to new members; a self-invested personal pension plan, which is closed to new members; and a group personal pension (GPP) plan. Employer contributions are payable to each on a matched basis requiring employee contributions to be paid. Employees have the option to pay their share via a 'salary sacrifice' arrangement. The scheme used to satisfy auto-enrolment compliance is a master trust, The People's Pension.

During the year, the group made a total contribution to the defined contribution schemes of £10.7m (2014: £7.8m) and contributions to the auto-enrolment scheme of £4.1m (2014: £2.6m), which are included in the income statement charge. The group expects to make contributions of a similar amount in the coming year.

36 Retirement benefit schemes

Defined benefit schemes

Group scheme

The Group scheme provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their final pensionable pay.

The scheme closed to new members in 2006, with new employees able to join one of the defined contribution schemes. Pensions in payment are generally increased in line with RPI inflation, subject to certain caps and floors. Benefits are payable on death and other events such as withdrawal from active service.

The Group scheme is operated under the UK regulatory framework. Benefits are paid to members from the trust-administered fund, where the trust is responsible for ensuring that the scheme is sufficiently funded to meet current and future benefit payments. Plan assets are held in trust and are governed by pension's legislation. If investment experience is worse than expected or the actuarial assessment of the scheme's liabilities increases, the group's financial obligations to the scheme rise.

The nature of the relationship between the group and the Trustee is also governed by local regulations and practice. The Trustee must agree a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out with the scheme's obligations measured using prudent assumptions (which are determined by the Trustee with advice from the scheme actuary). The most recent triennial valuation was carried out as at 31 March 2014.

The scheme Trustee's other duties include managing the investment of the scheme's assets, administration of plan benefits and exercising of discretionary powers. The group works closely with the Trustees to manage the scheme.

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 clients' (generally government or local government entities) defined benefit schemes in respect of certain employees who transferred to Mitie under TUPE. The valuations of the Other schemes are updated by an actuary at each balance sheet date.

For the Admitted Body Schemes, which are largely sections of the Local Government Pension Scheme, the group will only participate for a finite period up to the end of the relevant contract. The group is required to pay regular contributions as decided by the relevant scheme actuaries and detailed in each scheme's Contributions Certificate which are calculated every three years as part of a triennial valuation. In a number of cases contributions payable by the employer are capped and any excess is recovered from the entity 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 assessed for its notional section of the scheme.

Further information in respect of the Group scheme and Other schemes

The table below sets out the details of the latest funding valuation of the Group scheme as at 31 March 2014.

The group made a total contribution to the Group scheme of £2.8m during the year (2014: £3.2m). The group expects to make contributions of around £2.5m to the Group scheme in the coming year. Employees' contribution to the cost of the scheme (7.5% of pensionable salaries) is generally paid through a 'salary sacrifice' arrangement.

The group made contributions to the Other schemes of £0.4m in the year (2014: £0.4m). The group expects to make contributions of around £0.4m to the Other schemes in the coming year.

Details of latest funding valuation

	Group scheme
Date of last formal funding valuation	31 March 2014
Assets at valuation date	£143.6 million
Funding liabilities at valuation date	£149.6 million
Deficit at valuation date	£6.0 million
Contribution rate agreed to meet the cost of benefits accruing, including related expenses	22.3% of pensionable salary
Employer contribution rate (including expenses)	14.8% of pensionable salary
Employee contribution rate	7.5% of pensionable salary

To eliminate the funding deficit the Trustee and the group have agreed that additional contributions (ie over and above those required to cover benefits being accrued) will be paid into the scheme of £11.1m by 31 March 2024 (or if less, the deficit at that time). The group has provided security for this liability by a UK clearing bank letter of credit building up to that value to 2024.

Under this recovery plan, if the assumptions made are borne out in practice, the deficit will be eliminated by 31 March 2024.

36 Retirement benefit schemes

Group scheme details

The following table sets out details of the membership of the Group scheme:

Scheme details at last valuation date

	Group scheme
Active members – by number	349
Active members – by proportion of funding liability	34%
Total pensionable salary roll pa	£16.9 m
Deferred members – by number	1,195
Deferred members – by proportion of funding liability	47%
Total deferred pensions pa (at date of leaving scheme)	£ 3.6m
Pensioner members – by number	515
Pensioner members – by proportion of funding liability	19%
Total pensions in payment pa	£ 1.9m

Accounting assumptions

The assumptions used in calculating the accounting costs and obligations of the group's defined benefit pension schemes, as detailed below, are set after consultation with independent, professionally qualified actuaries.

The discount rate used to determine the present value of the obligations is set by reference to market yields on high quality corporate bonds. The assumptions for price inflation are set by reference to the difference between yields on longer-term conventional government bonds and index-linked bonds. The assumption for increases in pensionable pay takes into account expected salary inflation, the cap at CPI, and how often the cap is likely to be exceeded.

The assumptions for life expectancy have been set with reference to the actuarial tables used in the latest funding valuations, with a lower 'best-estimate' allowance for future improvements to mortality.

Principal accounting assumptions at balance sheet dates

	Group scheme		Other schemes	
	2015 %	2014 %	**2015 %**	2014 %
Key assumptions used for IAS 19 valuation:				
Discount rate	**3.40**	4.50	**3.40**	4.50
Expected rate of salary increases	**1.65**	2.00	**1.65**	2.00
Retail price inflation	**3.05**	3.40	**3.05**	3.40
Consumer price inflation	**2.05**	2.40	**2.05**	2.40
Future pension increases	**3.05**	3.40	**3.05**	3.40

	Group scheme	
	2015 Years	2014 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.

36 Retirement benefit schemes

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

Amounts recognised in financial statements
The table below outlines where the group's post-employment amounts are included in the financial statements.

	2015			2014		
	Group scheme £m	**Other schemes £m**	**Total £m**	Group scheme £m	Other schemes £m	Total £m
Current service cost	**(3.2)**	**(0.3)**	**(3.5)**	(3.6)	(0.4)	(4.0)
Total administration expense	**(0.5)**	**–**	**(0.5)**	(0.4)	–	(0.4)
Past service cost	**–**	**–**	**–**	10.5	–	10.5
Amounts recognised in operating profit	**(3.7)**	**(0.3)**	**(4.0)**	6.5	(0.4)	6.1
Net interest cost	**(0.7)**	**–**	**(0.7)**	(1.3)	(0.1)	(1.4)
Amounts recognised in profit before tax	**(4.4)**	**(0.3)**	**(4.7)**	5.2	(0.5)	4.7

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

	2015			2014		
	Group scheme £m	**Other schemes £m**	**Total £m**	Group scheme £m	Other schemes £m	Total £m
Actuarial (losses)/gains due to changes in financial assumptions	**(31.7)**	**(1.5)**	**(33.2)**	–	0.2	0.2
Actuarial gains/(losses) due to changes in demographic assumptions	**1.4**	**(0.1)**	**1.3**	0.9	–	0.9
Actuarial gains/(losses) due to liability experience	**1.2**	**(0.1)**	**1.1**	(0.1)	0.3	0.2
Return on scheme assets, excluding interest income	**13.0**	**0.6**	**13.6**	3.5	(0.3)	3.2
Contract transfers	**–**	**2.2**	**2.2**	–	(2.1)	(2.1)
	(16.1)	**1.1**	**(15.0)**	4.3	(1.9)	2.4

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:

	2015			2014		
	Group scheme £m	**Other schemes £m**	**Total £m**	Group scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	**162.2**	**9.5**	**171.7**	143.8	16.2	160.0
Present value of defined benefit obligations	**(197.1)**	**(10.4)**	**(207.5)**	(160.8)	(18.3)	(179.1)
Net pension liability	**(34.9)**	**(0.9)**	**(35.8)**	(17.0)	(2.1)	(19.1)

All figures above are shown before deferred tax.

36 Retirement benefit schemes

Reconciliation of group balance sheet
The movement in the net defined benefit obligation in the year in respect of both the Group and Other schemes is as follows:

	2015			2014		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
At 1 April	**160.8**	**18.3**	**179.1**	163.7	8.1	171.8
Current service cost	**3.2**	**0.3**	**3.5**	3.6	0.4	4.0
Interest cost	**7.1**	**0.4**	**7.5**	7.4	0.5	7.9
Contributions from scheme members	**0.1**	**0.1**	**0.2**	0.2	0.1	0.3
Actuarial losses/(gains) on liabilities arising from changes in financial assumptions	**31.8**	**1.5**	**33.3**	–	(0.2)	(0.2)
Actuarial (gains)/losses liabilities arising from experience	**(1.2)**	**0.1**	**(1.1)**	0.1	(0.3)	(0.2)
Actuarial (gains)/losses on liabilities arising from demographic assumptions	**(1.4)**	**0.1**	**(1.3)**	(0.9)	–	(0.9)
Benefits paid	**(3.3)**	**(0.2)**	**(3.5)**	(2.8)	(0.2)	(3.0)
Past service cost	**–**	**–**	**–**	(10.5)	–	(10.5)
Contract transfers	**–**	**(10.2)**	**(10.2)**	–	9.9	9.9
At 31 March	**197.1**	**10.4**	**207.5**	160.8	18.3	179.1

The defined benefit obligation of the Group scheme is analysed by participant status below:

	2015 £m	2014 £m
Active	**62.8**	69.1
Deferred	**86.1**	49.9
Pensioners	**48.2**	41.8
At 31 March	**197.1**	160.8

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

	2015			2014		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
At 1 April	**143.8**	**16.2**	**160.0**	134.0	7.9	141.9
Interest income	**6.4**	**0.4**	**6.8**	6.0	0.5	6.5
Actuarial gains and losses	**13.0**	**0.6**	**13.6**	3.5	(0.3)	3.2
Contributions from the sponsoring companies	**2.7**	**0.4**	**3.1**	3.2	0.4	3.6
Contributions from scheme members	**0.1**	**0.1**	**0.2**	0.2	0.1	0.3
Expenses paid	**(0.5)**	**–**	**(0.5)**	(0.4)	–	(0.4)
Benefits paid	**(3.3)**	**(0.2)**	**(3.5)**	(2.7)	(0.2)	(2.9)
Contract transfers	**–**	**(8.0)**	**(8.0)**	–	7.8	7.8
At 31 March	**162.2**	**9.5**	**171.7**	143.8	16.2	160.0

36 Retirement benefit schemes

The history of experience adjustments is as follows:

	Group scheme				
	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Fair value of scheme assets	**162.2**	143.8	134.0	120.7	114.5
Present value of defined benefit obligations	**(197.1)**	(160.8)	(163.7)	(137.9)	(117.5)
Deficit in the scheme	**(34.9)**	(17.0)	(29.7)	(17.2)	(3.0)
Experience adjustments on scheme liabilities	**1.2**	0.1	0.1	(5.3)	(0.5)
Percentage of scheme liabilities	**(0.6)%**	(0.1)%	(0.1)%	3.9%	0.4%
Experience adjustments on scheme assets	**13.0**	3.6	3.9	(4.3)	(0.7)
Percentage of scheme assets	**8.0%**	2.5%	2.9%	(3.6)%	(0.6)%

	Other schemes				
	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Fair value of scheme assets	**9.5**	16.2	7.9	10.7	9.8
Present value of defined benefit obligations	**(10.4)**	(18.3)	(8.1)	(10.8)	(9.8)
Deficit in the scheme	**(0.9)**	(2.1)	(0.2)	(0.1)	–
Experience adjustments on scheme liabilities	**(0.1)**	0.3	0.2	0.2	0.9
Percentage of scheme liabilities	**0.9%**	(1.8)%	(2.8)%	(2.0)%	(9.2)%
Experience adjustments on scheme assets	**0.8**	(0.3)	0.5	0.2	(1.3)
Percentage of scheme assets	**8.4%**	(1.9)%	6.1%	1.6%	(13.3)%

Asset categories

	31 March 2015			31 March 2014		
	Group	**Other**	**Total**	Group	Other	Total
Equities	**61.1**	**6.1**	**67.2**	55.7	9.9	65.6
Government bonds	**22.8**	**1.0**	**23.8**	16.0	2.4	18.4
Corporate bonds	**19.2**	**1.0**	**20.2**	15.8	2.4	18.2
Property	**17.5**	**0.8**	**18.3**	16.2	0.7	16.9
Diversified growth fund	**41.3**	**–**	**41.3**	36.9	–	36.9
Cash	**0.3**	**0.6**	**0.9**	3.2	0.8	4.0
Total fair value of assets	**162.2**	**9.5**	**171.7**	**143.8**	**16.2**	**160.0**

The investment portfolios are diversified, investing in a wide range of assets, in order to provide reasonable assurance that no single asset or type of asset could have a materially adverse impact on the total portfolio. To reduce volatility, certain assets are held in a matching portfolio, which largely consists of government and corporate bonds, designed to mirror movements in corresponding liabilities.

Around 74% (2014: 75%) of the assets are held in equities, property and pooled investment vehicles which seek a higher expected level of return over the long term.

£7m (2014: £7m) of the property assets represent freehold property, the rest are quoted property investments.

36 Retirement benefit schemes

The sensitivity of the defined benefit obligation for the Group scheme to changes in the principal assumptions is shown in the table below:

Sensitivity of defined benefit obligation to key assumptions

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.1%	Decrease by 2.1%	Increase by 2.1%
RPI inflation*	0.1%	Increase by 1.6%	Decrease by 1.4%
CPI inflation (excluding pay)	0.1%	Increase by 0.5%	Decrease by 0.5%
Pay increases	0.1%	Increase by 0.4%	Decrease by 0.4%
Life expectancy	1 year	Increase by 3.6%	–

* Including other inflation-linked assumptions (CPI inflation, pension increases, salary growth)

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date.

Some of the above changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the Group scheme holds a proportion of its assets in UK corporate bonds. A fall in the discount rate as a result of lower UK corporate bond yields would lead to an increase in the value of these assets, thus mitigating the increase in the defined benefit obligation to some extent.

The duration, or average term to payment for the benefits due, weighted by liability, is around 20 years for the Group scheme.

Risks and risk management
The Group scheme, in common with the majority of UK plans, has a number of risks. These areas of risk and the ways in which the group has sought to manage them, are set out in the table below.

The risks are considered from both a funding perspective, which drives the cash commitments of the group, and from an accounting perspective, ie the extent to which such risks affect the amounts recorded in the group's financial statements:

Risk	Description
Asset volatility	The funding liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. The defined benefit obligation for accounting is calculated using a discount rate set with reference to corporate bond yields. The Group scheme holds a large proportion of its assets (around 74%) in equities and other return-seeking assets (principally diversified growth funds ('DGFs') and property). The returns on such assets tend to be volatile and are not correlated to government bonds. This means that the funding level has the potential to be volatile in the short term, potentially resulting in short-term cash requirements or alternative security offers which are acceptable to the Trustee and an increase in the net defined benefit liability recorded on the group's balance sheet. The group believes that equities and DGFs offer the best returns over the long term with an acceptable level of risk and hence holds a significant proportion of these types of asset. However, the schemes' assets are well-diversified by investing in a range of asset classes, including property, government bonds and corporate bonds. The Group scheme holds 25% of its assets in DGFs which seek to maintain high levels of return whilst achieving lower volatility than direct equity funds. The allocation to return seeking assets is monitored to ensure it remains appropriate given the scheme's long-term objectives. The investment in bonds is discussed further below.
Changes in bond yields	Falling bond yields tend to increase the funding and accounting liabilities. However, the investment in corporate and government bonds offers a degree of matching, ie the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is reduced.

36 Retirement benefit schemes

Risk	Description
Inflation risk	The majority of the scheme's benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the Group scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the schemes' obligations are to provide a pension for the life of the member, so unexpected increases in life expectancy will result in an increase in the liabilities.

Areas of risk management
Although investment decisions in the scheme are the responsibility of the Trustee, the group takes an active interest to ensure that pension plan risks are managed efficiently. The group and Trustee have agreed a long-term strategy for reducing investment risk where appropriate.

Certain benefits payable on death before retirement are insured.

In the year ended 31 March 2014 following a strategic review of the Group scheme, a cap on increases in pensionable pay was introduced, significantly reducing the risk of salary increases increasing the liability associated with past and future benefits.

37 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 £0.3m (2014: £10.5m) of revenue from contracts with joint ventures and associated undertakings. At 31 March 2015 trade and other receivables of £nil (2014: £7.5m) were outstanding and loans to joint ventures and associates of £1.1m (2014: £14.8m) were included in Financing assets.

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company, as R McGregor-Smith and S C Baxter are two of the trustees of the Foundation. During the year, the group made donations of £25,000 (2014: £63,000) and gifts in kind of £277,000 (2014: £298,000) to the Foundation. At the end of the year £23,000 (2014: £17,000) was due to the Foundation and the Foundation had £11,000 (2014: £3,000) held within creditors as an amount accrued to Mitie Group plc.

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 £1.6m (2014: £1.5m).

38 Notes to the consolidated statement of cash flows

	2015 Headline £m	2015 Other items £m	2015 Total £m	2014 Headline £m	2014 Other items £m	2014 Total £m
Operating profit/(loss)	**128.6**	**(72.6)**	**56.0**	127.5	(44.9)	82.6
Adjustments for:						
Share-based payment expense	**6.5**	**–**	**6.5**	5.0	–	5.0
Defined benefit pension charge/credit	**4.0**	**–**	**4.0**	4.4	(10.5)	(6.1)
Defined benefit pension contributions	**(3.1)**	**–**	**(3.1)**	(3.6)	–	(3.6)
Acquisition related items	**–**	**0.3**	**0.3**	–	0.7	0.7
Depreciation of property, plant and equipment	**19.7**	**–**	**19.7**	16.1	–	16.1
Amortisation of intangible assets	**3.7**	**10.1**	**13.8**	5.2	11.8	17.0
Other non-cash movements in Other items	**–**	**19.0**	**19.0**	–	–	
Share of profit of joint ventures and associates	**(0.7)**	**–**	**(0.7)**	(0.5)	–	(0.5)
Loss/(gain) on disposal of property, plant and equipment	**0.3**	**–**	**0.3**	(0.7)	–	(0.7)
Operating cash flows before movements in working capital	**159.0**	**(43.2)**	**115.8**	153.4	(42.9)	110.5
Increase in inventories	**(3.8)**	**–**	**(3.8)**	(0.8)	–	(0.8)
Decrease/(increase) in receivables	**36.6**	**16.8**	**53.4**	(2.4)	–	(2.4)
(Decrease)/increase in payables	**(45.9)**	**(5.0)**	**(50.9)**	2.2	14.6	16.8
Decrease in provisions	**(1.3)**	**–**	**(1.3)**	–	–	–
Cash generated by operations	**144.6**	**(31.4)**	**113.2**	152.4	(28.3)	124.1
Cash conversion						
Operating profit	**128.6**		**56.0**	127.5		82.6
Depreciation	**19.7**		**19.7**	16.1		16.1
Amortisation	**3.7**		**13.8**	5.2		17.0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**152.0**		**89.5**	148.8		115.7
Cash conversion[1]	**95.1%**		**126.5%**	102.4%		107.3%
Free cash flow						
Cash generated by operations			**113.2**			124.1
Purchase of property, plant and equipment			**(23.0)**			(20.6)
Purchase of other intangible assets			**(3.9)**			(6.2)
Disposals of property, plant and equipment			**1.8**			6.0
Income taxes paid			**(15.5)**			(18.2)
Interest paid (including facility extension fees)			**(15.1)**			(13.1)
Free cash flow			**57.5**			72.0

1 Cash conversion is calculated as cash generated by operations as a percentage of EBITDA

39 Principal subsidiaries

The companies set out below are those which were part of the group at 31 March 2015 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 2015 % Voting rights owned	At 31 March 2015 % Ownership interest	At 31 March 2015 % Nominal value owned
Soft FM	Soft FM includes cleaning and environmental services, security, catering and front of house services.	Mitie Facilities Services Ltd	100%	100%	100%
		Mitie Cleaning & Environmental Services Ltd	100%	100%	100%
		Mitie Landscapes Ltd	100%	100%	100%
		Mitie Security Holdings Ltd	100%	100%	100%
		Mitie PFI Ltd	100%	100%	100%
Hard FM	Hard FM includes a range of technical and building services.	Mitie Technical Facilities Management Ltd	90.3%	90.3%	99.85%
Property Management	Property management provides long-term contract solutions to a range of clients in the domestic housing market.	Mitie Property Services (UK) Ltd	100%	100%	100%
Energy Solutions	Our Energy Solution division provides energy consultancy to clients.	Utilyx Ltd	100%	100%	100%
Healthcare	Healthcare provides homecare (also known as adult social care) services to people who require help and support due to illness or disability.	MiHomecare Ltd	100%	100%	100%

No subsidiaries have non-controlling interests that are material to the group. Whilst the group has 90.3% voting rights and ownership interest in Mitie Technical Facilities Management Limited, Mitie is entitled to a threshold amount of profit and net assets in the recapitalised business which reduces the non-controlling interests.

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.

Company balance sheet

At 31 March 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Investments in subsidiary undertakings	42	**703.7**	739.5
Total fixed assets		**703.7**	739.5
Current assets			
Debtors	43	**30.5**	14.7
Total current assets		**30.5**	14.7
Total assets		**734.2**	754.2
Creditors: amounts falling due within one year	45	**(97.9)**	(276.9)
Provisions	46	**–**	(1.2)
Total current liabilities		**(97.9)**	(278.1)
Net current liabilities		**(67.4)**	(263.4)
Total assets less current liabilities		**636.3**	476.1
Net assets		**636.3**	476.1
Capital and reserves			
Share capital	30	**9.4**	9.3
Share premium account	47	**122.6**	118.9
Merger reserve	47	**80.1**	101.2
Share-based payments reserve	47	**16.7**	12.6
Own shares reserve	47	**(47.5)**	(37.2)
Other reserves	47	**0.5**	0.5
Profit and loss account	47	**454.5**	270.8
Equity shareholders' funds		**636.3**	476.1

The financial statements of Mitie Group plc, company registration number SC019230, were approved by the Board of Directors and authorised for issue on 18 May 2015. 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 2015

40 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.

With effect from 1 April 2015, in response to the change in financial reporting standards in the United Kingdom, the Company will be electing to prepare its financial statements in accordance with Financial Reporting Standard (FRS) 101 'Reduced Disclosure Framework'. FRS 101 applies International Financial Reporting Standards (IFRSs) as adopted by the European Union with certain disclosure exemptions. The application of FRS 101 is not expected to have a significant impact on the Company.

As more fully detailed in the Directors' report, 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.

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, 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.

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.

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 group operates a number of executive and employee share option schemes. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. For all grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes or Monte Carlo models 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. At each balance sheet date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. 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.

40 Significant accounting policies

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 36 to the consolidated financial statements sets out the details of the IAS 19 'Employee Benefits' net pension liability of £34.9m (2014: £17.0m).

41 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 2015 of £201.2m (2014: £34.9m).

The auditor's remuneration for audit services to the Company was £33,000 (2014: £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.

42 Investments in subsidiary undertakings

	£m
Shares at cost	
At 1 April 2014	743.8
Additions	(6.6)
Capital contribution re share-based payments	4.1
Disposals	(5.0)
At 31 March 2015	**736.3**
Provision for impairment	
At 1 April 2014	4.3
Impairment	28.3
At 31 March 2015	**32.6**
Net book value	
At 31 March 2015	**703.7**
At 31 March 2014	739.5

A listing of principal subsidiaries is given in Note 39.

The cumulative cost of non-compete agreements included in investments is £4.6m (2014: £4.6m).

Disposals in the period relate to the voluntary striking-off of dormant subsidiaries within the group.

The impairments during the year primarily relate to the Company's investment in Utilyx Asset Management Limited following the exceptional charges in Energy Solutions.

43 Debtors

	2015 £m	2014 £m
Amounts owed by subsidiary undertakings	**28.5**	11.3
Other debtors	**0.5**	–
Prepayments and accrued income	**0.8**	3.1
Corporation tax	**0.1**	–
Deferred tax asset (Note 44)	**0.6**	0.3
	30.5	14.7

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

44 Deferred tax

	Share-based payment timing difference £m
Deferred tax asset at 1 April 2014	**0.3**
Credit to the profit and loss account	**0.3**
Deferred tax asset at 31 March 2015 (Note 43)	**0.6**

45 Creditors: amounts falling due within one year

	2015 £m	2014 £m
Overdraft	**81.3**	98.1
Trade creditors	**–**	1.2
Amounts owed to subsidiary undertakings	**5.2**	148.0
Other taxes and social security	**0.3**	15.1
Accruals and deferred income	**11.1**	11.9
Corporation tax	**–**	2.6
	97.9	276.9

Amounts owed to subsidiary undertakings are repayable on demand.

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 25.

46 Provisions

	Deferred contingent consideration £m
At 1 April 2014	**1.2**
Other movements in the year	**(1.2)**
At 31 March 2015	**–**

47 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	9.3	118.9	101.2	12.6	(37.2)	0.5	270.8	**476.1**
Shares issued	0.1	3.7	–	–	–	–	–	**3.8**
Purchase of own shares	–	–	–	–	(10.7)	–	–	**(10.7)**
Share-based payments	–	–	–	4.1	0.4	–	1.9	**6.4**
Profit for the year	–	–	–	–	–	–	201.2	**201.2**
Reserves transfer	–	–	(21.1)	–	–	–	21.1	**–**
Dividends paid to shareholders	–	–	–	–	–	–	(40.5)	**(40.5)**
Balance at 31 March 2015	9.4	122.6	80.1	16.7	(47.5)	0.5	454.5	**636.3**

As at 31 March 2015, the Company had distributable reserves of £219.0m.

Details of dividends are given in Note 11 of the consolidated financial statements.

48 Contingent liabilities

Details of contingent liabilities have been given in Note 33 of the consolidated financial statements.

49 Share-based payments

Equity-settled share option schemes
The Company has seven share option schemes as described in Note 35 of the consolidated financial statements.

The Company recognised an expense of £2.2m (2014: £2.4m) related to the share-based payment charge for discretionary share option schemes.

The fair value of options is measured by use of the Black-Scholes and Monte Carlo models. The inputs into the Black-Scholes and Monte Carlo models are as described in Note 35 of the consolidated financial statements.

50 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 37 of the consolidated financial statements.

Shareholder information

Results

2016 Half-yearly results	23 November 2015

Dividends

2015 Half-yearly dividend 5.2p paid	2 February 2015
2015 Final dividend 6.5p (proposed)	–
2015 Final ex-dividend date	25 June 2015
2015 Final dividend record date	26 June 2015
2015 Final dividend payment date	4 August 2015
2015 Final dividend last date for receipt/revocation of DRIP mandate	10 July 2015

2015 Annual General Meeting

2015 Annual General Meeting	13 July 2015

Company details

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Telephone: 0871 664 0300*
Website: www.mitie-shares.com

* calls cost 10p a minute plus network extras, lines are open 9.00am – 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 Asset Services on 020 8639 3402 or contact them by sending an email to: shares@capita.co.uk.

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**

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A huge thank you

To our people, who excel, challenge
and inspire every day, and
make Mitie the business it is today.

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