# MITIE Group PLC
# Preliminary announcement of results for the year ended 31 March 2009

## A focus on quality drives double-digit earnings growth

| | **2009 £m** | 2008 £m | Growth % |
|---|---|---|---|
| Revenue | **1,521.9** | 1,407.2 | 8.2 |
| Operating profit before amortisation* | **80.5** | 72.2 | 11.5 |
| Profit before tax and other items** | **78.4** | 70.6 | 11.0 |

| | **2009 p** | 2008 p | Growth % |
|---|---|---|---|
| Basic earnings per share before other items** | **17.2** | 14.9 | 15.4 |
| Basic earnings per share before amortisation | **17.1** | 14.7 | 16.3 |
| Basic earnings per share | **16.7** | 14.3 | 16.8 |
| Dividend per share | **6.9** | 6.0 | 15.0 |

* Of acquisition related intangible assets of £1.9m (2008: £1.9m)

** Other items represent non-cash charges associated with acquisitions, being the amortisation of intangible assets of £1.9m (2008: £1.9m) and non-cash finance charges of £0.6m (2008: £0.8m)

## Highlights

- Strong revenue growth of 8.2% to £1,521.9m
- Operating profit before amortisation up 11.5% to £80.5m
- Margins improved to 5.3% (2008: 5.1%)
- 97.5% of EBITDA converted to cash (2008: 90.3%)
- Net funds of £10.9m and committed banking facilities of £230.0m until 2012
- Basic EPS up 16.8% to 16.7p
- Dividend up 15.0% to 6.9p
- 74% of 2009/10 forecast revenue secured (2008: 78%)
- Order book increased to £4.9bn (2008: £4.4bn)

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

"MITIE has delivered another excellent set of results. We are making strong progress as clients increase outsourcing in their drive for efficiency at this stage in the economic cycle. We are benefiting from a sustained level of outsourcing and asset management opportunities as contracts become more sophisticated, larger and longer-term and client strategies respond to the challenges of the global low carbon economy.

"Our people, balance sheet strength, long-term order book, attractive bid pipeline, committed banking facilities and lack of debt put us in a good position to continue our track record of sustainable profitable growth. "

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MITIE will be presenting its preliminary results for the period ending 31 March 2009 at 0930hrs on Monday 18 May 2009 at UBS Investment Bank, 7th Floor Conference Centre, 1 Finsbury Avenue, London, EC2M 2PP. A live webcast of the presentation will be available online at www.mitie.co.uk/investors at 0930hrs. The recorded webcast of the presentation and a copy of the accompanying slides will also be available on our website later in the day. MITIE expects to publish its Annual Report and Accounts (containing financial statements that comply with IFRS) in June 2009 and copies will be available from MITIE's registered office and on its website www.mitie.co.uk. MITIE's Annual General Meeting will take place at 14.30hrs on 10 July 2009 at UBS Investment Bank, 1 Finsbury Avenue, London, EC2M 2PP.

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

# Overview

MITIE has delivered another excellent set of results. We are making strong progress as clients increase outsourcing in their drive for efficiency at this stage in the economic cycle. We are benefiting from a sustained level of outsourcing and asset management opportunities as contracts become more sophisticated, larger and longer-term and client strategies respond to the challenges of the global low carbon economy.

Our people, balance sheet strength, long-term order book, attractive bid pipeline, committed banking facilities and lack of debt put us in a good position to continue our track record of sustainable profitable growth.

## Strategy

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

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

## Results

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

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

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

## Dividend

On the basis of our strong performance during the year and our solid prospects for the future, the Board is recommending an increased final dividend of 3.6p per Ordinary share adding up to a total dividend per share for the year of 6.9p, a 15.0% increase on 2008 in line with our dividend policy to maintain dividends in line with underlying earnings growth at a cover ratio of 2.5 times adjusted earnings. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 7 August 2009 to shareholders on the register at 10 July 2009.

## Main Board

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

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

## People

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

## Outlook

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

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

*Of acquisition related intangible assets.

# Business Review

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

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

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

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

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

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

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

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

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

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

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

# Operating review

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

## Facilities Management

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

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

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

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

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

Our national coverage and wide range of capabilities means that we are one of a limited number of service providers that can deliver full scope FM contracts. The economic climate is providing an impetus for clients to move towards larger multi-service and FM contracts in order to consolidate their supply chains and save costs. In order to take full advantage of the opportunities within this market area, which provides significant potential for MITIE, we have invested in our FM capabilities during the year, recruiting key individuals to the business to provide enhanced strategic leadership that will complement our proven service delivery capability in this area.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Property Management

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

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

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

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

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

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

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

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

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

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

Decent Homes projects secured during the year include a five-year contract with Bracknell Forest Homes, which has a total value of £17.5m. This newly formed not-for-profit housing association owns and manages 5,600 ex-council properties and the contract will see us fitting new kitchens and bathrooms in half of these homes as well as carrying out electrical work. We have also entered into a five-year, £12.5m Decent Homes agreement with Knightstone Housing Association. We will be replacing kitchens, bathrooms, windows, doors and central heating in approximately 3,000 Knightstone homes across the South and West of England. In Liverpool, we secured a framework contract to deliver Decent Homes works to Liverpool Mutual Homes where MITIE is one of eight partners who will be allowed to bid for £350.0m of improvement works over the next four years.

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

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

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

## Asset Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

networks to local schemes. In addition, we extended our involvement in the provision of efficient energy generation by securing a partnership to distribute and deploy Proven wind turbines.

# Financial Review

## Key performance indicators (KPIs)

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

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

## Sustainable profitable growth

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

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

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

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

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

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

## Cash flow and liquidity

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

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

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

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

## Stakeholder value

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

Our basic EPS result continues to support our commitment to dividend growth in line with our adjusted earnings per Ordinary share after excluding other items. This policy ensures that our dividends continue to track our underlying earnings and are not distorted by non-cash accounting adjustments relating to amortisation and imputed finance charges arising from acquisitions. This has resulted in a full year dividend of 6.9p per share (2008: 6.0p per share), an increase of 15.0% for the year, and reflects a

dividend cover of 2.5 times on our adjusted EPS measure. Our final dividend for the year ended 31 March 2009 will be paid, subject to shareholder approval, on 7 August 2009 to shareholders on the register as at 10 July 2009.

## Pensions

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

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

The Group also contributes to a number of defined contribution pension schemes as well as making contributions to its customers' defined benefit pension schemes under Admitted Body Local Government status and other arrangements in respect of certain employees who have transferred to the Group under TUPE. The Group's defined benefit pension obligations in respect of schemes in which the Group is committed to funding amounted to £3.4m (2008: £2.4m).

## Employee incentivisation

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

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

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

# Consolidated income statement

For the year ended 31 March 2009

| | Notes | 2009 Before other items* £m | 2009 Other items* £m | 2009 Total £m | 2008 Before other items* £m | 2008 Other items* £m | 2008 Total £m |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| Revenue | 2 | **1,521.9** | **–** | **1,521.9** | 1,407.2 | – | 1,407.2 |
| Cost of sales | | **(1,261.6)** | **–** | **(1,261.6)** | (1,145.2) | – | (1,145.2) |
| **Gross profit** | | **260.3** | **–** | **260.3** | 262.0 | – | 262.0 |
| Other administrative expenses | | **(179.7)** | **–** | **(179.7)** | (189.8) | – | (189.8) |
| Amortisation of intangible assets | | **(0.1)** | **(1.9)** | **(2.0)** | – | (1.9) | (1.9) |
| **Total administrative expenses** | | **(179.8)** | **(1.9)** | **(181.7)** | (189.8) | (1.9) | (191.7) |
| **Operating profit** | 2 | **80.5** | **(1.9)** | **78.6** | 72.2 | (1.9) | 70.3 |
| Investment revenue | | **0.8** | **–** | **0.8** | 1.2 | – | 1.2 |
| Other finance costs | | **(2.9)** | **–** | **(2.9)** | (2.8) | – | (2.8) |
| Unwinding of discount on deferred contingent consideration | | **–** | **(0.6)** | **(0.6)** | – | (0.8) | (0.8) |
| Total finance costs | | **(2.9)** | **(0.6)** | **(3.5)** | (2.8) | (0.8) | (3.6) |
| **Profit before tax** | | **78.4** | **(2.5)** | **75.9** | 70.6 | (2.7) | 67.9 |
| Tax | 3 | **(22.2)** | **0.7** | **(21.5)** | (21.4) | 0.8 | (20.6) |
| **Profit for the year** | | **56.2** | **(1.8)** | **54.4** | 49.2 | (1.9) | 47.3 |
| **Attributable to:** | | | | | | | |
| Equity holders of the parent | | **54.9** | **(1.8)** | **53.1** | 46.9 | (1.9) | 45.0 |
| Minority interests | | **1.3** | **–** | **1.3** | 2.3 | – | 2.3 |
| | | **56.2** | **(1.8)** | **54.4** | 49.2 | (1.9) | 47.3 |
| **Earnings per share (EPS)** | | | | | | | |
| – basic | 5 | **17.2p** | **(0.5)p** | **16.7p** | 14.9p | (0.6)p | 14.3p |
| – diluted | 5 | **17.0p** | **(0.5)p** | **16.5p** | 14.7p | (0.6)p | 14.1p |

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

# Consolidated statement of recognised income and expense

For the year ended 31 March 2009

| | Notes | **2009 £m** | 2008 £m |
|---|---|---|---|
| Actuarial (losses)/gains on defined benefit pension schemes | 8 | **(12.0)** | 6.8 |
| Tax credit/(charge) on actuarial movement taken directly to equity | 8 | **3.3** | (2.0) |
| **Net (expense)/income on defined benefit pension schemes recognised directly in equity** | | **(8.7)** | 4.8 |
| Profit for the year | | **54.4** | 47.3 |
| **Total recognised income and expense for the financial year** | | **45.7** | 52.1 |
| Attributable to: | | | |
| Equity holders of the parent | | **44.4** | 49.8 |
| Minority interests | | **1.3** | 2.3 |

# Consolidated balance sheet

As at 31 March 2009

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

# Consolidated balance sheet continued

As at 31 March 2009

| | Notes | **2009 £m** | 2008 £m |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 7 | **8.1** | 7.9 |
| Share premium account | 8 | **24.4** | 19.0 |
| Merger reserve | 8 | **67.2** | 60.4 |
| Share-based payments reserve | 8 | **4.4** | 2.9 |
| Own shares reserve | 8 | **(5.2)** | (2.0) |
| Other reserves | 8 | **0.2** | 0.2 |
| Retained earnings | 8 | **167.4** | 143.7 |
| **Equity attributable to equity holders of the parent** | | **266.5** | 232.1 |
| Minority interests | | **10.1** | 12.9 |
| **Total equity** | | **276.6** | 245.0 |

# Consolidated cash flow statement

For the year ended 31 March 2009

| | Notes | 2009 £m | 2008 £m |
|---|---|---|---|
| **Net cash from operating activities** | 9 | **73.6** | 58.1 |
| **Investing activities** | | | |
| Interest received | | **0.8** | 1.1 |
| Purchase of property, plant and equipment | | **(15.0)** | (17.8) |
| Purchase of subsidiary undertakings | | **(2.2)** | (26.9) |
| Purchase of other intangible assets | | **(9.0)** | (6.6) |
| Disposals of property, plant and equipment | | **2.8** | 4.6 |
| **Net cash outflow from investing activities** | | **(22.6)** | (45.6) |
| **Financing activities** | | | |
| Repayments of obligations under finance leases | | **(1.6)** | (1.4) |
| Proceeds on issue of share capital | | **1.9** | 3.5 |
| Repayments of loan notes on purchase of subsidiary undertakings | | **(1.2)** | (8.0) |
| Bank loans (repaid)/raised | | **(40.0)** | 30.0 |
| Purchase of own shares | | **(3.2)** | (2.0) |
| Equity dividends paid | | **(20.8)** | (17.3) |
| Minority dividends paid | | **(0.2)** | (0.3) |
| **Net cash (outflow)/inflow from financing** | | **(65.1)** | 4.5 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(14.1)** | 17.0 |
| **Net cash and cash equivalents at beginning of the year** | | **42.6** | 25.6 |
| **Net cash and cash equivalents at end of the year** | | **28.5** | 42.6 |
| Net cash and cash equivalents comprise: | | | |
| Cash at bank | | **28.5** | 42.6 |
| | | **28.5** | 42.6 |

| Reconciliation of net cash flow to movement in net funds/(debt) | | 2009 £m | 2008 £m |
|---|---|---|---|
| Net (decrease)/increase in cash and cash equivalents | | **(14.1)** | 17.0 |
| Bank loans repaid/(raised) | | **40.0** | (30.0) |
| Repayments of loan notes on purchase of subsidiary undertakings | | **1.2** | 8.0 |
| Issue of loan notes on acquisition of subsidiary undertakings | | **–** | (1.6) |
| Increase in finance leases | | **(0.6)** | (0.9) |
| **Decrease/(increase) in net debt during the year** | | **26.5** | **(7.5)** |
| Opening net debt | | **(15.6)** | (8.1) |
| **Closing net funds/(debt)** | 6 | **10.9** | **(15.6)** |

## 1. Basis of preparation

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

## 2. Business and geographical segments

**Business segments**

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

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

**Business segments – structure to 31 March 2009**

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

* Of acquisition related intangible assets.

**Business segments – structure from 1 April 2009**

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

* Of acquisition related intangible assets.

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

## 2. Business and geographical segments continued

**Other segmental analysis – structure to 31 March 2009**

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

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

[i] Relates to interdivisional funding.

## 2. Business and geographical segments continued

**Geographical segments**

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

## 3. Tax

| | **2009 £m** | 2008 £m |
|---|---|---|
| Current tax | **21.4** | 19.4 |
| Deferred tax | **0.1** | 1.2 |
| | **21.5** | 20.6 |

Corporation tax is calculated at 28.0% (2008: 30.0%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the consolidated income statement as follows:

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

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

## 4. Dividends

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

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

## 5. Earnings per share

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

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

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

The weighted average number of Ordinary shares in issue during the year excludes those held by the MITIE Group PLC Employee Benefit Trust (see Note 8).

## 6. Analysis of net funds/(debt)

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

## 7. Share capital

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

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

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

## 8. Reserves

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

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

## 8. Reserves continued

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

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

## 9. Notes to the cash flow statement

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

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

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

## 10. Preliminary announcement

The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31 March 2009 or 2008. The financial information for the year ended 31 March 2008 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on these accounts; their audit report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s237(2) or (3) Companies Act 1985.