MITIE Group PLC

Preliminary announcement of results for the year ended 31 March 2012

A transformational 25th year, strong organic growth and a record order book

	2012 £m	2011 £m	Growth %
Revenue	**2,002.5**	1,891.4	5.9
Operating profit before other items [1,2]	**111.7**	104.2	7.2
Profit before tax and other items [2]	**104.5**	105.7	(1.1)
Profit before tax	**94.5**	86.8	8.9
	2012 p	2011 p	Growth %
Basic earnings per share before other items [2]	**22.6**	22.6	0.0
Basic earnings per share	**20.5**	18.6	10.2
Dividend per share	**9.6**	9.0	6.7

Excellent financial performance

- Strong revenue growth of 5.9% to £2,002.5m, of which 5.4% is organic
- Operating profit before other items[1,2] up 7.2% to £111.7m (2011: £104.2m excluding £4.1m pension credit)
- Operating profit margin before other items[1,2] remains strong, at 5.6% (2011: 5.5%)
- Excellent conversion of EBITDA to cash of 83.7%, above stated long-term KPI of 80% (2011: 86.7%)
- Total dividend for the year up 6.7% to 9.6 pence per share (2011: 9.0 pence per share)
- Low leverage with net debt of £106.9m, at 0.81x EBITDA (2011: £76.5m, 0.65x EBITDA)
- Strong balance sheet and long-term committed financing facilities will support growth

Delivering on our strategy with a series of transformational contract awards

- Our market leading integrated facilities and energy management capabilities have resulted in exceptional progress in key bidding areas and will drive further growth with existing client base
- Contract signed to deliver facilities management services for Lloyds Banking Group, which at £775m over five years, will be one of the biggest private sector contracts of its type
- In the private sector, we also significantly expanded existing relationships with the Cumbrian Collaboration and Diageo
- In the public sector, we secured key contracts with Ministry of Justice, Essex County Council and West Midlands Construction Framework
- Total potential value of contracts awarded with these six clients ranges between £1.5bn and £2.2bn

Tremendous prospects for growth demonstrated by record order book and buoyant sales pipeline

- Excellent progress in organic order book development – up 26% or £1.8bn to £8.6bn (2011: £6.8bn)
- Pipeline of potential bid activity remains buoyant and currently stands at £11.2bn (2011: £11.4bn)
- 83% of 2012/13 budgeted revenue secured (prior year: 81%)

Comprehensive energy services offering is a key differentiator

- Energy proposition supports every key energy issue faced by our clients – security of supply, renewable energy, reduction of carbon emissions and value through lower costs
- Energy services generated 34% of revenues in 2012 and ranked in the top two energy services companies in the UK
- Acquired Utilyx in January 2012, a specialist energy and carbon consultancy which helps businesses manage the impact of energy consumption and rising energy costs
- Appointed preferred bidder to develop a major new innovation centre to power the world famous Cambridge Biomedical Campus (Addenbrooke's Hospital) and awarded a contract to create Scotland's largest self-sufficient energy community in Cardenden, Fife

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

"This has been a transformational 25th year for MITIE. We have made excellent progress on all of our key strategic objectives, achieved sector-leading organic growth and been awarded a number of significant contracts that are enhancing our business.

"This success is an endorsement of our long-term strategy to invest in our integrated facilities and energy management capabilities, which will underpin the continued growth of our business. As governments and businesses seek cost and energy efficiencies, our track record for service delivery, innovation and efficiency will continue to differentiate us.

"Financially robust, we have a clear strategy for the development of our business, supported by a buoyant sales pipeline and an order book that stands at record levels. We are confident that the exceptional track record of sustainable, profitable growth that we have achieved for 25 years will continue."

(1) Operating profit before other items in the year ended 31 March 2011 included non-recurring income of £4.1m arising from an amendment to the past service cost of certain defined benefit pension schemes following the change from RPI to CPI for the valuation of certain pension scheme liabilities. Operating profit before other items, margin, and related growth statistics stated above exclude the £4.1m from the prior year result in order to reflect the underlying operational performance of the group
(2) Other items comprised the amortisation of acquisition related intangible assets of £9.1m (2011: £8.9m) and other acquisition related and restructuring items of £0.9m (2011: £9.9m) incurred during the year

For further information please contact:

Erica Lockhart, Head of Investor Relations and External Affairs
T: +44 (0) 20 3123 8675   M: +44 (0) 7979 784488

John Telling, Group Corporate Affairs Director
T: +44 (0) 20 3123 8673   M: +44 (0) 7979 701006

Find us on Facebook and Twitter.

MITIE will be presenting its preliminary results for the period ending 31 March 2012 at 09.30 on Monday 21 May 2012. A live webcast of the presentation will be available online at www.mitie.com/investors at 09.30. The recorded webcast of the presentation and a copy of the accompanying slides will also be available on our website later in the day. MITIE expects to publish its Annual Report and Accounts (containing financial statements that comply with IFRS) in June 2012 and copies will be available from MITIE's registered office and on its website www.mitie.com. MITIE's Annual General Meeting will take place at 14.30 on 11 July 2012 at UBS Investment Bank, 7th Floor, 1 Finsbury Avenue, London, EC2M 2PP.

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

Overview

This has been a transformational 25th year for MITIE, with excellent progress on all of our key strategic objectives, and sector-leading organic growth.

Our strategy to focus on organic growth and develop our integrated facilities and energy management capabilities is progressing exceptionally well. This is a reflection of the significant and continuous investments we have made in key sectors over the last few years. During the year we saw the award of a number of transformational contracts which have enhanced our business.
Our energy capability is now a core part of our client proposition and we are the second largest energy services company in the UK.

This has resulted in strong organic revenue and operating profit growth during the year. More importantly, we are well placed to deliver further organic growth in these key areas going forward, as is evident in both our record order book and large pipeline of sales opportunities.

We have also made a number of niche acquisitions which will help us to enter new and specialist markets. Utilyx provides a specialist energy and carbon consultancy and Direct Enquiries is the UK's leading access and disability consultancy. True to our entrepreneurial roots, we continue to use the original MITIE Model to start and grow innovative businesses and it remains a key differentiator for the group.

These developments leave us in a strong position as we enter the new financial year.

Results

During the year, revenues grew by 5.9% to £2,002.5m (2011: £1,891.4m). Operating profit before other items* increased by 7.2% to £111.7m (2011: £104.2m excluding the pension credit of £4.1m), reflecting a margin* of 5.6% (2011: 5.5%). Profit before tax increased by 8.9% to £94.5m (2011: £86.8m). Basic earnings per share increased by 10.2% to 20.5p (2011: 18.6p) and earnings per share before other items remained flat at 22.6p (2011: 22.6p).

We have retained our strong focus on cash, reporting cash inflows from operations of £110.2m (2011: £102.5m) for the year, which represents excellent conversion of EBITDA to cash of 83.7% (2011: 86.7%). The balance sheet remains extremely robust with net debt at the year end at 0.81x EBITDA at £106.9m (2011: £76.5m).

We have committed bank facilities of £250m until September 2015 along with £100.2m equivalent of US Private Placement debt. Both of these facilities leave us in a strong position to take advantage of value-creating acquisition opportunities as they arise.

We have seen strong growth in our order book, which increased by 26% during the year and now stands at a record £8.6bn (2011: £6.8bn).

Our sales pipeline currently stands at £11.2bn (2011: £11.4bn) and our forward revenue visibility is excellent, with contracted revenue for the year ending 31 March 2013 at 83% of budgeted revenue (prior year: 81%).

Dividend

It is now the Board’s policy to grow the dividend broadly in line with the underlying earnings of the group. The final dividend proposed by the Board has increased by 6.1% to 5.2p per share (2011: 4.9p per share). This brings the full year dividend to 9.6p per share (2011: 9.0p per share), an increase of 6.7%. The dividend cover is 2.4 times adjusted earnings per share.

Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 7 August 2012 to shareholders on the register at 22 June 2012.

Board and corporate governance

Corporate governance remains an important and committed area of focus for the Board. The priorities in 2012 were the continued execution of our growth strategy, the ongoing review of performance and risk and the composition of the Board. We also focused on the senior talent pipeline, which will ensure we have the skills, experience and diversity to deliver our ambitious plans.

Ian Stewart retired as a Non-Executive Director and Deputy Chairman on 21 May 2012. In 1987, Ian co-founded MITIE with David Telling. Throughout those 25 years, Ian has been instrumental in building and growing the business that MITIE is today. We thank him for his invaluable contribution to the Board and the Company, and wish him well for the future.

People

We would like to extend a huge thank you to all of our people and welcome those who joined us during the year. We are one of the UK’s largest private sector employers with 63,569 people and remain focused on providing opportunities for all of our people to succeed in their careers.

* Operating profit before other items in the year ended 31 March 2011 included non-recurring income of £4.1m arising from an amendment to the past service cost of certain defined benefit pension schemes following the change from RPI to CPI for the valuation of certain pension scheme liabilities. Operating profit before other items, margin, and related growth statistics stated above exclude the £4.1m from the prior year result in order to reflect the underlying operational performance of the group.

Outlook

MITIE is very well positioned to capitalise on the momentum in growth we have seen over the past year. There are exciting opportunities in our markets as organisations look for greater operating and energy efficiencies. We have strong relationships with our diverse, high-quality client base in both the public and private sectors and we are committed to continually providing them with better quality services, innovation and efficiencies.

Our focus remains on achieving organic growth in our primary market of the UK, supplemented by selective acquisitions and the development of our integrated business model overseas. We will continue to invest in our people, technology and new markets, all of which differentiate us as a business.

Financially robust, we have a clear strategy for the development of our business, supported by a record order book and buoyant sales pipeline. We are confident that we will continue to build on what is an exceptional track record.

Marketplace overview

We work closely with clients in both the private and public sectors, primarily in the UK but increasingly in other European countries too. The trend towards integrated services is a long-term one, and has been clearly identified previously. What is different now is the speed of change and the scale of contracts – more clients are asking more and more of us.

In addition to helping them improve efficiency while reducing costs by outsourcing non-core services to us, we also enable clients to reduce the amount of energy they use as well as the price they pay for it.

Private sector

As companies continue to seek cost reductions in order to compete in tough market conditions, they are focusing on the further outsourcing of non-core services. Increased demand is being driven by integrated facilities management (FM) and energy services.

Our organic growth is based on excellent client relationships. We have worked alongside many of our clients for a number of years, building trust and mutual respect that has translated into increased business. There are many opportunities for us to repeat the growth achieved with existing clients such as Rolls-Royce, Vodafone and Diageo while also exploring the potential of new relationships.

We see significant integrated FM opportunities in the financial services and retail sectors, and were pleased to see potential become reality with our appointment to service a £775m transformational contract for Lloyds Banking Group.

The majority of financial and retail sector clients operate with single-service contracts and we anticipate that the next phase of outsourcing is likely to see a shift towards integrated property and energy management.

Public sector

The public sector remains under pressure, with central government and local authorities in the UK streamlining their cost bases in a trend that is likely to continue for the foreseeable future – and this is creating significant opportunities for outsourcing. The UK Government's 2011 Parliamentary White Paper on Open Public Services made clear that there remains a strong political will to introduce greater competition and reform into more areas of public services.

We remain predominantly focused on the justice, social housing, education and health sectors.

The Home Office and Ministry of Justice (MoJ) have a five year strategic plan which runs from 2010 to 2015. As part of this, they have savings targets of 25% over four years and have initiated a number of programmes to meet that goal.

Our own MoJ pipeline stands at some £1bn, with many key contracts due to be decided during 2012. Against a backdrop of full prisons and the rising costs of the justice process, there are specific and extensive outsourcing opportunities in areas such as FM, prisons management, electronic monitoring, community payback and probation trusts. Home Office market opportunities include police services and immigration removal centres.

In the health sector, we are seeing a range of opportunities, including a growing portfolio of energy services work to upgrade ageing infrastructure. Increasingly, there is also a strong community element to these projects. For example, for Camden Council, we developed an innovative energy scheme to supply up to 1,500 council tenants with surplus heat from our energy plant at the Royal Free Hospital in Hampstead.

To date, we have seen limited momentum within local authorities to combine more services and rationalise their estates. However, the pipeline of outsourcing opportunities for the delivery of local public services remains strong across the UK.

In January 2012, the City of Edinburgh Council recommended MITIE as the preferred bidder for its integrated facilities management contract, a proposed seven year partnership which would have generated significant benefits to Edinburgh creating 200 new jobs, 50 apprenticeships and with guaranteed savings of between £51m and £114m. Members of the City of Edinburgh Council subsequently voted not to approve the proposed contract. Whilst a disappointing outcome, our proposal offered a model of the future of outsourcing and we will continue to invest in this area to support its future growth.

Energy services

Our energy services business already accounts for 34% of our revenue and may rise even further as demand grows in both the public and private sectors for energy and carbon strategies, driven by macroeconomic, environmental and legislative factors.

Reduced consumption and diversified energy supply are major objectives for all clients. The UK alone must spend £450bn on energy efficiency measures and supply infrastructure by 2025.

Across the EU, there are an estimated 700-1,040 active energy service contracts with a market value of €6.7bn to €8.5bn. This is expected to grow to around €25bn by 2020. Energy management is now accepted as central to an effective FM service – in fact our energy services capability is part of every contract we operate and is absolutely fundamental to our larger bids.

Already the second largest energy services company in the UK, we are well-positioned for rapid growth. Our strengths are based around six core capabilities: decentralised energy; renewable energy; energy consumption reduction; carbon compliance; data management; and the introduction of innovative ideas and initiatives that raise awareness.

International and new markets

We go where our clients need us to go, and as they increasingly take a pan-European approach to procurement we have expanded our services beyond the UK. Our work with Rolls-Royce now spans the continent and demonstrates our ability to provide integrated FM and energy services across borders.

The opportunity is clear: 43% of our top 100 clients have international operations – and we are positioned to help them access the same efficiencies they enjoy in the UK.

Our European capability was initially provided via a partnership with Service Management International (SMI). During 2011 we acquired the remaining 50% of SMI's equity capital. The SMI platform self-delivers and supply-chain manages FM portfolio services to multinational blue-chip clients across 23 countries. SMI's established supply chain of affiliates have an annual collective turnover of US$8.5bn and employ 280,000 people worldwide. In August, SMI was appointed as a preferred bidder for a contract with Givaudan to provide integrated FM in several European countries.

We currently have direct delivery capability in France, Germany, Poland and Norway – and are targeting further growth in Europe as we see further opportunities emerge in this market.

In the UK, we are constantly looking at ways to expand our range of services, not only by using our entrepreneurial model to enter new markets but also through value-creating acquisitions where appropriate.

Operating review

As the outsourcing market evolves, our business has had to remain flexible and grow with the market.

We offer the largest range and broadest coverage of facilities and energy management services in the UK. Those services are delivered through our four operating divisions. We remain focused on being specialists in every service that we provide, so that our clients receive the highest quality, whether it is one or 100 things we do for them.

The demand for integrated facilities management is a key driver for our business, and these contracts bring together specialist services from all of our divisions.

Divisional performance summary

Facilities Management	**2012**	2011	Growth
Revenue	**£937.3m**	£882.2m	+6.2%
Operating profit before other items	**£61.9m**	£56.2m	+10.1%
Operating profit margin	**6.6%**	6.4%	+0.2pp
Order book	**£4.9bn**	£4.1bn	+19.5%

Technical Facilities Management	**2012**	2011	Growth
Revenue	**£472.8m**	£437.1m	+8.2%
Operating profit before other items	**£26.9m**	£24.6m	+9.3%
Operating profit margin	**5.7%**	5.6%	+0.1pp
Order book	**£2.1bn**	£1.4bn	+50.0%

Property Management	**2012**	2011	Growth
Revenue	**£524.3m**	£509.7m	+2.9%
Operating profit before other items	**£20.2m**	£21.4m	-5.6%
Operating profit margin	**3.9%**	4.2%	-0.3pp
Order book	**£1.4bn**	£1.2bn	+16.7%

Asset Management	**2012**	2011	Growth
Revenue	**£68.1m**	£62.4m	+9.1%
Operating profit before other items	**£2.7m**	£2.0m	+35.0%
Operating profit margin	**4.0%**	3.2%	+0.8pp
Order book	**£0.2bn**	£0.1bn	+100.0%

Facilities Management (FM)

Our FM division is responsible for delivering the following specialist single services, either individually or in multi-service, bundled contracts: Security; Cleaning; Catering; Document management and reprographics; Reception and front of house; Waste management; Environmental services; Landscaping; Pest control; Disabled access consulting and auditing.

We have continued to win new business and have improved our client retention rate to a very strong 94%. We have performed particularly well in the financial services, transport and retail sectors, where we see significant opportunities.

Our investments in customer service remain a key differentiator. In our cleaning and environmental services business, we have a Lean Six Sigma team which is helping to make our processes more efficient. Our Total Security Management business has added new service lines such as employee screening, electronic locking and unlocking and lone worker monitoring and protection. Having successfully positioned the business as a risk-based security provider, we are increasingly working with our clients to consult on their enterprise wide security risk – incorporating technology, remote monitoring and manned guarding into a holistic solution.

We are differentiated by our ability to self-deliver the majority of FM services, and always look at adding new services to our portfolio and develop our existing businesses. Our size, scale, high street and national presence and broad range of services enables us to deliver substantial cost savings and sustainable, innovative solutions to organisations of all sizes.

Technical Facilities Management (TFM)

Our TFM division focuses on delivering integrated facilities management and a range of technical and energy services: Energy management; Mechanical and electrical engineering maintenance; National mobile services; Specialist technical services; CarbonCare energy services; Lighting design, projects and maintenance; Building management systems and controls.

Energy reduction is one of the key drivers of MITIE's growth. Our CarbonCare offering forms a fundamental part of MITIE's overall energy services capabilities and has helped successfully establish MITIE as a leading energy services business. A significant number of CarbonCare services are provided by TFM and this has been further strengthened by the acquisition of Utilyx. The ongoing demand in this area is driving continued strong performance within TFM.

The market move towards integrated FM is also a major driver for TFM as the technical maintenance of critical infrastructure for our clients is key to their operations. Consequently, our technical expertise underpins the overall integrated FM offering and the delivery of these contracts is undertaken predominantly through our TFM division.

We have made further investments in our national mobile services offering, which delivers a fast and responsive mobile technical FM service across the UK and is developing well. We have also been working with leading lighting manufacturers to create a new service model that embraces the initial design of LED installations, LED retro-fit projects capability and ongoing support for LED installations. The growth of cloud computing and increase in data-intensive sites is also providing significant opportunities to monitor and maintain this plant and equipment.

Property Management (PM)

Our PM division provides a full suite of project management and property services: Property maintenance; Building refurbishment; Interior fit-out; Insurance claims validation and repairs; Roofing; Plumbing and heating; Mechanical and electrical engineering contracting; Plastering and dry-lining; Painting and repairs; Fire protection; Residential and new house fit-out.

Several of the services provided by the Property Management division are exposed to highly cyclical markets and face ongoing challenges as a result of the difficult economic environment in the UK.

Our Built Environment business provides mechanical and electrical engineering contracting services along with interior fit-out, combining a consult and build solution that gives clients assurance of costs and operational certainty.

Our social housing business is developing well, with an integrated property maintenance solution which provides consistency, stability and value for money.

The focus for our niche businesses and projects will remain on providing core trades for both fixed-term and one-off projects as well as working with other parts of MITIE on multi-discipline project work.

Asset Management (AM)

Our AM division deploys efficient technologies to develop secure and sustainable decentralised energy infrastructure: Energy centre development; Low-carbon data centre development; Renewable energy generation; Energy services company management; Community infrastructure; Energy performance contracting.

We are now an established investor in and developer of decentralised energy assets and strategies. In a market which still offers significant potential for future growth, our clients are reaping the economic, social and environmental benefits of decentralised energy. The ability to achieve sustainability targets whilst retaining funding for core services, and without upfront capital investment, is a compelling argument in the current economic climate.

We are currently working on major decentralised energy projects, operating an end-to-end service from the design and development of energy assets and strategies through to the longer term operation of them. We continue to see opportunities in the data centre market and have completed several major data centre projects during the year.

We are recognised as one of the few providers in the UK that has the track record, scale and expertise to deliver substantial decentralised energy strategies that will guarantee availability over a sustained contract term.

New contract summary

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

Private sector

Client	Contract	Timeframe	Total value
Finance and professional services			
Lloyds Banking Group	Awarded a transformational contract to deliver integrated facilities and energy management, providing services across the bank's entire UK branch and office estate. Services to be delivered include catering, reception, reprographics, engineering maintenance, cleaning, security, minor capital reactive works, office space management and a range of other services	5 years + 1 year	£775m - £930m
Friends Life	Total facilities management including all hard and soft FM services as well as energy management, all supported by an innovative technology platform	5 years	£28m
LV=	Manage and deliver building repair services as part of a dual-supplier solution for the UK's largest friendly society and provider of insurance. Services include plastering, decorating and replacing damaged kitchens and bathrooms	4 years	£20m
Allianz Insurance	Secured a contract to provide building repair services to Allianz insurance customers nationwide, managing and delivering domestic and commercial property insurance claims	3 years	ND
Technology and communications			
BT Group	Security services contract including keyholding and response work	3 years	£9m
Channel 4	Expanded our contract and now provide integrated facilities management, with services including reception, reprographics, cleaning, waste, landscaping, security and engineering maintenance	3 years	£8m
Worldpay	Integrated facilities management contract to run across Worldpay's four UK sites, including its headquarters in London, including maintenance and engineering, fabric maintenance, security, helpdesk, catering, cleaning, pest control, waste management, reception and post room	3 years	£6m
Retail			
Diageo	Expanded our technical FM contract to provide integrated facilities management and hospitality services across Diageo's UK and Irish property portfolio	5 years	£100m - £120m
Primark	Awarded a variety of engineering services retail fit-out projects for stores across the UK	ND	£6m
Transport			
Airline Operators Committee at Heathrow Airport	Hold baggage screening services at Terminals 1, 2, 3 and 4	3 years	£17m
Birmingham Airport	Awarded a contract to provide soft facilities management services including airport cleaning, pest control, waste management and window cleaning	3 years	£6m
Utilities			
Cumbrian Collaboration	Retained and significantly expanded an integrated FM and energy services contract with the Cumbrian Collaboration (includes Sellafield Limited, the Nuclear Decommissioning Authority, Direct Rail Services, Low Level Waste Repository Limited and International Nuclear Services)	5-7 years	£200m - £280m
Leisure			
Odeon	Awarded a contract to provide cleaning and environmental services for Odeon's chain of over 100 cinemas nationally	3 years	£14m
Property management			
Derwent London	A design and build project to provide high quality office space with a complete refurbishment including new reception and entrance facing Clerkenwell Green	8 months	£11m
Manufacturing			
Flowserve	Awarded a property services contract to deliver a range of roofing services and carry out an internal refurbishment of the Flowserve offices and canteen	1 year	£3m

ND = Not disclosed

Public sector

Client	Contract	Timeframe	Total value
Central government			
Ministry of Justice	Awarded total facilities management contracts for Her Majesty's Courts and Tribunal Service (HMCTS) in the South of England, and two prisons at Brixton and Isis	5-7 years	£200m - £455m
Local government			
West Midlands Construction Framework	Minor works and maintenance contract for all non-housing capital expenditure and maintenance primarily within the Birmingham City Council South area. This contract is also available to 13 other local authorities within the region	4-8 years	£160m - £350m
Essex County Council	Transformational outsourcing contract which includes facilities and property management as well as energy services, working in partnership with Lambert Smith Hampton to provide estate management services	10 years	£80m - £100m
City of London	Awarded a contract providing cleaning and environmental services at the offices of City of London	3 years	£4m
Education			
Cambridge University	Awarded a contract to provide mechanical, electrical, public health and specialist services for a new 10,000m^2 building for the Department of Materials, Science and Metallurgy in Cambridge	18 months	£11m
Coventry University Enterprises	Awarded a contract to provide total security management	3 years	£5m
University of Greenwich and the Greenwich Foundation	Selected to provide security services at the University and Foundation's various campuses and heritage attractions	3 years	ND
Health			
St George's Healthcare NHS Trust	Awarded a technical facilities management contract to provide specialist maintenance services across the hospital including M&E, fabric maintenance and projects services to the 20 buildings in the Trust's estate. This adds to our existing portfolio of services, which includes cleaning, catering and helpdesk activities, bringing total annual revenues to approximately £15m	5 years	£10m
Birmingham Primary Care Trust and Birmingham Community Healthcare NHS Trust	Retained a contract to provide cleaning and environmental services for both Trusts	3 years	£8m
Midland Heart	Awarded a contract to provide security response services across its Midlands property portfolio, offering an out of hours mobile caretaker service to residents in over 32,000 properties	3 years	ND
Social housing			
Lewisham Homes	A contract to deliver home improvement works to over 13,000 social housing tenants as part of a major works programme, including kitchen and bathroom improvements, boiler and system replacements and upgrades for disabled access	5 years	£40m
Milton Keynes Council	Retained a contract to provide responsive repairs and voids	5 years	ND
Barnet Homes	Awarded a contract to provide gas services, boiler installations and maintenance of commercial heating systems on 8,800 properties	10 years	£26m

ND = Not disclosed

Energy services

Private and public sector contracts

Client	Contract	Timeframe	Total value
NHS Carbon and Energy Fund	Accepted as a partner in the £200m capital fund which enables NHS Trusts to upgrade their energy infrastructure to save energy, carbon and money	ND	£200m framework
Cambridge University Hospitals NHS Foundation Trust	Appointed preferred bidder to develop a major new innovation centre to power the world famous Cambridge Biomedical Campus (Addenbrooke's Hospital)	ND	ND
Ore Valley Housing Association	Appointed to deliver an energy centre in Cardenden, Fife, which will create Scotland's largest energy self-sufficient community, where more than 1,200 homes will receive all their heat and hot water from an energy centre powered by 38,000 tonnes of waste wood	ND	£35m
O-Gen Plymtrek	Energy services company formed by MITIE, O-Gen UK and the Una Group, to develop an energy centre in Plymouth which will convert waste wood into renewable heat and power	10 years	ND

Client	Contract	Timeframe	Total value
Camden Council	Innovative energy scheme to provide surplus heat from a hospital energy plant to 1,500 council tenants in Camden Council	15 years	ND
Royal Marsden Hospital	Awarded a contract to design, install and operate a new energy centre which will almost halve annual carbon emissions	ND	ND
Waitrose	Contracts to develop and operate biomass energy centres at the East Cowes and Bracknell stores	ND	ND
South West Water	Selected to install 30 photovoltaic systems on clean and waste water treatment plants	3 months	£3m

ND = Not disclosed

Financial review

MITIE has delivered another set of excellent financial results, with strong revenue growth, a record order book, good cash conversion and the maintenance of a strong balance sheet. We are focused on both organic and acquisitive growth but our organic growth stands out this year and is sector-leading. The award of a number of transformational contracts has resulted in a significant uplift in our order book and a record level of secured revenues for the new financial year.

We enter the new financial year in a strong position with low leverage, a strong balance sheet and long-term committed financing facilities which will support future growth.

Revenue

Revenue for the group increased by 5.9% in the year ended 31 March 2012 to £2,002.5m (2011: £1,891.4m) largely driven by strong organic growth of 5.4%. The increase in revenue during the year is attributable to organic growth of £102.2m, the full year impact of the prior year acquisition of Dalkia FM in Ireland of £6.2m, and £2.7m from the in-year acquisitions of Utilyx Holdings Limited ('Utilyx') and Direct Enquiries Holdings Limited ('Direct Enquiries').

Proforma prior year revenue including the full year effect of acquisitions made in the year ended 31 March 2011 was £1,897.6m.

Revenue by division:

	2012 £m	Total growth %	Organic growth %
Facilities Management	937.3	6.2	5.5
Technical Facilities Management	472.8	8.2	7.6
Property Management	524.3	2.9	2.9
Asset Management	68.1	9.1	9.1
Total revenue	2,002.5	5.9	5.4

Operating profit before other items

Operating profit before other items* for the group increased by 7.2% to £111.7m (2011: £104.2m), reflecting an improvement in the operating profit margin* to 5.6% (2011: 5.5%). Operating profit before other items in the prior year included non-recurring income of £4.1m arising from an amendment to the past service cost of certain defined benefit pension schemes following the change from RPI to CPI for the valuation of certain pension scheme liabilities. Our operating profit and related growth statistics exclude the £4.1m from the prior year result in order to illustrate the operational performance of the group.

The increase in operating profit before other items* is attributable to organic growth of £7.0m, the £0.4m full year impact of the acquisition of Dalkia FM in Ireland and £0.1m from the acquisition of Utilyx and Direct Enquiries during the current financial year. The organic growth in operating profit before other items* was 6.7%.

Operating profit before other items by division:

	2012 £m	Margin %	Growth %
Facilities Management	61.9	6.6	10.1
Technical Facilities Management	26.9	5.7	9.3
Property Management	20.2	3.9	(5.6)
Asset Management	2.7	4.0	35.0
Operating profit before other items*	111.7	5.6	7.2

* Operating profit before other items in the year ended 31 March 2011 included non-recurring income of £4.1m arising from an amendment to the past service cost of certain defined benefit pension schemes following the change from RPI to CPI for the valuation of certain pension scheme liabilities. Operating profit before other items, margin, and related growth statistics stated exclude the £4.1m from the prior year result in order to reflect the underlying operational performance of the group.

Other items

Other items for the year were £10.0m (2011: £18.8m) and comprised the amortisation of acquisition related intangible assets of £9.1m (2011: £8.9m) and other acquisition related and restructuring items of £0.9m (2011: £9.9m) incurred during the year.

After the impact of other items, the operating profit* for the year was £101.7m (2011: £85.4m).

Finance costs

Net finance costs for the year were £7.2m (2011: £2.7m). During the year, MITIE completed the negotiation of its refinancing activities and secured new committed banking facilities of £250m which are available for drawdown until September 2015. This completed an exercise which had seen the introduction of £100.2m equivalent of longer term tenure US private placement loan notes into the group's funding structures in December 2010. The general tightening of credit markets, compared to the favourable conditions which existed when our previous facility was negotiated in January 2007, resulted in a significant increase in the total finance costs incurred during the year. This increase is a result of both higher interest rates and an increase in the fees payable on the arrangement and utilisation of the group's banking facility.

Profit before tax

Profit before tax for the year was £94.5m (2011: £86.8m), an increase of 8.9% on the prior year.

Taxation

The tax charge for the year was £22.4m (2011: £21.4m), an improvement in the effective rate of tax to 23.7% (2011: 24.7%). The improvement in the effective tax rate is largely attributable to the reduction in mainstream UK corporation tax rates.

Profit after tax

Profit after tax for the year was £72.1m (2011: £65.4m), an increase of 10.2% on the prior year.

Earnings per share

Basic EPS before other items was unchanged compared to the prior year at 22.6p per share (2011: 22.6p per share) whilst basic EPS was 20.5p per share (2011: 18.6p per share), an increase of 10.2%. This latter measure showed higher growth due to the absence of material restructuring or acquisition related items during the year.

The measures of diluted EPS are based on a calculation which includes unexercised share options. The substantial increase in MITIE's share price during the year has led to a rise in the number of share options included in this calculation (2012: 9.0m shares; 2011: 6.4m shares). This measure of EPS is sensitive to the number of share options included within it and has caused a marginal decline in reported EPS on that basis.

Dividend

It is now the Board's policy to grow the dividend broadly in line with the underlying earnings of the group. The final dividend proposed by the Board has increased by 6.1% to 5.2p per share (2011: 4.9p per share). This brings the full year dividend to 9.6p per share (2011: 9.0p per share), an increase of 6.7%. The full year dividend reflects a cover of 2.4 times adjusted earnings per share.

Cash flow, funding and liquidity

MITIE places significant emphasis on the management of its cash flow and the maintenance of strong financing facilities. The gearing of the group has remained low and net debt at 31 March 2012 was £106.9m (2011: £76.5m), representing a net debt to EBITDA ratio of 0.81 (2011: 0.65). MITIE has a diverse range of secure funding facilities with committed banking facilities of £250m which are available until September 2015, and a mix of US private placement loan notes. The notes have a total value of £100.2m, with £60.2m US dollar denominated notes maturing in December 2017 and £40m sterling denominated notes maturing in December 2019. The group also has further overdraft facilities of £40m.

Cash inflows from operations increased by 7.5% to £110.2m during the year and we have delivered strong conversion of profit (EBITDA) to cash at a rate of 83.7% (2011: 86.7%), whilst continuing to invest in the organic growth of the group. Cash conversion measures the success of the group in converting operating profit measured by EBITDA to cash and underpins the quality of MITIE's earnings and reflects the effectiveness of our cash management activities.

Key performance indicators (KPIs)

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

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

Pensions

Our financial strength remains unaffected by any significant deficit in respect of the defined benefit pension schemes to which the group contributes. The net funding position of all the defined benefit pension arrangements included on the balance sheet is a deficit of £17.3m (2011: £3.0m).

The deficit on the principal group defined benefit scheme at 31 March 2012 was £17.2m (2011: £3.0m). The increase in the deficit was principally driven by the reduction in the discount factor applied in the valuation of scheme liabilities. This factor, which is set by reference to prevailing bond market rates at the year end, moved from 5.6% to 4.9% over the year reflecting the deterioration of bond rates over the year. The deficit calculation is particularly sensitive to changes in the discount factor. During the year, the group completed the triennial review and actuarial valuation, as at 31 March 2011, of its principal defined benefit pension scheme. No lump sum contributions to the scheme are required as the result of this valuation exercise.

MITIE contributes to a number of defined contribution pension schemes. The group also makes contributions to customers' defined benefit pension schemes under Admitted Body Local Government status as well as to other arrangements in respect of certain employees who have transferred to the group under TUPE. MITIE's net defined benefit pension obligations in respect of schemes in which it is committed to funding amounted to £0.1m (2011: £0.0m).

Acquisitions

On 10 January 2012, MITIE acquired the leading energy and carbon specialist Utilyx. Utilyx provides a number of services relating to its clients' energy demands including strategic planning, procurement and risk management, all of which are designed to manage the business impact of energy consumption and rising energy costs. The acquisition of Utilyx complements and enhances MITIE's CarbonCare energy services capabilities. Utilyx has an annualised turnover of £9.6m. The total consideration for the acquisition will be up to £16.4m. Initial consideration of £15.2m was paid in cash on completion and the balance (capped at a maximum additional payment of £1.2m) will be paid in cash, dependent on future business performance.

On 6 December 2011, MITIE acquired a majority stake in the UK's leading access and disability consultancy company Direct Enquiries.

Direct Enquiries has an annualised turnover of £1.4m. The initial consideration was £0.2m, paid in cash on completion, with further options to buy the remaining equity for cash, up to a maximum of £8.3m depending on financial performance over a five year period.

MITIE also increased its stake from 50% to 100% in Service Management International for £1.5m. SMI uses a network of FM service providers in 34 different territories to tender global contracts in which MITIE delivers the UK services.

MITIE's entrepreneurial investment model

In August 2011, MITIE purchased certain minority shareholdings of five MITIE subsidiary companies under their respective articles of association and shareholder agreements in accordance with arrangements under our entrepreneurial investment programme known as the MITIE Model. The total consideration for all five purchases amounted to £14.6m being satisfied by £2.0m in cash and as to the remaining £12.6m by the issue of 5.3m new Ordinary shares of 2.5p each in MITIE Group PLC valued at 238.7 pence per share, being the closing market price per share on 27 July 2011.

Financial information

The financial information set out below does not constitute the Company's statutory accounts for the years ended 31 March 2012 or 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; the reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying the reports and did not contain statements under s498(2) or (3) Companies Act 2006.

Consolidated income statement

For the year ended 31 March 2012

	Notes	2012 Before other items* £m	2012 Other items* £m	2012 Total £m	2011 Before other items* £m	2011 Other items* £m	2011 Total £m
Continuing operations							
Revenue		**2,002.5**	**–**	**2,002.5**	1,891.4	–	1,891.4
Cost of sales		**(1,686.4)**	**–**	**(1,686.4)**	(1,593.5)	–	(1,593.5)
Gross profit		**316.1**	**–**	**316.1**	297.9	–	297.9
Administrative expenses		**(204.4)**	**(10.0)**	**(214.4)**	(189.6)	(18.8)	(208.4)
Operating profit	2	**111.7**	**(10.0)**	**101.7**	108.3	(18.8)	89.5
Investment revenue	4	**0.4**	**–**	**0.4**	0.4	–	0.4
Finance costs	5	**(7.6)**	**–**	**(7.6)**	(3.0)	(0.1)	(3.1)
Net finance costs		**(7.2)**	**–**	**(7.2)**	(2.6)	(0.1)	(2.7)
Profit before tax		**104.5**	**(10.0)**	**94.5**	105.7	(18.9)	86.8
Tax	6	**(24.9)**	**2.5**	**(22.4)**	(26.4)	5.0	(21.4)
Profit for the year		**79.6**	**(7.5)**	**72.1**	79.3	(13.9)	65.4
Attributable to:							
Equity holders of the parent		**79.4**	**(7.5)**	**71.9**	79.1	(13.9)	65.2
Non-controlling interests		**0.2**	**–**	**0.2**	0.2	–	0.2
		79.6	**(7.5)**	**72.1**	79.3	(13.9)	65.4
Earnings per share (EPS)							
– basic	8	**22.6p**	**(2.1)p**	**20.5p**	22.6p	(4.0)p	18.6p
– diluted	8	**22.0p**	**(2.1)p**	**19.9p**	22.2p	(3.9)p	18.3p

* Other items are analysed in Note 3.

Consolidated statement of comprehensive income

For the year ended 31 March 2012

	2012 £m	2011 £m
Profit for the year	**72.1**	65.4
Other comprehensive income/(expense):		
Actuarial losses on defined benefit pension schemes	**(16.3)**	(1.1)
Exchange differences on translation of foreign operations	**(0.5)**	0.5
Gain/(loss) on a hedge of a net investment taken to equity	**0.4**	(0.4)
Cash flow hedges:		
Losses arising during the year	**–**	(1.4)
Reclassification adjustment for (losses)/gains included in profit and loss	**(0.1)**	0.9
Tax credit/(charge) on items taken directly to equity	**3.9**	(0.1)
Other comprehensive expense for the year, net of tax	**(12.6)**	(1.6)
Total comprehensive income for the financial year	**59.5**	63.8
Attributable to:		
Equity holders of the parent	**59.3**	63.6
Non-controlling interests	**0.2**	0.2

Consolidated balance sheet

At 31 March 2012

	2012 £m	2011 £m
Non-current assets		
Goodwill	**347.7**	333.0
Other intangible assets	**65.8**	64.7
Property, plant and equipment	**64.1**	59.3
Interest in joint ventures and associates	**0.4**	–
Financing assets	**9.1**	–
Trade and other receivables	**22.6**	11.6
Deferred tax assets	**9.6**	9.1
Total non-current assets	**519.3**	477.7
Current assets		
Inventories	**5.7**	5.5
Trade and other receivables	**507.1**	470.1
Cash and cash equivalents	**60.8**	130.6
Total current assets	**573.6**	606.2
Total assets	**1,092.9**	1,083.9
Current liabilities		
Trade and other payables	**(461.4)**	(432.9)
Current tax liabilities	**(13.2)**	(16.6)
Financing liabilities	**(5.4)**	(2.6)
Provisions	**(1.2)**	(4.5)
Total current liabilities	**(481.2)**	(456.6)
Net current assets	**92.4**	149.6
Non-current liabilities		
Financing liabilities	**(163.0)**	(204.8)
Provisions	**(4.4)**	(8.2)
Retirement benefit obligation	**(17.3)**	(3.0)
Deferred tax liabilities	**(10.7)**	(13.3)
Total non-current liabilities	**(195.4)**	(229.3)
Total liabilities	**(676.6)**	(685.9)
Net assets	**416.3**	398.0

Consolidated balance sheet

At 31 March 2012

	2012 £m	2011 £m
Equity		
Share capital	**9.0**	8.9
Share premium account	**92.5**	80.6
Merger reserve	**93.6**	85.1
Share-based payments reserve	**5.2**	7.5
Own shares reserve	**(18.3)**	(13.8)
Other reserves	**0.3**	0.2
Hedging and translation reserve	**(0.6)**	(0.4)
Retained earnings	**230.4**	223.8
Equity attributable to equity holders of the parent	**412.1**	391.9
Non-controlling interests	**4.2**	6.1
Total equity	**416.3**	398.0

Consolidated statement of changes in equity

For the year ended 31 March 2012

	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 2010	8.8	76.7	80.3	5.4	(8.1)	0.2	–	192.3	**355.6**	7.8	**363.4**
Total comprehensive income	–	–	–	–	–	–	(0.4)	64.0	**63.6**	0.2	**63.8**
Shares issued	0.1	3.9	4.8	–	–	–	–	–	**8.8**	–	**8.8**
Dividends paid	–	–	–	–	–	–	–	(28.9)	**(28.9)**	(0.2)	**(29.1)**
Purchase of own shares	–	–	–	–	(5.7)	–	–	–	**(5.7)**	–	**(5.7)**
Share-based payments	–	–	–	2.1	–	–	–	1.2	**3.3**	–	**3.3**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(4.8)	**(4.8)**	(1.7)	**(6.5)**
At 31 March 2011	8.9	80.6	85.1	7.5	(13.8)	0.2	(0.4)	223.8	**391.9**	6.1	**398.0**
Total comprehensive income	–	–	–	–	–	–	(0.2)	59.5	**59.3**	0.2	**59.5**
Shares issued	0.2	11.9	8.5	–	–	–	–	–	**20.6**	–	**20.6**
Dividends paid	–	–	–	–	–	–	–	(32.6)	**(32.6)**	(0.2)	**(32.8)**
Purchase of own shares	–	–	–	–	(7.4)	–	–	–	**(7.4)**	–	**(7.4)**
Share buybacks	(0.1)	–	–	–	–	0.1	–	(12.4)	**(12.4)**	–	**(12.4)**
Share-based payments	–	–	–	(2.3)	2.9	–	–	2.3	**2.9**	–	**2.9**
Tax on share-based payment transactions	–	–	–	–	–	–	–	1.0	**1.0**	–	**1.0**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(11.2)	**(11.2)**	(1.9)	**(13.1)**
At 31 March 2012	9.0	92.5	93.6	5.2	(18.3)	0.3	(0.6)	230.4	**412.1**	4.2	**416.3**

Consolidated statement of cash flows

For the year ended 31 March 2012

	2012 £m	2011 £m
Operating profit	**101.7**	89.5
Adjustments for:		
Share-based payment expense	**2.9**	3.3
Defined benefit pension charge	**2.5**	3.5
Amendment to defined benefit pension scheme past service cost	**–**	(4.1)

Defined benefit pension contributions	**(4.5)**	(7.9)
Acquisition related items	**0.9**	–
Depreciation of property, plant and equipment	**18.8**	17.9
Amortisation of intangible assets	**11.1**	10.8
Loss/(gain) on disposal of property, plant and equipment	**0.1**	(0.1)
Operating cash flows before movements in working capital	**133.5**	112.9
Increase in inventories	**(0.1)**	(1.6)
Increase in receivables	**(45.0)**	(70.8)
Increase in payables	**25.6**	62.0
Decrease in provisions	**(3.8)**	–
Cash generated by operations	**110.2**	102.5
Income taxes paid	**(24.4)**	(14.3)
Facility arrangement fee paid	**(2.5)**	–
Interest paid	**(7.5)**	(2.5)
Net cash from operating activities	**75.8**	85.7

Investing activities		
Interest received	**0.4**	0.2
Purchase of property, plant and equipment	**(21.7)**	(21.0)
Purchase of subsidiary undertakings, net of cash acquired	**(23.9)**	(11.8)
Investment in joint ventures and associates	**(0.4)**	–
Investment in financing assets	**(8.4)**	–
Purchase of other intangible assets	**(7.7)**	(5.0)
Disposals of property, plant and equipment	**1.7**	3.0
Net cash outflow from investing activities	**(60.0)**	(34.6)

Financing activities		
Repayments of obligations under finance leases	**(3.1)**	(3.2)
Proceeds on issue of share capital	**9.9**	2.7
Repayments of loan notes on purchase of subsidiary undertakings	**–**	(5.8)
Bank loans repaid	**(39.5)**	(3.7)
Private placement notes raised	**–**	100.2
Purchase of own shares	**(7.4)**	(5.7)
Share buybacks	**(12.4)**	–
Equity dividends paid	**(32.6)**	(28.9)
Non-controlling interests dividends paid	**(0.2)**	(0.2)
Net cash (outflow)/inflow from financing	**(85.3)**	55.4

Net (decrease)/increase in cash and cash equivalents	**(69.5)**	106.5

Net cash and cash equivalents at beginning of the year	**130.6**	23.7
Effect of foreign exchange rate changes	**(0.3)**	0.4
Net cash and cash equivalents at end of the year	**60.8**	130.6
Net cash and cash equivalents comprise:		
Cash at bank	**60.8**	130.6
	60.8	130.6

Reconciliation of net cash flow to movements in net debt	**2012 £m**	2011 £m
Net (decrease)/increase in cash and cash equivalents	**(69.5)**	106.5
Effect of foreign exchange rate changes	**(0.3)**	0.4
Decrease in bank loans	**40.2**	3.2
Private placement notes raised	**–**	(100.2)

Non-cash movement in private placement notes and associated hedges	**(0.3)**	(0.3)
Repayments of loan notes on purchase of subsidiary undertakings	**–**	5.8
Issue of loan notes on purchase of subsidiary undertakings	**–**	(3.9)
Increase in finance leases	**(0.5)**	(1.4)
(Increase)/decrease in net debt during the year	**(30.4)**	10.1

Opening net debt	**(76.5)**	(86.6)
Closing net debt	**(106.9)**	(76.5)

1. Basis of preparation and significant accounting policies

The preliminary announcement is based on the group's financial statements for the year ended 31 March 2012 which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 March 2011.

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

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.

	2012				2011			
	Revenue £m	**Operating profit before other items* £m**	**Margin %**	**Profit before tax £m**	Revenue £m	Operating profit before other items* £m	Margin %	Profit before tax £m
Facilities Management	**937.3**	**61.9**	**6.6**	**60.5**	882.2	56.2	6.4	52.6
Technical Facilities Management	**472.8**	**26.9**	**5.7**	**15.5**	437.1	24.6	5.6	15.5
Property Management	**524.3**	**20.2**	**3.9**	**16.0**	509.7	21.4	4.2	13.0
Asset Management	**68.1**	**2.7**	**4.0**	**2.5**	62.4	2.0	3.2	1.6
	2,002.5	**111.7**	**5.6**	**94.5**	1,891.4	104.2	5.5	82.7
Amendment to defined benefit pension scheme past service cost	**–**	**–**	**–**	**–**	–	4.1	–	4.1
Total	**2,002.5**	**111.7**	**5.6**	**94.5**	1,891.4	108.3	5.7	86.8

* Other items are analysed in Note 3.

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 2012 or 2011.

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

	2012				2011			
	Revenue £m	**Operating profit before other items* £m**	**Margin %**	**Profit before tax £m**	Revenue £m	Operating profit before other items* £m	Margin %	Profit before tax £m
United Kingdom	**1,953.8**	**109.9**	**5.6**	**93.1**	1,866.4	107.3	5.7	86.1
Other countries	**48.7**	**1.8**	**3.7**	**1.4**	25.0	1.0	4.0	0.7
Total	**2,002.5**	**111.7**	**5.6**	**94.5**	1,891.4	108.3	5.7	86.8

* Other items are analysed in Note 3.

3. Other items

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

	2012 £m	2011 £m
Administrative expenses		
Restructuring costs relating to integration of Dalkia FM, EPS Ltd and Dalkia FM in Ireland	**–**	4.8
Restructuring costs of Property Management businesses	**–**	4.8
Acquisition costs	**1.8**	0.3
Deferred consideration not paid	**(0.9)**	–
Amortisation of acquisition related intangibles	**9.1**	8.9
	10.0	18.8
Finance costs		
Unwinding of discount on deferred contingent consideration	**–**	0.1
Other items before tax	**10.0**	18.9
Tax on other items	**(2.5)**	(5.0)
Other items net of tax	**7.5**	13.9

4. Investment revenue

	2012 £m	2011 £m
Interest on bank deposits	**0.4**	0.2
Other interest receivable	**–**	0.2
	0.4	0.4

5. Finance costs

	2012 £m	2011 £m
Interest on bank loans	**2.0**	1.7
Interest on private placement	**3.7**	1.1
Facility fees	**1.5**	0.3
Interest on obligations under finance leases	**0.4**	0.3
(Gain)/loss arising on derivatives in a designated fair value hedge	**(2.8)**	2.7
Loss/(gain) arising on adjustment for the hedged item in a designated fair value hedge	**3.0**	(2.9)
Fair value movement on other derivative financial instruments	**–**	0.1
Unwinding of discount on deferred contingent consideration	**–**	0.1
Total interest expense	**7.8**	3.4
Less: amounts included in the cost of qualifying assets	**(0.2)**	(0.3)
	7.6	3.1

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying an average capitalisation rate of 2.7% (2011: 1.4%) to expenditure on such assets.

6. Tax

	2012 £m	2011 £m
Current tax	**21.5**	15.7
Deferred tax	**0.9**	5.7
	22.4	21.4

Corporation tax is calculated at 26.0% (2011: 28.0%) of the estimated assessable profit for the year.

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

	2012 £m	2011 £m
Profit before tax	**94.5**	86.8
Tax at the UK corporation tax rate of 26.0% (2011: 28.0%)	**24.6**	24.3

Non-taxable items	**(0.3)**	0.8
Impact of changes in statutory tax rates	**(0.6)**	(0.5)
Overseas tax rates	**(0.2)**	–
Prior year adjustments	**(1.1)**	(3.2)
Tax charge for the year	**22.4**	21.4

In addition to the amount charged to the consolidated income statement, tax relating to retirement benefit costs and hedged items amounting to £3.9m has been credited directly to the statement of comprehensive income (2011: charge of £0.1m) and £1.0m (2011: £nil) relating to share-based payments has been credited directly to equity.

7. Dividends

	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2011 of 4.9p (2010: 4.1p) per share	**17.1**	14.5
Interim dividend for the year ended 31 March 2012 of 4.4p (2011: 4.1p) per share	**15.5**	14.4
	32.6	28.9

Proposed final dividend for the year ended 31 March 2012 of 5.2p (2011: 4.9p) per share	**18.4**	17.5

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

8. 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:

	2012 £m	2011 £m
Net profit attributable to equity holders of the parent before other items*	**79.4**	79.1
Other items net of tax*	**(7.5)**	(13.9)
Net profit attributable to equity holders of the parent	**71.9**	65.2

Number of shares	**2012 million**	2011 million
Weighted average number of Ordinary shares for the purpose of basic EPS	**351.5**	350.5
Effect of dilutive potential Ordinary shares: share options	**9.0**	6.4
Weighted average number of Ordinary shares for the purpose of diluted EPS	**360.5**	356.9

	2012 p	2011 p
Basic earnings per share – before other items*	**22.6**	22.6
Basic earnings per share	**20.5**	18.6
Diluted earnings per share – before other items*	**22.0**	22.2
Diluted earnings per share	**19.9**	18.3

* Other items are analysed in Note 3.

The weighted average number of Ordinary shares in issue during the year excludes those accounted for in the own shares reserve.

9. Bid, mobilisation and pre contract costs

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. Costs incurred after that point, but before the commencement of services under the contract, are defined as mobilisation costs. These costs are capitalised and included within trade and other receivables on the balance sheet provided that the costs relate directly to the contract, are separately identifiable, can be measured reliably and that the future net cash inflows from the contract are estimated to be no less than the amounts capitalised.

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

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

Mobilisation costs	**2012 £m**	2011 £m
At 1 April	**15.4**	5.5
Additions	**12.0**	12.5
Amounts recognised in the income statement	**(6.4)**	(2.6)
At 31 March	**21.0**	15.4

Included in current assets	**7.3**	4.6
Included in non-current assets	**13.7**	10.8
	21.0	15.4

10. Analysis of net debt

	2012 £m	2011 £m
Cash and cash equivalents	**60.8**	130.6
Bank loans	**(56.6)**	(96.8)
Private placement notes	**(100.8)**	(97.6)
Derivative financial instruments hedging private placement notes	**–**	(2.9)
Net debt before loan notes and obligations under finance leases	**(96.6)**	(66.7)
Loan notes	**(1.6)**	(1.6)
Obligations under finance leases	**(8.7)**	(8.2)
Net debt	**(106.9)**	(76.5)

11. Acquisitions

During the year a net cash outflow of £23.9m arose on the acquisitions set out below:

	£m
Utilyx Holdings Limited	**14.5**
Direct Enquiries Holdings Limited	**0.2**
Acquisition costs	**1.8**
Non-controlling interests	**2.0**
Deferred consideration	**3.8**
Service Management International Limited	**1.3**
Other	**0.3**
Net cash outflow on acquisitions	**23.9**

Current year acquisitions

Purchase of Utilyx Holdings Limited

On 10 January 2012, MITIE acquired 100% of Utilyx Holdings Limited for total consideration of up to £16.4m. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). Below we provide provisional information on the acquisition:

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	–	4.6	4.6
Deferred tax asset/(liability)	0.2	(0.7)	(0.5)
Trade and other receivables	3.1	(0.4)	2.7
Cash and cash equivalents	0.7	–	0.7
Trade and other payables	(2.7)	(1.2)	(3.9)
Net assets acquired	**1.3**	**2.3**	**3.6**

Goodwill			12.8

Total consideration	**16.4**

Satisfied by	
Cash	15.2
Deferred contingent consideration	1.2
Total consideration	**16.4**

Net cash outflow arising on acquisition	
Cash consideration	15.2
Cash and cash equivalents acquired	(0.7)
Net cash outflow	**14.5**

The goodwill arising on the acquisition of Utilyx Holdings Limited 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.

Provision is made for deferred contingent consideration at the Directors' best estimate of the likely future obligation. Deferred contingent consideration of up to £1.2m, which may become payable before January 2013 subject to certain profit and other targets being attained, is included above.

Purchase of Service Management International Limited
During the period the group increased its stake in Service Management International Limited from 50% to 100% for total cash consideration of £1.5m, which resulted in goodwill of £1.8m.

Purchase of Direct Enquiries Holdings Limited
During the period the group purchased 51% of the share capital of Direct Enquiries Holdings Limited for cash consideration of £0.2m, which resulted in goodwill of £0.3m. There are further options to buy the remaining equity for cash, up to a maximum of £8.3m depending on the financial performance over a five year period.

Purchase of non-controlling interests

	MITIE Cleaning Services Ltd £m	MITIE Engineering Maintenance (Caledonia) Ltd £m	MITIE Landscapes Ltd £m	MITIE Property Services (UK) Ltd £m*	MITIE Transport Services Ltd £m	**Total £m**
Shares issued – MITIE Group PLC	1.9	–	–	9.2	1.5	**12.6**
Cash consideration	0.3	–	1.1	0.5	0.1	**2.0**
Total purchase consideration	2.2	–	1.1	9.7	1.6	**14.6**
Non-controlling interests	0.2	–	0.3	2.7	0.2	**3.4**
Retained earnings	2.0	–	0.8	7.0	1.4	**11.2**
Total recognised in equity	2.2	–	1.1	9.7	1.6	**14.6**

* As disclosed in the Half-yearly report for the six months to 30 September 2011, the purchase of 40,000 B Ordinary shares in the capital of MITIE Property Services (UK) Limited from Kenneth Robson (a relative of Bill Robson, a Director of MITIE) was approved for the purposes of section 190 of the Companies Act 2006 by MITIE shareholders at a General Meeting on 10 November 2011. The acquisition was not reflected in the results to 30 September 2011 as approval was not obtained until after the period end, but it has been included in the results to 31 March 2012 and is therefore included in the above disclosure.

The adoption of IAS 27 'Consolidated and Separate Financial Statements' (revised 2008) in the year ended 31 March 2011 has resulted in the difference between the change in non-controlling interests and the consideration paid being recognised in retained earnings. Prior to adoption of the revised standard this amount was recognised in goodwill.

Acquisition related costs included within other items (Note 3) amounted to £1.8m.

Entities acquired during the year contributed £2.7m to revenue and £0.1m to the group's operating profit before other items for the period. If the acquisitions had taken place at the start of the period, the group's revenue and operating profit before other items would have been approximately £2,011m and £112m respectively.

Prior year acquisitions

Purchase of FM business of Dalkia in Ireland
On 25 June 2010, MITIE acquired 100% of DFM Providers Limited (subsequently renamed MITIE Facilities Management Limited) and Dalkia Energy and Facilities Limited (subsequently renamed MITIE Limited), together Dalkia FM in Ireland, for total consideration of up to €12.5m. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). Below we provide final information on the acquisition. The fair value of net assets acquired has not changed since the provisional information presented in the Annual Report and Accounts 2011.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	8.8	(5.8)	3.0

Deferred tax (liability)/asset	(1.1)	0.4	(0.7)
Trade and other receivables	5.4	(0.4)	5.0
Cash and cash equivalents	1.5	–	1.5
Trade and other payables	(4.9)	(0.8)	(5.7)
Current tax liability	(0.2)	–	(0.2)
Net assets acquired	**9.5**	**(6.6)**	**2.9**

Goodwill	7.7
Total consideration	**10.6**

During the year deferred contingent consideration of £0.9m in respect of the acquisition of Dalkia FM in Ireland was settled in cash due to attainment of certain targets. The remaining £0.9m of deferred contingent consideration was not payable and was recognised in the income statement in accordance with IFRS 3 (revised 2008).