MITIE Group PLC

Preliminary announcement of results for the year ended 31 March 2013

	2013 Headline[1,2]	Headline year on year % change	2013 Statutory
Revenue	**£1,980.6m**	+8.4	£2,120.5m
Operating profit before other items	**£122.0m**	+8.3	n/a
Profit before tax	**£111.1m**	+5.4	£58.8m
Operating profit margin before other items	**6.2%**	nil	n/a
Basic earnings per share	**23.7p**	+3.9	12.3p
Dividend per share	**10.3p**	+7.3	10.3p

Excellent progress through a focus on markets that offer organic growth, long-term contracts and improved margins

Strong headline financial performance

- Organic headline revenue growth of 5.0%
- We are exiting our cyclical mechanical and electrical engineering contracting businesses, which generated margins well below the group average – business closure costs of £22.1m were incurred, with no further material costs expected
- Excellent conversion of EBITDA to cash of 125.7% (headline cash conversion is 108.7%), well above stated long-term KPI of 80% (2012: 83.7%)
- Net debt at 31 March 2013 of £192.2m or 1.8x statutory EBITDA (2012: £106.9m, 0.8x EBITDA)
- Total dividend for the year up 7.3% to 10.3 pence per share (2012: 9.6 pence per share)

Integrated facilities management driving strong organic growth

- Successfully mobilised our integrated facilities management contract for Lloyds Banking Group, which, at £775m over five years, is one of the biggest private sector facilities management contracts in the UK
- Awarded significant new contracts throughout the year, including with BSkyB and Ladbrokes, as well as property management contracts for London Borough of Hammersmith & Fulham and Golding Homes

Well positioned for growth

- The acquisition of Enara for £110.8m is an ideal entry point to grow within the wider healthcare market. The integration is going well, with the business performing ahead of expectations
- Comprehensive energy proposition supports every key energy issue faced by our clients, with a focus on higher margin consultancy following the integration of our Utilyx acquisition
- Robust balance sheet and strong financial position will support growth and enable further strategic acquisitions
- Strong growth in order book – up 7.0% or £0.6bn to £9.2bn (2012: £8.6bn)
- 85% of 2013/14 budgeted revenue secured (prior year: 83%)
- Pipeline of potential bid activity remains buoyant at £8.7bn

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

“We have had another good year with success in achieving organic growth driven by new and expanded contracts, as well as completing a strategic acquisition in healthcare. Whilst the economic environment remains challenging, we have reshaped the business to focus on long-term facilities management opportunities, as well as higher margin healthcare provision and energy consulting, all of which will support our growth aspirations.

“We expect outsourcing opportunities will continue to grow, with a trend towards more clients seeking to access integrated services. We are positioned to build further on our long track record of sustainable profitable growth.”

[1] The 2012 headline results have been re-presented to show the results of businesses being exited within other items.

[2] Headline results exclude other items. Other items comprised acquisition related and integration costs of £6.9m (2012: £0.9m), restructuring costs of £10.2m (2012: £nil) and the amortisation of acquisition related intangible assets of £10.0m (2012: £9.1m). They also include the results of the businesses being exited, with revenue of £139.9m (2012: £176.2m), a trading loss of £3.1m (2012: £0.9m loss) and business closure costs of £22.1m (2012: £nil).

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MITIE will be presenting its preliminary results for the period ended 31 March 2013 at 09.30 on Monday 20 May 2013. 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 2013 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 9 July 2013 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

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

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

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

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

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

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

Results

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

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

We have committed bank facilities of £250m until September 2015 along with £252m equivalent of US Private Placement debt. In December 2012 we completed an issue of US Private Placement loan notes with institutional investors for a sterling equivalent value of £151.5m. Both of these facilities leave us in a strong position to take advantage of value-creating acquisition opportunities as they arise.

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

Dividend

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

Board and corporate governance

Corporate governance remains an important and committed area of focus for the Board. The priorities in 2013 were the continued execution of our growth strategy, the ongoing review of performance and risk and the composition of the Board.

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

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

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

Outlook

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

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

[1]Headline results exclude restructuring and acquisition related items and the results of businesses being exited (termed 'other items', see Note 3). 2012 headline results have been re-presented to exclude the results of businesses being exited which are now included within other items.

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Marketplace and operating review

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

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

A challenging environment

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

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

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

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

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

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

Divisional performance summary

Facilities Management	**2013 Headline***	2012 Headline*	Growth
Revenue	**£1,542.8**	£1,407.7m	+9.6%
Operating profit	**£96.3m**	£88.6m	+8.7%
Operating profit margin	**6.2%**	6.3%	-0.1pp
Property Management	**2013 Headline***	2012 Headline*	Growth
Revenue	**£348.9m**	£348.1m	+0.2%
Operating profit	**£21.3m**	£21.1m	+0.9%
Operating profit margin	**6.1%**	6.1%	+0.0pp
Healthcare	**2013 Headline***	2012 Headline*	Growth
Revenue	**£43.0m**	n/a	n/a
Operating profit	**£5.7m**	n/a	n/a
Operating profit margin	**13.3%**	n/a	n/a
Energy Solutions	**2013 Headline***	2012 Headline*	Growth
Revenue	**£45.9m**	£70.5m	-34.9%
Operating profit	**£(1.3)m**	£2.9m	-144.8%
Operating profit margin	**-2.8%**	4.1%	-6.9pp

* Headline results exclude restructuring and acquisition related items and the results of businesses being exited (termed “other items”, see Note 3). 2012 headline results have been re-presented to exclude the results of businesses being exited which are now included within other items.

Facilities Management

Our role is to help clients become more efficient and effective by taking responsibility for their facilities, their energy needs and many of the people who deliver those services. We provide a wide range of FM services across the UK, Ireland and Europe. These are delivered as integrated FM contracts, in bundles or as single services, depending on client requirements.

Our specialist services include:

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

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

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

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

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

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

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

Integrated FM

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

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

Property Management

We provide a wide range of services that help our clients reduce the cost and improve the effectiveness of the way that their buildings are managed, refurbished and maintained. Property Management (PM) is a key competence for MITIE and we have a long track record of delivering effective, efficient services including:

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

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

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

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

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

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

Healthcare

We provide high quality homecare in the UK, delivering a wide range of services to people who require help and support due to illness, disability or infirmity. Our core homecare capability includes help with personal hygiene and dressing needs as well as assistance with preparations for sleep and also first thing in the morning. In addition, we provide:

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

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

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

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

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

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

Energy Solutions

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

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

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

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

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

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

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

* Utilyx research

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.

Client	Contract	Timeframe	Total value
Manufacturing			
International beverage company	Awarded a new contract to deliver integrated facilities management	5 years	£70m
Food manufacturer	Awarded a facilities management contract delivering a range of bundled services	3 years	£45m
Vauxhall	Expanded an existing contract to provide technical facilities management covering Vauxhall's three major UK sites	5 years	£20m
Procter and Gamble	Cleaning and environmental services	3 years	£7.5m
Retail			
Ladbrokes	Awarded a multi-service facilities management contract for Ladbrokes national retail portfolio of 2,200 branches and head office in west London. Services include mechanical and electrical engineering maintenance, cleaning, waste and pest control	3 years + 2 years	£37m - £61m
Co-operative Group Limited	Added to our existing work with the Co-op delivering nationwide cleaning and environmental services, with a contract to provide a full catering service including hospitality, the staff restaurant and vending machines	3 years	£5m
Finance and professional services			
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.	5 years + 1 year	£775m - £930m
RBS	Awarded a new contract to provide front of house services	5 years	ND
Citi	Retained a security contract	3 years	£13m
J.P. Morgan	Awarded a new contract to provide cleaning, waste and environmental services at J.P. Morgan's UK office portfolio	3 years	£10m
Santander	Renewed a contract to provide technical facilities management at Santander's data centres	2 years	£6m
BNP Paribas	Awarded a contract to deliver technical facilities management for BNP Paribas' Real Estate Advisory and Property Management business in the UK	3 years	£5m

Clifford Chance LLP	Renewed a contract for cleaning and environmental services	3 years	£4m
Linklaters	Retained a contract to deliver a range of business services	3 years	£3m
Technology and communications			
BSkyB	Awarded a new contract to provide integrated facilities management across BSkyB's UK estate	5 years	£100m
Hewlett Packard	Awarded a contract to deliver a range of security services	5 years	£4.5m
DX Group	Awarded a contract providing technical facilities management	3 years	£4m
Transport			
Network Rail	Awarded a contract to supply a new Sentinel ID and competency management system	5 years	£5m
Local government			
London Borough of Hammersmith & Fulham	Our painting business will deliver a borough-wide cyclical planned maintenance programme, comprising external and communal decorative repairs and redecorations for over 7,500 homes	3 years	£30m
Scottish Government	Expanded a contract to provide integrated facilities management to the Government and its collaborative partners	5 years	£30m
City of London Corporation	Awarded a technical facilities management contract which covers 600 buildings and structures across London sites	5 years	£26m
Glasgow City Council	Awarded a contract to deliver a range of security services	18 months	£3m
Bristol City Council	Awarded a new contract to provide CCTV monitoring operators, which monitor all public areas in Bristol's housing estates via the Council's control room	3 years	ND
Social housing			
London Borough of Hammersmith & Fulham	Appointed preferred bidder for a housing repairs and maintenance contract	10 years	£177m
Golding Homes Housing Association	Awarded a repair and maintenance contract to support the housing association's upkeep of 6,000 properties across Kent, delivering gas maintenance, responsive repairs, void reinstatements and planned works	10 years	£70m - £120m
A2Dominion	Partnership to deliver reactive maintenance for 18,000 properties in Staines, Solent area, Oxford and Kent	10 years + 5 years	£28m estimated
Southampton City Council	Social housing contract as part of a housing refurbishment project to deliver services including asbestos management; bathroom upgrades; boiler and system replacements; disabled adaptations; electrical testing and inspection; kitchen upgrades; and rewiring	3 years	£12m estimated
Clackmannanshire District Council	Awarded a contract to install new bathrooms in its social housing estate	3 years	£8m
Wandle Housing Association	Repairs and maintenance contract for kitchens, bathrooms and electrical works	2 years	£6m
Norwich City Council	Exterior painting for social housing	5 years	£4m
Healthcare			
Nottinghamshire Healthcare	Technical facilities management contract	5 years	£11m
East Hull Primary Care Trust	Cleaning and environmental services	5 years	£5m
Kings Health Partners	Waste management services	3 years	£3m
University Hospital Southampton NHS Foundation Trust	Awarded a new contract to deliver total security management at the hospital, including a bespoke security awareness training programme	3 years	ND
Central and other government			
House of Commons	Awarded a contract to provide mechanical and electrical engineering installation services	2 years	£16m
Department for International Development	Retained and expanded a security contract	3 years	£3.5m

ND = Not disclosed

Financial Review

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

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

Financial performance

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

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

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

Revenue

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

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

Headline[1] operating profit

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

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

Other items

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

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

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

Finance costs

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

Profit before tax

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

Taxation

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

Profit after tax

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

Earnings per share

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

Dividend

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

times headline[1] earnings per share. The final dividend proposed by the Board has increased by 9.6% to 5.7p per share (2012: 5.2p per share).

Cash flow, funding and liquidity

MITIE places significant emphasis on the management of its cash flow and the maintenance of strong financing facilities. The gearing of the group has remained low and net debt at 31 March 2013 was £192.2m (2012: £106.9m), representing a net debt to EBITDA ratio of 1.8 (2012: 0.8). MITIE has a diverse range of secure funding facilities, with committed banking facilities of £250m which are available until September 2015, and a mix of US private placement loan notes, including the issue completed on 13 December 2012 with institutional investors. These notes have a total value of £151.5m, with £25m of notes denominated in sterling and fixed at an interest rate of 3.87% maturing in December 2022, £30m of notes denominated in sterling and fixed at an interest rate of 4.04% maturing in December 2024 and £96.5m of notes denominated in US dollars ($153m) maturing in December 2022. The US dollar denominated private placement proceeds have been swapped into sterling debt fixed at an average interest rate of 4.0%. The proceeds were used to repay the bridge debt facilities of £150m, which were drawn down in October 2012 in order to complete the acquisition of Enara. These facilities were provided by existing lenders to the group. The group also has further overdraft facilities of £40m.

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

Key performance indicators (KPIs)

MITIE uses a set of financial and non-financial KPIs to measure and communicate critical aspects of our performance. Our financial KPIs are focused on the level and quality of our earnings and cash flows, the control of capital expenditure and the sustainability of dividends, all of which align with our strategic objective of achieving sustainable profitable growth. We have again performed strongly against these measures this year with 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 £29.9m (2012: £17.3m).

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

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

From 1 April 2013, the group will apply the new accounting standard IAS 19R ('Employee Benefits'). The change will principally require pension interest return to be calculated using the value of scheme assets multiplied by the discount rate rather than the expected rate of asset return. When the results for the year ending 31 March 2014 are published, comparative information for the year ended 31 March 2013 will be restated on a revised IAS 19 basis, which will result in a total pension cost of £5.4m and therefore a reduction in profit before tax of £2.5m. It is estimated that the total pension cost relating to defined benefit schemes recognised in the income statement for the year ended 31 March 2014 will be approximately £7m on a revised IAS 19 basis. This is an increase of £1.6m on the restated 2013 total pension cost of £5.4m, and an increase of £4.1m on the reported 2013 total pension cost of £2.9m. This is a non-cash charge and has no impact on cash flow or on the pension deficit.

Acquisitions

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

On 31 July 2012, MITIE acquired a 51% stake in one of the UK's leading independent events and leisure catering companies, Creativevents Limited ('Creativevents'), from the management team. Creativevents provides catering and hospitality services to a broad range of clients in the exhibition, sporting, festival, culture and heritage sectors as well as events and outdoor catering. The initial consideration payable was £5.2m paid in cash on completion and a further £0.3m of deferred consideration paid in the year. The earn-out of the remaining 49% stake will bring total consideration payable to a maximum of £12.0m, which is dependent on long-term performance.

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

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

MITIE's entrepreneurial investment model

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

[1] Headline results exclude restructuring and acquisition related items and the results of businesses being exited (termed "other items", see Note 3). 2012 headline results have been re-presented to exclude the results of businesses being exited which are now included within other items.

Consolidated income statement

For the year ended 31 March 2013

	Notes	2013 Headline £m	2013 Other Items[1] £m	2013 Total £m	2012 Headline[2] £m	2012 Other Items[1,2] £m	2012 Total £m
Continuing operations							
Revenue		**1,980.6**	**139.9**	**2,120.5**	1,826.3	176.2	2,002.5
Cost of sales		**(1,670.6)**	**(132.3)**	**(1,802.9)**	(1,539.8)	(146.6)	(1,686.4)
Gross profit		**310.0**	**7.6**	**317.6**	286.5	29.6	316.1
Administrative expenses		**(188.0)**	**(59.9)**	**(247.9)**	(173.9)	(40.5)	(214.4)
Operating profit	2	**122.0**	**(52.3)**	**69.7**	112.6	(10.9)	101.7
Investment revenue	4	**0.5**	**–**	**0.5**	0.4	–	0.4
Finance costs	5	**(11.4)**	**–**	**(11.4)**	(7.6)	–	(7.6)
Net finance costs		**(10.9)**	**–**	**(10.9)**	(7.2)	–	(7.2)
Profit before tax		**111.1**	**(52.3)**	**58.8**	105.4	(10.9)	94.5
Tax	6	**(26.3)**	**11.8**	**(14.5)**	(25.1)	2.7	(22.4)
Profit for the year		**84.8**	**(40.5)**	**44.3**	80.3	(8.2)	72.1
Attributable to:							
Equity holders of the parent		**84.6**	**(40.5)**	**44.1**	80.1	(8.2)	71.9
Non-controlling interests		**0.2**	**–**	**0.2**	0.2	–	0.2
		84.8	**(40.5)**	**44.3**	80.3	(8.2)	72.1
Earnings per share (EPS)							
– basic	8	**23.7p**	**(11.4)p**	**12.3p**	22.8p	(2.3)p	20.5p
– diluted	8	**23.0p**	**(11.0)p**	**12.0p**	22.2p	(2.3)p	19.9p

1 Other items are restructuring and acquisition related costs and also include the results of businesses being exited. These are analysed in Note 3.
2 Re-presented to include the results of businesses being exited within other items.

Consolidated statement of comprehensive income

For the year ended 31 March 2013

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

Consolidated balance sheet

At 31 March 2013

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

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

Non-controlling interests	**3.8**	4.2
Total equity	**405.3**	416.3

Consolidated statement of changes in equity

For the year ended 31 March 2013

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

Consolidated statement of cash flows

For the year ended 31 March 2013

	2013 £m	2012 £m
Operating profit	**69.7**	101.7
Adjustments for:		
Share-based payment expense	**2.5**	2.9
Defined benefit pension charge	**2.9**	2.5
Defined benefit pension contributions	**(4.1)**	(4.5)
Acquisition related items	**3.2**	0.9
Depreciation of property, plant and equipment	**20.4**	18.8
Amortisation of intangible assets	**14.1**	11.1
(Gain)/loss on disposal of property, plant and equipment	**(2.6)**	0.1
Operating cash flows before movements in working capital	**106.1**	133.5
Increase in inventories	**(1.0)**	(0.1)
Decrease/(increase) in receivables	**16.7**	(45.0)
Increase in payables	**11.4**	25.6
Decrease in provisions	**(2.2)**	(3.8)
Cash generated by operations	**131.0**	110.2
Income taxes paid	**(21.6)**	(24.4)
Facility arrangement fee paid	**–**	(2.5)
Interest paid	**(9.6)**	(7.5)

Acquisition costs	**(3.2)**	(1.8)[1]
Net cash from operating activities	**96.6**	74.0
Investing activities		
Interest received	**0.3**	0.4
Purchase of property, plant and equipment	**(30.0)**	(21.7)
Purchase of subsidiary undertakings, net of cash acquired	**(117.0)**	(22.1)[1]
Investment in joint ventures and associates	**–**	(0.4)
Investment in financing assets	**(13.0)**	(8.4)
Purchase of other intangible assets	**(5.8)**	(7.7)
Disposals of property, plant and equipment	**23.4**	1.7
Net cash outflow from investing activities	**(142.1)**	(58.2)
Financing activities		
Repayments of obligations under finance leases	**(4.1)**	(3.1)
Proceeds on issue of share capital	**8.5**	9.9
Settlement of loan notes on purchase of subsidiary undertakings	**(0.6)**	–
Bank loans repaid	**(38.4)**	(39.5)
Private placement notes raised	**151.5**	–
Purchase of own shares	**(6.6)**	(7.4)
Share buybacks	**–**	(12.4)
Equity dividends paid	**(34.9)**	(32.6)
Non-controlling interests dividends paid	**(0.1)**	(0.2)
Net cash inflow/(outflow) from financing	**75.3**	(85.3)
Net increase/(decrease) in cash and cash equivalents	**29.8**	(69.5)
Net cash and cash equivalents at beginning of the year	**60.8**	130.6
Effect of foreign exchange rate changes	**0.2**	(0.3)
Net cash and cash equivalents at end of the year	**90.8**	60.8
Net cash and cash equivalents comprise:		
Cash at bank	**90.8**	60.8
	90.8	60.8

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

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

1. Basis of preparation and significant accounting policies

Basis of preparation

The preliminary announcement is based on the group's financial statements for the year ended 31 March 2013 which have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 2012.

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.

The financial information set out in the preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 March 2013 or 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 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.

2. Business and geographical segments

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

Business segments – structure during the year

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

[1] Headline revenue and operating profit exclude other items which are analysed in Note 3.
[2] Re-presented to exclude the results of businesses being exited, see Note 3.
[3] This includes restructuring costs relating to the integration of Creativevents and Enara of £3.7m (2012: £nil), acquisition costs of £3.2m (2012: £0.9m) and the amortisation of acquisition related intangibles of £10.0m (2012: £9.1m), see Note 3.

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

Business segments – structure from 1 April 2013

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

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

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

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

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

[1] Headline revenue and operating profit exclude other items which are analysed in Note 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 2013 or 2012.

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

Geographical segments

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

[1] Headline revenue and operating profit exclude other items which are analysed in Note 3.
[2] Re-presented to exclude the results of businesses being exited, see Note 3.

3. Other items

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

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

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

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

	2013			2012		
	Restructuring and acquisition related costs £m	**Businesses being exited £m**	**Other items £m**	Restructuring and acquisition related costs £m	Businesses being exited[1] £m	Other items £m
Trading losses	**–**	**(3.1)**	**(3.1)**	–	(0.9)	(0.9)

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

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

4. Investment revenue

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

5. Finance costs

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

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying an average capitalisation rate of 3.2% (2012: 2.7%) to expenditure on such assets.

6. Tax

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

Corporation tax is calculated at 24.0% (2012: 26.0%) of the estimated assessable profit for the year.

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

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

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

7. Dividends

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

Proposed final dividend for the year ended 31 March 2013 of 5.7p (2012: 5.2p) per share	**20.6**	18.4

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

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:

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

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

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

1 Items excluded from headline operating profit are analysed in Note 3.
2 The net headline profit attributable to equity holders of the parent has been re-presented for the year ended 31 March 2012 to exclude the results of the businesses being exited.

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

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	**2013 £m**	2012 £m
At 1 April 2012	**21.0**	15.4
Additions	**9.6**	12.0
Amounts recognised in the income statement	**(7.4)**	(6.4)
At 31 March 2013	**23.2**	21.0

Included in current assets	**9.0**	7.3
Included in non-current assets	**14.2**	13.7
	23.2	21.0

10. Provisions

	Deferred contingent consideration £m	Insurance reserve £m	**Total £m**
At 1 April 2012	1.2	4.4	**5.6**
Amounts recognised in the income statement	–	0.4	**0.4**
Deferred contingent consideration settled during the period	(1.4)	–	**(1.4)**
Utilised within the captive insurance subsidiary	–	(2.6)	**(2.6)**
Amounts recognised through goodwill	0.3	–	**0.3**
Amounts recognised through equity (arising from transactions with Non-controlling interests)	7.9	–	**7.9**
At 31 March 2013	8.0	2.2	**10.2**

Included in current liabilities	**1.4**
Included in non-current liabilities	**8.8**
	10.2

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2011	4.5	8.2	12.7
Amounts recognised in the income statement	(0.9)	(1.1)	(2.0)
Deferred contingent consideration settled during the period	(3.8)	–	(3.8)
Utilised within the captive insurance subsidiary	–	(2.7)	(2.7)
Amounts recognised through goodwill	1.4	–	1.4
At 31 March 2012	1.2	4.4	5.6

Included in current liabilities	1.2
Included in non-current liabilities	4.4
	5.6

The provision for insurance claims represents amounts payable by MITIE Reinsurance Company Limited in respect of outstanding claims incurred at the balance sheet dates.

11. Analysis of net debt

	2013 £m	2012 £m
Cash and cash equivalents	**90.8**	60.8
Bank loans	**(18.8)**	(56.6)
Private placement notes	**(261.3)**	(100.8)
Derivative financial instruments hedging private placement notes	**3.6**	–
Net debt before loan notes and obligations under finance leases	**(185.7)**	(96.6)
Loan notes	**–**	(1.6)
Obligations under finance leases	**(6.5)**	(8.7)
Net debt	**(192.2)**	(106.9)

12. Acquisitions

During the year a net cash outflow of £117.0m arose on the acquisitions set out below:

	£m
Enara Group Limited	**110.8**
Creativevents Limited	**2.9**
Dalkia FM in Norway	**1.1**
Non-controlling interests	**1.4**
Utilyx deferred consideration	**1.2**
Change in deferred contingent consideration for subsidiaries acquired prior to 31 March 2010	**(0.9)**
Other	**0.5**
Net cash outflow on acquisitions	**117.0**

Current year acquisitions

Entities acquired during the year contributed £57.1m to revenue and £6.4m to the group's headline operating profit for the period. If the acquisitions had taken place at the start of the period, the group's headline revenue and operating profit would have been approximately £2,035m and £128m respectively.

The goodwill arising on the acquisitions is attributable to the underlying profitability of the companies in the acquired group, expected profitability arising from new business and the anticipated future operating synergies arising from assimilation into MITIE. None of the goodwill recognised is expected to be deductible for income tax purposes.

IAS 27 'Consolidated and Separate Financial Statements' (revised 2008) requires transactions with non-controlling interests to be accounted for within equity. As a result, the difference of £13.6m between the consideration paid for the purchase of non-controlling interests during the year and the change in non-controlling interests is recognised in retained earnings, along with £6.5m of earnout deferred consideration in respect of the acquisition of Creativevents Limited. Prior to adoption of the revised standard in the year ended 31 March 2011 these amounts would have been recognised in goodwill.

Purchase of Enara Group Limited

On 9 October 2012, MITIE acquired Enara Group Limited ("Enara"), from August Equity LLP and Enara's senior management team, for a total consideration of £110.8m on a cash and debt free basis. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). Below we provide provisional information on the acquisition:

	Fair value £m
Net assets acquired	
Intangible assets	28.5
Property, plant and equipment	0.3
Deferred tax liability	(5.0)
Trade and other receivables	11.3
Cash and cash equivalents	4.9
Trade and other payables	(17.9)
Net assets acquired	**22.1**
Goodwill	93.6
Total consideration	**115.7**
Satisfied by	
Cash	115.7
Total consideration	**115.7**
Net cash outflow arising on acquisition	
Cash consideration	115.7
Cash and cash equivalents acquired	(4.9)
Net cash outflow	**110.8**

Purchase of Creativevents Limited

On 31 July 2012, MITIE acquired a 51% stake in one of the UK's leading independent events and leisure catering companies, Creativevents Limited ('Creativevents'). The initial consideration payable was £5.2m paid in cash on completion, with an additional £0.3m settled in cash in the period. The earn-out of the remaining 49% stake will bring total consideration payable to a maximum of £12.0m, which is dependent on long-term performance. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). Below we provide provisional information on the acquisition:

	Fair value £m
Net assets acquired	
Intangible assets	1.9
Property, plant and equipment	1.1
Deferred tax liability	(0.3)
Trade and other receivables	3.5
Cash and cash equivalents	2.6
Trade and other payables	(8.4)
Net assets acquired	**0.4**
Non-controlling interest	(0.2)
Goodwill	5.3

Total consideration	**5.5**

Satisfied by	
Initial cash consideration	5.2
Deferred contingent consideration cash settled in the period	0.3
Total cash consideration	**5.5**

Net cash outflow arising on acquisition	
Cash consideration	5.5
Cash and cash equivalents acquired	(2.6)
Net cash outflow	**2.9**

Earnout deferred consideration of £6.5m is also provided at the Directors' best estimate of the likely future obligation, which in all likelihood will become payable up to 2017 subject to certain profit targets being attained. This is recognised via equity and is included within Provisions in Note 10.

Purchase of Dalkia FM in Norway

On 7 June 2012, MITIE acquired the facilities management business of Dalkia Energy & Technical Services AS ('Dalkia FM') in Norway. MITIE has acquired the FM contracts and the majority of the employees of Dalkia FM for a total cash consideration of NOK 10.0m (£1.1m).

Purchase of non-controlling interests

	MITIE Client Services Ltd £m	MITIE Pest Control (London) Ltd £m	MITIE Security Holdings Ltd £m	**Total £m**
Shares issued – MITIE Group PLC	2.3	1.7	7.9	**11.9**
Cash consideration	0.2	0.4	0.8	**1.4**
Deferred contingent consideration	–	–	1.4	**1.4**
Total purchase consideration	2.5	2.1	10.1	**14.7**
Non-controlling interests	0.6	0.4	0.1	**1.1**
Retained earnings	1.9	1.7	10.0	**13.6**
Total recognised in equity	2.5	2.1	10.1	**14.7**

Prior year acquisitions

Purchase of Utilyx Holdings Limited

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

	Fair value £m
Net assets acquired	
Intangible assets	4.6
Deferred tax liability	(0.5)
Trade and other receivables	3.0
Cash and cash equivalents	0.7
Trade and other payables	(4.4)
Net assets acquired	**3.4**
Goodwill	13.0
Total consideration	**16.4**

Satisfied by	
Cash consideration settled in prior period	15.2
Deferred contingent consideration settled in cash in the period	1.2
Total consideration	**16.4**

Deferred contingent consideration of £1.2m was paid in the period due to the attainment of agreed profit targets.