6 June 2024
Mitie Group plc

Full year results for the year ended 31 March 2024

A record year of delivery
Revenue +11%; Operating profit +30%; EPS +29%

Highlights

- **Mitie's strong track record** of delivery continues: all medium-term targets met or significantly exceeded in FY24
- **Record revenue**[1], up 11% to £4,511m (FY23: £4,055m), reflecting growth in Key Accounts (including net wins and re-pricing), Projects upsell and M&A (despite the completion of certain short-term public sector contracts)
- **Total contract value** (TCV) of £6.2bn wins/renewals (FY23: £4.3bn); 79% renewals rate (FY23: >90%) reflects the loss of two notable contracts; 137% book to bill ratio[4]
- **Operating profit before other items**[2,3] up 30% to £210m (FY23: £162m)
- **Operating profit margin**[3] before other items up 0.7ppt to 4.7% (FY23: 4.0%)
- **Basic EPS before other items** up 29% to 12.3p (FY23: 9.5p), reflecting the increase in operating profit, reduction in net finance costs and benefit from share buybacks, partially offset by a higher corporation tax rate
- **Operating profit** of £166m (FY23: £117m) and basic EPS of 9.8p (FY23: 6.8p); Other items of £44m (FY23: £45m) include costs to deliver margin enhancement initiatives and non-cash acquisition-related items
- **Strong free cash flow generation** of £158m (FY23: £66m), reflecting growth in operating profit and an in-year benefit from working capital process improvements of c.£25m
- **Closing net debt** of £81m (FY23: £44m), reflecting positive free cash flow generation, offset by acquisitions and ongoing shareholder returns
- **Strong balance sheet** with leverage of 0.6x average net debt/EBITDA[5] (FY23: 0.4x)
- **Recommended final dividend** of 3.0p per share; total dividend up 38% to 4.0p per share (FY23: 2.9p)
- **Share buyback** programme for £50m commenced in April; 7m shares purchased to date at 119p average price
- **Robust total order book**[4] **and pipeline** of £11.4bn (FY23: £9.7bn) and £18.6bn (FY23: £14.7bn), respectively, underpinning future growth in Key Accounts and Projects
- **New Facilities Transformation Three-Year Plan** (FY25 – FY27) has commenced with good momentum; we are confident in delivering our medium-target targets and achieving our growth expectations for the year

	Twelve months to 31 March 2024			Twelve months to 31 March 2023		
£m unless otherwise specified	Before other items[2,5]	Other items[2]	Total	Before other items[2,5]	Other items[2]	Total
Revenue (including share of JVs & associates)	**4,510.7**	**-**	**4,510.7**	4,055.1	-	4,055.1
Group revenue	**4,445.2**	**-**	**4,445.2**	3,945.0	-	3,945.0
Operating profit/(loss)[3]	**210.2**	**(44.5)**	**165.7**	162.1	(45.1)	117.0
Operating profit margin[3]	**4.7%**	**-**	**3.7%**	*4.0%*		2.9%
Profit/(loss) before tax	**200.8**	**(44.5)**	**156.3**	150.6	(45.1)	105.5
Profit/(loss) for the period	**162.9**	**(32.0)**	**130.9**	128.0	(36.9)	91.1
Basic earnings per share	**12.3p**		**9.8p**	9.5p		6.8p
Dividend per share			**4.0p**			2.9p
Cash generated from operations			**227.9**			116.9
Free cash inflow[5]			**157.6**			65.7
Average daily net debt[5]			**160.7**			84.3
Closing net debt[5]			**80.8**			44.1
Total order book[4]			**£11.4bn**			£9.7bn
Return on invested capital[5]			**26.4%**			25.4%

1. *Including share of joint ventures (JVs) and associates.*
2. *Other items are described in Note 4 to the condensed consolidated financial statements. In FY24 £24.8m relates to non-cash amortisation of acquired intangible assets (FY23: £21.4m).*
3. *Operating profit includes share of profit after tax from JVs and associates. Operating profit margin is operating profit as a percentage of revenue including share of JVs and associates.*
4. *Total order book includes secured fixed term contract work, variable (including estimated variable work) and project work. Book to bill ratio is the relationship between orders received during the year and revenue recognised for the year. Both measures reflect an uplift of £0.5bn arising from the consolidation of Landmarc.*
5. *Performance before other items, net debt, free cash inflow, EBITDA and return on invested capital are presented as Alternative Performance Measures. Explanations as to why these measures are presented, and reconciliations to the equivalent statutory measures, are set out in the Appendix to the condensed consolidated financial statements.*

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Commenting on the year and the outlook, Phil Bentley, Group Chief Executive, said:

"We are pleased with our strong performance in FY24, having delivered record revenue, operating margin expansion and a good return on invested capital. Mitie is a cash generative business with a robust balance sheet, and we are committed to investing in accelerated growth, as well as returning surplus funds to shareholders via share buybacks.

"Our divisions are all performing well, with Technical Services, Central Government & Defence and Communities delivering double digit revenue growth, and Business Services more than replacing all of the revenue from certain short-term public sector contracts.

"As a result of this positive outturn, we have met or significantly exceeded all of the financial targets set out in the previous Three-Year Plan (FY22 – FY24), and this has been reflected in Mitie's Total Shareholder Return over the period (80% TSR; #10 in FTSE 250).

"We have now started to execute our new Facilities Transformation Three-Year Plan (FY25 – FY27), through which we expect to accelerate growth and extend Mitie's market leadership position. Our confidence in achieving this is underpinned by a record £19bn pipeline of opportunities, through which we will add further Key Accounts and deliver transformational Projects in higher growth categories, as well as by strategic M&A, which will add to our existing Projects capabilities.

"We have secured a number of new contracts and projects in the fourth quarter of FY24 and first quarter of FY25, which give us good business momentum and we expect to offset, in the medium-term, the contracts lost and ending in FY24. Margin enhancement initiatives are also expected to deliver further benefits in the current year, and we will continue to generate strong cash flows and enhanced shareholder returns.

"My appreciation goes to our 68,000 colleagues. Through their hard work, allied to our technology-led approach, Mitie is transforming the built environment and the lived experience for thousands of public and private sector customers and their colleagues.

"FY25 will be another year of delivery towards our medium-term targets and meeting our high single digit revenue growth expectations for the year."

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Analyst Presentation and Q&A

Phil Bentley (CEO) and Simon Kirkpatrick (CFO) will host a presentation and Q&A session today (6 June 2024) at 9.30am at The Shard and via a webcast. For dial in details please contact kate.heseltine@mitie.com. A copy of the presentation will be available on the company website in advance of the live presentation, www.mitie.com/investors.

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About Mitie

Founded in 1987, Mitie employs 68,000 colleagues and is the leading technology-led Facilities Transformation company in the UK. We are a trusted partner to around 3,000 blue chip customers across the public and private sectors, working with them to transform their built estates, and the lived experience for their colleagues and customers, as well as providing data-driven insights to inform better decision-making.

In each of our core services of Engineering (Hard Services) and Security and Cleaning & Hygiene (Soft Services) we hold market leadership positions. We also upsell Projects capabilities in the areas of building fitouts and modernisation, decarbonisation, fire & security, and telecoms infrastructure. Our sector expertise includes Central Government, Critical National Infrastructure, Defence, Financial Services, Healthcare & Life Sciences, Local Government & Education, Retail & Logistics and Transport & Aviation.

Over the previous Three-Year Plan (FY22 – FY24) Mitie delivered a Total Shareholder Return (TSR) of 80% (#10 in FTSE 250). Our new Facilities Transformation Three-Year Plan (FY25 – FY27) will extend Mitie's market leadership position through accelerated growth and deliver enhanced shareholder returns.

We hold industry-leading ESG credentials, including a place on the CDP Climate change A List, and in the past 12 months we have received multiple industry awards including B2B Marketing Team of the Year, Best Low Carbon Solution and Net Zero Carbon Strategy of the Year. Targeting Net Zero by the end of 2025, our ambitious emissions reduction plans have been validated by the Science Based Targets initiative (SBTi). We have been recognised as a UK Top Employer for the sixth consecutive year. Find out more at www.mitie.com.

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Chief Executive's strategic review

Overview

Mitie delivered a strong financial performance and made further strategic progress in the year ended 31 March 2024. Revenue (including share of JVs and associates) grew by 11% to a record £4,511m (FY23: £4,055m), operating profit before other items grew by 30% to £210m (FY23: £162m) and basic EPS before other items grew by 29% to 12.3p (FY23: 9.5p).

We achieved an operating profit margin before other items of 4.7% (FY23: 4.0%) in the full year, which included a margin of 5.3% in the second half of the year. Sustainable margin improvement was a key pillar of our previous Three-Year Plan (FY22 – FY24), and, building on the successful delivery of this, we have a clear path to achieving an operating margin of at least 5% by FY27.

Based on the equivalent statutory measures, Group revenue increased by 13% to £4,445m (FY23: £3,945m), operating profit increased by 42% to £166m (FY23: £117m) and basic EPS increased by 44% to 9.8p (FY23: 6.8p). The increase in basic EPS reflected improved profitability and a £5m reduction in other items after tax to £32m (FY23: £37m). Further details are set out in the Finance review.

Our strategy and targets

Our achievements against all of the targets (based on alternative performance measures) in the previous Three-Year Plan (FY22 – FY24) are highlighted below:

Metric	Target	Achievement in FY24
Annual revenue growth	Mid-to-high single digit	11%
Operating profit margin	4.5% to 5.5%	4.7%
EBITDA	£200m	£268m
Free cash flow	£100m per annum	£158m
Average leverage	1.0x maximum	0.6x
ROIC	>20%	26.4%

Our new Three-Year Plan (FY25 – FY27) pivots the business from traditional Facilities Management to technology-driven Facilities Transformation. Mitie is the market leader in the UK, with deep capabilities to aggregate workflow and workforce data across the built environment, and a trusted partner to thousands of blue-chip public and private sector organisations. We have advanced our core capabilities through targeted investments in technology and strategic M&A, alongside the work of our exceptional colleagues, to meet the changing needs of our customers.

Our customers are looking for asset optimisation, a reduced carbon footprint and higher levels of assurance for security and cleanliness, whilst embracing hybrid-working and creating a 'Great Place to Work'. This all requires cyber-secure data driven insights to inform better decision-making.

These needs for transformation are underpinned by attractive macro trends, including decarbonisation, the modernisation of the built environment, and changes in legislation and the regulatory landscape, that benefit both our core service lines and Projects business.

Our ambitious financial targets (based on alternative performance measures) for our new Facilities Transformation Three-Year Plan are set out below and are designed to deliver enhanced shareholder returns over the period.

- High single digit revenue compound annual growth rate
- >5% operating margin by FY27
- EBITDA >£300m by FY27
- EPS growth above that of revenue growth, despite higher corporation tax rates
- £150m annual free cash flow by FY27

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Accelerating growth

Our technology-led Facilities Transformation strategy is expected to deliver accelerated growth through the key pillars of: 1) Key Account growth; 2) Projects upsell; and 3) Infill M&A. We are targeting high single digit revenue growth annually.

In FY24, organic growth through Key Accounts (net wins and contract growth) and Projects upsell contributed 7% to revenue growth, inclusive of contract re-pricing of 4%. Infill M&A completed since 1 April 2022 contributed a further 4% of inorganic growth.

Key Account growth:

New contract wins, scope increases and extensions/renewals totalled £6.2bn TCV in FY24 (FY23: £4.3bn). New and expanded Key Accounts of £4.4bn TCV included: Aena in Spain; further Amazon sites; the Defence Infrastructure Organisation (DIO) overseas estate in Germany and wider Europe; Department for Transport (DfT); Future Defence Infrastructure Services (FDIS) Service family housing refurbishment projects work; Home Office immigration services; Landmarc scope increases; Landsec additional cleaning and security; and Phoenix Group.

Notable extensions/renewals of £1.8bn TCV included: the Department for Work and Pensions (DWP); the Foreign Commonwealth & Development Office (FCDO); GSK; HMRC; the Home Office and Ministry of Justice; JLL; Landsec; Lloyds Banking Group (LBG); Network Rail; and Sky.

Mitie's renewal rate reduced to 79% (FY23: >90%). We have a large, diversified portfolio of customers, and contract renewals are therefore completed on a rolling basis throughout each year. During FY24, two notable contracts with a combined c.£70m per annum secured contract value were not renewed (one due to pricing and the other seeking an international provider), and this was reflected in the renewal rate. Both contracts were handed over towards the end of FY24, although we will continue to provide sub-contracted Security, Waste and Landscaping services for one and expect to continue delivering higher margin Projects work for both.

Our total order book increased by 18% to £11.4bn (FY23: £9.7bn), including an increase of £0.5bn TCV from the consolidation of Landmarc. Our pipeline of new opportunities stands at a record £18.6bn.

Projects upsell:

In FY24, we continued to see sustained demand from our customers for transformational projects across their estates and, as a result, Projects revenue across the Group increased by 37% to £1.1bn (FY23: £0.8bn).

The largest driver of this growth was buildings infrastructure work, including lifecycle upgrades to improve asset efficiency, the design and build of inspirational workplaces, and retrofits to ensure buildings meet evolving regulatory requirements. This work accounted for over 70% of Projects revenue and grew by c.40% year-on-year. We continue to see demand for decarbonisation technologies, such as solar, electric vehicle (EV) charging and battery storage, whilst data centre fitouts have also been an area of growth as major cloud-service providers expand their UK presence. We have enhanced our expertise in this area through the acquisitions of JCA Engineering and GBE Converge.

Projects are delivered across all of our divisions, with the largest contributors to revenue growth in FY24 being Central Government & Defence and Technical Services (see Operating Review for further details by division).

Our projects are typically short in duration (one to three months, on average), individually £100k - £150k on average, and around 80% of revenue is delivered through Key Accounts upsell. Whilst some projects are one-off in nature, we often work with customers on rolling programmes, such as the refit of branches for LBG, solar panel installations at David Lloyd Clubs and the refurbishment of housing for the DIO.

Underpinning our work is the Mitie Projects Centre of Excellence (PCoE), driving innovation and productivity, and managing the operating platform including construction, design & management regulations, the project management playbook, and QHSE standards and training. The PCoE also serves as a knowledge centre to support our 2,500 Projects employees across the business.

Infill M&A:
During FY24, Mitie completed seven acquisitions for a combined consideration of £66m, net of cash acquired and excluding employment-linked earnouts.

Our position as a leader in the intelligence and technology-led Fire & Security market has been enhanced by the acquisitions of RHI Industrials (May) – a leading installer of high-tech security and access controls, and GBE Converge (November) – a leading independent provider of fire, security and information and communications technology solutions. Smaller security acquisitions included Linx International (April) – a leading risk management and consulting business, and Biservicus (September) – a Spanish security business,

Enhancing our Mechanical & Electrical (M&E) engineering credentials, we acquired JCA Engineering (September) – a leading principal contractor for complex engineering projects across the UK, with a particular focus on critical environments such as data centres, healthcare and life sciences. We also purchased the assets of G2 Energy (via a liquidation process in July) – a leading high voltage and battery energy storage contractor, and Cliniwaste (October) – a specialist in treating plastic waste.

Additionally, in November, Mitie completed an agreement with its joint venture partner in the 'Landmarc' military training estate to amend the shareholders' agreement. This resulted in Landmarc being consolidated as a subsidiary of Mitie from this date and enables Landmarc to benefit from the wider capabilities of our business.

Operating margin progression
We have a clear path to a target operating profit margin before other items of at least 5% by FY27. This will be achieved through our ongoing programme of margin enhancement initiatives and operational leverage, alongside the contribution from higher margin infill M&A and Projects works. We expect these management actions to more than offset the continued impact of inflation and pressure on contract pricing in a highly competitive environment.

In FY24, the Group achieved the final target in its previous Three-Year Plan (FY22 – FY24), reaching an operating profit margin before other items of 4.7%. This represents an increase of 0.7ppt on the prior year (FY23: 4.0%), and an increase of 2.4ppt since the start of the Plan (FY21: 2.3%). Consistent with the previous year, our H2 performance exceeded that of H1, both for revenue and operating profit, resulting in an operating profit margin of 5.3% in the second half of FY24.

The increase across the year reflects improved underlying trading and the delivery of £40m of savings through margin enhancement initiatives, more than offsetting the net impact of cost inflation that we were unable to pass through to customers (£6m) and the completion of certain short-term public sector contracts (£16m).

Approximately £28m of these savings were delivered through our Target Operating Model (TOM) programme, optimising our organisational structure, centralising transactional finance teams, outsourcing certain back-office functions and consolidating systems and processes. The balance of savings were delivered through further Interserve synergies (£5m), Operational Excellence initiatives (£4m), and the continued roll out of the Coupa digital supplier platform across the divisions (£3m). The costs associated with the delivery of margin enhancement initiatives are included in 'cash other items'.

We expect to complete the TOM initiatives during FY25. Over the new Facilities Transformation Three-Year Plan (FY25 – FY27), the focus for margin enhancement initiatives will shift towards operations and contract efficiencies, including an optimised organisational structure within customer accounts, improved contract productivity, and an increase in the use of Artificial Intelligence (AI) analytics to drive efficiencies in the deployment of resources and raise customer engagement.

Sustainable free cash flow generation
Mitie is cash generative, a function of strong profitability, tight working capital control and a disciplined approach to capex. In FY24, the Group generated £228m of cash from operations (FY23: £117m), leading to a free cash inflow of £158m (FY23: £66m). This free cash inflow reflected growth in operating profit, alongside working capital process improvements that contributed a one-off benefit of c.£25m in the year.

The Group is targeting free cash flow generation of c.£150m per annum by FY27, as we expect increased profitability and continuing working capital process improvements to offset structural headwinds from growth in the Projects business and customers demanding longer payment terms. Strong free cash flow generation, combined with our robust balance sheet, underpins the proactive and disciplined capital allocation of our financial resources.

Proactive and disciplined capital allocation
Our capital allocation policy prioritises a progressive dividend (within a target payout range of 30-40%) and the purchase of all shares to fulfil employee share schemes to mitigate shareholder dilution. We will also continue to pursue strategic infill M&A, primarily targeting higher growth, higher margin projects businesses in the key areas of Buildings Infrastructure, Decarbonisation and Fire & Security. Excess funds will be returned to shareholders through share buybacks.

Consistent with this approach, the Board is recommending a final dividend of 3.0p per share which, when added to the 1.0p interim dividend paid, takes the total dividend for FY24 to 4.0p per share. This is a 38% increase on the prior year (FY23: 2.9p) and represents a payout ratio of 33% (FY23: 30%). The final dividend will be paid on 5 August 2024, following approval at the 2024 AGM.

During FY24, we completed a £50m share buyback programme, net of £8m cash proceeds received from the vesting of the 2020 Save As You Earn (SAYE) scheme (c.30m shares were purchased via the buyback to fulfil this scheme). We also purchased 20m shares at a cost of £20m for employee incentive schemes, and we invested £66m in the seven infill acquisitions outlined above.

Over the past two years (FY23 and FY24), we have purchased a total of 127m shares (of which 95m have been cancelled) for £100m net cost via share buybacks and 70m shares for £57m into our trusts for employee incentive schemes. The average price per share for these combined share purchases was 80p.

We commenced our current £50m share buyback programme on 15 April 2024. We will hold c.10m shares in treasury to fulfil the 2021 SAYE scheme, vesting in January 2025, and cancel all shares purchased in excess of this. Within the current programme we have purchased 7m shares at an average price of 119p.

Strong balance sheet
Closing net debt of £81m (FY23: £44m) reflects our strong free cash flow generation being more than offset by capital deployment actions totalling £150m, alongside a £45m increase in lease obligations as we continue to transition our fleet to electric vehicles (EV) and extend the duration of leases. Average daily net debt was £161m in FY24 (FY23: £84m) and leverage was 0.6x average net debt / EBITDA (FY23: 0.4x). We are targeting a leverage range of 0.75x to 1.5x in our new Facilities Transformation Three-Year Plan (FY25 – FY27).

Technology leadership
Our competitive advantage is embedded in our people and industry-leading technology, and this has been a key contributor to a record Net Promotor Score of +60. Through ongoing investment, we continue to enhance our unique Mitie Digital Platform and deliver transformative, data-driven, 'intelligent' solutions to meet the changing needs of our customers.

This includes Intelligent Engineering – where we are leading in predictive and preventative maintenance; Intelligent Security – where we are pioneering the deployment of resources in response to risk and threat intelligence; Intelligent Cleaning & Hygiene – where we are delivering demand-led cleaning via our sensor technology; and Intelligent Projects – where our new Emissions Intelligence service will enable the automation of emissions data capture and reporting, and the creation of Net Zero pathways for our customers.

These solutions leverage our deep capabilities to aggregate workflow and workforce data across the built environment through our data lake and are increasingly being enriched by the application of Artificial Intelligence and Machine Learning (AI/ML).

During FY24, we have been developing Mitie's GenAI diagnostic dashboards (Mozaic) in each of our core service lines, using real-time data to increase visibility across our customers' estates and inform decision-making. Through

our predictive analytics capabilities, we are evolving our service delivery to demand-led cleaning and front of house services, threat intelligence and carbon reporting, and predicting and resolving asset issues before they fail.

We are also developing GenAI benchmarking dashboards to compare the performance of customer estates to industry standards and competitors, in areas such as energy consumption, to identify opportunities for improvement. These dashboards are being piloted on several Key Accounts in the retail, distribution and financial services sectors.

Smart Workplaces was launched in H1, to consult, design and deliver workplaces that improve the 'lived' experience and, through the adoption of smart technologies, optimise occupancy levels, footprint and the provision of wider services within the building. It includes our digital twin offering, which enables 3D visualisation, experiential design simulations and building information modelling (BIM), to help customers reimagine their workplaces of the future.

Our strategic partnerships with global IT companies such as Microsoft, Vodafone, ServiceNow and Wipro are also developing. In March 2024, we launched our 'Emissions Intelligence' service in partnership with Salesforce.com to provide carbon reporting and reduction tools, complementing our existing suite of Plan Zero services.

We are also leveraging our partnership with Microsoft (MS) to deliver increasingly predictive and preventative solutions to our customers and enhance internal processes. During FY24, we fully integrated Azure ChatGPT into Aria/ESME (which allows customers to report issues via an app), delivering improved customer communications and raising case accuracy to 97%. MS Copilot is delivering efficiency savings, and we are implementing AutoGenAI to continue enhancing bid quality and response times.

Our cyber security credentials are industry leading. We consistently score above A90 on the Security Scorecard (an independently assessed measure), we are a Cyber Essentials Plus and ISO27001 certified company and we have a NIST maturity rating of 4.1.

Environment, Social and Governance (ESG) leadership
Mitie is recognised as a leader in ESG among global industry peers. These initiatives form a key part of how we do business, ensuring we grow sustainably and responsibly. Our leading credentials also enable us to work with our customers to realise their own sustainability and Net Zero ambitions.

During FY24, we secured a place on the CDP Climate Change A List, placing us among only 2% of 21,000 organisations that are assessed annually. We received a Platinum rating from the Sustainable Facilities Management Index (SFMI) for the third consecutive year and, shortly after the year end, we received a 'Low' risk rating from Sustainalytics of 10.5 (previously 12.4) placing us on the threshold of their 'Negligible' risk band.

We have ambitious targets to achieve Net Zero for our operations by the end of 2025, and across our supply chain by 2035, and received validation from the Science Based Targets initiative (SBTi) in April 2023. Our largest carbon emissions relate to our vehicles, and we transitioned a further c.1,900 from diesel to electric vehicles (EVs) in FY24. Our fleet of over 5,000 EVs is one of the largest in the UK and we won Transport/Fleet Management Project of the Year (edie) for our ambitious EV transition plan, among other awards.

We continue to offer career development opportunities and industry-leading benefits to our colleagues in order to attract and retain the best talent. During FY24, we supported over 1,200 colleagues through apprenticeships and expanded our offer to over 90 technical, professional and managerial courses across a diverse range of areas from heat pump engineers and data technicians to security officers, business administrators and project managers. We were named in the top 100 Apprenticeship Employers for the third consecutive year, in addition to being recognised as a Top Employer UK and an Inclusive Top 50 UK Employer for the sixth consecutive year.

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Operating Review

Business Services

Business Services is the UK's largest provider of technology-led Security and Cleaning & Hygiene services across c.2,000 contracts, with sector expertise in Retail, Transport, Central Government and Financial & Professional services. It also provides Landscaping and Waste services, and Mitie's Spanish business is reported within the division.

Business Services, £m	**FY24**	**Restated[1] FY23**	***Change***
Revenue	**1,490**	**1,414[2]**	**5%**
Security	***823***	*782*	*5%*
Cleaning	***407***	*390*	*4%*
Spain	***114***	*102*	*12%*
Waste	***77***	*74*	*4%*
Landscapes	***69***	*66*	*5%*
Operating profit before other items	**97.0**	**92.3[2]**	**5%**
Operating profit margin before other items	***6.5%***	*6.5%[2]*	-
Total order book	**£2.5bn**	£1.8bn	*39%*
Number of employees	**39,157**	**38,124**	3%

[1] Restated to reflect the change to divisional reporting from H1 FY24 to include Spain, Waste and Landscapes
[2] Includes £15m revenue and £7.0m operating profit from Covid contracts. Excluding this, the underlying operating profit was £85.3m and the operating profit margin was 6.1%

Performance highlights

- Revenue increased by 5% to £1,490m (FY23: £1,414m), reflecting contract re-pricing, acquisitions, increased projects work, and net wins, partially offset by the completion of higher margin short-term public sector works
- Operating profit before other items increased by 5% to £97.0m (FY23: £92.3m), largely reflecting margin enhancement initiatives and the contribution from acquisitions
- £2.2bn TCV of contract wins, scope increases and extensions/renewals (FY23: £1.3bn) resulted in a 39% increase in the total order book to £2.5bn (FY23: £1.8bn)
- Five acquisitions completed, building on the division's leading position in the UK intelligence and technology-led Fire & Security market, and expanding its security offering in Spain
- Awards include: six British Security Awards 2023; three Fire & Security Matters Awards 2023; one UK Outstanding Security Performance Award 2024; Pro-Landscaper Sustainable Company of the Year; and four Retail Risk Fraud Awards 2023

Operational performance

Business Services delivered a resilient performance in FY24, with revenue benefiting from contract re-pricing, the contribution from acquisitions, increased project works, and net wins. This growth was partially offset by the completion of higher margin, short-term public sector works, such as the Afghan Relocations and Assistance contract, and residual Covid works.

The division secured £2.2bn TCV of contract wins, scope increases and extensions/renewals primarily in the Critical National Infrastructure (CNI), financial services, and retail sectors. Wins and scope increases included for Aena in Spain, further Amazon sites, expanded security provision for the Home Office, expanded cleaning and security services across Landsec's estate, Lloyds Banking Group (LBG) projects work, London South Bank University, and Phoenix Group. The largest extensions were LBG, Landsec and Network Rail, while other notable renewals and extensions included HMRC, JLL and Sky.

Margin enhancement initiatives continued at pace and offset the impact of the completion of the higher margin, short-term public sector works. The initiatives primarily focused on operational excellence and productivity improvements, including enhancing the Workplace+ workforce management app, in order to optimise workforce productivity, and to improve workflows across core services.

Retail is the division's largest sector, with c.£320m of annual revenue, over 8,500 Mitie colleagues, and a blue-chip customer base of national retailers and flagship shopping centres. Retailers are facing unprecedented levels of crime, with the estimated cost to the sector having almost doubled over the past year to £3.3bn per annum. As the market leader in this sector, Mitie has created an intelligence and technology-led security model, which includes bespoke Security Operations Centres, the risk-based deployment of resources, and end-to-end crime management solutions delivered through dedicated crime analyst teams. Cutting edge technologies are being integrated, including AI video analytics, biometrics, cloud-based systems, and centralised management software in order to streamline operations.

Two pivotal initiatives that gathered momentum during the year and demonstrate the division's transformative approach are: 1) Operation Alliance – the UK's first direct data sharing agreement, allowing Mitie to aggregate evidence from retailers against offenders, and disrupt organised gangs; and 2) Pegasus – Mitie took the lead in securing funding from retailers and the Home Office to establish the first police unit dedicated to combating retail crime.

Mitie's Fire & Security business has further strengthened its position as a leading integrated systems provider through organic growth, and through the acquisitions of RHI Industrials (May 2023) and GBE Converge (November 2023). These businesses have broadened the scope of the division's fire protection, electronic security and remote monitoring services to encompass perimeter security, civil engineering, and IT networking & managed services capabilities. They have also boosted the division's projects pipeline in CNI growth markets, including numerous perimeter security projects for National Grid and National Gas, and c.£30m of data centre fitout projects.

Mitie also acquired Linx International (April 2023), the Biservicus security business in Spain (September 2023), and Cliniwaste (October 2023), a specialist in treating single use plastic waste in clinical environments.

Spain revenue increased by 12%, with new contract wins more than offsetting the completion of Covid work in the prior year. New wins included Aena (airport operator), Dirección General de Racionalización y Centralización de la Contratación (Ministry of Finance) and Administrador de Infraestructuras Ferroviarias (state owned railway company).

Waste revenue increased by 4%, primarily through organic contract growth. Waste benefited from Group contract wins including DIO and Phoenix Group and extensions including Covent Garden, JLL, Landsec and LBG.

Landscapes revenue increased by 5%. New wins included Amazon, Canal and River Trust, Scottish Power and Yorkshire Water, whilst contract extensions were secured with the DfT, LBG and Network Rail. Within Landscapes, Biotecture (living walls specialist) secured notable projects with Mace Group, McLaughlin & Harvey and Rybrook Group.

Technical Services

Technical Services is the UK's largest provider of Engineering and Maintenance services, serving c.350 contracts. Through existing capabilities and infill M&A, the division also delivers transformational engineering projects in the high-growth categories of Buildings Infrastructure, Decarbonisation and Telecoms Infrastructure.

Technical Services, £m	FY24	FY23[1]	Change
Revenue	**1,326**	**1,154**	**15%**
Maintenance	***795***	*770*	*3%*
Projects	***531***	*384*	*38%*
Operating profit before other items	**44.3**	**34.1**	**30%**
Operating profit margin before other items	***3.3%***	*3.0%*	*0.3ppt*
Total order book	**£1.5bn**	£1.6bn	(6)%
Number of employees	**9,552**	9,841	(3)%

[1] Projects revenue restated to include £230m of projects delivered for customers as part of large FM contracts (previously reported in Maintenance).

Performance highlights

- Revenue increased by 15% to £1,326m (FY23: £1,154m), benefiting from continued growth in projects work, acquisitions, contract re-pricing, and prior year contract wins
- Operating profit before other items increased by 30% to £44.3m (FY23: £34.1m), reflecting contract growth, margin enhancement initiatives, and acquisitions, partly offset by unrecoverable cost inflation
- £1.2bn TCV of contract wins, scope increases, extensions/renewals (FY23: £1.0bn) resulted in a 6% reduction in the total order book to £1.5bn (FY23: £1.6bn), due to contract losses
- JCA Engineering and G2 Energy acquired, expanding the division's engineering projects capabilities
- Awards include: Best Low Carbon Solution – Telca 2023; Net Zero Strategy – Energy Management Awards; People Management & Talent Retention – IWFM Awards 2023; Project of the Year – CN Specialist Awards (Custom Solar); UK Partner in Safety / National Award for Safest Contractor – INEOS

Operational performance

Technical Services delivered a strong revenue performance as a result of the continued growth in project works, growth in the recent acquisitions, contract re-pricing and prior year contract wins (e.g. Dublin Airport Authority, National Grid and NATS).

Notable contract wins and scope increases in FY24 included Amazon, BAE Systems, LBG projects work, Phoenix Group and the Scottish Government. Extensions were secured with LBG, Mitie's largest private sector customer, with the division continuing to benefit from project work related to its branch refurbishment programme. Contracts were also renewed with GSK, Network Rail and Sky.

Margin enhancement initiatives were delivered across the Target Operating Model and Operational Excellence programmes, as well as through divisional overhead cost savings. During FY24, a new helpdesk Optimiser tool was launched to further improve the efficient deployment of engineers. The division is also investing in Gen AI Mozaic to build customisable dashboards and provide data-led insights using Artificial Intelligence.

The Technical Services operating margin increased by 0.3ppt to 3.3% in FY24 (FY23: 3.0%). It remains below that of the Group as a whole due to factors including: 1) the division absorbing the management cost of IFM contracts; 2) a higher depreciation charge relating to investments in technology; 3) a higher exposure to non-recoverable cost inflation; and 4) the investment required in recent infill acquisitions, and underperformance in the Telecoms business, where the terms of certain frameworks are being renegotiated.

Approximately half of Mitie's £1.1bn Projects revenue is delivered through Technical Services. During FY24, Technical Services enhanced its projects capabilities, including in design, mechanical and engineering works, and in high-tech building infrastructure (such as data centres), through the acquisitions of JCA Engineering and G2 Energy (assets purchased in July through a voluntary liquidation process). There have been notable early successes, with

JCA winning a significant project for Kao at its Harlow data centre campus, and G2 winning a contract for Mytilineos Energy & Metals to deliver high voltage electrical infrastructure.

The division has benefited from continued growth in a wider range of projects delivered to customers including the BBC, the Scottish Government, LBG and Deloitte. One of the largest projects completed in FY24 was the full refurbishment and fitout of a 100-year-old manufacturing facility for Rolls Royce to support mission-critical turbine engine assembly.

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Central Government and Defence (CG&D)

The CG&D division is one of the UK's largest providers of services to the MoD and other UK Government departments, providing hard and soft services and transformational projects. CG&D delivers services across 24 contracts and 27 government departments and agencies, at over 3,000 locations in the UK and overseas.

CG&D, £m	FY24	FY23[1]	*Change*
Revenue including share of JVs and associates	**938**	**828**	***13%***
Central Government	***524***	*439*	*19%*
Defence	***414***	*389*	*6%*
Operating profit before other items	**80.4**	**59.8**	***34%***
Operating profit margin before other items	***8.6%***	*7.2%*	*1.4ppt*
Total order book	**£3.2bn**	£2.4bn	*33%*
Number of employees	**6,879**	5,576	*23%*

[1] No change following the change to divisional reporting effective from H1 FY24

Performance highlights
- Revenue grew by 13% to £938m (FY23: £828m), benefiting from increased project works, the consolidation of Landmarc, and contract re-pricing, partly offset by net contract losses
- Operating profit before other items grew by 34% to £80.4m (FY23: £59.8m), largely reflecting the delivery of margin enhancement initiatives and increased levels of higher margin projects and variable work
- £1.7bn TCV of contract wins, scope increases, extensions/renewals and the Landmarc consolidation (FY23: £1.7bn) resulted in a 33% increase in the total order book to £3.2bn (FY23: £2.4bn)
- Awards include: Gold (Ascension, DWP, Gibraltar and Hestia) – RoSPA; 12th consecutive President's Gold (Cyprus) – RoSPA; 17th consecutive Gold (Project Armada) – RoSPA Order of Distinction

Operational performance
CG&D performed well in FY24, with revenue growth driven by sustained demand for higher margin transformational projects across contracts such as the Department for Work and Pensions (DWP) and the Ministry of Defence (MoD), through Landmarc (consolidated as a subsidiary from November 2023), and Future Defence Infrastructure Services (FDIS), as well as from pricing. These increases more than offset the loss of revenue from two contracts that ended during the year (one lost due to pricing and one which was strategically not re-bid due to its fragmented operations across European sites). A further notable contract was lost (also on pricing) and terminated at the end of FY24.

During the year, the division secured £1.2bn TCV of contract wins, scope increases, extensions/renewals and £0.5bn TCV from the consolidation of Landmarc. Notable wins included the Defence Infrastructure Organisation overseas estate in Germany and wider Europe, hard services and projects work for the DfT, and soft services for the Government Property Agency's Central region. Notable contract extensions included the Foreign Commonwealth & Development Office, the DWP, and the Home Office and Ministry of Justice.

Projects work continued to grow, with the most significant being a c.£100m programme to support the DWP Critical Security Infrastructure project to upgrade all security related assets at c.600 sites across their estate. Approximately two thirds of the programme was delivered in FY24, with the balance expected to be completed during FY25. Critical projects work to support the MoD's defence estate included the delivery of housing refurbishments for Service families, refurbishment of runways and taxiways at the Mount Pleasant Complex airfield in the Falkland Islands, and construction of a new bulk fuel installation facility at RAF Akrotiri, Cyprus.

CG&D continued to roll out and benefit from the new technologies initially introduced in FY23, such as Aria and Mozaic, and completed the implementation of Mitie's Azure Secure Cloud infrastructure. The division saw ongoing improvements in the utilisation levels of mobile engineers and has introduced the Coupa digital supplier platform across a number of contracts to streamline the purchasing process. The 'Mitie First' strategy to insource services resulted in an additional £16m of cross-selling revenue synergies in FY24.

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Communities

The Communities division delivers sustainable outcomes as a trusted partner to the public sector across Local Government & Education, Healthcare and Care & Custody. The division operates over 100 PFI and traditional commercial contracts.

Communities, £m	FY24	Restated[1] FY23	*Change*
Revenue including share of JVs and associates	**757**	**659**	***15%***
Local Government & Education	***265***	*240*	*10%*
Healthcare	***275***	*250*	*10%*
Care & Custody	***217***	*169*	*28%*
Operating profit before other items	**39.1**	**31.4**	***25%***
Operating profit margin before other items	***5.2%***	*4.8%*	*0.4ppt*
Total order book	**£4.2bn**	£3.9bn	*8%*
Number of employees	**12,384**	10,634	*16%*

[1] Restated to reflect the change to divisional reporting from H1 FY24 to include Care & Custody. Local Government & Education was previously reported as Education and Campus & Critical.

Performance highlights

- Revenue increased by 15% to £757m (FY23: £659m), primarily benefiting from higher volumes in Care & Custody, projects and variable works and contract re-pricing which more than offset net contract losses
- Operating profit before other items increased by 25% to £39.1m (FY23: £31.4m) reflecting reduced losses on one particularly challenging PFI contract, margin enhancement initiatives and contract growth
- £1.1bn TCV of contract wins, scope increases and extensions/renewals (FY23: £0.3bn) resulted in an 8% increase in the total order book to £4.2bn (FY23: £3.9bn)
- Awards include Estates & Facilities Team of the Year and Highly Commended for Healthcare Supplier of the Year – Institute of Healthcare Engineering & Estates Management (IHEEM)

Operational performance

Communities delivered strong revenue and profit growth in FY24, driven by an increase in the provision of services for the Immigration Escorting Services contract, projects and variable works (including increased lifecycle projects in healthcare and education settings and work to remove reinforced autoclaved aerated concrete from public buildings), contract re-pricing and operational efficiencies.

The division continues to make progress in driving transformation and implementing margin enhancement initiatives. This helped to deliver an improved performance on one particularly challenging PFI contract, reducing losses to £3.9m in FY24 (FY23: £8.4m). We continue to expect this contract to achieve profitability in FY26, after further productivity improvements and re-sets to pricing.

In FY24, £1.1bn TCV of contract wins, scope increases and extensions/renewals were secured. This included new contracts with London South Bank University to deliver IFM services across multiple sites, as well as an increase in the provision of services for the Immigration Escorting Services contract. The increase in the order book also reflects indexation on long-term contracts and an increase in projects volumes being delivered as the performance of certain PFI contracts continues to improve. Notable contract extensions were awarded for the Heathrow Immigration Removal Centre and for King George Hospital.

Shortly after the year end, the division was awarded a 10-year £329m TCV contract to operate HMP Millsike, the UK's first all-electric prison. When opened in 2025, the Category C prison will hold 1,500 people who will spend their sentences learning the skills needed to find work on release.

Communities has continued to develop its technology capabilities. FY24 saw successful trials of Mitie's Merlin for Cleaning application in a healthcare setting and a new partnership with Vodafone using IoT to track the location of non-static assets, such as wheelchairs, in hospital settings. Further technology roll outs are planned in FY25.

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Corporate overheads
Corporate overheads represent the costs of running the Group and include costs for central functions such as commercial and business development, finance, marketing, legal and HR, as well as the Board governance obligations of a publicly listed company. Corporate overhead costs have reduced by 9% to £50.6m (FY23: £55.5m), reflecting overhead savings across functions and shared services.

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Finance review

Alternative Performance Measures

In addition to presenting statutory measures, the Group presents its results before other items. Management believes this is useful for users of the financial statements, providing both a balanced view of the financial statements, and relevant information on the Group's financial performance. Accordingly, the Group separately reports the cost of restructuring programmes, acquisition and disposal related costs (including the amortisation of acquisition related intangible assets), gains or losses on business disposals, and other exceptional items as 'other items'.

Financial performance

The reported Income Statement is set out below:

£m unless otherwise specified	FY24	FY23
Revenue including share of joint ventures and associates	4,510.7	4,055.1
Group revenue	4,445.2	3,945.0
Operating profit before other items	210.2	162.1
Other items	(44.5)	(45.1)
Operating profit	165.7	117.0
Net finance costs	(9.4)	(11.5)
Profit before tax	156.3	105.5
Tax	(25.4)	(14.4)
Profit after tax	130.9	91.1
Profit attributable to non-controlling interest	(4.6)	-
Profit attributable to owners of the parent	126.3	91.1
Basic earnings per share before other items	12.3p	9.5p
Basic earnings per share	9.8p	6.8p

Revenue

Revenue for FY24 of £4,511m, including share of revenue from joint ventures and associates, has improved by 11.2% compared to last year (FY23: £4,055m). Of this growth, 7.1% was organic, driven by net new wins, organic growth on existing contracts, and organic projects growth (totalling £194m), as well as pricing of £177m, offset by the completion of short-term public sector contracts (£81m). Strategic acquisitions contributed £166m of growth in the year.

Revenue growth from net wins included NATS, John Lewis, and Phoenix Group, and growth on existing contracts included higher revenue in Business Services in response to the heightened levels of retail crime.

Organic projects growth was £189m in the year, and was driven by Technical Services, from a range of works across large key accounts, and by CG&D from various large Central Government contracts, as well as FDIS.

Organic growth also includes headwinds from the completion of short-term, high margin public sector contracts in FY24, including the Covid contracts and the wind down of the Afghan Relocations and Assistance contract, which reduced revenue by £81m year on year, as well as contract losses.

The impact of the repricing of revenue for inflation in FY24 was £177m (+4%) (FY23: £163m), and inorganic growth was £166m (+4%), primarily related to projects, through the acquisitions of JCA Engineering, RHI Industrials and GBE Converge, but also from the Landmarc step acquisition, which is explained below.

Total projects revenue for the year, including acquisitions, was £1.1bn (FY23: £0.8bn).

Operating profit

Operating profit before other items was £210.2m (FY23: £162.1m), an increase of £48.1m (+29.7%) in the year. The improvement was driven by margin enhancement initiative savings of £40.3m, net wins, projects and other trading (£19.9m), and strategic acquisitions (£9.7m), including the step acquisition of Landmarc which is explained

below. The completion of high margin short-term public sector contracts provided a headwind of £15.6m, and inflation had a negative impact on operating profit of £6.2m.

Of the incremental £40.3m of profit from margin enhancement initiatives, the TOM programme contributed £27.9m through initiatives such as the outsourcing of finance activities, optimisation of the Group's organisational structure, and helpdesk consolidation. The final Interserve cost synergies contributed £4.6m, taking the total synergies to £56m, and there were savings from the Digital Supplier Platform and Operational Excellence programmes of £7.8m.

The net wins, projects and other trading increase of £19.9m was primarily driven by organic projects growth. All divisions made a positive contribution, but projects profit was particularly strong in Technical Services and CG&D. Margin on this organic projects growth was higher than the Group average, despite underperformance in the Telecoms business, where the pricing of certain frameworks is being renegotiated.

Of the £9.7m of profit growth from strategic acquisitions, £5.1m came from the step acquisition of Landmarc, and £4.6m from the other acquisitions. The most significant contributions were from JCA Engineering and RHI Industrials, partially offset by £2.9m of year one losses from G2 Energy, which is rebuilding its order book after being acquired through a liquidation process.

Through the contractual protections that we have in place, and our strong customer relationships, we were able to recover 97% of cost inflation from customers in the period. The element that we were not able to recover resulted in a reduction in operating profit of £6.2m.

Operating profit after other items was £165.7m (FY23: £117.0m), a year on year improvement of 41.6%. This included net charges from other items of £44.5m (FY23: £45.1m), which are explained below.

Landmarc step acquisition

Landmarc has historically been reported as a joint venture within the Group results. However, on 16 November 2023, amendments to the shareholder agreement were approved which gave Mitie control of Landmarc. As a result, Landmarc has been consolidated into the Group as a subsidiary from that date.

A change of this nature is known as a 'step acquisition', which requires the Group's interest in the joint venture to be fair valued at the date on which it becomes a subsidiary. The credit related to this fair value uplift for Landmarc must be recognised in the income statement, and has been reported as a £17.9m gain within other items, given that it is acquisition-related and is material. Further details are set out in Note 18 to the condensed consolidated financial statements.

The Group has reported a year on year increase in revenue (including share of JVs and associates) of £34.1m from Landmarc, comprising £42.6m from the step acquisition offset by a net £8.5m organic reduction related to a change in revenue mix. Operating profit before other items from Landmarc increased by £10.2m, comprising £5.1m from the step acquisition and £5.1m from organic growth. The increase in operating profit reflects a change in revenue mix in FY24 towards higher margin services.

The consolidation of Landmarc also gives rise to the recognition of a minority interest deduction, which represents the non-controlling interest's (49%) share of Landmarc's profit after tax. In FY24 the deduction is £4.6m. As a result of this minority interest deduction, whilst the step acquisition of Landmarc does benefit operating profit (and profit after tax) for the Group, it has no impact on earnings per share before other items.

Other items

£m	FY24	FY23
Target Operating Model (TOM)	**(20.4)**	(7.9)
Digital supplier platform (DSP)	**(3.7)**	(3.4)
Margin enhancement initiatives	**(24.1)**	**(11.3)**
Employment-linked earnout charges	**(9.5)**	(0.2)
Other acquisition related costs	**(4.0)**	(3.5)
Acquisition related costs before non-cash items	**(13.5)**	**(3.7)**
Landmarc step acquisition gain	**17.9**	-
Amortisation of acquisition related intangible assets	**(24.8)**	(21.4)
Acquisition related costs	**(20.4)**	**(25.1)**
Workflow optimisation (Project Forté)	**-**	(8.7)
Total other items	**(44.5)**	**(45.1)**

The Group incurred £44.5m of other items in FY24 (FY23: £45.1m). This included a net £6.9m (FY23: £21.4m) of non-cash items, comprising £24.8m (FY23: £21.4m) of amortisation of acquisition related intangible assets, partially offset by the £17.9m (FY23: £nil) fair value gain from the Landmarc step acquisition, which is explained above.

The remaining other items of £37.6m (FY23: £23.7m) are cash in nature. These cash other items comprise the costs of delivering the Group's margin enhancement initiatives of £24.1m (FY23: £11.3m) and acquisition related costs of £13.5m (FY23: £3.7m).

The increase in the margin enhancement initiative costs primarily relates to the TOM programme, reflecting the ramp up of activities and significant increase in savings to £28m in FY24 (FY23: £6m).

The largest element of the acquisition related costs is employment-linked earnout charges (£9.5m), of which JCA Engineering is the most significant. These earnout payments will be made if post acquisition performance targets are hit, and employment conditions are satisfied. Although the vast majority of the earnout charges were not paid in FY24 (they will be settled in future periods, at the end of the relevant performance periods), they have been classified as 'cash' other items because they will ultimately be settled in cash.

Within the £4.0m of other acquisition related costs is a net £1.1m charge within the Communities division, related to movements on balance sheet provisions recognised on the acquisition of Interserve. The net charge includes an additional £9.0m provision on a PFI contract, where Mitie is liable for rectifying latent defects in the construction by a third party. This has been largely offset by progress on other contracts, resulting in provisions of £7.9m being released. The additional charge and releases have been classified as other items as they relate to liabilities that were inherited with the Interserve acquisition and are material, one-off adjustments.

Net finance costs

Net finance costs improved (decreased) by 18% to £9.4m in FY24 (FY23: £11.5m).

Finance costs benefited from the improved interest rates negotiated for the US Private Placement (USPP) notes, which became effective from December 2022 (£0.9m benefit), together with the termination of the Group's customer invoice discounting facility (£0.5m benefit). The £9.4m includes a £1.4m increase in the interest charge on lease liabilities, reflecting the transition of the fleet to more expensive electric vehicles (EVs), the related increase in the average duration of the leases, and the expansion of the fleet through acquisitions. Finance income improved, mainly due to increased interest rates on deposited funds (£1.5m benefit).

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Tax

The tax charge for the year was £25.4m (FY23: £14.4m), at an effective tax rate (ETR) of 16.3% (FY23: 13.6%). The £25.4m is the net of the tax charge on profit before other items, and the tax credit on other items.

The tax charge on profit before other items was £37.9m (FY23: £22.6m), at an ETR of 18.9% (FY23: 15.0%). This is lower than the standard corporation tax rate of 25%, primarily due to the benefit of a tax credit of £8.8m (FY23: £5.3m) related to the recognition of deferred tax assets for losses acquired with the Interserve business. Excluding the impact of this benefit, the ETR before other items would have been 23.3% (FY23: 18.5%).

Offsetting the £37.9m charge was a tax credit for other items of £12.5m (FY23: £8.2m) at an ETR of 28.1% (FY23: 18.2%), which is higher than the standard tax rate primarily due to the fair value gain from the Landmarc step acquisition not being taxable.

Mitie is a significant contributor of revenues to the UK Exchequer, paying £962.8m of taxes in the year (FY23: £850.1m). Of this total, £173.8m (FY23: £158.5m) relates to taxes borne by Mitie (principally UK corporation tax and employer National Insurance contributions) and £789.0m (FY23: £691.6m) relates to taxes collected by Mitie on behalf of the UK Exchequer (principally VAT, income tax under PAYE and employee National Insurance contributions).

The Group paid corporation tax of £16.9m (FY23: £19.8m) in the year, of which £12.7m (FY23: £14.0m) was paid in the UK, and £4.2m (FY23: £5.8m) overseas.

Joint ventures and associates

Operating profit includes Mitie's share of the profit after tax for its joint ventures and associates of £6.4m (FY23: £8.3m). These profits primarily relate to Landmarc. The year on year reduction reflects the step acquisition of Landmarc from a joint venture to a subsidiary in November 2023, from which point its profits were no longer classified as being from joint ventures and associates. The Landmarc step acquisition is explained above.

Earnings per share

Basic earnings per share before other items increased by 29% to 12.3p (FY23: 9.5p). This improvement is due to the increase in operating profit in the year (+3.6p), the reduction in net finance charges (+0.1p), and the reduction in the weighted average number of shares as a result of the ongoing share buyback programme (+0.6p). These improvements were partially offset by the increased tax charge (-1.1p), which was driven by the increase in the UK corporation tax rate to 25%, and the new non-controlling interest deduction arising from the step acquisition of Landmarc (-0.4p). As noted above, the step acquisition of Landmarc increases operating profit for the year, but after related deductions for tax and minority interest, it has no overall impact on earnings per share before other items.

Basic earnings per share increased by 44% to 9.8p (FY23: 6.8p). This included an improvement related to the lower other items after tax (+0.2p). Whilst the level of other items within operating profit is largely unchanged year on year, the ETR on other items is higher in FY24 due to the fair value gain from the Landmarc step acquisition not being taxable.

Return on invested capital (ROIC)

£m unless otherwise specified	FY24	FY23
Operating profit before other items	210.2	162.1
Tax[1]	(39.7)	(24.3)
Operating profit before other items after tax	170.5	137.8
Invested capital	645.0	543.1
ROIC %	**26.4%**	**25.4%**

[1] Tax charge has been calculated on operating profits before other items using the ETR for the year of 18.9% (FY23: 15.0%)

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ROIC (before other items) has improved by 1.0ppt to 26.4% in FY24 (FY23: 25.4%) as a result of the increase in operating profit, partially offset by increases in the ETR and invested capital. The increase in invested capital has been driven by the acquisitions completed in FY24.

Balance sheet

£m	FY24	FY23
Goodwill and intangible assets	**645.1**	564.9
Property, plant and equipment	**204.7**	156.9
Interests in joint ventures and associates	**0.9**	8.8
Working capital balances	**(200.1)**	(179.2)
Provisions	**(113.2)**	(111.4)
Net debt	**(80.8)**	(44.1)
Net retirement benefit liabilities	**(0.8)**	(0.2)
Deferred tax	**7.9**	20.4
Other net assets	**10.0**	5.6
Total net assets	**473.7**	**421.7**

As at 31 March 2024 the Group's reported net assets stood at £473.7m, an increase of £52.0m since 31 March 2023. Net debt increased to £80.8m (FY23: £44.1m), mainly as a result of the planned capital allocation actions and the increase in lease liabilities, both of which are discussed further below (in the 'Cash flow and net debt' section).

Goodwill and intangible assets have increased by £80.2m as a result of acquisitions undertaken in the year, including the step acquisition of Landmarc (explained above). These acquisitions resulted in additional goodwill of £49.4m and acquired intangible assets of £55.5m, with the increase partially offset by the amortisation of intangible assets during the year.

Property, plant and equipment increased by £47.8m, due to the continued transition of our leased fleet to more expensive EVs, the related increase in the average duration of the leases, and the expansion of the fleet through acquisitions. During FY24, 1,900 EVs were added, taking the proportion of EVs to 66% of the total fleet.

The net deferred tax asset balance has decreased by £12.5m during the year, primarily as a result of deferred tax liabilities of £13.7m being recognised on newly acquired intangible assets.

Provisions

Provisions at 31 March 2024 of £113.2m (FY23: £111.4m) largely comprise contract specific costs of £49.2m (FY23: £49.3m), the insurance reserve of £27.2m (FY23: £26.2m), and pension provisions of £21.7m (FY23: £21.7m), which mainly relate to Section 75 pension liabilities. See Note 13 to the condensed consolidated financial statements for further details on provisions.

Provisions have increased by £1.8m during the year, including the net £1.1m increase in balance sheet provisions from the Interserve acquisition explained above (in the 'Other items' section).

Retirement benefit schemes

The Group's net retirement benefit liabilities on an IAS 19 basis are broadly unchanged at £0.8m (FY23: £0.2m). The net liabilities include a surplus of £3.0m relating to the Landmarc scheme, which is now reported within retirement benefit assets (rather than within the Group's share of interests in joint ventures and associates), as a result of the consolidation of Landmarc from November 2023. In the summary balance sheet above, the surplus is offset by deficits related to the main Group scheme (£1.4m) and other smaller schemes (£2.4m).

During the year a formal funding valuation of the main Group scheme as at 31 March 2023 was completed. This indicated a funding shortfall of £19.4m on an actuarial basis, an improvement of £72.7m since the last valuation as at 31 March 2020. The Group made deficit repair contributions of £10.6m in the year and has agreed to continue to make deficit repair contributions over the next four years to eliminate the funding shortfall by 2027.

Cash flow and net debt

£m	FY24	FY23
Operating profit before other items	**210.2**	**162.1**
Add back: depreciation, amortisation & impairment	57.9	52.4
EBITDA before other items	**268.1**	**214.5**
Other items	(37.6)	(23.7)
Other operating movements	3.9	(4.0)
Operating cash flows before movements in working capital	**234.4**	**186.8**
Working capital movements[1]	(4.3)	(38.8)
Capex, capital element of lease payments & other	(54.3)	(59.6)
Interest payments	(9.7)	(11.9)
Tax payments	(16.9)	(19.8)
Dividends from joint ventures	8.4	9.0
Free cash inflow	**157.6**	**65.7**
Share buybacks[2]	(50.4)	(50.7)
Purchase of own shares into trusts	(19.6)	(37.7)
Acquisitions	(34.7)	(20.2)
Dividends paid	(44.0)	(28.9)
Lease liabilities & other	(45.6)	1.0
Increase in net debt during the year	**(36.7)**	**(70.8)**
Closing net (debt)	**(80.8)**	**(44.1)**
Average daily net (debt)	**(160.7)**	**(84.3)**
Leverage[3] (average daily net debt/EBITDA before other items)	**0.6x**	**0.4x**

[1] Adjusted to exclude movements in restricted cash and other adjustments which do not form part of net debt (as explained in the Alternative Performance Measures Appendix to the condensed consolidated financial statements)
[2] FY24 share buybacks are presented net of the proceeds received from the exercise of SAYE schemes
[3] Leverage uses post-IFRS 16 net debt

Operating cash flows before movements in working capital increased by £47.6m to £234.4m (FY23: £186.8m), due to the strong operating profit generation before other items in FY24. As explained above, cash other items exclude non-cash amortisation of acquisition related intangible assets and the non-cash fair value gain related to the Landmarc step acquisition.

The Group generated a free cash inflow of £157.6m for FY24, which was underpinned by the strong trading performance, reductions in capex, as well as working capital process improvements.

In FY24 there was a cash outflow from working capital of £4.3m (FY23: £38.8m), reflecting investments required to support the growth of the projects businesses, partially offset by one-off working capital process improvements of c.£25m. These improvements have been made possible by the consolidation of activities into the shared service centre and implementation of the Coupa digital supplier platform, as well as rationalisation of our supplier base and alignment of our VAT groups. The working capital outflow in FY23 primarily related to the decision to terminate the invoice discounting facility.

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Capex, the capital element of lease payments & other decreased by £5.3m compared to FY23, with a £5.4m reduction in capex the key driver. Both interest and tax payments were lower in FY24, with the £2.2m decrease in net interest payments resulting from the improved rates achieved through the refinancing of the Revolving Credit Facility (RCF) and USPP facility, as well as higher interest rates on deposits, and closure of the customer invoice discounting facility in FY23. Tax payments were lower by £2.9m, due to the utilisation of losses.

The planned £50m share buyback programme was successfully completed in FY24 and Mitie bought back further shares using the £8m of receipts from the exercise of SAYE schemes. This resulted in the purchase of 58.6m shares, of which 26.1m shares were cancelled, for a net spend of £50m. The remaining 32.5m shares acquired were retained in order to satisfy the 2020 SAYE scheme that vested in December 2023. A further 19.7m shares have been purchased from the market (19.1m into the Employee Benefit Trust (EBT) and 0.6m into the SIP Trust), which will be used to settle other share incentive schemes.

A new £50m share buyback programme was announced on 15 April 2024, from which c.10m of the shares purchased will be held in treasury to satisfy the 2021 SAYE scheme, which vests in January 2025. The remainder will be cancelled.

Acquisitions (including GBE Converge, RHI Industrials, JCA Engineering and the step acquisition of Landmarc) have increased net debt by £34.7m. This includes gross acquisition costs paid of £87.6m, and employment-linked earnout payments of £0.7m, partially offset by net cash of £22.0m acquired with the projects businesses, and £31.6m from the step acquisition of Landmarc.

Dividend payments of £44.0m in FY24 comprised the final FY23 dividend (£28.6m), the interim FY24 dividend (£12.9m) and dividends paid to non-controlling interests (£2.5m). The recommended final FY24 dividend of 3.0p will result in a 38% increase in the total dividend per share to 4.0p for FY24 (FY23: 2.9p), representing a payout ratio of 33%.

Lease liabilities & other includes an increase in lease liabilities in FY24 (net of capital repayments) of £44.6m (FY23: £6.9m), as we transition our fleet to EVs. By the end of FY24, 66% of the total fleet was electric, compared with 46% at the end of FY23.

Net debt

Average daily net debt of £160.7m for FY24 was £76.4m higher than in FY23 (£84.3m), resulting in an average leverage ratio (average daily net debt / EBITDA before other items) of 0.6x for FY24, compared with 0.4x for FY23.

Closing net debt of (£80.8m) as at 31 March 2024 was £36.7m higher (FY23: £44.1m). Total financial obligations (TFO), including net retirement benefit liabilities of £0.8m (FY23: £0.2m), were £81.6m (FY23: £44.3m), and increased in line with the movement in net debt.

These increases during FY24 were mainly due to the planned capital allocation activities of £148.7m, and net increase in lease liabilities of £44.6m, exceeding the free cash inflow of £157.6m. These capital allocation activities relate to acquisitions completed in the period (£66.3m, net of £22.0m cash acquired), share buybacks (£50.4m, net of £8.0m proceeds received from the exercise of SAYE schemes), share purchases for employee incentive schemes (£19.6m) and dividends paid (£44.0m), partially offset by Landmarc cash acquired on consolidation (£31.6m).

Liquidity and covenants

As at 31 March 2024, the Group had £400.0m of committed funding arrangements, comprising a £250.0m RCF, and £150.0m of USPP notes. In September 2023 the RCF was increased by £100m, from £150m to £250m, and its maturity was extended to October 2027, with a further one year extension option at the mutual agreement of all parties. In FY23 (December 2022), £121.5m of USPP notes matured and were replaced by £120.0m of new notes, issued on more favourable terms, with maturities in December 2030 through to 2034. The remaining £30.0m of USPP notes are due to mature in December 2024.

On 28 July 2023, DBRS Morningstar confirmed Mitie's credit rating of BBB with a 'stable' outlook.

Mitie's two key covenant ratios are leverage (ratio of consolidated total net borrowings to adjusted consolidated EBITDA) and interest cover (ratio of consolidated EBITDA to consolidated net finance costs), with a maximum of

3.0x and minimum of 4.0x respectively. Covenant ratios are measured on a post-IFRS 16 basis with appropriate adjustments for leases, being primarily the exclusion of lease liabilities from net debt and the inclusion of a charge equivalent to lease payments against EBITDA.

As at 31 March 2024, the Group was operating well within these ratios at < 0x covenant leverage and 72.6x interest cover. A reconciliation of the calculations is set out in the table below:

£m		FY24	FY23
Operating profit before other items		**210.2**	**162.1**
Add: depreciation, amortisation & impairment		57.9	52.4
Headline EBITDA		**268.1**	**214.5**
Add: covenant adjustments[1]		21.9	18.2
Leases adjustment[2]		(43.3)	(38.6)
Consolidated EBITDA	**(a)**	**246.7**	**194.1**
Full-year effect of acquisitions & disposals		11.1	0.5
Full-year effect of Landmarc step acquisition		5.7	-
Adjusted consolidated EBITDA	**(b)**	**263.5**	**194.6**
Net finance costs		**9.4**	**11.5**
Less: covenant adjustments		(0.4)	(0.4)
Leases adjustment[3]		(5.6)	(4.2)
Consolidated net finance costs	**(c)**	**3.4**	**6.9**
Interest cover (ratio of (a) to (c))		**72.6x**	**28.1x**
Net debt		**80.8**	**44.1**
Impact of hedge accounting & upfront fees		2.5	1.8
Leases adjustment[4]		(174.0)	(129.4)
Consolidated total net cash	**(d)**	**(90.7)**	**(83.5)**
Covenant leverage (ratio of (d) to (b))		**< 0x**	**< 0x**

[1] Covenant adjustments to EBITDA relate to share-based payments charges, and pension administration expenses and past service costs
[2] Leases adjustment for EBITDA relates to depreciation charge for leased assets and interest charge for lease liabilities (i.e. application of a charge equivalent to lease payments)
[3] Leases adjustment for net finance costs relates to interest charge for lease liabilities (i.e. removal of interest on lease liabilities)
[4] Leases adjustment for net cash relates to lease liabilities (i.e. removal of lease liabilities)

Condensed consolidated income statement

For the year ended 31 March 2024

	Notes	2024 Before Other items £m	2024 Other items[1] £m	2024 Total £m	2023 Before Other items £m	2023 Other items[1] £m	2023 Total £m
Revenue including share of joint ventures and associates	3	**4,510.7**	**–**	**4,510.7**	4,055.1	–	4,055.1
Less: share of revenue of joint ventures and associates[2]	10	**(65.5)**	**–**	**(65.5)**	(110.1)	–	(110.1)
Group revenue	3	**4,445.2**	**–**	**4,445.2**	3,945.0	–	3,945.0
Cost of sales		**(3,945.3)**	**–**	**(3,945.3)**	(3,508.5)	–	(3,508.5)
Gross profit		**499.9**	**–**	**499.9**	436.5	–	436.5
Administrative expenses		**(297.8)**	**(62.4)**	**(360.2)**	(282.7)	(48.8)	(331.5)
Other income		**1.7**	**17.9**	**19.6**	–	3.7	3.7
Share of profit of joint ventures and associates[2]	10	**6.4**	**–**	**6.4**	8.3	–	8.3
Operating profit/(loss)[3]	3	**210.2**	**(44.5)**	**165.7**	162.1	(45.1)	117.0
Finance income		**4.2**	**–**	**4.2**	2.2	–	2.2
Finance costs		**(13.6)**	**–**	**(13.6)**	(13.7)	–	(13.7)
Net finance costs		**(9.4)**	**–**	**(9.4)**	(11.5)	–	(11.5)
Profit/(loss) before tax		**200.8**	**(44.5)**	**156.3**	150.6	(45.1)	105.5
Tax	5	**(37.9)**	**12.5**	**(25.4)**	(22.6)	8.2	(14.4)
Profit/(loss) after tax		**162.9**	**(32.0)**	**130.9**	128.0	(36.9)	91.1
Attributable to:							
Equity holders of the parent		**157.8**	**(31.5)**	**126.3**	128.0	(36.9)	91.1
Non-controlling interests		**5.1**	**(0.5)**	**4.6**	–	–	–
Profit/(loss) for the year		**162.9**	**(32.0)**	**130.9**	128.0	(36.9)	91.1
Earnings per share (EPS) attributable to owners of the parent							
Basic	7	**12.3p**		**9.8p**	9.5p		6.8p
Diluted	7	**11.3p**		**9.1p**	8.6p		6.2p

Notes:

1. Other items are as described in Note 4.
2. The Group obtained control of Landmarc Support Services Limited (Landmarc) on 16 November 2023, and since that date Landmarc's financial results have been consolidated as a subsidiary of Mitie (see Note 18). Prior to 16 November 2023, Landmarc was accounted for as a joint venture of Mitie (see Note 10).
3. Including net impairment losses on trade receivables, accrued income and other receivables of £2.6m (2023: £5.3m).

Condensed consolidated statement of comprehensive income

For the year ended 31 March 2024

	Notes	**2024 £m**	2023 £m
Profit for the year		**130.9**	91.1
Items that will not be reclassified to profit or loss in subsequent years			
Remeasurement of net defined benefit pension liabilities	19	**(14.2)**	(0.9)
Share of other comprehensive expense of joint ventures	10	**(0.1)**	(2.4)
Tax credit relating to items that will not be reclassified to profit or loss in subsequent years	5	**3.6**	2.6
		(10.7)	(0.7)
Items that may be reclassified to profit or loss in subsequent years			
Exchange differences on translation of foreign operations		**(0.8)**	1.5
Net losses on cash flow hedges taken to equity		**–**	(0.3)
Tax credit relating to items that may be reclassified to profit or loss in subsequent years	5	**0.1**	–
		(0.7)	1.2
Other comprehensive (expense)/income for the year		**(11.4)**	0.5
Total comprehensive income for the year		**119.5**	91.6
Attributable to:			
Equity holders of the parent		**114.8**	91.6
Non-controlling interests		**4.7**	–
Total comprehensive income for the year		**119.5**	91.6

Condensed consolidated statement of financial position

As at 31 March 2024

	Notes	**2024 £m**	2023 £m
Non-current assets			
Goodwill	8	**361.7**	312.3
Other intangible assets	9	**283.4**	252.6
Property, plant and equipment		**204.7**	156.9
Interests in joint ventures and associates	10	**0.9**	8.8
Trade and other receivables	11	**21.0**	23.5
Contract assets		**0.5**	0.8
Retirement benefit assets	19	**4.2**	2.4
Deferred tax assets	14	**7.9**	20.4
Total non-current assets		**884.3**	777.7
Current assets			
Inventories		**14.7**	13.5
Trade and other receivables	11	**775.1**	786.8
Contract assets		**1.0**	1.1
Current tax receivable		**7.8**	–
Cash and cash equivalents	15	**244.9**	248.3
Total current assets		**1,043.5**	1,049.7
Total assets		**1,927.8**	1,827.4
Current liabilities			
Trade and other payables	12	**(892.4)**	(899.5)
Deferred income		**(91.8)**	(83.3)
Current tax payable		**(2.0)**	(0.8)
Financing liabilities	16	**(73.8)**	(32.0)
Provisions	13	**(66.5)**	(54.2)
Total current liabilities		**(1,126.5)**	(1,069.8)
Net current liabilities		**(83.0)**	(20.1)
Non-current liabilities			
Trade and other payables	12	**(12.7)**	(2.3)
Deferred income		**(15.5)**	(19.8)
Financing liabilities	16	**(247.7)**	(254.0)
Provisions	13	**(46.7)**	(57.2)
Retirement benefit liabilities	19	**(5.0)**	(2.6)
Total non-current liabilities		**(327.6)**	(335.9)
Total liabilities		**(1,454.1)**	(1,405.7)
Net assets		**473.7**	421.7

	2024 £m	2023 £m
Equity		
Share capital	**33.3**	34.0
Share premium	**132.0**	131.5
Merger reserve	**157.0**	157.0
Own shares reserve	**(69.8)**	(59.0)
Share-based payments reserve	**42.1**	33.7
Capital redemption reserve	**3.3**	2.6
Hedging and translation reserve	**(2.1)**	(1.4)
Retained profits	**157.4**	123.3
Equity attributable to owners of the parent	**453.2**	421.7
Non-controlling interests	**20.5**	–
Total equity	**473.7**	421.7

Condensed consolidated statement of changes in equity

For the year ended 31 March 2024

	Share capital £m	Share premium £m	Merger reserve[1] £m	Own shares reserve £m	Share-based payments reserve £m	Capital redemption reserve £m	Hedging and translation reserve £m	Retained profits/ (losses) £m	**Total attributable to owners of parent £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2022	35.7	130.6	358.6	(36.9)	27.5	0.9	(2.6)	(89.1)	**424.7**	–	**424.7**
Profit for the year	–	–	–	–	–	–	–	91.1	**91.1**	–	**91.1**
Other comprehensive income/(expense)	–	–	–	–	–	–	1.2	(0.7)	**0.5**	–	**0.5**
Total comprehensive income	–	–	–	–	–	–	1.2	90.4	**91.6**	–	**91.6**
Transactions with owners											
Dividends paid	–	–	–	–	–	–	–	(28.9)	**(28.9)**	–	**(28.9)**
Purchase of own shares[2]	–	–	–	(37.7)	–	–	–	–	**(37.7)**	–	**(37.7)**
Realisation of merger reserve	–	–	(201.6)	–	–	–	–	201.6	**–**	–	**–**
Share buybacks[3]	(1.7)	–	–	–	–	1.7	–	(50.7)	**(50.7)**	–	**(50.7)**
Share-based payments	–	0.9	–	15.6	6.2	–	–	(6.0)	**16.7**	–	**16.7**
Tax on share-based payments	–	–	–	–	–	–	–	6.0	**6.0**	–	**6.0**
Total transactions with owners	(1.7)	0.9	(201.6)	(22.1)	6.2	1.7	–	122.0	**(94.6)**	–	**(94.6)**
At 31 March 2023	34.0	131.5	157.0	(59.0)	33.7	2.6	(1.4)	123.3	**421.7**	–	**421.7**
At 1 April 2023	34.0	131.5	157.0	(59.0)	33.7	2.6	(1.4)	123.3	**421.7**	–	**421.7**
Profit for the year	–	–	–	–	–	–	–	126.3	**126.3**	4.6	**130.9**
Other comprehensive (expense)/income	–	–	–	–	–	–	(0.7)	(10.8)	**(11.5)**	0.1	**(11.4)**
Total comprehensive (expense)/income	–	–	–	–	–	–	(0.7)	115.5	**114.8**	4.7	**119.5**
Transactions with owners											
Dividends paid	–	–	–	–	–	–	–	(41.5)	**(41.5)**	–	**(41.5)**
Purchase of own shares[2]	–	–	–	(19.6)	–	–	–	–	**(19.6)**	–	**(19.6)**
Share buybacks[3]	(0.7)	–	–	(31.8)	–	0.7	–	(26.6)	**(58.4)**	–	**(58.4)**
Share-based payments[4]	–	0.5	–	40.6	8.4	–	–	(24.0)	**25.5**	–	**25.5**
Tax on share-based payments	–	–	–	–	–	–	–	10.7	**10.7**	–	**10.7**
Non-controlling interest arising on acquisition[5]	–	–	–	–	–	–	–	–	**–**	18.3	**18.3**
Non-controlling interest dividends	–	–	–	–	–	–	–	–	**–**	(2.5)	**(2.5)**
Total transactions with owners	(0.7)	0.5	–	(10.8)	8.4	0.7	–	(81.4)	**(83.3)**	15.8	**(67.5)**
At 31 March 2024	33.3	132.0	157.0	(69.8)	42.1	3.3	(2.1)	157.4	**453.2**	20.5	**473.7**

Notes:

1. The merger reserve represents amounts relating to premiums arising on shares issued subject to the provisions of Section 612 of the Companies Act 2006.
2. The Employee Benefit Trust acquired 19.1m (2023: 50.1m) ordinary shares through market purchases for a consideration together with associated fees and stamp duty of £18.9m (2023: £37.3m) and the Share Incentive Plan Trust acquired 0.6m (2023: 0.6m) shares for a consideration of £0.7m (2023: £0.4m).
3. The share buybacks resulted in the purchase of 58.6m ordinary shares (2023: 68.8m), of which 26.1m (2023: 68.8m) have subsequently been cancelled and 32.5m (2023: nil) were bought into Treasury.
4. Includes £0.5m and £7.5m of cash receipts in respect of new shares and treasury shares respectively, which were issued on exercise of Save As You Earn share options.
5. The Group obtained control of Landmarc on 16 November 2023, resulting in recognition of non-controlling interest of £18.3m at that date. See Note 18.

Condensed consolidated statement of cash flows

For the year ended 31 March 2024

	Notes	**2024 £m**	2023 £m
Operating profit before Other items	3	**210.2**	162.1
Other items	4	**(44.5)**	(45.1)
Operating profit		**165.7**	117.0
Adjustments for:			
Share-based payments expense		**20.3**	17.3
Defined benefit pension expense	19	**3.1**	3.4
Defined benefit pension contributions	19	**(13.2)**	(16.5)
Fair value gain on acquisition of Landmarc	4	**(17.9)**	–
Depreciation of property, plant and equipment		**48.2**	43.1
Amortisation of other intangible assets	9	**33.0**	29.2
Share of profit of joint ventures and associates	10	**(6.4)**	(8.3)
Amortisation of contract assets		**1.4**	1.3
Impairment of non-current assets	9	**0.1**	0.2
Loss on disposal of property, plant and equipment		**0.1**	0.1
Operating cash flows before movements in working capital		**234.4**	186.8
Increase in inventories		**(0.6)**	(0.9)
Decrease/(increase) in receivables		**70.6**	(89.8)
Increase in contract assets		**(0.9)**	–
Decrease in deferred income		**–**	(15.5)
(Decrease)/increase in payables		**(73.5)**	44.9
Decrease in provisions		**(2.1)**	(8.6)
Cash generated from operations		**227.9**	116.9
Income taxes paid		**(16.9)**	(19.8)
Interest paid		**(13.3)**	(14.1)
Net cash generated from operating activities		**197.7**	83.0
Investing activities			
Acquisition of businesses, net of cash acquired[1]	18	**(34.0)**	(16.6)
Interserve completion accounts settlement		**–**	6.0
Interest received		**3.6**	2.2
Purchase of property, plant and equipment		**(11.5)**	(10.9)
Dividends received from joint ventures and associates	10	**8.4**	9.0
Purchase of other intangible assets	9	**(8.4)**	(14.3)
Disposal of property, plant and equipment		**0.2**	0.1
Net cash used in investing activities		**(41.7)**	(24.5)

Note:

1. Acquisition of businesses is net of cash acquired of £53.6m (2023: £2.0m). See Note 18.

	Notes	**2024 £m**	2023 £m
Financing activities			
Purchase of own shares		**(19.6)**	(37.7)
Shares bought back		**(58.4)**	(50.7)
Capital element of lease rentals		**(41.0)**	(34.5)
Lease incentives received		**5.7**	–
Proceeds from new private placement notes	17	**–**	120.0
Repayment of private placement notes	17	**–**	(150.8)
Settlement of derivative financial instruments		**–**	29.2
Repayment of bank loans		**(8.4)**	(4.1)
Payment of arrangement fees		**(1.2)**	(0.5)
Proceeds received on settlement of share-based payment transactions		**8.0**	1.6
Equity dividends paid	6	**(41.5)**	(28.9)
Dividends paid to non-controlling interest		**(2.5)**	–
Net cash used in financing activities		**(158.9)**	(156.4)
Net decrease in cash and cash equivalents		**(2.9)**	(97.9)
Net cash and cash equivalents at beginning of the year		**248.3**	345.2
Effect of foreign exchange rate changes		**(0.5)**	1.0
Net cash and cash equivalents at end of the year	15	**244.9**	248.3

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Notes to the condensed consolidated financial statements

For the year ended 31 March 2024

1. Basis of preparation and material accounting policies

(a) Basis of preparation

The financial information in this announcement has been extracted from the Group's Annual Report and Accounts for the year ended 31 March 2024 and is prepared in accordance with UK-adopted International Accounting Standards.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS and the financial information set out does not constitute Mitie Group plc's (the Company) statutory accounts for the current or prior years.

Statutory accounts for the years ended 31 March 2024 and 31 March 2023 have been reported on by the independent auditor.

The independent auditor's reports for the years ended 31 March 2024 and 31 March 2023 were unqualified and did not draw attention to any matters by way of emphasis. The independent auditor's reports for the years ended 31 March 2024 and 31 March 2023 did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2023 have been filed with the Registrar and the statutory accounts for the year ended 31 March 2024 will be delivered following the Company's annual general meeting.

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

Going concern

The condensed consolidated financial statements for the year ended 31 March 2024 have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's business activities and the principal risks and uncertainties.

The Directors have carried out an assessment of the Group's ability to continue as a going concern for the period of at least 12 months from the date of approval of the condensed consolidated financial statements (the Going Concern Assessment Period). This assessment was based on the latest medium-term cash forecasts from the Group's cash flow model (the Base Case Forecasts), which is based on the Board approved budget. These Base Case Forecasts indicate that the debt facilities currently in place are adequate to support the Group over the Going Concern Assessment Period.

The Group's principal debt financing arrangements as at 31 March 2024 were a £250m revolving credit facility maturing in October 2027, which was undrawn as at 31 March 2024, and £150m of US private placement (USPP) notes. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis.

In September 2023, the revolving credit facility was increased from £150m to £250m and its maturity date was extended to October 2027, on the same terms, with a further one year extension option at the mutual agreement of all parties.

Of the USPP notes, £120.0m were issued in December 2022, split equally between 8, 10 and 12 year maturities, and with an average coupon of 2.94%. The Base Case Forecasts assume that the remaining £30.0m of USPP notes, which are due to mature in December 2024, will be replaced at higher interest rates (c.6%).

Mitie currently operates within the terms of its agreements with its lenders, with consolidated net cash (i.e. net cash adjusted for covenant purposes, primarily by the exclusion of lease liabilities) of £90.7m at 31 March 2024. The Base Case Forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's debt facilities currently in place is adequate to support the Group over the Going Concern Assessment Period.

The Directors have also completed a reverse stress test using the Group cash flow model to assess the point at which the financial covenants, or facility headroom, would be breached. The sensitivities considered have been chosen after considering the Group's principal risks and uncertainties.

The primary financial risks related to adverse changes in the economic environment and/or a deterioration in commercial or operational conditions are listed below. These risks have been considered in the context of any further UK budgetary changes, global political uncertainties as well as an inflationary and potential recessionary economic environment:

- A downturn in revenues: this reflects the risks of not being able to deliver services to existing customers, or contracts being terminated or not renewed;
- A deterioration of gross margin: this reflects the risks of contracts being renegotiated at lower margins, or planned cost savings not being delivered;
- An increase in costs: this reflects the risks of a shortfall in planned overhead cost savings, including the margin enhancement initiatives not being delivered, or other cost increases, such as sustained higher cost inflation; and
- A downturn in cash generation: this reflects the risks of customers delaying payments due to liquidity constraints, the removal of ancillary debt facilities or any substantial one-off settlements related to commercial issues.

As a result of completing this assessment, the Directors concluded that the likelihood of the reverse stress scenarios arising was remote. In reaching the conclusion of remote, the Directors considered the following:

- All stress test scenarios would require a very severe deterioration compared to the Base Case Forecasts. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 39% in the 12 months to 30 September 2026 compared to the Base Case Forecasts, which is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that even in a Covid-hit year, Mitie's revenue excluding Interserve declined by only 1.6% in the year ended 31 March 2021; and

- In the event that results started to trend significantly below those included in the Base Case Forecasts, additional mitigation actions within the Group's control have been identified that would be implemented, which are not factored into the stress test scenarios. These include the short-term scaling down of capital expenditure, overhead efficiency/reduction measures including cancellation of discretionary bonuses and reduced discretionary spend, asset disposals and reductions in cash distributions and share buybacks.

Based on these assessments, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of these condensed consolidated financial statements. In addition, the Directors have concluded that the likelihood of the reverse stress scenarios arising is remote and therefore no material uncertainty exists.

Accounting standards that are newly effective in the current year
The following new standards and amendments became effective during the year ended 31 March 2024, none of which have had a material impact on the Group:

IFRS 17 Insurance Contracts

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17 *Insurance Contracts* and in June 2020 issued amendments to IFRS 17. IFRS 17 introduces requirements on accounting for insurance contracts which, whilst primarily expected to impact the insurance sector, apply more widely than to contracts issued by traditional insurance entities. The Group has performed an assessment and concluded that none of the Group's contracts are required to be accounted for as insurance contracts under IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments to IAS 1 require the disclosure of material accounting policy information rather than significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group has revised the accounting policy disclosures to align to the amended requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 to clarify how to distinguish changes in accounting policies from changes in accounting estimates. This amendment has had no impact on the condensed consolidated financial statements because there have been no changes to accounting policies in the year.

Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12 to require deferred tax to be recognised on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This has had no material impact on the condensed consolidated financial statements because the Group's existing approach does not result in a materially different outcome to applying the new amendments.

Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules

On 23 May 2023, the IASB issued International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12. The Group has applied the mandatory temporary exception to the accounting for deferred tax arising from the jurisdictional implementation of the Pillar Two model rules set out therein.

Accounting standards that are not yet mandatory and have not been applied by the Group
At the date of authorisation of these condensed consolidated financial statements, the Group has not applied the following revised IFRS Accounting Standards that have been issued but are not yet effective, none of which are expected to have a material effect on the Group other than presentational changes required under IFRS 18 *Presentation and Disclosure in Financial Statements*, the impact of which is still being assessed:

- Amendments to IFRS 16 *Leases – Lease Liability in a Sale-and-Leaseback*
- Amendments to IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to IAS 7 *Statement of Cash Flows* and *IFRS 7 Financial Instruments – Supplier Finance Arrangements*
- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*
- IFRS 18 – *Presentation and Disclosure in Financial Statements*

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated financial statements under IFRS requires management to make judgements, estimates and assumptions that affect amounts recognised for assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the reporting period. Actual results may differ from these judgements, estimates and assumptions.

Critical judgements in applying the Group's accounting policies
The following are the critical judgements, made by management in the process of applying the Group's accounting policies, that have the most significant effect on the amounts recognised in the Group's condensed consolidated financial statements.

Revenue recognition
The Group's revenue recognition policies are central to how the Group measures the work it has performed in each financial year.

Some of the Group's contracts, including PFI contracts, contain variable consideration where management assesses the extent to which revenue is recognised. For certain contracts, key judgements were made on whether it is considered highly probable that a significant reversal of revenue will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Profit before Other items
Other items are items of financial performance which management believes should be separately identified on the face of the condensed consolidated income statement to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item should be classified within Other items requires judgement as to whether an item is or is not part of the underlying performance of the Group.

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Other items after tax of £32.0m were charged (2023: £36.9m) to the condensed consolidated income statement for the year ended 31 March 2024. Included within the net charge were fixed-term staff costs in respect of the implementation of the digital supplier platform of £2.8m which, in management's judgement, is a material programme delivering a step change in the Group's supply chain management capabilities and therefore meets the Group's definition to be categorised as Other items. A complete analysis of the amounts included in Other items is detailed in Note 4.

IFRS 16 – Determining the lease term of contracts with renewal and termination options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. Management applies judgement in evaluating whether it is reasonably certain the option to renew or terminate the lease will be exercised or not. That is, it considers all relevant factors that create an economic incentive for the Group to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

Landmarc joint venture
The Group holds 51% of the equity shares in Landmarc Support Services Limited (Landmarc). The remaining 49% of the equity shares in Landmarc are held by a single third-party. As at 31 March 2023, management considered Landmarc to be a joint venture despite the Group having a majority shareholding. This is because, under the terms of the shareholders' agreement prevalent at that date, joint agreement was required with the other party to pass resolutions for all significant activities. Accordingly, the Group did not control Landmarc and did not recognise it as a subsidiary as at 31 March 2023.

On 16 November 2023, the shareholders' agreement was amended. Management's judgement is that the revisions made to the shareholders' agreement resulted in the Group obtaining control of Landmarc, and therefore Landmarc has been consolidated as a subsidiary of the Group from that date. Further details are included in Note 18.

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

Contract specific cost provisions
The Company and various of its subsidiaries are, from time to time, party to legal proceedings and claims. Judgements are required in order to assess whether these legal proceedings and claims are probable, and the liability can be reasonably estimated, resulting in a provision or, alternatively, whether the items meet the definition of contingent liabilities.

Provisions are liabilities of uncertain timing or amount and, therefore, in making a reliable estimate of the quantum and timing of liabilities, judgement is applied and re-evaluated at each reporting date. Those subject to significant estimation uncertainty relate to contract specific costs, for which the Group recognised provisions at 31 March 2024 of £49.2m (2023: £49.3m). Further details are included in Note 13.

Onerous contract provisions
Onerous contract provisions totalling £8.8m have been recognised at 31 March 2024 (2023: £10.5m). These primarily arose on the acquisition of Interserve.

Onerous contract assessments are performed by the Group at an individual contract level at each reporting date. Determining the carrying value of onerous contract provisions requires assumptions and complex judgements to be made about the future performance of the Group's contracts. The level of uncertainty in the estimates made, either in determining whether a provision is required, or in the measurement of a provision booked, is linked to the complexity of the underlying contracts.

The major sources of judgement when measuring the level of provision to book are:

- the level of accuracy in forecasting future variable revenue and costs to complete the contract;
- the ability of the Group to maintain or improve operational performance to ensure cost assumptions are in line with expected levels, including contract specific key performance indicators (KPIs);
- identifying cost saving initiatives that are considered to be probable in terms of timing and scale; and
- expectations around the resolution of contract specific disputes and the likelihood of incurring future costs associated with remediation or reactive work.

The range of possible future outcomes in respect of judgements and assumptions made to determine the carrying value of the Group's onerous contract provisions could result in a material increase or decrease in the value of the provisions, and hence, on the Group's profitability in the next financial year. To mitigate this, management regularly compares actual contract performance against previous forecasts used to measure the onerous contract provisions and considers if revised judgements are required.

The Directors have assessed the range of possible outcomes on contracts requiring an onerous contract provision, based on facts and circumstances that were present and known at the statement of financial position date. Sensitivities around the major sources of estimation uncertainty, as identified above, indicate a possible range of future outcomes on these contracts in the next financial year, ranging from a reduction in the provision of up to £2m to a further increase of up to £3m being recognised.

An onerous contract provision has not been recognised on a certain contract which made a loss of £3.9m in the year ended 31 March 2024 (2023: £8.4m) and has 17 years remaining on the contract. This contract was acquired as part of the acquisition of Interserve, and a detailed turnaround plan is in the process of being implemented. Based on the plan, including applying downside scenarios, management expects that the contract will return to profitability in the year ending 31 March 2026 and will record a cumulative profit for the remaining term of the contract.

Other contract specific provisions
In addition to the onerous contract provisions, the Group has recognised £40.4m of contract specific provisions at 31 March 2024 (2023: £38.8m). These have been recognised primarily to cover remedial and rectification costs required to meet clients' contract terms.

Within this total, £10.9m (2023: £14.7m) relates to a certain contract where a significant liability has been estimated in relation to a commercial dispute. Management sought external assistance at the time of the acquisition of Interserve to value the potential risk exposure to the Group and has periodically updated this assessment including a revised cost estimation by a third-party specialist for the current period. The actual exposure to the Group may differ from the amount provided at 31 March 2024 due to the compounding effect of multiple variables associated with the particular issues involved in the dispute. The value of the provision represents management's best estimate. Management considers that to the extent that it is agreed or determined that the Group has a liability, the assessed range of possible future outcomes could potentially lead to a reduction in the provision of up to £6m or a further increase of up to £9m being recognised, and other possible outcomes could increase the liability further. Management will continue to assess the value of the provision recorded in arriving at its best estimate of any potential resolution at each subsequent reporting date.

Provisions in relation to certain contracts are also subject to negotiation with the customers.

Measurement of defined benefit pension obligations
The net pension liability at 31 March 2024 was £0.8m (2023: £0.2m), which includes retirement benefit assets of £4.2m (2023: £2.4m).

The measurement of defined benefit obligations requires judgement. It is dependent on material key assumptions, including discount rates, inflation and life expectancy rates. See Note 19 for further details and a sensitivity analysis for the key assumptions.

Other sources of estimation uncertainty
While not considered to be a key source of estimation uncertainty, the following is an area of focus for management.

Business combinations – purchase price allocation
When the Group completes a business combination, the fair values of the identifiable assets and liabilities acquired are recognised through a purchase price allocation process, the determination of which requires management judgement.

During the year ended 31 March 2024, the Group completed the acquisitions of Linx International Group Limited (Linx International), RHI Industrials Limited (RHI Industrials), JCA Head Co Limited (JCA Engineering), Biservicus Sistemas De Seguridad S.A. (Biservicus), Cliniwaste Holdings Limited (Cliniwaste), GBE Converge Group Ltd (GBE) and Landmarc. The most significant fair value adjustments arising on the acquisitions related to attributing value to the acquired intangible assets recognised in the form of customer contracts and relationships.

In determining the fair value of customer contracts and relationships, the Group used forecast customer cash flows from the contracts and expected renewal rates and applied an appropriate discount rate. In determining the cash flows, management used judgement to estimate revenue growth, profit margins, contract renewal probability and the average contract duration remaining, as well as the discount rate. A specialist third-party valuation expert was used to assist in determining the discount rates for acquisitions. Further details are included in Note 18.

3. Business segment information

The Group manages its business on a service division basis. For the year ended 31 March 2024, the Group had four reportable segments (2023: eight reportable segments). This follows the reorganisation of the Group's Specialist Services division, as a result of which the Landscapes, Spain, and Waste divisions were moved into the Business Services division and the Care & Custody division was moved into the Communities division. The change in operating segments reflects how the Chief Operating Decision Maker evaluates the divisions and their performance, and decides on resource allocation. The comparatives for the year ended 31 March 2023 have been restated for the change in the composition of reportable segments.

Revenue including share of joint ventures and associates, operating profit before Other items and operating profit margin before Other items are the primary measures of performance that are reported to and reviewed by the Board. Segment assets and liabilities have not been disclosed as they are not reviewed by the Board.

Consolidated income statement information

	2024			2023 (restated)[1]		
	Revenue[2] £m	**Operating profit/(loss) before Other items[3] £m**	**Operating margin before Other items[3] %**	Revenue[2] £m	Operating profit/(loss) before Other items[3] £m	Operating margin before Other items[3] %
Business Services	**1,489.7**	**97.0**	**6.5**	1,413.8	92.3	6.5
Technical Services	**1,326.5**	**44.3**	**3.3**	1,154.1	34.1	3.0
Central Government & Defence (CG&D)	**937.7**	**80.4**	**8.6**	828.3	59.8	7.2
Communities	**756.8**	**39.1**	**5.2**	658.9	31.4	4.8
Corporate Centre	**–**	**(50.6)**	**–**	–	(55.5)	–
Total Group	**4,510.7**	**210.2**	**4.7**	4,055.1	162.1	4.0

Notes:

1. The comparatives for the year ended 31 March 2023 have been restated for the change in composition of reportable segments.
2. Revenue includes share of joint ventures and associates' revenue, of which £55.5m (2023: £100.1m) is included within CG&D and £10.0m (2023: £10.0m) within Communities.
3. Other items are as described in Note 4.

No single customer accounted for more than 10% of external revenue in the year ended 31 March 2024 or in the comparative year. The UK Government is not considered a single customer.

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A reconciliation of segment operating profit before Other items to total profit before tax is provided below:

	2024 £m	2023 £m
Operating profit before Other items	**210.2**	162.1
Other items[1]	**(44.5)**	(45.1)
Net finance costs	**(9.4)**	(11.5)
Profit before tax	**156.3**	105.5

Note:

1. Other items are as described in Note 4.

Geographical segments

Revenue, operating profit and operating margin from external customers by geographical segment are shown below:

	2024			2023		
	Revenue[1] £m	**Operating profit before Other items[2] £m**	**Operating margin before Other items[2] %**	Revenue[1] £m	Operating profit before Other items[2] £m	Operating margin before Other items[2] %
United Kingdom	**4,336.9**	**200.1**	**4.6**	3,895.2	153.9	4.0
Other countries	**173.8**	**10.1**	**5.8**	159.9	8.2	5.1
Total	**4,510.7**	**210.2**	**4.7**	4,055.1	162.1	4.0

Notes:

1. Revenue includes share of joint ventures and associates, of which £65.2m (2023: £110.1m) is included within the United Kingdom and £0.3m (2023: £nil) in other countries.
2. Other items are as described in Note 4.

The carrying amount of non-current assets, excluding retirement benefits, interest in joint ventures and associates and deferred tax assets, by geographical segment is shown below:

	2024 £m	2023 £m
United Kingdom	**846.3**	732.5
Other countries	**25.0**	16.0
Total	**871.3**	748.5

Supplementary information

	2024				2023 (restated)[1]			
	Depreciation of property, plant and equipment £m	**Amortisation of other intangible assets £m**	**Amortisation of contract assets £m**	**Other items[2] £m**	Depreciation of property, plant and equipment £m	Amortisation of other intangible assets £m	Amortisation of contract assets £m	Other items[2] £m
Business Services	**4.9**	**0.1**	**0.2**	**3.3**	3.9	–	–	1.5
Technical Services	**1.5**	**0.2**	**0.4**	**10.2**	1.3	0.6	0.3	10.8
CG&D	**0.8**	**–**	**–**	**(17.9)**	0.4	–	–	(0.8)
Communities	**1.2**	**–**	**0.8**	**1.3**	1.3	–	1.0	0.4
Corporate Centre	**39.8**	**32.7**	**–**	**47.6**	36.2	28.6	–	33.2
Total	**48.2**	**33.0**	**1.4**	**44.5**	43.1	29.2	1.3	45.1

Notes:

1. The comparatives for the year ended 31 March 2023 have been restated for the change in composition of reportable segments.
2. Other items are as described in Note 4.

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Disaggregated revenue

The Group disaggregates revenue from contracts with customers by sector (government and non-government). Management believes this best depicts how the nature and amount of revenue and cash flows are affected by economic factors. The following table includes a reconciliation of disaggregated revenue with the Group's reportable segments.

	2024			2023 (restated)[2]		
	Sector[1]			Sector[1]		
	Government £m	**Non-government £m**	**Total £m**	Government £m	Non-government £m	Total £m
Business Services	**418.1**	**1,071.6**	**1,489.7**	457.1	956.7	1,413.8
Technical Services	**274.7**	**1,051.8**	**1,326.5**	262.4	891.7	1,154.1
CG&D	**937.7**	**–**	**937.7**	828.3	–	828.3
Communities	**754.9**	**1.9**	**756.8**	656.6	2.3	658.9
Total Group including joint ventures and associates	**2,385.4**	**2,125.3**	**4,510.7**	2,204.4	1,850.7	4,055.1
Less: Joint ventures and associates[3]	**(65.5)**	**–**	**(65.5)**	(110.1)	–	(110.1)
Total Group excluding joint ventures and associates	**2,319.9**	**2,125.3**	**4,445.2**	2,094.3	1,850.7	3,945.0

Notes:

1. Sector is defined by the end customer on any contract. For example, if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.
2. The comparatives for the year ended 31 March 2023 have been restated for the change in composition of reportable segments.
3. Revenue from joint ventures and associates includes £55.5m (2023: £100.1m) and £10.0m (2023: £10.0m) within the CG&D and Communities segments respectively.

Transaction price allocated to the remaining performance obligations

The table below shows the secured forward order book for each segment at the reporting date with the time bands of when the Group expects to recognise secured revenue on its contracts with customers. Secured revenue corresponds to all fixed work contracted with customers and excludes the impact of any anticipated contract extensions, indexation and new contracts with customers.

	2024			2023 (restated)[1]		
	Less than 1 year £m	**More than 1 year £m**	**Total secured revenue £m**	Less than 1 year £m	More than 1 year £m	Total secured revenue £m
Business Services	**831.0**	**1,315.5**	**2,146.5**	623.4	853.2	1,476.6
Technical Services	**469.0**	**659.6**	**1,128.6**	482.6	678.0	1,160.6
CG&D[2]	**415.5**	**1,468.3**	**1,883.8**	503.8	1,263.3	1,767.1
Communities[2]	**504.1**	**2,838.2**	**3,342.3**	377.5	2,687.5	3,065.0
Total Group	**2,219.6**	**6,281.6**	**8,501.2**	1,987.3	5,482.0	7,469.3

Notes:

1. The comparatives for the year ended 31 March 2023 have been restated for the change in composition of reportable segments.
2. Forward order book includes share of joint ventures and associates.

4. Other items

Other items are items of financial performance which management believes should be separately identified on the face of the condensed consolidated income statement to assist in understanding the underlying financial performance achieved by the Group.

The Group separately reports impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal related costs, charges with respect to employment-linked earnouts, fair value gain on acquisitions, gain or loss on business disposals, cost of restructuring programmes and other exceptional items as Other items, together with their related tax effect.

	2024				
	Restructure costs £m	**Acquisition and disposal related costs £m**	**Fair value gain on acquisition of Landmarc £m**	**Other exceptional items £m**	**Total £m**
Other items before tax	**(20.4)**	**(38.3)**	**17.9**	**(3.7)**	**(44.5)**
Tax	**5.1**	**6.5**	**–**	**0.9**	**12.5**
Other items after tax	**(15.3)**	**(31.8)**	**17.9**	**(2.8)**	**(32.0)**

	2023			
	Restructure costs £m	Acquisition and disposal related costs £m	Other exceptional items £m	Total £m
Other items before tax	(16.6)	(25.1)	(3.4)	(45.1)
Tax	3.2	4.4	0.6	8.2
Other items after tax	(13.4)	(20.7)	(2.8)	(36.9)

Restructure costs

The Group has been undertaking a major transformation programme involving the restructuring of operations to reposition the business for its next phase of growth. Material transformation programmes are included as Other items where initiatives are considered to be non-recurring in nature and are not considered to be normal operating costs of the business. The costs are analysed below:

Total Group	2024 £m	2023 £m
Group transformation programme:		
Target Operating Model[1]	**(20.4)**	(7.9)
Project Forté[2]	**–**	(8.7)
Restructure costs	**(20.4)**	(16.6)
Tax	**5.1**	3.2
Restructure costs net of taxation	**(15.3)**	(13.4)

Notes:

1. The Target Operating Model is the Group's transformation programme and includes the further outsourcing of back-office functions, consolidating systems and processes, and optimising the organisation structure. Since its launch in the year ended 31 March 2022, cumulative costs of £28.6m have been recognised within the condensed consolidated income statement and classified as Other items, all of which were cash costs. The programme is expected to complete by 31 March 2025.
2. Project Forté was launched in 2019, primarily focusing on re-engineering the Technical Services business to modernise and optimise workflow processes. The project was completed in the year ended 31 March 2023.

The costs associated with the Group transformation programme include £5.7m of external consultancy costs (2023: £6.9m), fixed-term staff costs of £7.1m (2023: £6.9m) to manage and implement changes, redundancy costs of £4.5m (2023: £2.1m), dual-run licence costs in relation to decommissioned operating systems of £2.6m (2023: £0.7m) and certain property exit costs of £0.5m (2023: £nil).

Acquisition and disposal related costs

	2024 £m	2023 £m
Amortisation of acquisition related intangible assets	**(24.8)**	(21.4)
Employment-linked earnout charges[1]	**(9.5)**	(0.2)
Transaction costs[2]	**(2.9)**	(1.7)
Other acquisition related (costs)/income[3]	**(1.1)**	3.7
Integration costs	**–**	(5.5)
Acquisition and disposal costs	**(38.3)**	(25.1)
Tax	**6.5**	4.4
Acquisition and disposal costs net of taxation	**(31.8)**	(20.7)

Notes:

1. Comprises amounts payable to former owners of acquired businesses where a condition of receiving the payment is the continued employment of the individual receiving the payment. These payments are accrued over the period that the related employment services are received up until the point at which the consideration becomes payable.

2. Comprises professional fees of £3.1m (2023: £1.7m) and staff related integration costs of £0.4m (2023: £nil), offset by professional fee accrual releases of £0.6m for completed acquisitions where the Group expects no further costs (2023: £nil).

3. Amounts for the year ended 31 March 2024 include a provision charge of £9.0m in respect of a certain PFI contract, offset by release of other contract specific provisions of £7.9m. See Note 13. These adjustments relate to provisions that were recognised on the acquisition of Interserve and were originally recognised against goodwill. Amounts for the year ended 31 March 2023 include a provision release of £1.2m for a certain pension scheme, £0.7m release of an employer liability insurance provision created on the acquisition of Interserve, £0.9m professional fee accruals release and derecognition of a £0.9m pre-acquisition contractual liability originally recognised against goodwill.

Other exceptional items

Other exceptional items of £3.7m (2023: £3.4m) relate to the implementation of a new digital supplier platform, resulting in a step change in the Group's supply chain management capabilities. These comprise fixed-term staff costs of £2.8m (2023: £2.4m) and third-party implementation costs of £0.9m (2023: £1.0m). This implementation, which is transformational in nature, is expected to be completed during the year ending 31 March 2025. Cumulative cash costs of £11.5m have been recognised within the condensed consolidated income statement and classified as Other items since its launch in 2022.

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Fair value gain on Landmarc acquisition

The Group obtained control of Landmarc on 16 November 2023, and since that date Landmarc's financial results have been consolidated as a subsidiary. See Note 18. Prior to 16 November 2023, Landmarc was accounted for as a joint venture of the Group. See Note 10.

In accordance with IFRS 3 *Business Combinations,* the Group fair valued its investment in the joint venture as at 16 November 2023. This resulted in a fair value gain of £17.9m, being the difference between the fair value of the Group's joint venture interest of £23.7m and its carrying value of £5.8m as at the acquisition date. The gain has been recognised as Other items, as it is material and non-recurring in nature. See Note 18 for further details.

5. Tax

Total Group	**2024 £m**	2023 £m
Current tax	**22.1**	19.2
Deferred tax (Note 14)	**3.3**	(4.8)
Tax charge for the year	**25.4**	14.4

Corporation tax is calculated at 25% (2023: 19%) of the estimated taxable profit for the year. A reconciliation of the tax charge to the elements of profit before tax per the condensed consolidated income statement is as follows:

	2024			2023		
Total Group	**Before Other items £m**	**Other items[1] £m**	**Total £m**	Before Other items £m	Other items[1] £m	Total £m
Profit/(loss) before tax	**200.8**	**(44.5)**	**156.3**	150.6	(45.1)	105.5
Tax at UK rate of 25% (2023: 19%)	**50.2**	**(11.1)**	**39.1**	28.6	(8.5)	20.1
Reconciling tax charges for:						
Non-taxable items	**(1.0)**	**(1.1)**	**(2.1)**	(0.8)	0.3	(0.5)
Impact of equity accounted investments	**(1.6)**	**–**	**(1.6)**	(1.6)	–	(1.6)
Credit for losses not previously recognised	**(8.8)**	**–**	**(8.8)**	(5.3)	–	(5.3)
Overseas tax rates	**(1.3)**	**–**	**(1.3)**	(0.3)	–	(0.3)
Prior year adjustments	**0.4**	**(0.3)**	**0.1**	2.0	–	2.0
Tax charge/(credit) for the year	**37.9**	**(12.5)**	**25.4**	22.6	(8.2)	14.4
Effective tax rate for the year	**18.9%**	**28.1%**	**16.3%**	15.0%	18.2%	13.6%

Note:

1. Other items are as described in Note 4.

In addition to the amounts charged to the condensed consolidated income statement: (i) a £3.6m credit for current tax (2023: £1.1m) relating to remeasurements of retirement benefit liabilities has been recognised within the condensed consolidated statement of comprehensive income; (ii) a £0.1m credit for current tax (2023: £nil) relating to hedged items has been recognised within the condensed consolidated statement of comprehensive income; and (iii) a £7.3m credit for current tax (2023: £1.1m) and a £3.4m credit for deferred tax (2023: £4.9m) relating to share options have been recognised directly within equity.

In the year ended 31 March 2023, a credit for deferred tax of £1.5m relating to remeasurements of net defined benefit pensions liabilities was also recognised within other comprehensive income.

Impact of Pillar Two legislation

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning 1 April 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

6. Dividends

	2024 Pence per share	**2024 £m**	2023 Pence per share	2023 £m
Amounts recognised as distributions in the year:				
Final dividend for the prior year	**2.2**	**28.6**	1.4	19.5
Interim dividend for the current year	**1.0**	**12.9**	0.7	9.4
	3.2	**41.5**	2.1	28.9
Proposed final dividend for the year ended 31 March	**3.0**	**38.3**	2.2	28.7

Dividends are recognised as distributions in the year in which they are declared. Subject to approval at the Annual General Meeting on 23 July 2024, the final dividend for the year ended 31 March 2024 will be paid on 5 August 2024 to holders on the register on 21 June 2024. The ordinary shares will be quoted ex-dividend on 20 June 2024.

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7. Earnings per share

The calculation of the basic and diluted earnings per share (EPS) is based on the following data:

	2024 £m	2023 £m
Net profit before Other items attributable to owners of the parent	**157.8**	128.0
Other items net of tax attributable to owners of the parent[1]	**(31.5)**	(36.9)
Net profit attributable to owners of the parent	**126.3**	91.1

Note:
1. Other items are as described in Note 4.

Number of shares	2024 million	2023 million
Weighted average number of ordinary shares for the purpose of basic EPS[1]	**1,282.9**	1,348.4
Effect of dilutive potential ordinary shares[2]	**108.9**	132.9
Weighted average number of ordinary shares for the purpose of diluted EPS[1,2]	**1,391.8**	1,481.3

Notes:

1. The weighted average number of ordinary shares in issue during the year excludes those accounted for in the Own shares reserve.
2. The dilutive potential ordinary shares relate to instruments that could potentially dilute basic earnings per share in the future, such as share-based payments. The diluted earnings per share uses the weighted average number of shares adjusted for potentially dilutive ordinary shares, unless it has the effect of increasing the earnings per share.

	2024 Pence per share	2023 Pence per share
Basic earnings before Other items[1]	**12.3**	9.5
Basic earnings	**9.8**	6.8
Diluted earnings before Other items[1]	**11.3**	8.6
Diluted earnings	**9.1**	6.2

Note:

1. Other items are as described in Note 4.

8. Goodwill

	£m
Cost	
At 1 April 2022	**333.8**
Arising on business combinations	**11.0**
At 31 March 2023	**344.8**
Arising on business combinations[1]	**49.4**
At 31 March 2024	**394.2**
Accumulated impairment losses	
At 1 April 2022, 31 March 2023 and 31 March 2024	**32.5**
Net book value	
At 31 March 2024	**361.7**
At 31 March 2023	**312.3**

Note:
1. Refer to Note 18 for details of the current year acquisitions.

Goodwill impairment testing

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group tests goodwill at least annually for impairment or more frequently if there are indicators that goodwill may be impaired.

The Group has reorganised its business in the year ended 31 March 2024, and the determination of CGUs has been updated accordingly to meet the criteria included in IAS 36 *Impairment of Assets*. Business Services, Technical Services, Communities, Central Government & Defence (CG&D) and Spain have been determined to be the relevant CGUs for the year ended 31 March 2024. The information presented for the year ended 31 March 2023 has been re-presented to reflect these changes, and, as a result, the Business Services CGU includes goodwill of £6.7m, which as at 31 March 2023 was attributable to the Landscapes CGU.

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A summary of the goodwill balances and the discount rates used to assess the forecast cash flows from each CGU are as follows:

	Pre-tax discount rate %	**Goodwill 2024 £m**	Goodwill 2023 (restated)[1] £m
Business Services	**10.6**	**138.1**	111.8
Technical Services	**10.6**	**133.0**	116.8
Communities	**10.7**	**81.0**	81.0
CG&D	**10.7**	**7.4**	2.7
Spain	**11.0**	**2.2**	–
Total		**361.7**	312.3

Note:

1. The 2023 goodwill allocation by CGU has been restated to reflect the changes in the year to the way in which the Group monitors CGUs for goodwill impairment purposes.

At 31 March 2023 and under the previous organisational structure, the goodwill was allocated as follows:

	Pre-tax discount rate %	Goodwill 2023 £m
Business Services	14.7	105.1
Technical Services	12.3	116.8
Communities	13.8	81.0
CG&D	13.2	2.7
Landscapes	12.8	6.7
Total		312.3

Key assumptions

The recoverable amounts for each CGU are based on value-in-use, which is derived from discounted cash flow calculations. The key assumptions applied in value-in-use calculations are those regarding forecast operating profits, growth rates and discount rates.

Forecast operating profits

For all CGUs, the Group prepared cash flow projections derived from the most recent forecasts for the year ending 31 March 2025 and the Group's strategic plan to 31 March 2029. Forecast revenue and direct costs are based on past performance and expectations of future changes in the market, operating model and cost base including the impact of inflation.

Growth rates and terminal values

Medium-term revenue growth rates applied to the value-in-use calculations of each CGU reflect management's strategy for a period of five years. Terminal values were determined using a long-term growth assumption of 2.0% (2023: 2.0%).

Discount rates

The pre-tax discount rates used to assess the forecast cash flows from CGUs are derived from the Group's post-tax weighted average cost of capital, which was 7.9% as at the time of the Group's annual impairment review (2023: 9.8%). These rates are reviewed annually by external advisors and adjusted for the risks specific to the business being assessed and the market in which the CGU operates. All CGUs have the same access to the Group's treasury functions and borrowing lines to fund their operations.

Sensitivity analysis

A sensitivity analysis has been performed and management has concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill of any of the Group's CGUs.

9. Other intangible assets

	Acquisition related				
	Customer contracts and relationships £m	Other £m	**Total acquisition related £m**	Software and development expenditure £m	**Total £m**
Cost or valuation					
At 1 April 2022	329.5	10.9	**340.4**	76.8	**417.2**
Additions	–	–	**–**	14.3	**14.3**
Arising on business combinations	8.7	–	**8.7**	–	**8.7**
Disposals	–	–	**–**	(0.3)	**(0.3)**
At 31 March 2023	338.2	10.9	**349.1**	90.8	**439.9**
Additions	–	–	**–**	8.4	**8.4**
Arising on business combinations	53.7	1.2	**54.9**	0.6	**55.5**
Disposals	(82.9)	(9.8)	**(92.7)**	(0.1)	**(92.8)**
At 31 March 2024	309.0	2.3	**311.3**	99.7	**411.0**
Amortisation and impairment					
At 1 April 2022	113.9	10.7	**124.6**	33.7	**158.3**
Charge for the year	21.3	0.1	**21.4**	7.8	**29.2**
Disposals	–	–	**–**	(0.3)	**(0.3)**
Effect of movements in exchange rates	–	–	**–**	0.1	**0.1**
At 31 March 2023	135.2	10.8	**146.0**	41.3	**187.3**
Charge for the year	24.6	0.2	**24.8**	8.2	**33.0**
Disposals	(82.9)	(9.8)	**(92.7)**	(0.1)	**(92.8)**
Impairments	–	–	**–**	0.1	**0.1**
At 31 March 2024	76.9	1.2	**78.1**	49.5	**127.6**
Net book value					
At 31 March 2024	232.1	1.1	**233.2**	50.2	**283.4**
At 31 March 2023	203.0	0.1	**203.1**	49.5	**252.6**

Customer contracts and relationships are amortised over their useful lives based on the period of time over which they are anticipated to generate benefits, with an average remaining useful life of eight years (2023: nine years). Other acquisition related intangibles include brands and acquired software and technology which are amortised over their useful lives, with an average remaining useful life of three years. Following a review of the carrying amount of intangible assets, an impairment of £0.1m has been recorded in the year ended 31 March 2024 (2023: £nil).

10. Interests in joint ventures and associates

The Group has interests in joint ventures and associates, which are equity accounted. Landmarc was accounted for as a joint venture of Mitie until 16 November 2023, which is when the Group obtained control of Landmarc. Since 16 November 2023, Landmarc's financial results have been consolidated as a subsidiary of the Group. All equity accounted entities provide facilities management services.

Interests in joint ventures and associates

	Ownership %	Nature of relationship	**2024 £m**	2023 £m
Landmarc	51	Joint venture until 16 November 2023	–	7.9
Sussex	35	Associate	**0.9**	0.6
Other		Joint ventures	–	0.3
At 31 March			**0.9**	8.8

	2024				2023
	Landmarc[1] £m	**Sussex[1] £m**	**Other[1] £m**	**Group share of joint ventures and associates £m**	Group share of joint ventures and associates £m
At 1 April	**7.9**	**0.6**	**0.3**	**8.8**	11.9
Share of profit before Other Items	**4.6**	**1.8**	**–**	**6.4**	8.3
Share of other comprehensive expense	**(0.1)**	**–**	**–**	**(0.1)**	(2.4)
Dividends	**(6.9)**	**(1.5)**	**–**	**(8.4)**	(9.0)
De-recognised on obtaining control[2]	**(5.5)**	**–**	**(0.3)**	**(5.8)**	–
At 31 March	**–**	**0.9**	**–**	**0.9**	8.8

Notes:

1. Net assets/results of the entity multiplied by the respective proportion of the Group's ownership.
2. The Group's investment in the Landmarc joint venture was de-recognised on 16 November 2023 (see Note 18).

Summarised statement of total comprehensive income (100%)

	2024			2023			
	Landmarc[1] £m	**Sussex £m**	**Total £m**	Landmarc £m	Sussex £m	Other £m	Total £m
Revenue (100%)	**108.8**	**28.6**	**137.4**	196.5	28.4	–	224.9
Group's share of revenue of joint ventures and associates	**55.5**	**10.0**	**65.5**	100.2	9.9	–	110.1
Depreciation and amortisation	**(0.7)**	**–**	**(0.7)**	(1.4)	–	–	(1.4)
Operating profit/(loss)	**10.9**	**4.5**	**15.4**	18.8	3.0	(0.9)	20.9
Finance income	**0.2**	**–**	**0.2**	0.3	–	–	0.3
Tax (expense)/credit	**(2.1)**	**0.5**	**(1.6)**	(3.6)	(0.6)	–	(4.2)
Profit/(loss) for the year	**9.0**	**5.0**	**14.0**	15.5	2.4	(0.9)	17.0
Other comprehensive expense	**(0.2)**	**–**	**(0.2)**	(4.7)	–	–	(4.7)
Total comprehensive income/(expense) (100%)	**8.8**	**5.0**	**13.8**	10.8	2.4	(0.9)	12.3

Note:

1. Reflects the financial performance of Landmarc as a joint venture until 16 November 2023, from which point the Group consolidated the results of Landmarc. See Note 18.

Summarised statement of financial position (100%)

	2024			2023			
	Sussex £m	**Other £m**	**Total £m**	Landmarc £m	Sussex £m	Other £m	Total £m
Non-current assets	**–**	**–**	**–**	5.8	–	–	5.8
Current assets	**7.9**	**0.8**	**8.7**	52.6	9.9	1.3	63.8
Current liabilities	**(5.4)**	**(0.8)**	**(6.2)**	(43.0)	(8.3)	(0.8)	(52.1)
Net assets (100%)	**2.5**	**–**	**2.5**	15.4	1.6	0.5	17.5
Group's share of net assets	**0.9**	**–**	**0.9**	7.9	0.6	0.3	8.8
The above includes the following:							
Cash and cash equivalents (100%)	**0.5**	**0.8**	**1.3**	35.4	5.3	1.3	42.0

The Group is not aware of any material commitments in respect of its interests in joint ventures and associates. There are no significant restrictions on the ability to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

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11. Trade and other receivables

	2024 £m	2023 £m
Trade receivables	**411.5**	450.8
Accrued income	**302.7**	278.9
Prepayments	**50.5**	40.2
Other receivables	**31.4**	40.4
Total	**796.1**	810.3
Included in current assets	**775.1**	786.8
Included in non-current assets	**21.0**	23.5
Total	**796.1**	810.3

Trade receivables at 31 March 2024 represent 25 days credit on sales (2023: 31 days).

Management considers that the carrying amount of trade and other receivables approximates their fair value.

12. Trade and other payables

	2024 £m	2023 £m
Trade payables	**171.6**	230.5
Other taxes and social security	**156.1**	123.0
Other payables	**42.9**	22.7
Accruals	**534.5**	525.6
Total	**905.1**	901.8
Included in current liabilities	**892.4**	899.5
Included in non-current liabilities	**12.7**	2.3
Total	**905.1**	901.8

Trade payables at 31 March 2024 represent 22 days credit on trade purchases (2023: 32 days).

Management considers that the carrying amount of trade and other payables approximates their fair value.

13. Provisions

	Contract specific costs £m	Insurance reserve £m	Pension £m	Dilapidations £m	Restructuring £m	Other £m	Total £m
At 1 April 2023	49.3	26.2	21.7	8.0	2.5	3.7	**111.4**
Additional provisions	18.9	9.4	–	0.3	2.1	0.9	**31.6**
Released to the condensed consolidated income statement	(11.3)	–	–	(0.2)	–	(0.4)	**(11.9)**
Arising on business combinations	2.7	–	–	0.1	–	0.9	**3.7**
Utilised	(10.4)	(8.4)	–	–	(2.2)	(0.6)	**(21.6)**
At 31 March 2024	49.2	27.2	21.7	8.2	2.4	4.5	**113.2**
Included in current liabilities	27.8	9.5	21.7	1.0	2.4	4.1	**66.5**
Included in non-current liabilities	21.4	17.7	–	7.2	–	0.4	**46.7**
Total	49.2	27.2	21.7	8.2	2.4	4.5	**113.2**

Contract specific costs
Contract specific costs provisions of £49.2m (2023: £49.3m) comprise onerous contract provisions of £8.8m (2023: £10.5m) and other contract specific provisions of £40.4m (2023: £38.8m).

Onerous contracts are mainly in respect of certain long-term PFI contracts. It is expected that the majority of these provisions will be utilised over a number of years. Given the long-term nature of these contracts, the calculation of onerous contract provisions is a key source of estimation uncertainty. Key judgements used in the calculation of the provision and sensitivity to change in assumptions are set out in Note 2. The Group recognised additional onerous contract provisions of £1.4m and utilised £3.1m in the year.

Contract specific provisions have been made primarily to cover remedial and rectification costs required to meet clients' contract terms, and include a £10.9m (2023: £14.7m) provision relating to a significant liability risk on a certain contract which is subject to dispute, a £3.8m (2023: £6.2m) provision relating to remedial works on a certain contract, a £4.6m (2023: £4.5m) provision relating to a commercial settlement dispute for a certain contract, and a £6.3m provision for rectification works on a certain contract. The value of these provisions reflects the single most likely outcome and is expected to be utilised over a maximum period of eight years. The remaining provision relates to other potential commercial claims and rectification work for other contracts.

During the year the Group recognised additional contract specific provisions of £20.2m, of which £2.7m arose on business combinations, utilised £7.3m, and released £11.3m. Charges with respect to additional provisions of £9.0m and provision releases of £7.9m have been classified as Other items, as these relate to liabilities that were originally recognised on the acquisition of Interserve. See Note 4.

Insurance reserve
The Group retains a portion of the exposure in relation to insurance policies for employer liabilities and motor and fleet liabilities. Judgement is involved in assessing outstanding liabilities, the ultimate cost and timing of which cannot be known with certainty at the condensed consolidated statement of financial position date. The provision includes claims incurred but not yet reported and is based on information available at the condensed consolidated statement of financial position date using advice from third-party actuarial experts. The provision is expected to be utilised over five years.

The insurance reserve of £27.2m is presented gross of an insurer reimbursement asset of £4.9m (2023: £4.0m), which represents the amount the Group is virtually certain to recover for claims under its insurance policies. Of this other receivable, £3.2m (2023: £2.6m) is presented as non-current.

Pension
The pension provision balance at 31 March 2024 comprises £21.7m for Section 75 employer debt liabilities of Robert Prettie & Co Limited and Mitie FM Limited as a result of their participation in the Plumbing Scheme. This amount has been recorded as a current provision, however timing of outflows is dependent on agreement with the trustee of the Plumbing Scheme and may occur over a longer period than one year. See Note 19.

Dilapidations
The provision for dilapidations relates to the legal obligation for leased properties to be returned to the landlord in the contracted condition at the end of the lease period. This cost would include repairs of any damage and wear and tear and is expected to be utilised in the next ten years.

Restructuring
The restructuring provision as at 31 March 2024 includes additions of £2.1m, which have been recognised within Other items, in relation to redundancies with respect to the Group's Target Operating Model programme, where a detailed formal plan is in place and a valid expectation in those affected has been raised. The amount is expected to be utilised within the next year.

14. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon:

Assets/(liabilities)	Losses £m	Accelerated capital allowances £m	Retirement benefit liabilities £m	Intangible assets acquired £m	Share options £m	Short-term timing differences £m	**Total[1] £m**
At 1 April 2022	34.1	13.5	2.6	(52.7)	6.5	7.1	**11.1**
Arising on business combinations	–	(0.2)	–	(2.1)	–	0.4	**(1.9)**
Credit/(charge) to condensed consolidated income statement	5.5	(3.7)	(3.6)	4.1	0.6	1.9	**4.8**
Credit to equity and other comprehensive income	–	–	1.5	–	4.9	–	**6.4**
At 31 March 2023	39.6	9.6	0.5	(50.7)	12.0	9.4	**20.4**
Arising on business combinations	1.1	–	–	(13.7)	–	–	**(12.6)**
(Charge)/credit to condensed consolidated income statement	(9.9)	(2.0)	0.7	6.2	1.2	0.5	**(3.3)**
Credit to equity and other comprehensive income	–	–	–	–	3.4	–	**3.4**
At 31 March 2024	30.8	7.6	1.2	(58.2)	16.6	9.9	**7.9**

Note:

1. Deferred tax liabilities of £58.2m (2023: £50.7m) are offset against deferred tax assets as they relate to income taxes levied by the same tax authority and the Group has the right to and intends to settle its current tax assets and liabilities on a net basis.

The Group has unutilised income tax losses of £151.4m (2023: £222.3m) that are available for offset against future profits. A deferred tax asset has been recognised in respect of £123.2m (2023: £158.4m) of these losses to the extent that it is probable that taxable profits will be generated in the future and be available for utilisation. When considering the recoverability of deferred tax assets, the taxable profit forecasts are based on the same information used to support the going concern and goodwill assessments. See Note 1 for more information on these forecasts and the methodology applied. No reasonably possible changes in the key assumptions would result in a material change to the deferred tax assets recognised as at 31 March 2024.

No deferred tax asset has been recognised in respect of losses of £13.0m (2023: £48.7m) and disallowed interest under UK corporate interest restriction rules of £15.2m (2023: £15.2m) because recoverability is uncertain. All amounts may be carried forward indefinitely. Deferred tax has been calculated using tax rates that were substantively enacted at the condensed consolidated statement of financial position date. See Note 5.

15. Cash and cash equivalents

	2024 £m	2023 £m
Cash and cash equivalents	**244.9**	248.3

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The Group operates cash-pooling arrangements with certain banks for cash management purposes.

As at 31 March 2024, included within cash and cash equivalents is £4.2m (2023: £6.4m) which is subject to various constraints on the Group’s ability to utilise these balances. These constraints primarily relate to amounts held in project bank accounts and cash held through a joint operation, where cash is not available for use by the Group.

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16. Financing liabilities

	2024 £m	2023 £m
Bank loans – under committed facilities	–	8.4
Private placement notes	**150.0**	150.0
Lease liabilities	**174.0**	129.4
Loan arrangement fees	**(2.5)**	(1.8)
Total	**321.5**	286.0
Included in current liabilities	**73.8**	32.0
Included in non-current liabilities	**247.7**	254.0
Total	**321.5**	286.0

In September 2023, the Group increased its revolving credit facility from £150m to £250m, and the maturity date was extended by one year from October 2026 to October 2027, with an option to extend for a further one year period. All other terms remain unchanged and the facility was undrawn at the time of the modification.

In December 2022, the Group issued £120.0m of new US private placement notes (USPP), under a delayed funding agreement to avoid any overlap with the £121.6m (being the repayment amount after taking account of the cross-currency interest rate swaps) of notes that matured in the same month. The new notes are split equally between 8,10 and 12 year maturities, and were issued with an average coupon of 2.94%. A further £30.0m of USPP notes with a coupon of 4.04% are due to mature in December 2024.

The revolving credit facility and the US private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements. The Group was in compliance with these covenants as at 31 March 2024 and hence all amounts are classified in line with repayment dates. At 31 March 2024, the Group had available £250.0m (2023: £141.6m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The weighted average interest rates paid during the year were as follows:

	2024 %	2023 %
Bank loans	**4.9**	2.9
Private placement notes	**3.2**	3.9

Private placement notes
The Group issued US$153.0m and £55.0m of private placement notes on 13 December 2012, of which US$153.0m and £25.0m matured in December 2022. The remaining £30.0m are due to mature in December 2024. The Group issued £120.0m of US private placement notes on 16 December 2022. The USPP notes are unsecured and rank pari passu with other senior unsecured indebtedness of the Group. The amount, maturity and interest terms of these USPP notes as at 31 March 2024 are shown below.

Tranche	Maturity date	Amount	Interest terms
12 year	16 December 2024	£30.0m	£ fixed at 4.04%
8 year	16 December 2030	£40.0m	£ fixed at 2.84%
10 year	16 December 2032	£40.0m	£ fixed at 2.97%
12 year	16 December 2034	£40.0m	£ fixed at 3.00%

17. Analysis of net debt

	2024 £m	2023 £m
Cash and cash equivalents (Note 15)	**244.9**	248.3
Adjusted for: restricted cash (Note 15)	**(4.2)**	(6.4)
Bank loans (Note 16)	–	(8.4)
Private placement notes (Note 16)	**(150.0)**	(150.0)
Loan arrangement fees (Note 16)	**2.5**	1.8
Net cash before lease obligations	**93.2**	85.3
Lease liabilities	**(174.0)**	(129.4)
Net debt	**(80.8)**	(44.1)

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Reconciliation of net cash flow to movements in net debt	**2024 £m**	2023 £m
Net decrease in cash and cash equivalents	**(2.9)**	(97.9)
Decrease in restricted cash and cash held on trust[1]	**2.2**	31.1
Net decrease in unrestricted cash and cash equivalents	**(0.7)**	(66.8)
Cash drivers		
Proceeds from new private placement notes	**–**	(120.0)
Private placement notes repaid	**–**	150.8
Settlement of derivative financial instruments	**–**	(29.2)
Repayment of bank loans	**8.4**	4.1
Payment of arrangement fees	**1.2**	0.5
Capital element of lease rentals	**41.0**	34.5
Non-cash drivers		
Non-cash movement associated with bank loans	**(0.4)**	(0.4)
Non-cash movement associated with private placement notes	**(0.1)**	(0.3)
Non-cash movement in lease liabilities	**(85.6)**	(41.4)
Effect of foreign exchange rate changes	**(0.5)**	1.0
Increase in net debt during the year	**(36.7)**	(67.2)
Opening net (debt)/cash	**(44.1)**	26.7
Debt acquired as part of business combinations	**–**	(3.6)
Closing net debt	**(80.8)**	(44.1)

Note:

1. Includes decrease in restricted cash of £2.2m (2023: £11.1m). Amounts for the year ended 31 March 2023, a decrease of £20.0m in respect of the cash that was held across the Group's bank accounts at 31 March 2022 was also included in respect of the customer invoice discounting (CID) facility where cash collected from the Group's customers was held on trust for the CID facility provider and was subsequently remitted to the CID facility provider by 5 April 2022.

18. Acquisitions

Current year acquisitions

Linx International

On 5 April 2023, the Group completed the acquisition of the entire issued share capital of Linx International Group Limited (Linx International) for cash consideration of £1.1m. Linx International is a leading provider of security consultancy and technical and management training services.

Linx International contributed £3.6m of revenue and £0.8m of operating profit before Other items to the Group's results during the year ended 31 March 2024. Goodwill on the acquisition of Linx International represents the premium associated with acquiring the operations which are considered to strengthen Mitie's intelligence-led security and risk management offering.

The Group's final assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	**Fair value £m**
Customer contracts and relationships	–	0.3	**0.3**
Other intangible assets	0.3	–	**0.3**
Trade and other receivables	0.1	–	**0.1**
Cash and cash equivalents	0.2	–	**0.2**
Trade and other payables	(0.2)	–	**(0.2)**
Current tax liabilities	(0.1)	–	**(0.1)**
Deferred tax liabilities	–	(0.1)	**(0.1)**
Net identifiable assets acquired	0.3	0.2	**0.5**
Goodwill			**0.6**
Total cash consideration			**1.1**

The estimated fair value of trade and other receivables was £0.1m, which approximated the gross contractual amount.

RHI Industrials

On 2 May 2023, the Group completed the acquisition of the entire issued share capital of RHI Industrials Limited (RHI Industrials), a specialist designer, manufacturer and installer of security systems and solutions, as well as earthing services and all associated civil engineering works. The transaction consideration was £20.2m, comprised of initial cash consideration of £19.1m and contingent consideration of £1.1m, which was paid in January 2024.

RHI Industrials contributed £17.0m of revenue and £1.2m of operating profit before Other items to the Group's results during the year ended 31 March 2024.

Goodwill on the acquisition of RHI Industrials represents the premium associated with acquiring the operations which are considered to strengthen the Group's existing fire and security system capabilities.

The Group's final assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	**Provisional fair value £m**
Customer contracts and relationships	–	3.4	**3.4**
Property, plant and equipment	0.2	–	**0.2**
Right-of-use assets	0.7	0.4	**1.1**
Inventories	0.2	–	**0.2**
Trade and other receivables	4.5	–	**4.5**
Cash and cash equivalents	1.4	–	**1.4**
Trade and other payables	(2.8)	–	**(2.8)**
Lease liabilities	(0.7)	(0.3)	**(1.0)**
Deferred tax liabilities	(0.1)	(0.9)	**(1.0)**
Net identifiable assets acquired	3.4	2.6	**6.0**
Goodwill			**14.2**
Total cash consideration			**20.2**
Initial cash consideration			**19.1**
Contingent consideration			**1.1**
Total consideration			**20.2**

The estimated fair value of trade and other receivables was £4.5m, which approximated the gross contractual amount.

JCA Engineering

On 3 September 2023, the Group completed the acquisition of the entire issued share capital of JCA Head Co Limited (JCA Engineering), a leading critical environment project designer and principal contractor for mechanical and electrical works, asset upgrades and replacements, and office fit outs. The transaction consideration comprises cash consideration of £45.0m.

Amounts up to a maximum of £10.5m payable to the former owners of the business have been accounted for as remuneration for post acquisition employment services because a condition of receiving the payment is the individuals' continued employment within the Mitie Group. These amounts are payable based on three performance periods for the years ending 31 March 2024, 2025 and 2026 up to a maximum of £10.5m in total. These payments are accrued over the period that the related employment services are received, up until the point at which the consideration becomes payable. As at 31 March 2024, £4.8m was included in other payables relating to these transactions and the expense has been included in administrative expenses and classified as Other items within the condensed consolidated income statement.

JCA Engineering contributed £66.9m of revenue and £4.7m of operating profit before Other items to the Group's results during the year ended 31 March 2024.

Goodwill on the acquisition of JCA Engineering represents the premium associated with taking over the operations, which are considered to strengthen the Group's critical environment capabilities.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. Management continues to seek further information to complete accounting on the business combination within the 12-month measurement period. The provisional purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	**Provisional fair value £m**
Customer contracts and relationships	–	15.3	**15.3**
Brand	–	0.4	**0.4**
Property, plant and equipment	0.1	–	**0.1**
Right-of-use assets	–	0.4	**0.4**
Deferred tax assets	1.1	–	**1.1**
Current tax assets	1.8	–	**1.8**
Trade and other receivables	11.7	–	**11.7**
Cash and cash equivalents	19.2	–	**19.2**
Trade and other payables	(12.8)	–	**(12.8)**
Deferred income	(3.3)	–	**(3.3)**
Provisions	(0.1)	–	**(0.1)**
Lease liabilities	–	(0.4)	**(0.4)**
Current tax liabilities	(0.7)	–	**(0.7)**
Deferred tax liabilities	–	(3.9)	**(3.9)**
Net identifiable assets acquired	17.0	11.8	**28.8**
Goodwill			**16.2**
Total cash consideration			**45.0**

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The fair value of acquired trade and other receivables is £11.7m. The gross contractual amount for trade and other receivables due is £11.8m, with a loss allowance of £0.1m recognised on acquisition.

Biservicus
On 7 September 2023, the Group completed the acquisition of the entire issued share capital of Biservicus Sistemas De Seguridad S.A. (Biservicus), a security business in Spain specialising in the installation, maintenance, surveillance and operation of fire, security, and alarm systems. The transaction consideration comprises an initial cash consideration equivalent to £2.7m and contingent consideration with a fair value of £0.2m, which is also the maximum contingent consideration payable.

Biservicus contributed £4.1m of revenue and £0.4m of operating profit before Other items to the Group's results during the year ended 31 March 2024.

Goodwill on the acquisition of Biservicus represents the premium associated with taking over the operations, which are considered to strengthen the Group's existing fire and security system capabilities.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. Management continues to seek further information to complete accounting on the business combination within the 12-month measurement period. The provisional purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	**Provisional fair value £m**
Customer contracts and relationships	–	0.1	**0.1**
Other intangible assets	0.1	–	**0.1**
Property, plant and equipment	0.5	–	**0.5**
Inventories	0.1	–	**0.1**
Trade and other receivables	0.7	–	**0.7**
Cash and cash equivalents	0.2	–	**0.2**
Trade and other payables	(0.7)	–	**(0.7)**
Deferred income	(0.3)	–	**(0.3)**
Net identifiable assets acquired	0.6	0.1	**0.7**
Goodwill			**2.2**
Total cash consideration			**2.9**
Initial cash consideration			**2.7**
Contingent consideration			**0.2**
Total consideration			**2.9**

The estimated fair value of trade and other receivables is £0.7m, which approximates the gross contractual amount.

Cliniwaste
On 9 October 2023, the Group acquired Cliniwaste Holdings Limited (Cliniwaste) for cash consideration of £1.0m. Cliniwaste specialises in treating plastic waste generated by the NHS and pharmaceutical manufacturers, turning it into a reusable resource. The transaction consideration comprised cash consideration of £1.0m.

Cliniwaste contributed £2.0m of revenue and £0.3m of operating loss before Other items to the Group's results during the year ended 31 March 2024.

Goodwill on the acquisition of Cliniwaste represents the premium associated with taking over the operations, which are considered to strengthen the Group's ability to provide sustainable waste management solutions to its clients, particularly in the healthcare and pharmaceutical sectors.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. Management continues to seek further information to complete accounting on the business combination within the 12-month measurement period. The provisional purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	**Provisional fair value £m**
Other intangible assets	0.2	–	**0.2**
Property, plant and equipment	1.5	–	**1.5**
Right-of-use assets	–	2.0	**2.0**
Trade and other receivables	1.0	–	**1.0**
Cash and cash equivalents	0.6	–	**0.6**
Trade and other payables	(3.8)	(0.3)	**(4.1)**
Provisions	–	(0.9)	**(0.9)**
Lease liabilities	–	(2.0)	**(2.0)**
Current tax liabilities	(0.2)	–	**(0.2)**
Deferred tax liabilities	(0.6)	–	**(0.6)**
Net identifiable liabilities acquired	(1.3)	(1.2)	**(2.5)**
Goodwill			**3.5**
Total cash consideration			**1.0**

The estimated fair value of trade and other receivables was £1.0m, which approximated the gross contractual amount.

GBE

On 1 November 2023, the Group completed the acquisition of GBE Converge Group Ltd (GBE), a leading independent provider of fire, security and information and communications technology (ICT) solutions. The transaction consideration comprised cash consideration of £17.6m.

Amounts up to a maximum of £7.0m payable to the former owners of the business have been treated as remuneration for post acquisition employment services because a condition of receiving the payment is the individuals' continued employment within the Mitie Group. These amounts are payable based on three performance periods for the years ending 31 October 2024, 2025 and 2026 up to a maximum of £7.0m in total. These payments are accrued over the period that the related employment services are received up until the point at which the consideration becomes payable. As at 31 March 2024, £1.4m was included in other payables relating to these transactions, and the expense has been included in administrative expenses and classified as Other items within the condensed consolidated income statement.

GBE contributed £19.3m of revenue and £0.2m of operating loss before Other items to the Group's results during the year ended 31 March 2024.

Goodwill on the acquisition of GBE represents the premium associated with taking over the operations, which are considered to strengthen the Group's existing fire, security and information system capabilities.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. Management continues to seek further information to complete accounting on the business combination within the 12-month measurement period. The provisional purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	**Provisional fair value £m**
Customer contracts and relationships	–	2.7	**2.7**
Brand	–	0.1	**0.1**
Property, plant and equipment	0.3	–	**0.3**
Right-of-use assets	–	0.4	**0.4**
Inventories	0.5	–	**0.5**
Trade and other receivables	16.9	–	**16.9**
Cash and cash equivalents	0.4	–	**0.4**
Trade and other payables	(9.4)	–	**(9.4)**
Provisions	(1.0)	–	**(1.0)**
Deferred income	(0.2)	–	**(0.2)**
Lease liabilities	–	(0.4)	**(0.4)**
Deferred tax liabilities	–	(0.7)	**(0.7)**
Net identifiable assets acquired	7.5	2.1	**9.6**
Goodwill			**8.0**
Total cash consideration			**17.6**

The fair value of acquired trade and other receivables is £16.9m. The gross contractual amount for trade and other receivables due is £17.6m, with a loss allowance of £0.7m recognised.

Landmarc

The Group holds 51% of the equity shares in Landmarc Support Services Limited (Landmarc). The remaining 49% of the equity shares in Landmarc are held by a single third party (the joint venture partner). Prior to 16 November 2023, management considered Landmarc to be a joint venture despite the Group having majority shareholding. This was because, under the terms of the shareholders' agreement prevalent prior to that date, joint agreement was required with the other party to pass resolutions for all significant activities.

On 10 October 2023, the Group entered into an agreement with the joint venture partner to amend the Landmarc shareholders' agreement. The change of control in relation to Landmarc required a mandatory notification under the UK National Security and Investment Act 2021 due to Landmarc's business of providing services for the management and operation of the UK Defence Training Estate. Clearance was granted on 16 November 2023 at which point the amendments to the shareholders' agreement became effective. From that date onwards Landmarc has been consolidated as a subsidiary of the Group.

No cash was transferred to achieve control and the deemed consideration for the purpose of acquisition accounting is the fair value of the Group's previously held interest in Landmarc at the date of obtaining control. The fair value has been determined with the assistance of third-party valuation specialists by discounting the future cash flows expected to be generated by Landmarc at a discount rate to reflect the risks associated with the cash flows. The determined fair value of the Group's 51% interest in Landmarc was £23.7m which was £17.9m greater than the £5.8m carrying amount of the investment at the date of obtaining control. This £17.9m fair value gain has been included in other income and classified as Other items within the condensed consolidated income statement (see Note 4).

The provisional fair values of assets and liabilities acquired are as follows:

	Book value £m	Fair value adjustments £m	**Provisional fair value £m**
Customer contracts and relationships	–	31.9	**31.9**
Brand	–	0.7	**0.7**
Property, plant and equipment	3.1	–	**3.1**
Right-of-use assets	–	1.3	**1.3**
Retirement benefit asset	2.8	–	**2.8**
Deferred tax assets	0.7	–	**0.7**
Trade and other receivables	22.0	–	**22.0**
Cash and cash equivalents	31.6	–	**31.6**
Trade and other payables	(45.0)	–	**(45.0)**
Provisions	(1.7)	–	**(1.7)**
Deferred income	(0.4)	–	**(0.4)**
Lease liabilities	–	(1.3)	**(1.3)**
Current tax liabilities	(0.3)	–	**(0.3)**
Deferred tax liabilities	–	(8.1)	**(8.1)**
Net identifiable assets acquired	12.8	24.5	**37.3**
Non-controlling interest[1]			**(18.3)**
Goodwill			**4.7**
Deemed consideration (fair value of previously held investment)			**23.7**

Note:

1. The Group has opted to recognise the non-controlling interest in Landmarc at its proportionate share of the acquired identifiable net assets.

As a subsidiary, Landmarc contributed £78.8m of revenue and £13.5m of operating profit before Other items to the Group's results during the year ended 31 March 2024.

Revenue and operating profit from acquisitions

Five of the seven acquisitions made during the period have been integrated into the Business Services division (Linx International, RHI Industrials, Biservicus, Cliniwaste and GBE). JCA Engineering has been integrated into the Technical Services division, and Landmarc has been integrated into the CG&D division.

The acquired entities from the date of obtaining control for the year ended 31 March 2024, contributed £191.7m of revenue and £20.1m of operating profit before Other items to the Group's results.

Based on estimates made of the full year impact if all acquisitions had been completed on 1 April 2023, Group revenue for the year would have increased by approximately £268.9m and operating profit before Other items would have increased by £9.5m, resulting in total Group revenue of £4,714.1m and total Group operating profit before Other items of £219.7m.

Cash flows on acquisitions

	2024 £m	2023 £m
Cash consideration	**87.6**	18.6
Less: cash balance acquired	**(53.6)**	(2.0)
Net outflow of cash – investing activities	**34.0**	16.6

G2 Energy Limited asset purchase
On 28 July 2023, Mitie acquired a portfolio of assets from the liquidators of G2 Energy Limited for cash consideration of £0.6m. The purchase enhances Mitie's high voltage electrical and civil engineering capabilities. This has been accounted for as an asset purchase.

19. Retirement benefit schemes

The Group operates a number of pension arrangements for employees:

- Defined contribution schemes for the majority of its employees; and
- Defined benefit schemes which include the Group scheme, the Landmarc scheme and other smaller schemes.

Defined contribution schemes
A defined contribution scheme is a pension scheme under which the Group pays contributions to an independently administered fund; such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once these contributions have been paid. Members' benefits are determined by the amount of contributions paid, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to take at retirement. As a result, actuarial risk (that pension will be lower than expected) and investment risk (that the assets invested in do not perform in line with expectations) are borne by the employee.

The Group's contributions are recognised as an employee benefit expense when they are due.

The Group operates four separate schemes: a stakeholder defined contribution plan, which is closed to new members; a self-invested personal pension plan, which is closed to new members; and two Group personal pension (GPP) plans. Employer contributions are payable to each on a matched basis requiring employee contributions to be paid. Employees have the option to pay their share via a salary sacrifice arrangement. The scheme used to satisfy auto-enrolment compliance is a master trust, The People's Pension.

During the year, the Group made a total contribution to the defined contribution schemes of £18.1m (2023: £15.3m) and contributions to the auto-enrolment scheme of £22.1m (2023: £20.4m), which are included in the condensed consolidated income statement charge. The Group expects to make contributions of a similar amount in the year ending 31 March 2025.

Defined benefit schemes

Mitie Group plc Pension Scheme (the Group scheme)

The Group scheme comprises two segregated sections: Part A (the Group section) and Part B (the Interserve section). The assets and liabilities of the two sections are ring-fenced.

The Group section provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their final pensionable pay.

The Group section was closed to new members in 2006, with new employees able to join one of the defined contribution schemes.

The Interserve section was formed in the year ended 31 March 2023 when the assets and liabilities were transferred from the Interserve Scheme Part C, which in turn had been formed to take Interserve members out of the Interserve Group Pension Scheme as part of the arrangements for Mitie's acquisition of Interserve in 2020.

The Group scheme is operated under the UK regulatory framework. Benefits are paid to members from the trust-administered fund, where the Trustee is responsible for ensuring that the scheme is sufficiently funded to meet current and future benefit payments. Plan assets are held in trust and are governed by pension legislation. If investment experience is worse than expected or the actuarial assessment of the scheme's liabilities increases, the Group's financial obligations to the scheme rise.

The nature of the relationship between the Group and the Trustee is also governed by regulations and practice. The Trustee must agree a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out, with the scheme's obligations measured using prudent assumptions (which are determined by the Trustee with advice from the scheme actuary). The most recent triennial valuation was carried out as at 31 March 2023, which indicated an actuarial deficit of £19.4m, an improvement of £72.7m since the last valuation. During the year, Mitie paid £10.6m of deficit repair contributions and the Group has agreed to pay total deficit repair contributions of £22.5m over the next four years.

The Trustee's other duties include managing the investment of the scheme's assets, administration of plan benefits and exercising of discretionary powers. The Group works closely with the Trustee to manage the scheme.

The Group has an unconditional right to refund of surplus assuming the gradual settlement over time until all members have left the section. Accordingly, there is no restriction on the surplus.

The Landmarc Pension Scheme (the Landmarc scheme)

The Group obtained control of Landmarc Support Services Limited (Landmarc) on 16 November 2023 (see Note 18). Landmarc is the employing company for the Landmarc scheme, which commenced on 1 July 2003, at which time approximately 1,000 employees became members of the scheme. From that date the majority of new employees were provided with defined contribution benefits under a separate arrangement, with membership of the Landmarc Scheme for certain new employees only available at the discretion of the employing company. On 1 July 2021 the last remaining active members ceased accrual and the scheme closed to future accrual.

In December 2022 the trustee of the scheme entered into a qualifying insurance buy-in to secure the remaining uninsured benefits of the scheme.

The membership data used for the formal actuarial valuation as at 31 December 2020 has been rolled forward and used to calculate results under IAS 19 *Employee Benefits* by an independent qualified actuary. As required by IAS 19, the value of the defined benefit liabilities has been measured using the projected unit method.

The Group has an unconditional right to refund of surplus assuming the gradual settlement over time until all members have left the scheme. Accordingly, there is no restriction on the surplus on the Company's statement of financial position (or additional minimum liability to be recognised).

Other defined benefit schemes

Grouped together under Other schemes are a number of schemes to which the Group makes contributions under Admitted Body status to clients' (generally local government or government entities) defined benefit schemes in respect of certain employees who transferred to the Group under TUPE, as well as three smaller schemes that the Group acquired on the acquisition of Interserve. The valuations of the Other schemes are updated by an actuary at each condensed consolidated statement of financial position date.

For the Admitted Body schemes, which are largely sections of the Local Government Pension Scheme, the Group will only participate for a finite period up to the end of the relevant contract. The Group is required to pay regular contributions, as decided by the relevant scheme actuaries and detailed in each scheme's Contributions Certificate, which are calculated every three years as part of a triennial valuation. In a number of cases, contributions payable by the employer are capped and any excess is recovered from the entity that the employees transferred from. In addition, in certain cases, at the end of the contract the Group will be required to pay any deficit (as determined by the scheme actuary) that is assessed for its notional section of the scheme.

The Group made contributions to the Other schemes of £0.4m in the year (2023: £0.7m). The Group expects to make contributions of a similar amount in the year ending 31 March 2025.

Multi-employer schemes

As a result of acquisition activity and staff transfers following contract wins, the Group participates in four multi-employer pension schemes. The total contributions to these schemes for the financial year ending 31 March 2025 are anticipated to be £0.1m. For three of these schemes, the Group's share of the assets and liabilities is minimal.

The fourth scheme is the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Plumbing Scheme), a funded multi-employer defined benefit scheme. The Plumbing Scheme was founded in 1975 and to date has had over 4,000 employers. The Group has received a Section 75 employer debt notice in respect of the participation of Robert Prettie & Co Limited in the Plumbing Scheme.

As a result of the Interserve acquisition, the Group increased its participation in the Plumbing Scheme and the Group has received a Section 75 employer debt notice in respect of the participation of Mitie FM Limited.

Provisions of £21.7m were held at 31 March 2024 for Section 75 employer debts in respect of the participation of Robert Prettie & Co Limited and Mitie FM Limited in the Plumbing Scheme. See Note 13.

Accounting assumptions

The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension schemes, as detailed below, are set after consultation with independent, professionally qualified actuaries.

The discount rate used to determine the present value of the obligations is set by reference to market yields on high-quality corporate bonds. The assumptions for price inflation are set by reference to the difference between yields on longer-term conventional government bonds and index-linked bonds. The assumptions for increases in pensionable pay take into account expected salary inflation, the cap at CPI, and how often the cap is likely to be exceeded.

The assumptions for life expectancy have been set with reference to the actuarial tables used in the latest funding valuations.

Principal accounting assumptions at condensed consolidated statement of financial position date

	Group section		Interserve section		Landmarc scheme	Other schemes	
	2024 %	2023 %	**2024 %**	2023 %	**2024 %**	**2024 %**	2023 %
Key assumptions used for IAS 19 valuation:							
Discount rate	**4.84**	4.75	**4.80**	4.80	**4.80**	**4.80**	4.80
Expected rate of pensionable pay increases	**2.63**	3.25	**2.80**	3.40	**3.30**	**2.80**	3.40
Retail price inflation	**3.26**	3.25	**3.20**	3.40	**3.30**	**3.20**	3.40
Consumer price inflation	**2.63**	2.50	**2.80**	2.90	**2.70**	**2.80**	2.90
Future pension increases	**2.63**	3.25	**2.80**	3.40	**3.30**	**3.20**	3.40

	Group section		Interserve section		Landmarc scheme
	2024 Years	2023 Years	**2024 Years**	2023 Years	**2024 Years**
Post retirement life expectancy:					
Current pensioners at 65 – male	**87.1**	87.5	**85.7**	86.0	**84.9**
Current pensioners at 65 – female	**88.6**	88.9	**88.3**	88.6	**88.6**
Future pensioners at 65 – male	**88.1**	88.5	**86.6**	87.0	**86.1**
Future pensioners at 65 – female	**89.1**	90.1	**89.4**	89.7	**89.7**

Life expectancy for the Other schemes is that used by the relevant scheme actuary.

Sensitivity of defined benefit obligations to key assumptions

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

	Impact on defined benefit obligations		
	Change in assumption	(Decrease)/ increase in obligations %	(Decrease)/ increase in obligations £m
Increase in discount rate	0.25%	(3.7)	(10.0)
Increase in retail price inflation[1]	0.25%	2.6	7.0
Increase in consumer price inflation (excluding pay)	0.25%	1.5	3.9
Increase in life expectancy	1 year	3.7	10.0

Note:

1. Including other inflation-linked assumptions (consumer price inflation, pension increases and salary growth).

Some of the above changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the Group scheme holds a proportion of its assets in UK corporate bonds. A fall in the discount rate as a result of lower UK corporate bond yields would lead to an increase in the value of these assets, mitigating the increase in the defined benefit obligation to some extent. The duration, or average term to payment for the benefits due, weighted by liability, is around 15 years for the Group and Interserve sections, and 13 years for the Landmarc scheme.

Amounts recognised in condensed consolidated financial statements

Amounts recognised in the condensed consolidated income statement are as follows:

	2024					2023			
	Group section £m	**Interserve section £m**	**Landmarc scheme £m**	**Other schemes £m**	**Total £m**	Group section £m	Interserve section £m	Other schemes £m	Total £m
Current service cost	**(0.1)**	**(0.5)**	**–**	**(0.9)**	**(1.5)**	(0.2)	(0.8)	(1.5)	(2.5)
Past service cost (including curtailments)	**–**	**–**	**–**	**(0.3)**	**(0.3)**	–	–	–	–
Total administration expense	**(1.1)**	**–**	**(0.1)**	**(0.1)**	**(1.3)**	(0.9)	–	–	(0.9)
Amounts recognised in operating profit	**(1.2)**	**(0.5)**	**(0.1)**	**(1.3)**	**(3.1)**	(1.1)	(0.8)	(1.5)	(3.4)
Net interest income/(cost)	**0.3**	**0.2**	**0.1**	**(0.1)**	**0.5**	–	0.1	(0.2)	(0.1)
Amounts recognised in profit before tax	**(0.9)**	**(0.3)**	**–**	**(1.4)**	**(2.6)**	(1.1)	(0.7)	(1.7)	(3.5)

Amounts recognised in the condensed consolidated statement of comprehensive income are as follows:

	2024					2023			
	Group section £m	**Interserve section £m**	**Landmarc scheme £m**	**Other schemes £m**	**Total £m**	Group section £m	Interserve section £m	Other schemes £m	Total £m
Actuarial gains/(losses) arising due to changes in financial assumptions	**2.2**	**0.2**	**(3.0)**	**2.6**	**2.0**	79.5	11.1	22.8	113.4
Actuarial (losses)/gains arising from liability experience	**(8.0)**	**–**	**0.4**	**0.5**	**(7.1)**	(12.4)	(1.6)	1.1	(12.9)
Actuarial (losses)/gains due to changes in demographic assumptions	**(0.5)**	**0.3**	**0.6**	**–**	**0.4**	1.2	0.2	0.7	2.1
Movement in asset ceiling, excluding interest	**–**	**–**	**–**	**(6.0)**	**(6.0)**	–	–	(8.7)	(8.7)
Return on scheme assets, excluding interest income	**(7.9)**	**(1.7)**	**2.2**	**4.0**	**(3.4)**	(74.1)	(9.8)	(11.1)	(95.0)
Return on reimbursement asset[1]	**–**	**–**	**–**	**(0.1)**	**(0.1)**	–	–	0.2	0.2
Amounts recognised in condensed consolidated statement of comprehensive income	**(14.2)**	**(1.2)**	**0.2**	**1.0**	**(14.2)**	(5.8)	(0.1)	5.0	(0.9)

Note:

1. Included within the consolidated statement of comprehensive income is £0.1m loss (2023: £0.2m gain) related to a defined benefit reimbursement asset of £0.9m (2023: £1.0m), which is recorded within other receivables.

The amounts included in the condensed consolidated statement of financial position are as follows:

	2024					2023			
	Group section £m	**Interserve section £m**	**Landmarc scheme £m**	**Other schemes £m**	**Total £m**	Group section £m	Interserve section £m	Other schemes £m	Total £m
Fair value of scheme assets	**174.8**	**24.4**	**41.1**	**80.0**	**320.3**	170.3	24.2	77.1	271.6
Present value of defined benefit obligations[1]	**(177.4)**	**(23.2)**	**(38.1)**	**(58.1)**	**(296.8)**	(169.6)	(22.5)	(62.2)	(254.3)
(Deficit)/surplus without restriction[2]	**(2.6)**	**1.2**	**3.0**	**21.9**	**23.5**	0.7	1.7	14.9	17.3
Asset ceiling	**–**	**–**	**–**	**(24.3)**	**(24.3)**	–	–	(17.5)	(17.5)
Net pension (liability)/asset	**(2.6)**	**1.2**	**3.0**	**(2.4)**	**(0.8)**	0.7	1.7	(2.6)	(0.2)

All figures above are shown before deferred tax.

Notes:

1. The 31 March 2023 comparatives have been restated to increase the asset ceiling by £8.8m and reduce the present value of the defined benefit obligation by £8.8m in order to properly show the full effect of the asset ceiling separately. Some of the effect of the asset ceiling had been previously included within the defined benefit obligation. There is no impact on the net retirement benefit liabilities recognised in the statement of financial position.
2. Schemes in surplus are shown net of tax of £1.4m (2023: £1.3m).

Movements in the present value of defined benefit obligations were as follows:

	2024					2023			
	Group section £m	**Interserve section £m**	**Landmarc scheme £m**	**Other schemes £m**	**Total £m**	Group section £m	Interserve section £m	Other schemes £m	Total £m
At 1 April	**169.6**	**22.5**	**–**	**62.2**	**254.3**	238.3	31.0	84.7	354.0
Arising on business combination	**–**	**–**	**36.3**	**–**	**36.3**	–	–	–	–
Current service cost	**0.1**	**0.5**	**–**	**0.9**	**1.5**	0.2	0.8	1.5	2.5
Interest cost	**7.9**	**1.1**	**0.7**	**2.7**	**12.4**	6.4	0.9	2.2	9.5
Contributions from scheme members	**–**	**0.1**	**–**	**0.2**	**0.3**	–	0.1	0.2	0.3
Actuarial (gains)/losses arising due to changes in financial assumptions	**(2.2)**	**(0.2)**	**3.0**	**(2.6)**	**(2.0)**	(79.5)	(11.1)	(22.8)	(113.4)
Actuarial losses/(gains) arising from experience	**8.0**	**–**	**(0.4)**	**(0.5)**	**7.1**	12.4	1.6	(1.1)	12.9
Actuarial losses/(gains) due to changes in demographic assumptions	**0.5**	**(0.3)**	**(0.6)**	**–**	**(0.4)**	(1.2)	(0.2)	(0.7)	(2.1)
Benefits paid	**(6.5)**	**(0.5)**	**(0.9)**	**(1.4)**	**(9.3)**	(7.0)	(0.6)	(1.6)	(9.2)
Past service cost	**–**	**–**	**–**	**(1.4)**	**(1.4)**	–	–	–	–
Contract transfer	**–**	**–**	**–**	**(2.0)**	**(2.0)**	–	–	–	–
Settlement gain	**–**	**–**	**–**	**–**	**–**	–	–	(0.2)	(0.2)
At 31 March	**177.4**	**23.2**	**38.1**	**58.1**	**296.8**	169.6	22.5	62.2	254.3

The defined benefit obligations analysed by participant status is as follows:

	2024			2023	
	Group section £m	**Interserve section £m**	**Landmarc scheme £m**	Group section £m	Interserve section £m
Active	**1.8**	**20.3**	**–**	3.1	19.7
Deferred	**102.9**	**1.7**	**12.2**	86.8	1.6
Pensioners	**72.7**	**1.2**	**25.9**	79.7	1.2
At 31 March	**177.4**	**23.2**	**38.1**	169.6	22.5

Movements in the fair value of scheme assets were as follows:

	2024					2023			
	Group section £m	**Interserve section £m**	**Landmarc scheme £m**	**Other schemes £m**	**Total £m**	Group section £m	Interserve section £m	Other schemes £m	Total £m
At 1 April	**170.3**	**24.2**	**–**	**77.2**	**271.7**	231.0	32.6	87.0	350.6
Arising on acquisition	**–**	**–**	**39.1**	**–**	**39.1**				
Interest income	**8.2**	**1.3**	**0.8**	**3.4**	**13.7**	6.4	1.0	2.0	9.4
Actuarial gains/(losses) on assets	**(7.9)**	**(1.7)**	**2.2**	**4.0**	**(3.4)**	(74.1)	(9.8)	(11.1)	(95.0)
Contributions from the sponsoring companies[1]	**11.8**	**1.0**	**–**	**0.4**	**13.2**	14.9	0.9	0.7	16.5
Contributions from scheme members	**–**	**0.1**	**–**	**0.2**	**0.3**	–	–	0.1	0.1
Expenses paid	**(1.1)**	**–**	**(0.1)**	**(0.1)**	**(1.3)**	(0.9)	–	–	(0.9)
Benefits paid	**(6.5)**	**(0.5)**	**(0.9)**	**(1.4)**	**(9.3)**	(7.0)	(0.5)	(1.6)	(9.1)
Past service cost	**–**	**–**	**–**	**(1.7)**	**(1.7)**	–	–	–	–
Contract transfer	**–**	**–**	**–**	**(2.0)**	**(2.0)**	–	–	–	–
At 31 March	**174.8**	**24.4**	**41.1**	**80.0**	**320.3**	170.3	24.2	77.1	271.6

Note:

1. Group section contributions of £11.8m (2023: £14.9m) is inclusive of £10.6m deficit repair contributions (2023: £13.9m).

Movements in the asset ceiling were as follows:

	2024 £m	2023 £m
At 1 April	**17.5**	8.7
Interest cost on asset ceiling	**0.8**	0.1
Change in asset ceiling excluding interest	**6.0**	8.7
At 31 March	**24.3**	17.5

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Fair values of the assets held by the schemes were as follows:

	2024					2023			
	Group section £m	**Interserve section £m**	**Landmarc scheme £m**	**Other schemes £m**	**Total £m**	Group section £m	Interserve section £m	Other schemes £m	Total £m
Equities	**28.3**	**–**	**–**	**42.8**	**71.1**	28.3	3.6	48.1	80.0
Government bonds	**70.7**	**10.6**	**–**	**4.0**	**85.3**	67.9	10.5	1.7	80.1
Corporate bonds	**53.0**	**6.0**	**–**	**14.1**	**73.1**	50.5	2.6	9.8	62.9
Property	**2.3**	**–**	**–**	**11.8**	**14.1**	3.4	1.8	10.6	15.8
Diversified growth fund	**8.6**	**7.8**	**–**	**1.5**	**17.9**	9.5	5.1	1.5	16.1
Cash	**11.2**	**–**	**1.9**	**4.7**	**17.8**	10.7	0.6	5.4	16.7
Insurance policies	**–**	**–**	**39.2**	**1.1**	**40.3**	–	–	–	–
Commodities	**0.7**	**–**	**–**	**–**	**0.7**	–	–	–	–
Total fair value of assets	**174.8**	**24.4**	**41.1**	**80.0**	**320.3**	170.3	24.2	77.1	271.6

The investment portfolios are diversified, investing in a wide range of assets, in order to provide reasonable assurance that no single asset or type of asset could have a materially adverse impact on the total portfolio. To reduce volatility, certain assets are held in a matching portfolio, which largely consists of government and corporate bonds, designed to mirror movements in corresponding liabilities.

The property assets represent quoted property investments.

Risks and risk management

The Group scheme, in common with the majority of UK plans, has a number of risks. These areas of risk and the ways in which the Group has sought to manage them, are set out in the table below.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's condensed consolidated financial statements:

Risk	Description
Asset volatility	The funding liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. The defined benefit obligation for accounting is calculated using a discount rate set with reference to corporate bond yields. The Group scheme holds 24% of its assets in equities and other return-seeking assets (principally diversified growth funds (DGFs) and property). The returns on such assets tend to be volatile and are not correlated to government bonds. This means that the funding level has the potential to be volatile in the short term, potentially resulting in short-term cash requirements, or alternative security offers, which are acceptable to the Trustee, and an increase in the net defined benefit liability recorded on the Group's condensed consolidated statement of financial position. Equities and DGFs are considered to offer the best returns over the long term with an acceptable level of risk and hence the scheme holds a significant proportion of these types of assets. However, the scheme's assets are well-diversified by investing in a range of asset classes, including property, government bonds and corporate bonds. The Group scheme holds 8% of its assets in DGFs which seek to maintain high levels of return while achieving lower volatility than direct equity funds. The allocation to return seeking assets is monitored to ensure it remains appropriate, given the scheme's long-term objectives. The investment in bonds is discussed further below.
Changes in bond yields	Falling bond yields tend to increase the funding and accounting obligations. However, the investment in corporate and government bonds offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting obligations. In this way, the exposure to movements in bond yields is reduced.
Inflation risk	The majority of the Group scheme's benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the Group scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the Group scheme's obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the obligations.

Areas of risk management

Although investment decisions in the Group scheme are the responsibility of the Trustee, the Group takes an active interest to ensure that pension plan risks are managed effectively. The Group and Trustee have agreed a long-term strategy for reducing investment risk where appropriate.

Certain benefits payable on death before retirement are insured.

Details of the latest funding valuation

	Group scheme
Date of latest funding valuation	31 March 2023
Assets at valuation date	£170.1m
Funding liabilities at valuation date	£189.5m
Deficit at valuation date	£19.4m

The total contribution rate was set at 33.6% of annual pay for the remaining active members. The employer contribution rate is the balance of the total cost after deducting the employee contribution rate, which varies depending on status and earnings. The total contribution excludes any allowances for expenses met by the scheme.

The following table sets out details of the membership of the Group scheme at 31 March 2024:

	Group scheme
Active members – by number	14
Active members – by proportion of funding liability	1.2%
Total pensionable salary roll p.a.	£0.4m
Deferred members – by number	696
Deferred members – by proportion of funding liability	57.9%
Total deferred pensions p.a.	£4.5m
Pensioner members – by number	852
Pensioner members – by proportion of funding liability	40.8%
Total pensions in payment p.a.	£4.5m

20. Contingent liabilities

Contractual disputes, guarantees and indemnities

The Group is, from time to time, party to contractual disputes that arise in the ordinary course of business. Management does not anticipate that the outcome of any of these disputes will have a material adverse effect on the Group's financial position, other than as already provided for in the condensed consolidated financial statements. In appropriate cases, a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions (which may be subject to potentially material revision from time to time) will result in an accurate prediction, due to the uncertainty of the actual costs and liabilities that may be incurred.

The Company and its subsidiaries have given guarantees and entered into counter-indemnities amounting to £37.9m (2023: £33.7m) in respect of performance bonds and letter of credits relating to certain Group contracts. These are issued by financial institutions on behalf of the Group and are disclosed as a contingent liability until such time as it becomes probable that payment is required under the terms of the arrangements.

21. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note.

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company. During the year, the Group made donations and gifts in kind of £0.2m (2023: £0.2m) to the Foundation.

During the year ended 31 March 2024, the Group recognised revenue from transactions with joint ventures or associates of £5.3m (2023: £5.8m). There are no amounts due from joint ventures and associates at the year end (2023: £0.4m) and no expense has been recognised in the year for expected credit losses in respect of the amounts owed by joint ventures and associates (2023: £0.1m).

All transactions with these related parties were made on terms equivalent to those that prevail in arm's length transactions.

No other transactions during the year ended 31 March 2024 meet the definition of related party transactions.

22. Events after the reporting period

On 15 April 2024, the Group announced its intention to undertake a £50m share buyback programme over the next 12 months.

Appendix – Alternative Performance Measures

The Group presents various Alternative Performance Measures (APMs) as management believes that these are useful for users of the condensed consolidated financial statements in helping to provide a balanced view of, and relevant information on, the Group's financial performance.

In assessing its performance, the Group has adopted certain non-statutory measures which, unlike its statutory measures, cannot be derived directly from its condensed consolidated financial statements. The Group commonly uses the following measures to assess its performance:

Performance before Other items

The Group adjusts the statutory income statement for Other items which, in management's judgement, need to be disclosed separately by virtue of their nature, size and incidence in order for users of the condensed consolidated financial statements to obtain a proper understanding of the financial information and the underlying performance of the business.

These Other items include impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal related costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items. Further details of these Other items are provided in Note 4.

Operating profit		**2024 £m**	2023 £m
Operating profit	Statutory measures	**165.7**	117.0
Adjust for: restructure costs	Note 4	**20.4**	16.6
Adjust for: acquisition and disposal related costs	Note 4	**38.3**	25.1
Adjust for: other exceptional items	Note 4	**3.7**	3.4
Adjust for: fair value gain on Landmarc acquisition	Note 4	**(17.9)**	–
Operating profit before Other items	Performance measures	**210.2**	162.1

Reconciliations are provided below to show how the Group's segmental reported results are adjusted to exclude Other items.

	2024			2023 (restated)[1]		
Operating profit/(loss)	**Reported results £m**	**Adjust for: Other items (Note 4) £m**	**Performance measures £m**	Reported results £m	Adjust for: Other items (Note 4) £m	Performance measures £m
Business Services	**93.7**	**3.3**	**97.0**	90.8	1.5	92.3
Technical Services	**34.1**	**10.2**	**44.3**	23.3	10.8	34.1
CG&D	**98.3**	**(17.9)**	**80.4**	60.6	(0.8)	59.8
Communities	**37.8**	**1.3**	**39.1**	31.0	0.4	31.4
Corporate centre	**(98.2)**	**47.6**	**(50.6)**	(88.7)	33.2	(55.5)
Total Group	**165.7**	**44.5**	**210.2**	117.0	45.1	162.1

1. The comparatives for the year ended 31 March 2023 have been restated for the change in composition of reportable segments (See Note 3).

In line with the Group's measurement of profit from operations before Other items, the Group also presents its basic earnings per share before Other items. The table below reconciles this to the statutory basic earnings per share.

Earnings per share		**2024 pence**	2023 pence
Statutory basic earnings per share	Statutory measures	**9.8**	6.8
Adjust for: Other items per share		**2.5**	2.7
Basic earnings per share before Other items	Performance measures	**12.3**	9.5

Performance excluding Covid-related contracts

Reconciliations are provided below to show how the Group's reported results are adjusted to exclude non-recurring short-term Covid-related contracts.

Revenue		**2024 £m**	2023 £m
Group revenue	Statutory measures	**4,445.2**	3,945.0
Adjust for: share of revenue of joint ventures and associates		**65.5**	110.1
Revenue including share of joint ventures and associates	Performance measures	**4,510.7**	4,055.1
Adjust for: revenue from short-term Covid-related contracts[1]		**–**	(15.3)
Revenue excluding short-term Covid-related contracts	Performance measures	**4,510.7**	4,039.8

Note:

1. In 2023, £14.7m was attributable to the Business Services segment.

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Operating profit		2024 £m	2023 £m
Operating profit	Statutory measures	**165.7**	117.0
Adjust for: Other items		**44.5**	45.1
Operating profit before Other items	Performance measures	**210.2**	162.1
Adjust for: operating profit from short-term Covid-related contracts[1]		**–**	(7.1)
Operating profit excluding short-term Covid-related contracts	Performance measures	**210.2**	155.0

Note:

1. In 2023: £7.0m was attributable to the Business Services segment.

Net debt and total financial obligations

Net debt is defined as the difference between total borrowings and cash and cash equivalents. It is a measure that provides additional information on the Group's financial position. Restricted cash which is subject to various constraints on the Group's ability to utilise these balances, has been excluded from the net debt measure.

Total financial obligations (TFO) are defined as the Group's net debt and the net retirement benefit liabilities. TFO represents all debt-like financing items the Group has made use of at the year end.

A reconciliation from reported figures is presented below:

Net debt		2024 £m	2023 £m
Cash and cash equivalents	Statutory measures	**244.9**	248.3
Adjusted for: restricted cash and cash held on trust[1]	Note 15	**(4.2)**	(6.4)
Financing liabilities	Note 16	**(321.5)**	(286.0)
Net debt	Performance measures	**(80.8)**	(44.1)
Net retirement benefit liabilities	Note 19	**(0.8)**	(0.2)
TFO	Performance measures	**(81.6)**	(44.3)

Note:

1. Included within these amounts is restricted cash of £4.2m (2023: £6.4m).

The Group uses an average net debt measure as this reflects its financing requirements throughout the period. The Group calculates its average net debt based on the daily closing figures, including its foreign currency bank loans translated at the closing exchange rate for the previous month end. This measure showed average daily net debt of £160.7m for the year ended 31 March 2024, compared with £84.3m for the year ended 31 March 2023.

Free cash flow

Free cash flow is a measure representing the cash that the Group generates after accounting for cash flows to support operations and maintain its capital assets. It is a measure that provides additional information on the Group's financial performance as it highlights the cash that is available to the Group after operating and capital expenditure requirements are met. The table below reconciles net cash generated from operating activities to free cash inflow.

Free cash flow		2024 £m	2023 £m
Net cash generated from operating activities	Statutory measures	**197.7**	83.0
Add: net decrease in restricted cash and cash held on trust	Note 15	**2.2**	31.1
Interest received		**3.6**	2.2
Dividends received from joint ventures and associates	Note 10	**8.4**	9.0
Employment-linked earnouts		**0.7**	–
Purchase of property, plant and equipment		**(11.5)**	(10.9)
Purchase of other intangible assets	Note 9	**(8.4)**	(14.3)
Disposal of property, plant and equipment		**0.2**	0.1
Lease incentives received		**5.7**	–
Capital element of lease rentals paid		**(41.0)**	(34.5)
Free cash inflow	Performance measures	**157.6**	65.7

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Earnings before interest, tax, depreciation and amortisation

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of the Group's profitability. EBITDA is measured as profit/(loss) before tax excluding the impact of net finance costs, Other items, depreciation of property, plant and equipment, amortisation and impairment of non-current assets and amortisation of contract assets.

EBITDA		2024 £m	2023 £m
Profit before tax	Statutory measures	**156.3**	105.5
Add: net finance costs		**9.4**	11.5
Operating profit		**165.7**	117.0
Add: Other items	Note 4	**44.5**	45.1
Operating profit before Other items		**210.2**	162.1
Add:			
Depreciation of property, plant and equipment		**48.2**	43.1
Amortisation of non-current assets[1]	Note 9	**8.2**	7.8
Amortisation of contract assets		**1.4**	1.3
Impairment of non-current assets[1]	Note 9	**0.1**	0.2
EBITDA	Performance measures	**268.1**	214.5

Note:

1. Excludes amounts classified in the condensed consolidated income statement as Other items.

Return on invested capital

Return on invested capital (ROIC) is a measure of how efficiently the Group utilises its invested capital to generate profits. The table below reconciles the Group's net assets to invested capital and summarises how the ROIC is derived.

		2024 £m	2023 £m
Net assets	Statutory measures	**473.7**	421.7
Add:			
Non-current liabilities		**327.6**	335.9
Current provisions	Note 13	**66.5**	54.2
Current private placement notes	Note 16	**30.0**	–
Deduct:			
Non-current deferred tax assets	Note 14	**(7.9)**	(20.4)
Cash and cash equivalents	Note 15	**(244.9)**	(248.3)
Invested capital	Performance measures	**645.0**	543.1
Operating profit before Other items		**210.2**	162.1
Tax[1]		**(39.7)**	(24.3)
Operating profit before Other items after tax[1]		**170.5**	137.8
ROIC %[2]	Performance measures	**26.4%**	25.4%

Notes:

1. Tax charge has been calculated at the effective tax rate for the year on pre-tax profits before Other items of 18.9% (2023: 15.0%).
2. The ROIC metric used for the purposes of the Enhanced Delivery Plan (EDP) requires further adjustments under the detailed rules agreed with shareholders.