Mitie Group plc
Annual Report and Accounts 2014

We are Mitie...

Introduction

inspiring change...

Our business...

how we manage it...

and how it performs...

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

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

Headline financial highlights

+8.2%
Revenue (5.2% organic growth)
£2,142.6m (2013: £1,980.6m)

+6.0%
Operating profit
£127.5m (2013: £120.3m)

6.0%
Operating profit margin
(2013: 6.1%)

102.4%
Cash conversion
(2013: 110.0%)

+6.8%
Dividend per share
11.0p (2013: 10.3p)

+5.2%
Basic earnings per share
24.3p (2013: 23.1p)

£8.7bn
Order book
(2013: £9.2bn)

84%
2015 budgeted revenue secured
(Prior year: 85%)

More on our financial performance:
Page 28

The Mitie business

A consistent business model

Understanding client needs

We get to know our clients' strategy and what drives their outsourcing needs, so we can help them to achieve their goals.

Motivating and managing people

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

Technology and systems that provide data and management information

In order to manage and deliver services, we analyse and act on our own and our clients' data to provide the best service and most efficient solutions.

A broad offering...

Services to buildings and facilities

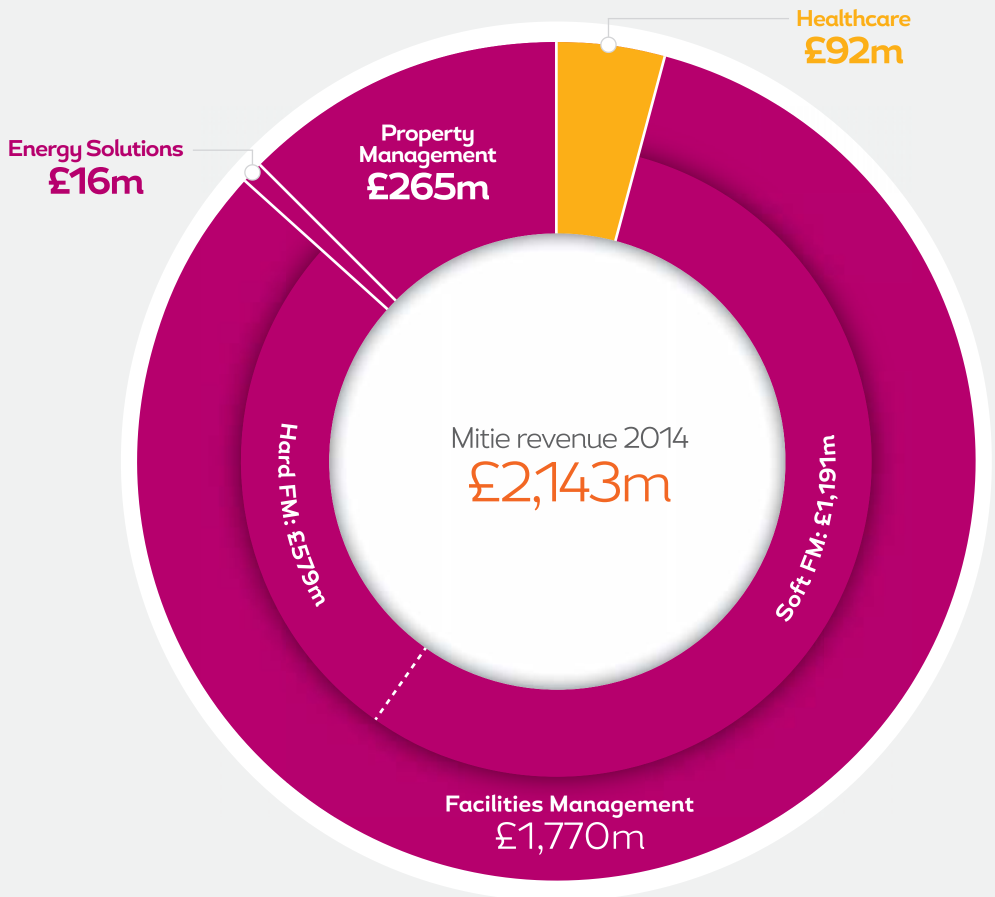
We provide a wide range of facilities management (FM) services across the UK, Ireland and Europe. These are delivered as integrated FM contracts, in bundles or as single services, depending on client requirements.

£2,051m headline revenue

Services to people

We provide high quality homecare in the UK, delivering a wide range of services to people who require help and support due to illness, disability or infirmity.

£92m headline revenue



Change and a more efficient way of working

We understand the markets we serve, and our specialist knowledge can help drive change and enable clients to reduce their costs, and provide improved levels of service.

Delivering value for Mitie clients, people, communities and shareholders

We provide a service that helps our clients run their organisations more efficiently, often with direct benefits for society as a whole. In return we are able to deliver sustainable profit that creates value for our shareholders.

with strong brands and focused areas of service...

Services to buildings and facilities

mitie

Integrated FM

Hard FM
Technical and building services

Energy Solutions

Utilyx

Cleaning, landscaping, pest control and waste

Security

Catering and front of house

GATHER & GATHER

creativevents the food & drink company

CREATIVE Taste

Property Management
Social housing maintenance and painting

More on our contracts:
Pages 12 and 13

Services to people

MiHomecare

mihomecare

The Complete Group

THE COMPLETE GROUP

Chairman's statement

A year of strong progress and development

Overview

Mitie has had another very good year, delivering strong organic growth and implementing further change to accelerate growth in the longer term.

Our core Facilities Management (FM) business performed exceptionally well, with a steady flow of contract awards and retentions across both the private and public sectors. We are beginning to see an uplift in the level of bid activity across our businesses and we have a robust sales pipeline. We also see a significant opportunity to expand our business with our existing client base, by proactively selling the benefits of bundling more services and of integrated FM. Our energy consulting capability remains an important niche area for us and differentiates our integrated FM proposition in the marketplace.

Our entry into the healthcare market has continued with success, with MiHomecare performing well and the acquisition of Complete Group during the year providing us with more complex care capabilities. We have built a strong proposition in the healthcare market and see significant long-term growth opportunities in this area.

Our strategy is to focus on markets where we see potential for growth and which meet our margin targets. In this financial year, we expect to complete our exit from our loss-making mechanical and electrical engineering construction business, which is exposed to the construction markets. We are also moving out of the design and build element of Asset Management. Whilst we have incurred significant losses in doing so, the group is now better positioned to deliver our growth ambitions.

As ever, our achievements during the year would not be possible without the exceptional efforts of our people and we would like to extend a huge thank you to each of them, and welcome those who joined us.

Results

During the year, headline revenue grew by 8.2% to £2,142.6m (2013: £1,980.6m). Headline operating profit increased by 6.0% to £127.5m (2013: £120.3m), reflecting a margin of 6.0% (2013: 6.1%). Headline profit before tax increased by 4.3% to £113.3m (2013: £108.6m) and headline earnings per share increased by 5.2% to 24.3p (2013: 23.1p).

Our statutory results include £44.9m of other items (2013: £52.3m), of which £33.9m are non-recurring (2013: £42.3m) and will not form part of our income streams in the future. The key non-recurring items are: £13.6m of trading losses incurred as part of our exit from our mechanical and electrical engineering construction business; exceptional charges of £25.4m in respect of reducing our exposure to the design and build element of our Asset Management business; costs resulting from acquisitions and the related integration costs of £5.1m; and a £10.2m accounting net credit resulting from a change to future pension obligations under the Mitie Group defined benefit pension scheme.

Cash generation remained strong, with cash inflows from operations of £124.1m (2013: £131.0m), representing excellent conversion of EBITDA to cash of 107.3% (2013: 127.8%). The balance sheet remains robust with net debt at the year end of £186.6m or 1.6x EBITDA (2013: £192.2m or 1.9x). Return on capital employed has increased to 16.9% (2013: 16.5%).

We have committed bank facilities of £250m until September 2015 along with £252m equivalent of US Private Placement debt. Both of these facilities leave us in a strong position to take advantage of value-creating acquisition opportunities as they arise.

During this period, our order book has decreased by £0.5bn to £8.7bn (2013: £9.2bn). Our sales pipeline currently stands at £8.2bn (2013: £8.7bn) and our forward revenue visibility is excellent, with contracted revenue for the year ending 31 March 2015 at 84% of budgeted revenue (prior year: 85%).

Dividend

The Board's policy is to grow the dividend broadly in line with the underlying earnings of the group. The final dividend proposed by the Board has increased by 7.0% to 6.1p per share (2013: 5.7p per share), bringing the full year dividend to 11.0p per share (2013: 10.3p per share), an increase of 6.8%. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 6 August 2014 to shareholders on the register at 27 June 2014.

Board and corporate governance

Corporate governance remains an important and committed area of focus for the Board. The priorities during the year were the continued execution of our growth strategy, the ongoing review of performance and risk and the composition of the Board. This strong culture of governance is explained further in our Corporate Governance Statement.

On 1 June 2013, Jack Boyer was appointed as a Non-Executive Director of the Board. He has extensive experience of building and growing businesses globally and his early career was spent in consultancy and banking. On 31 October 2013, Terry Morgan CBE retired as a Non-Executive Director of the Board and Chairman of the Remuneration Committee. We thank him for his contribution and wish him well for the future. On 1 November 2013, Crawford Gillies undertook the role and responsibilities of Chairman of the Remuneration Committee.

Bill Robson, our longest serving Executive Director, has indicated his intent to step down from the Board on 31 July 2014. Bill has served as a member of the Board since August 2001 and we are delighted that he intends to remain as part of the executive team. He will continue as Managing Director of our Property Management division, focusing on the many new opportunities that are developing within the housing sector.

Outlook

Our focus remains on driving our core UK FM business to its full potential in order to generate strong organic growth and maintain our margins at or above their current levels. At the same time, we will continue to grow and invest in adjacent markets – healthcare is a particular focus and we are well-placed to benefit from the substantial growth opportunities this market will offer.

We have made significant progress in re-positioning the group away from low growth, low margin and higher-risk activities by exiting businesses which do not meet our financial criteria. As a result, we are better placed than for many years to deliver growth in our chosen outsourcing markets.

The group is financially robust and we have a clear, focused strategy for growth. We are excited about the growth opportunities ahead and confident of delivering shareholder value.

Roger Matthews
Chairman

Note: Headline results exclude 'Other items', as analysed in Note 5. 2013 headline results have been restated following amendments to IAS 19 'Employee Benefits', see Note 1.

Chief Executive's strategy overview

A successful and exciting business...

Mitie has continued to grow and evolve this year, with much success. In everything we do our vision is to inspire change in the way that people live and work. We do that by excelling at service delivery, but always looking for a new or better way to do the things that we already do well.

Our core business is in delivering a vast range of services to buildings and facilities. These activities accounted for over 95% of our revenue in 2014 and employ the vast majority of our 73,000 people. Through this we deliver the largest range of facilities management (FM) services in the UK: cleaning, landscaping, pest control, waste, security, catering, front of house, social housing maintenance and technical engineering maintenance and building services. Some clients appoint us to provide a single service, others, in their drive for even greater efficiency, choose a bundle of services and an increasing number opt for integrated FM. We also have an energy consulting business that helps clients manage energy costs and emissions, and this is a real differentiator for Mitie.

We have also moved into the adjacent healthcare market, concentrating on providing homecare services, enabling people to live happier and more independent lives.

We have 6,000+ carers providing a range of services from domiciliary care through to more complex, 24 hour care.

Mitie is FM. Mitie is healthcare. We simply help our clients run more efficient and effective organisations by looking after their facilities, their energy needs and the people they are responsible for.

Highlights from the past year

This has been a very good year for Mitie. Our contract wins are covered on pages 12 to 13, but I want to make special mention of a few.

In Ireland, we have continued to make great progress since acquiring Dalkia FM three years ago. We have doubled in size in that time and were delighted to win a five-year contract to provide FM services to around 350 Bank of Ireland sites across the Republic of Ireland, Northern Ireland and Great Britain.

We have also been awarded a landmark contract which will see us expand our presence in the market for custodial services. Valued at £180m over eight years, with a potential three year extension, this contract involves responsibility for over 900 detainees at the Colnbrook and Harmondsworth Immigration Removal Centres near Heathrow.

Our task is to consolidate these two separate centres into one facility, which will release significant savings for the taxpayer.

Winning repeat business says a great deal about our people, our values and our performance. We were very proud to retain our contract to provide integrated FM services to Network Rail, which is valued in excess of £75m over five years and was one of our biggest rebids for 2014. We have also extended our relationship with Vodafone for a further five years, delivering integrated FM in a contract valued in excess of £250m over the period. With Capita, we secured a further five year, £110m contract to deliver integrated FM and significantly increased the scale and scope of services we provide them.

A clear strategy to grow

Our strategy is to deliver sustainable, profitable growth, and we will achieve this through two key routes.

We are focused on driving our core UK FM business to its full potential. Our ambition is to be the leading FM provider in the UK, with specific strengths in our target sectors. We will continue to focus on clients in both the public and private sectors, and provide them with world-class services, unrivalled expertise and the best value for money.

Our growth in FM will come in part from developing relationships with new clients, but more so through expanding our relationships with existing clients. The evolution that our clients make from single service delivery, to bundles of services, to integrated FM in some cases, has been a significant driver of our growth and we see substantial further opportunities to grow with our clients in this way. To this end, we are investing heavily in our key account management capabilities and are taking a more sector-focused approach to both sales and operations. In doing this we aim to grow our overall market share.

At the same time, we will continue to grow and invest in adjacent markets. Healthcare is a particular focus and we aim to take the leading position in our chosen sectors of the homecare market. The integration of MiHomecare is complete and with the acquisition of Complete Group during the year, we are well-placed to exploit great opportunities in this fast-growing market.

This strategy will enable us to achieve a set of key business goals over the next five years:

- → As part of our objective of being the UK market leader in FM and in order to better support our clients, we are focusing our business on market sector specialisms.
- → We will further build on our success in the care and custody sector, growing our services to central government, particularly in the area of immigration and prisons.
- → In the homecare market, we will develop a leadership position and realise the sales synergies created by adding more complex care into our offering.

Across everything we do, we will be the trusted adviser for our clients, building and growing strong relationships based on sector-leading expertise and propositions, strategic advice, innovative technology and management information.

All of this will ensure that we are a scale player with a strong competitive position in each of our major markets, that we generate margins that are above the industry average and that we have excellent visibility of long-term revenues.

Reducing risk in our business

We are concentrating on higher margin activities in growth markets that feature long-term, secured revenue streams.

Our mechanical and electrical engineering construction business, where we played a role as subcontractor on major installation projects, carried an unacceptable degree of risk. In addition, as it operated in a cyclical, low margin sector, it could no longer meet our financial or strategic targets.

Consequently, we are now well on the way to exiting this business and expect this process to be completed during the financial year ending March 2015.

For similar reasons, we have also been actively reducing our exposure to the design and build element of our Asset Management business, which has become part of the Energy Solutions division. We have existing commitments on a small number of legacy projects where we are carrying design and build risk and continue to experience delays and considerable cost overruns. As a result, during the financial year we recognised a number of non-recurring, exceptional losses in relation to some of these contracts. We have assessed the carrying value of any assets in our accounts and our contract related provisions are £25.4m as at the year end. This is significantly higher than we previously estimated, predominantly due to overruns on one of our generation projects, where we have provided against delays to completion and applied a more conservative assessment of the through life value of the contract. Going forward, design and build risk remains on a small number of material energy contracts and their financial returns remain uncertain. We continue to closely monitor their operational and financial performance.

Supported by a strong set of values

We are all about developing our people to excel every day, challenge the status quo and inspire change in the way people live and work.

The talent, skills and proper conduct of our people enable us to achieve excellence, and enhance our business performance and our brand.

Maintaining positive and harmonious working relationships with our people is critical to our long-term success – and we can only achieve this when all of us apply our values in everything we do.

Our core belief is that everyone should be treated fairly and in the way we ourselves would like to be treated. We strive to create an open and honest culture, where above all we can challenge people when they don't do the right thing.

With a new look and feel

Everything we do is about partnerships – with clients, suppliers, the community and the Mitie people who work together to deliver innovative solutions. That ethos was the inspiration behind the new brand identity that you see in this report. Our new look, which is modern, fresh and dynamic, has been designed to reflect the business that Mitie is today, and where we want to be in the future.

And an exciting future ahead

In the past few years we have seen some big changes in Mitie – we have positioned ourselves as one of the UK's leading integrated FM providers and invested in new markets such as homecare. We have also made significant progress in reducing our exposure to markets with high risk and low growth, laying the path for a much stronger business in the long term.

The future looks good, the prospects healthy. We are confident that we will continue to build on our track record of sustainable, profitable growth.

Ruby McGregor-Smith CBE
Chief Executive

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

Strategic partnering

Creating value beyond cost savings

Our strategy

Our strategy is to deliver sustainable, profitable growth, and is supported by a focus on six key elements

We measure our performance against this strategy with a range of financial and non-financial KPIs. Further detail on our financial KPIs can be found on pages 28 and 29.

Our sustainability strategy is directly linked to our corporate strategy and provides us with a framework to ensure we act responsibly towards all our stakeholders. For more information on Mitie's material sustainability issues, and what our stakeholders can expect from us, please see our sustainability report.

1 People

'People' is one of the six key elements in our strategy. We aim to recruit, motivate, retain, train and develop the best talent in the industry. Why? Because in outsourcing, more than almost anywhere else, it's the people on the front line who make the difference. They cook, clean and paint. They guard, mow and repair. They welcome guests, control pests, provide personal care and much more besides. And they do it all with a real desire to serve and, just as important, a smile on their faces. Their brilliant and hard work is the single biggest factor behind our success. We are our people – no more, no less – and they deserve and receive the greatest support we can give them.

That comes in the form of recognition programmes such as Mitie Stars, which gives us the chance to say 'thanks' in a very public way to those who have delighted clients by delivering beyond expectations. Our support is also evident through a variety of regular communication channels. Many of our people are young and for most of them social media is as much a part of their lives as TV and phones. We communicate in the way that they prefer – and that means using Facebook and Twitter.

We aim to help our people be the best they can be and provide a range of training and development opportunities, from eLearning programmes to career pathways which define all key roles across the business and give us all clear guidance on what is required to make progress in our careers. In 2014, we look forward to launching the Mitie Academy. This will boost our account director talent pipeline, by sharing knowledge and providing development opportunities tailored to the needs of each individual.

Management retention

KPI

%

Year	%
2010	92.0
2011	89.5
2012	82.5
2013	97.1
2014	89.2

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

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

Target:
Enhance focus on the development and retention of management to maintain a retention rate of over 80%.

Comment:
Our management retention rate was 89.2% for the year, excluding redundancies.

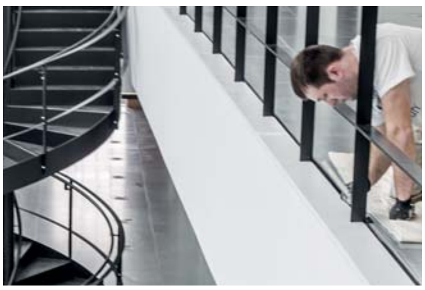
2

Clients

Clients in both public and private sectors continue to recognise outsourcing as a route not only to reducing costs but also to accessing expertise. We have enormous experience and our clients know that by working with us they are benefiting from a track record of delivery, trusted relationships and quality service. Put simply, we hit the ground running and make a real difference from day one.

Today, clients increasingly want that ‘difference’ to be applied to more and more individual services. Many clients initially appoint us to provide a single service. Then, when we have proved our value, they frequently move towards bundling a number of services together – and there’s a clear trend towards bundled and integrated FM, where we deliver a suite of services, often across multiple sites. We see opportunities for great service and consistent growth in all contracts – whether we’re providing one service or twenty-one.

Client retention is key to our organic growth, particularly in relation to our top 50 strategic contracts, which account for over 40% of group revenue (only one of these contracts accounts for more than 5% of group revenue, which currently contributes 8% of revenue). During the year our retention rate on these accounts was 92%.



Single, bundled and integrated contracts

KPI

% of revenue

Year	Single	Bundled	Integrated
2010	43		57
2011	42		58
2012	41	46	13
2013	41	33	26
2014	40	29	31

Description:
As a substantial portion of our revenue was historically generated through single service contracts, one of our opportunities for growth is through expanding our relationships with existing clients by providing other services. We have seen a trend in the markets towards integrated FM contracts over the past few years and we are well-positioned to meet the demands of this trend due to our broad range of services. We measure the percentage of revenue that is generated by these types of contracts in order to measure how well we are performing in this area.

Comment:
60% of revenues are attributable to bundled service and integrated FM contracts. This KPI includes the impact from MiHomecare, which currently operates predominantly single service contracts.

Secured revenue

KPI

%

Year	%
2010	75
2011	81
2012	83
2013	85
2014	84

Description:
We are focused on long-term recurring revenue streams. At the start of each financial year, we calculate the percentage of budgeted revenue that is already contracted.

Comment:
At the start of the financial year 2015, 84% of budgeted revenue was secured, a reflection of the success of our strategy to focus on long-term secured revenue.

Order book

KPI

£bn

	£bn
2010	6.4
2011	6.8
2012	8.6
2013	9.2
2014	8.7

Description:
Our forward order book shows the total value of future revenue secured by contractual agreements and it is a key part of our focus on building long-term recurring revenue.

Target:
We aim to grow our order book at least in line with revenue growth.

Comment:
Our order book decreased by £0.5bn during the year to £8.7bn.

Our strategy

3
Operational excellence

We focus on delivering efficiency – that's why clients enjoy working with us. But in addition to the day-to-day services, clients are seeking value-added advice and innovations that reduce their total occupancy costs and improve service levels.

We never rest on our laurels and never tire of looking for ways to do things better. Sometimes that means lateral thinking and approaching a task or service from a completely new angle. At other times, it can involve introducing new or improved technology such as MiWorld, a web-based management information portal that enables clients to monitor and manage all their buildings and equipment in one place, in real time.

We continue to invest in these capabilities right across our business, and in doing so create true partnerships with our clients, drive cross selling and improve retention.

Headline operating profit margin KPI
%

Year	%
2010	5.4
2011	5.7
2012	6.2
2013	6.1
2014	6.0

Description:
Our headline operating profit margin provides us with a good indicator of the profitability of our business. Where we have material restructuring and acquisition related items, such as non-recurring integration costs, we exclude these from our measure.

Objective:
Margin increases over the medium-term.

Comment:
Our headline operating profit margin was 6.0%.

4
New markets and services

FM is our heartland and the main driver for both our current success and future prospects. At the same time, we're constantly looking for opportunities in new markets that meet our targets for margins and long-term, secure growth. We do this by growing organically in new markets, or by making acquisitions. We have an established track record of using acquisitions to add strategic capability and fuel long-term organic revenue growth.

Healthcare is an important area where we have used acquisitions to enter a new market. This is a key adjacency to our core business and demands many of the same key strengths needed to succeed in facilities management: client focus, service, flexibility and support. It also offers tremendous growth prospects. During the year we paid around £9m to bring Complete Group into our organisation. One of the leading complex care companies in the UK, the business employs some 650 people, including registered nurses. Complete Group provides high acuity care at home to approximately 150 individuals with ongoing complex clinical healthcare needs and will complement our offering in the rapidly-growing homecare market.

We also invested over £1m in two new 'Mitie Model' businesses. Our existing waste business has been recapitalised to allow the management team to take an equity stake in the business and motivate them to grow it and share in its future success.

Organic revenue growth KPI
%

Year	%
2010	0.5
2011	2.1
2012	5.4
2013	5.0
2014	5.2

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

Objective:
Grow revenue organically every year.

Comment:
Mitie achieved 5.2% organic headline revenue growth across the group in 2014, an increase of 20bps on 2013 organic growth.

In addition, our latest start-up business is Mitie Local, which provides cleaning services to small and medium sized London based customers.

Mitie's Care and Custody business, which specialises in custodial management services, also successfully expanded its presence in the immigration centre market.

In the security market, we were pleased to make another small acquisition, of UK CRBs Ltd (UKCRBs), the criminal records checking service, from the management team. UKCRBs is one of the largest providers of online criminal records checking services in the UK and gives our Total Security Management business a scalable platform to compete in the rapidly growing screening and vetting market.

5

Risk

Effective risk management is critical in helping us achieve our strategy and is a key consideration in our business decision making. Through our contracts, we become responsible for certain tasks and functions. With responsibility comes risk – and we use a thorough risk management strategy to help us identify and mitigate those risks.

As the group grows in scale and complexity, a flexible and dynamic approach to risk management is required to help us plan and prioritise the use of our resources effectively across all areas. This enterprise-wide framework ensures we can identify, mitigate and manage our significant risks effectively, both at an operational and strategic level.

We are also aware of our obligations to operate in a responsible and ethical way. Our ethical business framework sets out clear expectations and behaviours for all our people to follow, which holds them accountable to always doing the right thing and adhering to our values.

Reportable accidents KPI
per 1,000 employees

2010	3.5
2011	3.1
2012	3.4
2013*	3.1
2014*	2.6

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

*Figures shown are those calculated to reflect the over seven day absence period, rather than the previously defined over three day absence period.

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

Comment:
Our reportable accident reporting rate shows a 16% improvement on the 2013 rate, with the major incident rate showing a 10% improvement. We will maintain our focus on continual improvement in health and safety risk management to fulfil our Work Safe Home Safe! vision.

6

Responsibility

We take our responsibility as a business seriously, and work hard to minimise our impact on the environment and maximise our support for local communities. Our Energy Solutions team helps many of our FM clients and we use the same expertise to make sure that emissions and consumption associated with our own operations are as low as possible.

We've set ourselves an aspirational target to reduce our carbon footprint by 35% by 2020 and we're well on our way to achieving it.

The Mitie Foundation, set up in 2013, is an independent charity focused on creating job opportunities for people of all backgrounds in the communities in which we work. Our award winning Real Apprentice programme, under its new name Ready2Work, has continued to go from strength to strength. A record number of five programmes have been completed this year and 51 people completed the course. Of those, 38 have been offered a job or apprenticeship, or have gone back into further education.

We were delighted to be recognised with the highest ranking in Business in the Community's (BITC) Corporate Responsibility Index, being awarded a Platinum Big Tick, a new banding in the Index for 2013 designed to challenge leading companies on topics such as the unique contribution their business can make to create a sustainable economy. Our commitment to diversity also saw us win the 2013 Leadership Diversity Award at the National Business Awards UK, and for the fourth year in a row we were named as one of the Times Top 50 companies where women want to work.

More on our financial performance:
Page 28

Carbon dioxide emissions KPI
tonnes per employee

2010	0.79
2011	0.74
2012	0.71
2013	0.64
2014	0.63

Description:
Emissions are calculated using the DEFRA guidance on how to measure and report GHG emissions and apply the 2010 guidelines for company reporting. The rate of CO_2e emissions per Mitie employee is calculated using the average number of people employed during the year.

Objective:
Understand and minimise the environmental impact of our operations.

Comment:
Emissions per employee are lower than the prior year.

Note: All prior years are restated.

New contracts update

Building and creating excellent client relationships in our core chosen markets and sectors

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

Finance and professional services — Private

Client	Timeframe	Total value
Capita Retained and expanded a contract to deliver integrated FM	5 years	£110m
PwC Retained a contract to provide document management and distribution services	3 years	ND
Bank of Ireland Awarded a significant new contract to deliver facilities management at 350 sites across the Republic of Ireland, Northern Ireland and Great Britain	5 years	ND
Insurance firm Appointed preferred bidder to deliver an integrated FM contract	5 years	£55m
Law firm Retained and expanded a contract to provide a range of business services, including mailroom, printing and other services	5 years	£12m
Law firm Awarded a new contract to provide business services	3 years	£5m
Stock exchange Added to our existing work delivering facilities management, with a contract including cleaning, mail, porterage, reception, reprographics, switchboard, and waste management	3 years	£4m
Arup Awarded a new contract for total security management	3 years	ND

Retail — Private

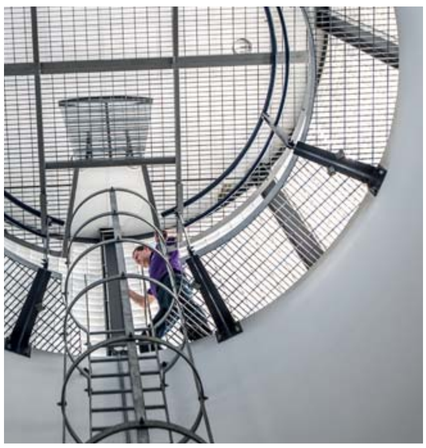
Client	Timeframe	Total value
Major online retailer Awarded a new contract to deliver a range of facilities management services	3 years	£47m
Mitchells & Butlers Awarded a contract to provide waste management services at 1,600 restaurants throughout the UK	3 years	£38m
Tesco Awarded a contract to deliver lighting	4 years	ND
Cineworld Awarded a contract to provide cleaning services at 44 cinemas in the South of England, as well as Cineworld's head office in London	3 years	£9m
Major UK luxury fashion retailer Gather & Gather awarded a new contract to provide catering services	3 years	£5m
A British shoe manufacturer A new contract, subject to final negotiations, providing bundled FM	3 years	£4m

Manufacturing and utilities — Private

Client	Timeframe	Total value
AWE, the Atomic Weapons Establishment Retained and expanded our partnership to deliver bundled services	5 years	£50m
Novartis Pharmaceuticals Retained and expanded a contract for waste management services	5 years	£35m
Luxury car maker Retained and expanded our contract to deliver a range of cleaning and environmental services	5 years	£25m
Bergen Engines Awarded a new contract to provide facilities management services in Norway	3 years	£8m
BAE Systems Awarded a new contract for total security management, working within its Real Estate Solutions business	3 years	ND
Springfields Fuels Awarded a new contract for total security management	7 years	£6m
Kellogg's Awarded a new contract to provide facilities management services to Kellogg's UK and European head offices in Manchester and Dublin, as well as specialist hygiene services to their manufacturing plant in Wrexham	3 years	£5m
National Grid A new total security management contract	6 years	£4m

Technology and communications — Private

Client	Timeframe	Total value
Vodafone Retained a contract to deliver integrated FM	5 years	£250m



ND = not disclosed

Transport and logistics

Private

Client	Timeframe	Total value
Network Rail Retained a contract to deliver integrated FM	5 years	£75m
Heathrow Terminals 3, 4, 5 and the Heathrow Express Awarded a new contract to provide technical FM	3 years + 1 year + 1 year	£15m (phase 1)
Eurotunnel Retained and expanded a total security management contract	3 years	£12m
HS1 Awarded a contract to operate Ashford International station on behalf of HS1 Ltd, owner of the UK's first high-speed railway	5 years	ND
FedEx Renewed a contract to provide security services	3 years	£3m

Healthcare

Private

Client	Timeframe	Total value
Four Seasons Healthcare Commenced a new contract in January to deliver technical FM across its estate of care homes	3 years	£33m

Healthcare

Public

Client	Timeframe	Total value
Epsom and St Helier University Hospitals NHS Trust Awarded a new contract to provide domestic, portering and helpdesk services at Epsom Hospital and catering services at both Epsom and St Helier Hospitals	5 years	£33m
NHS Foundation Trust Awarded a technical facilities management contract to deliver a lighting project	6 months	£4m

Central government

Public

Client	Timeframe	Total value
The Home Office Awarded a new contract to manage and maintain two immigration centres	8 years + 3 years	£180m (phase 1)
The Maritime & Coastguard Agency A new bundled FM contract	3 years	£4m

Local government

Public

Client	Timeframe	Total value
The London Borough of Sutton A new contract delivering technical FM	7 years + 3 years	£15m (phase 1)

Education

Public

Client	Timeframe	Total value
University of Law Awarded a multi-service contract to include cleaning, security, mechanical and electrical engineering, and pest control services across the University of Law's eight campuses	3 years	ND
Oxford Brookes University A new cleaning contract	3 years	£1m

Homecare

Public

Client	Timeframe	Total value
East Sussex County Council Appointed to provide homecare, reablement and continuing healthcare	5 years	£20m
Worcestershire and Richmond upon Thames Appointed to framework contracts	5 years	£3.3m
Leicestershire Appointed to deliver a Continuing Healthcare programme	5 years	£2.5m
Nottinghamshire County Council Home-based care and support services	3 years	£2.5m
London Borough of Bexley Appointed to deliver reablement care	2 years	£1m

Social housing

Public

Client	Timeframe	Total value
Orbit Heart of England Secured an additional £2.5m per annum contract to deliver capital improvement works over eight years. This is in addition to our existing work with the client and brings the total contract value to £152m over eight years	8 years	£20m
Royal Borough of Kingston Awarded a new contract to manage Kingston's 'Better Homes' programme, including delivering planned work and decorations to properties across the borough	1 year + 1 year	£15m
London & Quadrant Housing Trust Awarded a new contract to deliver painting services to L&Q's housing stock throughout South East England	6 years + 6 years	£7.5m to £15m
Raglan Housing Awarded a new contract to provide painting services to 5,000 properties across Southern England	6 years	£4.5m

Inspiring...

A creative take on catering

DULWICH
PICTURE
GALLERY

In May 2013, Creative Taste, part of Mitie's catering portfolio, took over operation of the Gallery Café at Dulwich Picture Gallery. We now run daily operations at the 70 cover café, as well as catering all hospitality events in the café, along with a large number held in the gallery and its grounds.

Creative Taste introduced a new style of service and redesigned menus to the café having gained a complete understanding of Dulwich Picture Gallery's profile and requirements.

What's more, we've fully refurbished the café space, and introduced an additional catering facility – a 1970's converted Citroen H van called Bernadette – which provides an outdoor café and children's offer in the gallery grounds.

Our innovation and nimble approach has eased pressure on the main café during busy periods, provides visitors with a spacious seating area within the grounds, and has considerably increased sales.

+31%
increase in average spend per visitor since the start of the contract a year ago

70
cover capacity at the Gallery Café, enhanced by our vintage catering van, Bernadette

Inspiring...

A sustainable strategy for waste management

Mitchells & Butlers

Mitie was awarded a three year, £38m contract in October 2013 to deliver waste management services to Mitchells & Butlers' extensive and diverse UK estate.

Building on our existing relationship with Mitchells & Butlers we've expanded what started as a single service pest control contract to provide recycling services at 1,600 restaurants and pubs nationwide. In April 2014 Mitchells & Butlers further expanded our contract to include delivery of mechanical and electrical maintenance across 85 of their sites for the next two years, with an additional value of £2m.

In a chain that includes well-known brands such as Harvester, Toby Carvery, and All Bar One, we've implemented our innovative approach to waste management, improving Mitchells & Butlers' sustainable performance and reducing costs through a programme of material segregation and better supply chain management.

1,600+
restaurants and pubs throughout the UK

80%+
percentage of Mitchells & Butlers waste that is recycled

Inspiring...

Smarter services and safer working

We renewed our £75m integrated facilities management contract with Network Rail in March 2014, building on our long-term partnership to deliver a comprehensive range of FM services across their property portfolio for a further five years.

As part of our ongoing strategic relationship, Mitie is improving site security, increasing efficiency and reducing costs for Network Rail by supplying its new Sentinel card service, the passport for working safely on the UK rail network.

Mitie introduced the new Sentinel service to Network Rail in June 2013, replacing the basic laminated card system with a service incorporating smart card technology – the most advanced system of its kind in the UK – all managed via Mitie's state-of-the-art MiTec 24/7 technology centre.

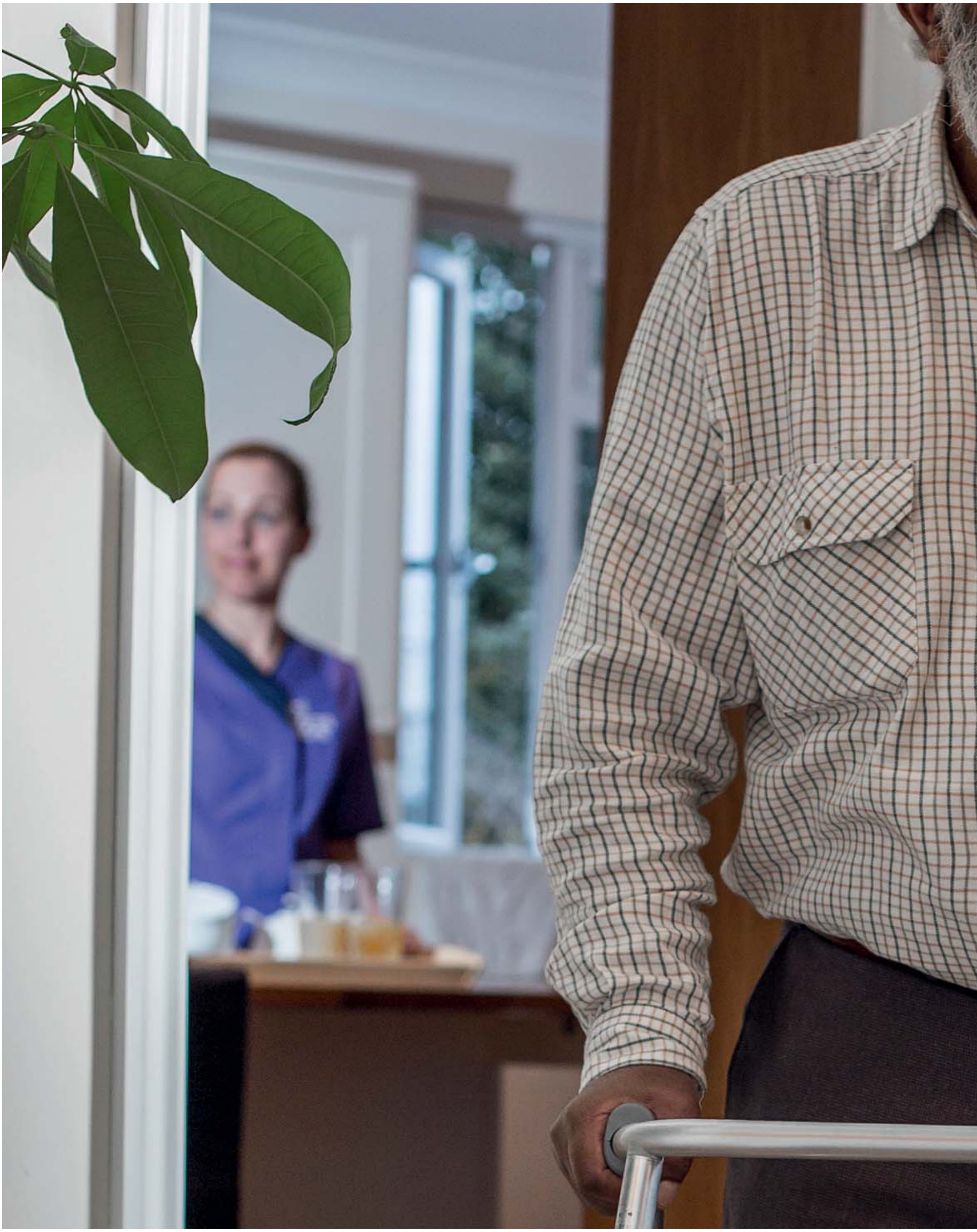
The real time, automated service reduces site registration times, provides a live register of the people onsite and 100% authentication of ID and skills, improves protection for lone workers, and streamlines frontline processes.

90k

Network Rail employees and contractors work 'trackside' on or near Network Rail's infrastructure, and must carry a valid card for inspection

100%

authentication of ID and skills of the people working onsite, improving site safety



Inspiring...

An ethical approach to care

MiHomecare delivers over 6,250 hours of care per week to vulnerable people in Southwark with 380 support workers, making us the biggest care provider in the borough.

We currently provide care for people who need additional help to stay in their own home, including people with dementia and mobility issues. Our services include meal preparation, medication management, washing, continence support and housework. Over 96% of our Southwark workforce lives in the borough, making this a local service provided by local people.

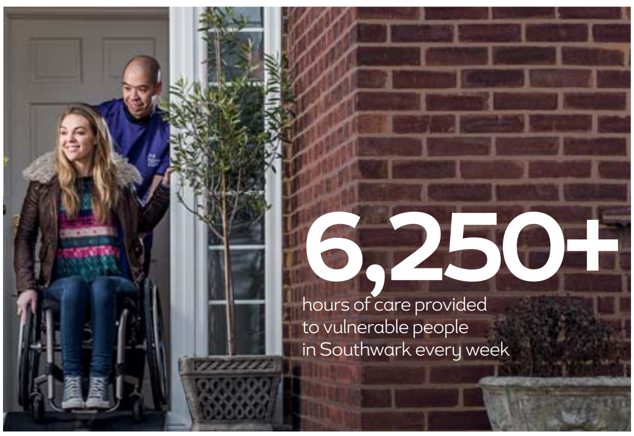
Our focus on training and developing our people is consistently recognised by our clients and the people we care for, who praise the "exceptional way we work with the very vulnerable".

96%

of our people who work in Southwark also live there; local people, providing a local service

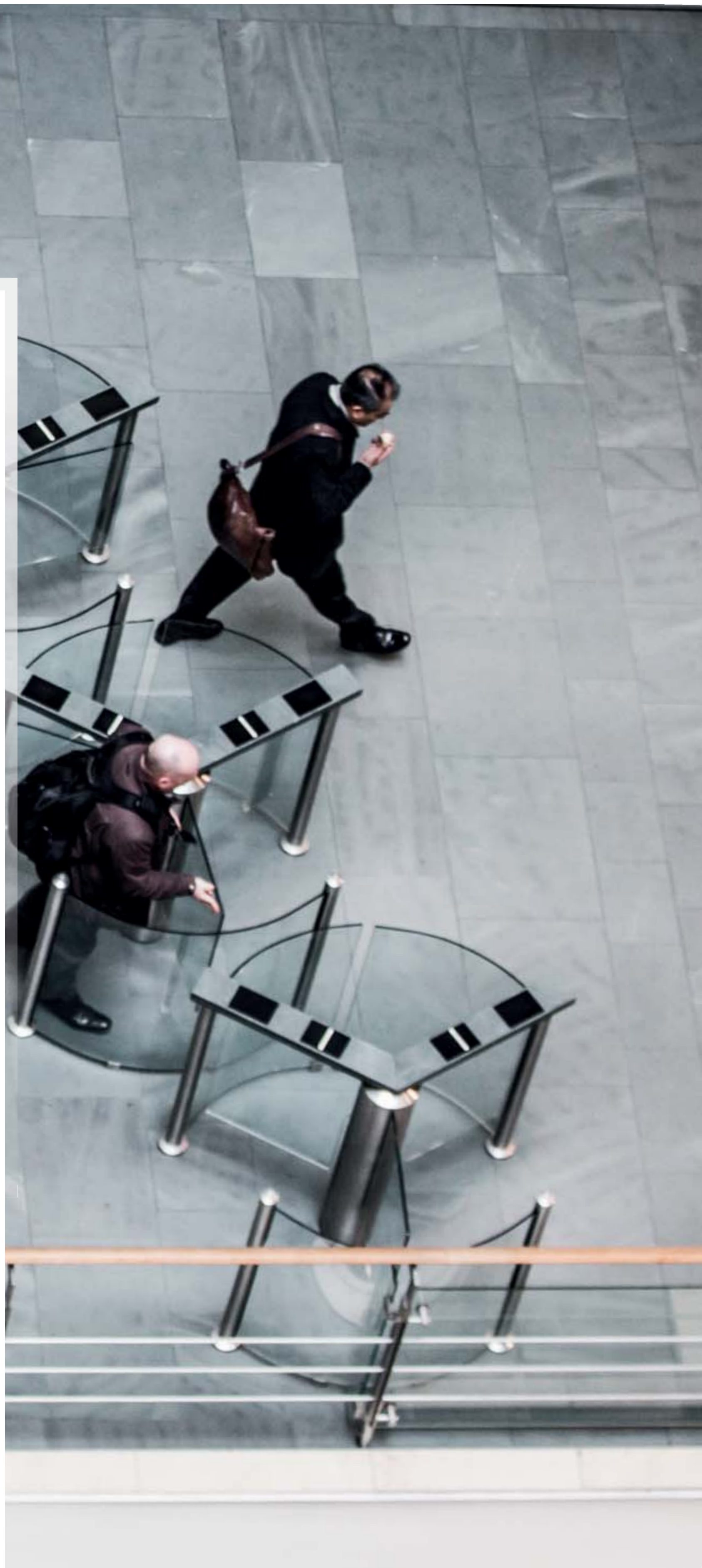
380

support workers providing care throughout the borough makes us the biggest care provider in Southwark



6,250+

hours of care provided to vulnerable people in Southwark every week



Inspiring...

An integrated approach to FM

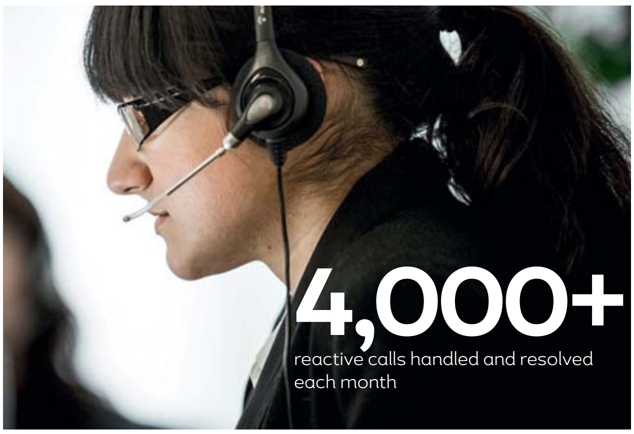
Bank of Ireland

The Bank of Ireland appointed Mitie in October 2013 to deliver integrated facilities management across its estate in the Republic of Ireland, Northern Ireland and Great Britain.

Mitie was appointed to provide a complete range of self-delivered services, including engineering maintenance, cleaning, landscaping, waste management, pest control, reception, and mailroom.

The strategic, five year partnership has helped the Bank of Ireland to integrate services across its estate to drive significant efficiencies through an innovative and high-quality service offering.

515
number of Mitie people delivering services to Bank of Ireland



4,000+
reactive calls handled and resolved each month

Inspiring...

A first rate response and significant savings

h&f
hammersmith & fulham

In November 2013 Mitie commenced a ten year, £177m contract to carry out housing repairs and maintenance for Hammersmith & Fulham Council.

Having been awarded a three year £30m cyclical painting contract in January 2013, and building on our existing strategic partnership with the Council, we're now responsible for providing reactive repairs and planned maintenance to over 17,000 social housing properties across the London borough.

Our innovative approach to service delivery ensures that residents are a top priority; backed up by our 24/7 contact centre, which provides a flexible appointment system so that residents can select convenient times for repairs to take place.

£20m
savings on repair bill over the next ten years

17,000+
properties will be subject to reactive repairs and planned maintenance

Marketplace and operating overview

Well-placed to benefit from the evolving outsourcing market

Clients continue to recognise the strengths of outsourcing in the drive to meet cost and operational challenges.

We are excited about the growth opportunities in our targeted markets, as clients move from outsourcing single services to relying on our support across bundled services and, ultimately, fully integrated FM.

Economic climate

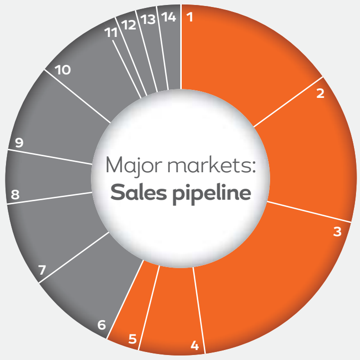
Although the UK economy is showing signs of improvement, and we have seen an increase in our bid activity across our businesses in the past 12 months, there is still some distance to go before we can say that the effects of the downturn are definitely behind us.

Against this backdrop and the austerity measures which continue to be implemented by both central government and local authorities, outsourcing is now well-established as a route to improved services with lower costs.

We work with people who want to perform better, and see attractive opportunities across FM and Healthcare.

Public sector	£0.8bn 36%
1 Central and other government	8%
2 Local government	7%
3 Social housing	10%
4 Healthcare	5%
5 Education	6%

Private sector	£1.4bn 64%
6 Finance and professional services	17%
7 Manufacturing	11%
8 Retail	11%
9 Property management	4%
10 Technology and communications	6%
11 Construction	1%
12 Utilities	3%
13 Leisure	4%
14 Transport and logistics	7%



Public sector	£4.7bn 57%
1 Central and other government	15%
2 Local government	14%
3 Social housing	19%
4 Healthcare	6%
5 Education	3%

Private sector	£3.5bn 43%
6 Finance and professional services	8%
7 Retail	8%
8 Manufacturing	5%
9 Transport and logistics	8%
10 Property management	7%
11 Technology and communications	1%
12 Utilities	2%
13 Leisure	2%
14 Construction	2%

Services to buildings and facilities

Marketplace

The total UK FM market is valued at £125bn, with £75bn currently outsourced. Our principal addressable market, defined as contracts worth over £500,000 per year, is estimated to be £45bn, of which we have a 4% share. The market remains fragmented and is dominated by around 120 large providers, with the 12 largest players accounting for 34% of the market. Individual service line markets tend to be led by different competitors, who in turn have follower positions in other markets. The FM market is expected to grow around 2% per annum between 2013 and 2017, a significant improvement on the 1.2% per annum achieved between 2007 and 2013 (sources: leading management consultancy; MTW Research).

During 2013, we commissioned an independent qualitative research programme among senior property and facilities directors in the UK. Clients want companies such as Mitie to help them carry out their business better, not just cheaper. Among the survey's key findings was the fact that although outsourcing remains a key method of reducing costs, it is also recognised as a way to harness expertise. Many interviewees also agreed that a focus on least cost provision was a false economy, and stressed the need for a more outcome-based approach that encourages the best performance from the service provider.

The research identified five key customer needs: an emphasis on low price coupled with a proven track record; a steady shift towards bundled services and integrated FM; increased expectation of FM providers, with a need for strategic advice as well as efficient service delivery; greater demand for technology and management information; and reduced demand for FM on a global or cross-border basis.

Public sector

In the public sector, we believe that outsourcing will remain a key government strategy and we foresee an increase in activity, driven by continuing budget reductions. The CBI recently estimated that the Government is only half way through its planned deficit reduction. In order to further reduce the deficit and procure services that offer the best value for money, it will continue to open up public services to independent competition. This will be supported by the UK public services industry, which makes up more than 7% of the UK's GDP and supports over five million jobs. The CBI also proposed to introduce new measures to boost transparency and trust in public sector contracts that are managed by private and third sector organisations, which we endorse.

Although we will be highly selective in the opportunities we pursue, justice, social housing and local authorities are all areas where we anticipate high levels of growth in the coming years. While there have been procurement delays in the justice market, we remain confident and have also identified attractive opportunities in social housing, particularly through the long-term nature of contracts and relationships that are a feature of this market.

Private sector

Private sector clients face many similar challenges to their public sector counterparts. They aim to outsource non-core services in order to reduce costs while maintaining – and in many cases improving – the services they offer. We have proven strengths in many sectors and expect good growth, especially in retail, manufacturing, transport and the financial sector. Our growth has been predominantly driven by the private sector over the past five years, and we expect this trend to continue, as the economic recovery gains momentum.

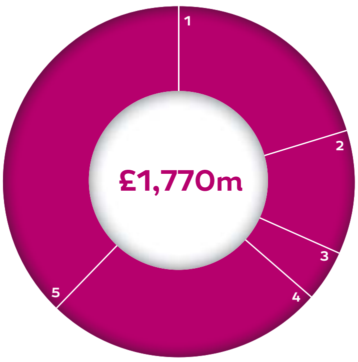
Marketplace and operating overview

Operational performance overview

There are significant opportunities for us to grow organically and to win market share. This growth will be driven by: our extensive self-delivery capability supported by a well-managed supply chain, which generates value for our clients whether they choose single, bundled or integrated services; our focus on technology which can increase efficiency and enhance profit margins; and our commitment to investing in capable management teams that can build and maintain key strategic relationships.

Those strengths formed the basis for a year in which we were awarded and retained a number of important contracts, details of which can be found on pages 12 and 13.

Facilities Management revenue split



		2014 £m	2013 £m
1	Cleaning and environmental service	**363**	388
2	Security	**216**	246
3	Catering and front of house	**76**	91
4	Technical and building services	**447**	413
5	Integrated FM	**668**	510

We have aligned the way we report our FM business to more accurately reflect how it is managed, which is in the two key areas of Soft and Hard FM. Soft FM is made up of: cleaning and environmental services; security; and catering and front of house services. Hard FM provides a range of technical and building services.

Our integrated FM proposition brings together a range of hard and soft FM services. During the year, the total revenue generated from our integrated contracts was £668m.

Over the last two decades, the FM industry has moved from providing single services to bundles of services. Today, the focus is on integrating a wide range of services into one cohesive contract, often at multiple and diverse sites. However, although the immediate benefits of bundled and integrated services include lower costs and a single point of accountability, long-term success is built on a track record of consistent delivery across all service lines.

Many FM clients see technology – and specifically management information – as a key differentiator among providers. The data that we collect and hold as part of managing a client's estate can provide powerful management information. It allows us to reduce the total cost of occupancy and improve service levels and responsiveness. It also provides insight for strategic decisions about how our clients run their estates; for example, how to better use mobile working or how to invest (or divest) across their portfolio.

While a fully integrated FM model will not suit all clients, the shift to greater integration and bundling of services is steady and is continuing to generate new and expanded contracts for Mitie.

Divisional performance

Soft FM

	2014	2013	Growth
Revenue	**£1,190.8m**	£1,122.2m	6.1%
Operating profit	**£74.8m**	£73.4m	1.9%
Operating profit margin	**6.3%**	6.5%	(0.2ppts)
Order book	**£5.1bn**	£5.0bn	2.0%

Cleaning and environmental services

Rebranded in 2013 as Environmental+, this business is one of the UK's largest providers of cleaning, pest control, landscaping, waste recycling and winter gritting. It employs over 32,000 people and is active on every high street in the country.

We brought these services together under one banner to reflect client demands for linking services that complement each other, saving costs and improving quality.

This model allows us to equip our people with multiple skills, thereby reducing the number of site visits and improving productivity. This joined-up approach also increases efficiencies, saves vital resources such as energy and water, and helps to reduce our clients' carbon footprints.

Security

Our focus is on providing our clients with total security management. We have responded to changes in the industry by adopting a risk-based approach to security – we assess risks and then bring together the right people, technology and consultancy services to manage them.

While manned guarding remains central to our security services, we have diversified through a range of higher margin and predominantly technology-based offerings. Services such as remote monitoring, employee screening, lone worker protection and vacant property security systems are changing our business mix.

In addition, there are good opportunities for us to incorporate security within integrated FM contracts.

Catering and front of house

This is a service line that is now delivering in a market where we have huge potential to grow – the UK contract catering market alone is worth £4.2bn. Our Gather & Gather catering brand has increased its bottom line three-fold in only three years and is winning business in its own right, as well as an integral part of broader FM contracts.

Competition in this market is significant but fragmented – split between the large global corporates and a host of smaller, independent and owner-operated businesses. The market is based on specialisation, with defined brands and offerings targeted at specific sectors. Our team is diverse and contemporary, and offers clients a new, challenger brand with a real point of difference.

These services have huge potential to generate reputational goodwill and position Mitie as the premier provider of catering and reception services, in combination with our award winning Client Services.

Hard FM

	2014	2013	Growth
Revenue	£579.4m	£526.7m	10.0%
Operating profit	£30.0m	£29.0m	3.4%
Operating profit margin	5.2%	5.5%	(0.3ppts)
Order book	£2.1bn	£2.8bn	(25.0%)

Our technical and building services offering encompasses a full range of hard FM services, from mechanical and electrical maintenance to lighting and building fabric repairs. We operate in a wide range of sectors and are currently seeing good opportunities across the business; particularly with clients in the transport, local government, retail and commercial sectors.

Demand for our mobile maintenance service continues to grow, and it is now the most comprehensive in the UK. We are also the largest lighting contractor in the UK, and the advances in LED lighting technology have enabled us to differentiate ourselves further by providing energy efficiencies.

Our specialist services continue to provide new opportunities, through services such as water treatment, building controls, fire and security systems and compliance; all of which continue to grow. Our smartphone operational solution and performance audit software is revolutionising the way our engineers operate, and the way our clients manage their technical assets.

To further support our clients, we have refined our operational structure. Our technical and building services offering now encompasses a range of niche property services such as roofing and plumbing, which previously sat within Property Management. As all of these services are related to either long-term maintenance contracts or short-term projects for clients with large, commercial property portfolios, there are significant benefits from operating them as part of a singular, broader business.

Energy solutions

	2014	2013	Growth
Revenue	£15.9m	£45.9m	(65.4%)
Operating profit	(£4.4m)	(£1.4m)	(214.3%)
Operating profit margin	(27.7%)	(3.1%)	(24.6ppts)
Order book	£0.2bn	£0.3bn	(33.3%)

Energy and carbon consumption are playing a growing role in the property management decisions and strategies of our clients. Costs continue to be a major issue for all, with our own research forecasting that they will double by 2020. The issue is further clouded for clients by the confusing landscape of obligations and policies, as well as the complex solutions offered by many providers.

Our FM proposition is supported by services from our Utilyx business, which helps our larger FM clients to procure, use and generate electricity more efficiently. Energy consulting is an important differentiator for many of our clients, who recognise that it can add significant value to their relationships with Mitie. Utilyx also works direct with a large independent client base.

During the year, we integrated our Asset Management business into Utilyx. We are continuing to reduce our exposure to the design and build element of this business.

Property management

	2014	2013	Growth
Revenue	£264.8m	£242.8m	9.1%
Operating profit	£14.4m	£13.6m	5.9%
Operating profit margin	5.4%	5.6%	(0.2ppts)
Order book	£0.8bn	£0.9bn	(11.1%)

Property Management now operates solely in the domestic housing market, serving both private and public sector customers. We deliver a wide range of property related services, and are a market leader in comprehensive repair and paint services. These operations are delivered locally through our branch network in 28 locations, and reach in excess of 200,000 homes across the UK.

The market is fast moving, and we continue to innovate and expand the range of services we offer. We support our clients to make transformational change, which includes bespoke partnering models, legal structures, strategic planning, investment consultation and stock surveys.

The market is also continuing to consolidate, and during 2013 we saw an increasing trend towards longer-term, larger bundled contracts across larger social housing portfolios. With continued pressure on local authority budgets, many authorities are turning to economies of scale to maintain quality across housing stocks. We are well placed to exploit this trend by bundling services together for clients.

Our repairs business, which provides services to insurance companies' customers, and private sector housing offering continues to grow and we are creating a sector specialism within our chosen markets.

Marketplace and operating overview

Services to people

Marketplace

Out of an annual UK healthcare spend of over £100bn, our target social care market accounts for £17bn and the homecare market in England alone currently accounts for around £8bn. However, a number of trends will drive this amount up in the coming years.

The UK population is ageing – with the number of over 85s expected to double in the next 25 years. This increase means that long-term care is expected to account for an increasing proportion of GDP. According to the OBR, this figure could rise from around 1.5% today to 2.5% by 2060. Cost pressures continue to mount, with local authorities expected to reduce spending by £800m in the near term. The planned 10% reduction in council spending over the next two years, announced in the 2013 summer spending review, will add further momentum to the drive to achieve better value in all aspects of long-term care.

Homecare is recognised as an important element in the move towards a system of care that both meets patient needs and also delivers better value.

People prefer to remain in their own homes when possible, while central government and local authorities view homecare as a more cost-efficient alternative to care in hospitals or retirement homes. Consequently, homecare in the UK is a marketplace that displays many of the same features as the early days of FM outsourcing. These include clear opportunities for consolidation in a fragmented market and for technology to play a major role in accelerating performance. Furthermore, there is the potential for us to build on our existing FM relationships with local authorities and the NHS to secure homecare contracts.

Increasingly, homecare (or adult social care) is publicly funded but privately delivered. Two decades ago, the vast majority of care was provided by local authorities. Today, such provision is negligible and almost all care is delivered by independent organisations such as Mitie.

Homecare services

We offer a range of homecare services:

- Help with personal hygiene and dressing needs
- Morning and night time help to get in and out of bed
- Administration and assistance with medication
- Liaison with care users' GPs
- Respite care for relatives and carers
- Escorted outings and holidays
- Emergency assistance
- Live in care
- Complex care

Performance highlights

Healthcare

	2014	2013*	Growth
Revenue	**£91.7m**	£43.0m	113.3%
Operating profit	**£12.7m**	£5.7m	122.8%
Operating profit margin	**13.8%**	13.3%	0.5ppts
Order book	**£0.5bn**	£0.2bn	150%

* Enara was acquired on 9 October 2012, these results are from the period of acquisition to 31 March 2013.

Since the acquisition of Enara in 2012, which marked our entry into the homecare market, we have rebranded the business as MiHomecare. It now benefits from a more streamlined corporate structure and back office, and full integration into our operations is complete.

MiHomecare provides high quality care at home to people who require help due to illness, disability or infirmity. We deliver around 120,000 hours of care per week to 10,000 people via some 6,000 employees working out of 57 branches. We offer a range of homecare models to a client base of local authorities (78% of revenue), the NHS (5%) and private individuals (17%). The average length of contract is three years and the business has a retender success rate of over 90%.

During 2013, we were appointed to deliver a Continuing Healthcare programme in Leicestershire as well as framework contracts in Peterborough, Worcestershire and Richmond upon Thames. We also won a two year contract to provide reablement services and homecare in the London Borough of Camden.

Long-term, our strategy is to complement MiHomecare's domiciliary care operations with capabilities in reablement, complex care, community services and integrated care pathways. The acquisition of Complete Group in January 2014 was an important step in this direction. Complete Group employs some 650 people, including registered nurses, to provide high acuity care at home to around 150 individuals with ongoing complex clinical healthcare needs.

Financial review

Strengthening our financial position

Financial highlights

We are focused on delivering long-term value for our shareholders. With this objective in mind, we are repositioning our business to focus on markets that demonstrate good organic growth potential, can generate strong margins and have a low risk profile.

This year's financial results demonstrate the strength of our Facilities Management (FM) and Property Management businesses, which continue to generate strong organic growth, and a high margin contribution from our Healthcare business. Separately, we have also recognised the impact of a number of other exceptional items, including non-recurring losses resulting from our decision to reduce our exposure to two select areas of our business that no longer meet our growth, risk or return expectations and an accounting credit derived from our actions to de-risk our defined benefit pension exposure.

We delivered strong financial results in the year ended 31 March 2014, whilst also making good progress in repositioning our business. Headline revenue grew by 8.2% to £2,142.6m, headline operating profit grew by 6.0% to £127.5m and headline EPS increased by 5.2% to 24.3p per share, all of which underpinned the recommendation of a final dividend of 11.0p per share, an increase of 6.8% over the prior year.

Highlights

£2,142.6m +8.2% (Organic: 5.2%)
Headline revenue
(2013: £1,980.6m)

6.0% (0.1)ppts
Headline operating profit margin
(2013: 6.1%)

24.3p +5.2%
Headline basic EPS
(2013: 23.1p)

£127.5m +6.0%
Headline operating profit
(2013: £120.3m)

£68.4m +21.5%
Profit before tax
(2013: £56.3m)

13.4p +13.6%
Basic EPS
(2013: 11.8p)

107.3%
Cash conversion
(2013: 127.8%)

£72.0m
Free cash flow
(2013: £87.7m)

1.6x
Net debt: EBITDA
(2013: 1.9x)

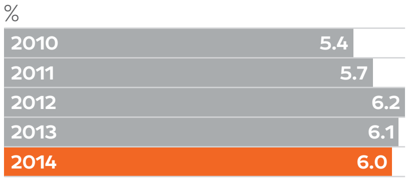
11.0ppts +6.8%
Dividend per share
(2013: 10.3ppts)

16.9% +0.4ppts
Return on capital employed
(2013: 16.5%)

£38.1m +9.2%
Dividends paid
(2013: £34.9m)

Financial KPIs

Headline operating profit margin KPI
%



Description:
Our headline operating profit margin provides us with a good indicator of the profitability of our business. Where we have material restructuring and acquisition related items, such as non-recurring integration costs, we exclude these from our measure.

Target:
Margin increases over the medium term.

Comment:
Our headline operating profit margin was 6.0%.

Five year compound annual growth rate
%

Headline revenue	7.1
Headline operating profit	9.6
Headline EPS	7.2
Dividend per share	9.8

Our results are supported by a strong balance sheet and impressive cash conversion – qualities that have been consistent features of our results and our management processes.

The chart above highlights the strong annual growth we have had over the last five years.

Statutory and non-statutory measures of performance

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

The results described as 'headline' report the performance of the trading activity of our core Soft FM, Hard FM, Property Management, Energy Solutions and Healthcare businesses along with the central overhead required to manage the group. The 'headline' measure illustrates the performance of the underlying activities of the group, and is a non-statutory measure.

We have separately disclosed any restructuring and acquisition-related items together with the results of the engineering construction business which we are exiting. These items are described as 'other items' within the income statement and in related parts of this Annual Report and Accounts. The 'other items' measure of our results is a non-statutory measure. In the current year, 'other items' comprise:

- → The results of the engineering construction business we are exiting
- → Exceptional charges in respect of reducing our exposure to certain Energy Solutions contracts
- → Acquisition related charges, including amortisation of acquisition related intangible assets
- → An accounting credit resulting from a change to future pension obligations under the Mitie Group defined benefit pension scheme (recognised under IAS 19 (revised)).

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

During the year, the group reported on the activities of four divisions: Facilities Management, Property Management, Energy Solutions and Healthcare. With effect from 1 April 2014 and in this report we have provided enhanced transparency of the activities of our previously defined Facilities Management division and now disclose and describe separately the results of our Soft FM and Hard FM divisions. In addition, we have refined our operational structure to further support our clients and to focus the activities of our Property Management division solely on the domestic housing market. The niche property services delivered to commercial clients, which were previously undertaken by Property Management, are now part of the Hard FM division. The financial impact of this change along with the enhanced Facilities Management disclosures are set out in the notes to the accounts.

Conversion of EBITDA to cash KPI
%

2010	95.2
2011	86.7
2012	83.7
2013	127.8
2014	107.3

Description:
The efficiency of how we manage cash generation is an important indication of our business performance. The conversion of earnings before interest, tax, depreciation and amortisation (EBITDA) to cash is the most significant cash flow indicator for Mitie. Mitie is built on a sound understanding of the importance of cash and working capital management and that ethos remains critical to our business.

Target:
Over 80.0% of EBITDA converted to cash.

Comment:
Cash performance in the year has been strong and we have exceeded our targets on both a statutory and headline basis. Conversion of EBITDA to cash was 107.3%, and on a headline basis was 102.4%. This is a result of the strong focus on cash and working capital across the business, throughout the year.

Organic revenue growth KPI
%

2010	0.5
2011	2.1
2012	5.4
2013	5.0
2014	5.2

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

Objective:
Grow revenue organically every year.

Comment:
Mitie achieved 5.2% organic revenue growth across the group in 2014, an increase of 20bps on 2013 organic growth.

Earnings per share KPI
pence

2010	19.5
2011	22.6
2012	22.8
2013	23.1
2014	24.3

Description:
Earnings per share is one of the key metrics of measuring shareholder value.

Target:
Maximise EPS sustainable growth.

Comment:
Our EPS growth was 5.2%.

Financial review

Revenue

Headline revenue in the year grew by 8.2% to £2,142.6m (2013: £1,980.6m). This increase is attributable to strong organic growth of 5.2% (£105.5m), the full year impact of the prior year acquisitions of £50.7m, and £5.8m from the in-year acquisitions of UKCRBs and Complete Group.

The revenue attributed to the engineering construction business which we are exiting was £78.5m (2013: £139.9m). This revenue has fallen by 43.9% this year as we near completion on committed work.

Total statutory revenue was £2,221.1m, representing growth of 4.7% on the prior year (2013: £2,120.5m).

Operating profit

Headline operating profit increased by 6.0% to £127.5m (2013: £120.3m). This increase is attributable to organic growth of £2.0m or 1.6%, the full year impact of the prior year acquisitions of £4.8m, and £0.4m from the acquisitions made during the current financial year. The group's headline operating profit margin remains strong at 6.0% (2013: 6.1%).

Statutory operating profit for the group increased by 21.5% to £82.6m (2013: £68.0m), reflecting both the growth in the headline performance of the business and a reduction in other items year on year.

Other items

Other items included in the income statement of £44.9m are set out in Note 5 to the Accounts. These other items have been incurred principally as a result of our decision to reposition the group away from the construction related mechanical and electrical engineering contracting business and reduce our exposure to design and build contracts in the Energy Solutions division.

During the year, total losses of £13.6m were incurred in the engineering construction business which is being exited. These losses principally arose on settlement of certain contracts' final accounts as business activities cease, which resulted in costs in excess of those anticipated at the end of the prior year. Judgements have been taken on the value and completion timetable for the remaining contracts and on the valuation of contract assets and liabilities at the balance sheet date.

Charges totalling £25.4m were incurred in the year as we sought to reduce our exposure to the design and build element of our Asset Management business, which is now part of the Energy Solutions division. We have reviewed the carrying value of assets on the balance sheet related to the activities of this division and have made contract provisions for the costs to complete certain works.

Acquisition related integration costs incurred during the year in respect of the acquisitions of Enara, Complete Group and UKCRBs were £4.4m (2013: £3.7m) and were broadly in line with their respective acquisition business cases. Acquisition costs in the year were £0.7m (2013: £3.2m). The amortisation of acquisition related intangible assets was £11.0m (2013: £10.0m).

Following consultation with members and the restructuring of the future benefits to be offered to members under the group's main defined benefit pension scheme, a credit of £10.2m (£10.5m less costs of £0.3m) has been recognised in the income statement under IAS 19 (revised) due to the resultant reduction in scheme liabilities in the Mitie Group defined benefit pension scheme.

Earnings per share

We are focused on growing EPS to support our dividend growth aspirations and as a driver to enhancing shareholder value. Headline basic earnings per share increased by 5.2% to 24.3p per share (2013: 23.1p) and statutory basic earnings per share increased by 13.6% to 13.4p (2013: 11.8p).

The EPS measure is driven by both the average number of shares in issue and the profitability of the group. During the year, the Board approved a share purchase policy to maintain share numbers at a broadly consistent level year on year with the aim of ensuring that the interests of shareholders are not diluted by the issue of shares that support the group's various share schemes, nor by the issue of shares as consideration for earn outs under the Mitie Model. During the year, the group bought back 2.9 million shares (2013: nil) at a cost of £7.4m to offset the issue of 2.3 million shares in respect of earn outs under the Mitie Model. These shares were subsequently cancelled. To offset shares issued under the various share schemes, and to hedge against shares to be issued in the future under these schemes, 5.8 million shares (2013: nil) were bought to be held in Treasury at a total cost of £17.0m and shares to the value of £2.8m (2013: £6.6m) were also purchased and held by the group's Employee Benefit Trust.

The group's total return of cash to shareholders through share purchase and buyback activity in the year totalled £27.2m (2013: £6.6m). The average number of shares in issue in the year was 359.9 million (2013: 357.7 million) following this activity.

Dividends

The group has a strong track record of dividend growth and it is the Board's policy to grow dividends broadly in line with the headline earnings of the group. Accordingly, this year's cash returns to shareholders fully reflect the strong underlying performance of the business and have not been discounted by the impact of non-recurring charges. The full year dividend has been established by the Board to reflect the growth in headline earnings at 11.0p per share (2013: 10.3p per share), an increase of 6.8% and reflecting a cover of 2.2x times headline earnings per share. The final dividend proposed by the Board has increased by 7.0% to 6.1p per share (2013: 5.7p per share). During the year, total dividends of £38.1m were paid to shareholders (2013: £34.9m).

Strong cash conversion and free cash flow

Our profits are strongly backed by cash flows. Cash conversion measures our success in converting operating profit (measured by EBITDA) to cash and reflects both the quality of our earnings and the effectiveness of our cash management activities. Cash inflows from operations decreased by 5.3% to £124.1m during the year (2013: £131.0m), but through our continued focus on working capital management we have delivered excellent conversion of profit (EBITDA) to cash at a rate of 107.3% (2013: 127.8%). On a headline basis our cash conversion is 102.4% (2013: 110.0%); this is after adjusting for the effects of certain charges recognised in other items that will not recur.

During the year, Mitie generated good free cash flow of £72.0m (2013: £87.7m), reflecting the strong cash generation of our business model which requires very low levels of capital expenditure to support its development (1.0% of group statutory revenue (2013: 1.3%)). This has enabled us to maintain very good dividend payments, return cash to shareholders, maintain constant share numbers to protect shareholder returns, and actively invest in organic and acquisitive growth opportunities. The consistency of our cash generation and our ability to provide strong cash returns to shareholders has been a key feature of our results and remains a major focus going forward.

Financing facilities

Mitie has a diverse range of secure funding facilities, with committed banking facilities of £250m which are available until September 2015 and on which the group has a floating LIBOR interest rate exposure. It also has a mix of US private placement loan notes, with a range of tenure which mature between 2017 and 2024 and an interest rate exposure that is predominantly fixed at around 4% per annum. The group also has further overdraft facilities of £40m.

Net debt and gearing

The gearing of the group has remained low and net debt at 31 March 2014 was £186.6m (2013: £192.2m), representing a reduction in our statutory net debt to EBITDA ratio to 1.6x (2013: 1.9x). This conservative gearing level gives us capacity to invest in value creating growth opportunities going forward and to provide strong cash returns to our shareholders.

Net finance costs

Total net finance costs increased by 21.4% to £14.2m in the year (2013: £11.7m). This increase largely reflects the full year effect of the funding costs associated with the acquisition of Enara Group, which was made mid-way through the prior year. This acquisition was funded through the issue of US Private Placement loan notes with a fixed interest rate.

The total interest cost on US Private Placement loan notes was £9.5m (2013: £5.4m). Other interest and finance charges, net of investment revenue, were £3.3m (2013: £5.5m). The introduction of IAS 19 (revised) in the current year has resulted in a new pension related interest charge in the year of £1.4m (2013: £0.8m).

ROCE
%

2010	16.6
2011	16.8
2012	16.6
2013	16.5
2014	16.9

Return on capital employed (ROCE)

It is our aim to enhance our ROCE over time. ROCE is calculated as headline operating profit after tax (adjusted for the proforma, full year effect of acquisitions) divided by capital employed. Capital employed is calculated as net assets excluding net debt less non-controlling interests. Our ROCE for the year was 16.9% (2013: 16.5%).

Our ROCE demonstrates our ability to generate returns from the capital employed by our business. We focus on our ROCE through the management of our asset base, consideration of returns on capital when we invest and through a focus on maximising the profitability of the group. By generating returns that exceed our weighted average cost of capital, currently around 8%, we are ensuring that we add value through our investment decisions.

Pensions

Our financial strength and balance sheet remain unaffected by any significant pensions deficit, with the net deficit of all the defined benefit pension arrangements included on the balance sheet being £19.1m (2013: £29.9m).

The deficit on the group defined benefit scheme at 31 March 2014 was £17.0m (2013: £29.7m). The significant decrease in the deficit was due to the strong performance of scheme assets and the positive impact of amendments made to the terms of the Mitie Group defined benefit pension scheme. Future increases in pensionable pay are now subject to a maximum annual cap equivalent to CPI. The scheme, which only has 240 contributing members and is closed to new entrants, will remain open to future accrual but with a generally reduced level of future benefit increases. This change reduced the scheme's future liabilities, mitigates a potential rise in future contributions and establishes a more affordable scheme going forward. The in-year financial impact of the capping of scheme benefits resulted in a non-cash, non-recurring credit to the income statement (after associated costs) of £10.2m.

The group also makes contributions to customers' defined benefit pension schemes under Admitted Body arrangements as well as to other arrangements in respect of certain employees who have transferred to the group under TUPE. Mitie's net defined benefit pension obligations in respect of schemes in which it is committed to funding amounted to £2.1m (2013: £0.2m).

Mitie contributes to a number of defined contribution pension schemes. Auto-enrolment became applicable for the group from 1 July 2013.

Investment in acquisitive growth

On 14 August 2013, Mitie acquired UK CRBs Ltd ('UKCRBs'), the criminal records checking service, for total consideration of £1.0m.

On 15 January 2014, Mitie acquired Complete Care Holdings Ltd ('Complete Group'), for total consideration of £9.0m.

From the date of ownership, the acquired businesses have contributed headline revenue of £5.8m and headline operating profit of £0.4m, which is in line with our expectations. Acquisition and integration costs of £0.7m and £0.4m respectively were incurred during the year in relation to these acquisitions. In addition, £4.0m of integration costs were incurred in relation to the prior year acquisition of Enara Group (now trading as MiHomecare).

Mitie's entrepreneurial investment model

In August 2013, Mitie purchased certain minority shareholdings of four Mitie subsidiary companies under their respective Articles of Association and shareholder agreements in accordance with arrangements under our entrepreneurial investment programme known as the Mitie Model. The total consideration for all four purchases amounted to £6.9m being satisfied by £0.8m in cash, and the remaining £6.1m by the issue of 2.3 million new Ordinary shares of 2.5p each in Mitie Group plc valued at 267p per share, being the average of the closing middle market price for the five banking days immediately preceding 23 July 2013. These purchases are discussed in more detail in Note 31 to the accounts.

Suzanne Baxter
Group Finance Director

Principal risks and uncertainties

The section below describes identified principal risks to the achievement of our strategic business objectives. These risks are those believed by the Board to be most significant to impact our strategy, our financial and operational performance and ultimately our reputation. There may be other risks which are currently unknown to the group or which may become material in the future. We continue to group risk in four categories: strategic, financial, operational and regulatory.

Strategic risks

	Risk	Mitigation
Contract mobilisation, management and performance	The group continues to see large scale complex integrated facilities management contracts as materially important to the achievement of our strategic objectives. Our ability to successfully mobilise, operate and manage such contracts is critical for the maintenance of our financial position. As our service offering becomes increasingly complex as a business differentiator, we become increasingly reliant on the delivery of sophisticated technological solutions for our clients. These solutions necessarily carry increased risk around design, delivery and successful implementation when compared to our more traditional business activities. Our ability to retain and win new contracts of this type is therefore important for the future success of our business.	Large and complex integrated facilities management contracts are subject to executive management oversight and approval. Teams of experienced bid, mobilisation and operational delivery specialists support these contracts to mitigate the risk of failure at any stage. Regular dialogue occurs with the client's executive management to ensure service delivery remains in line with the client's expectations. Our Board governs and reviews the investment in and support for the development and deployment of technical solutions and these programmes have governance and review structures in place to monitor their ongoing performance.
Company performance and resourcing requirements impacted by change to the market and economic conditions	Mitie's principal macro-economic exposure is to the UK market, with only very limited exposure to the wider global economy. With the UK economy showing some signs of recovery, an expected potential upturn in the pipeline of opportunities for Mitie is anticipated. The need for our business model to adapt and grow with any ongoing economic upturn is therefore paramount. With private sector clients likely to be varied in terms of the volume, value and range of required services, a failure to recognise and respond to these demands may impact the group's ability to win or retain significant business opportunities. Our diverse business portfolio provides resilience during times of economic changes and varying demands on our resources, depending on the way in which the economic cycle affects our client base.	We remain highly focused on delivering sustainable, profitable growth and are completing our exit strategy from more cyclical, margin-diluting markets. Our strategy continues to be reviewed and evolve to ensure high margin growth areas are targeted, underpinned by the right supporting business infrastructure. Our focus on the development of our long-term contract portfolio reduces the group's financial exposure to rapid changes in the economic environment. The acquisition strategy remains targeted on securing opportunities both to help diversify our business offering and to enhance our current services. Entry into new business areas is controlled and requires Board approval.
Protecting our reputation	The strength of our reputation remains a critical component in our ability to achieve our strategic objectives and growth targets. A detrimental impact to our reputation may lead to a loss in market confidence in our ability to retain or undertake new client work and may affect our financial performance and growth prospects. We understand clearly that any incident involving major harm to one of our people or our clients/partners, corrupt practices involving fraud or bribery, weak financial control processes or failure to meet regulatory requirements may significantly impact our reputation. Such an impact could result in contract losses, failure to win new business, financial penalties and difficulties in the future recruitment of key staff.	We recognise that a strong corporate governance framework supported by demonstrable values and behaviours provides the basis for effective reputational management. Our governance framework provides dedicated policies, procedures, training programmes and audit to address specific issues which, if realised, may give rise to reputational impact. Specific elements of this framework were revised, rationalised and strengthened during the year. As our business continues to grow and develop into new sectors we will remain strongly focused on protecting the strength of our reputation through effective governance, leadership and the development of our ethical business framework.

Financial risk

	Risk	Mitigation
Financial strength and access to appropriately scaled and diverse sources of funding	Our financial strength makes us an attractive partner to our clients and stakeholders, including our funding partners. Should our financial performance deteriorate, our ability to access funding on competitive terms could be impacted, causing a restriction in our ability to grow both organically and through acquisition, and an increase in the cost of borrowing which could affect our financial performance. Our most significant area of expenditure is staff costs, which have to be paid regularly and at specific times. Our ability to do this is reliant upon the continued availability of funding, our ability to manage our cash flow, access to varied sources of funds and working capital. It is critical to the success and continuity of our business.	We continue to monitor our financial performance very closely via our mature financial governance arrangements, with daily monitoring of bank balances, weekly cash flow forecasting and regular financial performance and balance sheet reviews. We continue to maintain our strong banking, debt finance and equity relationships, with a diverse portfolio of committed long-term funding.
Reliance on material counterparties	Our business activities are dependent on a number of significant counterparties such as insurers, banks, clients and suppliers. Effective and ongoing relationships with our material counterparties will underpin the group's ability to meet its strategic objectives. The failure of a key subcontractor, supplier, financing or other partner could have a detrimental impact on the operational and financial effectiveness of our business and our ability to trade.	We have strategically developed a diverse and robust counterparty base, limiting the dependency of any one counterparty and hence the impact of any potential failure. A formal review of material counterparty risk is undertaken by the Board and at divisional and business level.

Operational risk

	Risk	Mitigation
Significant health, safety or environmental incident	Many of our diverse operations, if not effectively managed, have the potential to result in significant harm to our employees, our business partners, members of the public, or to damage the environment. As a major employer our focus on and commitment to safeguarding our people and protecting the environment remains unwavering. Failure to do so could result in a significant incident, affecting an employee, their family, friends and colleagues, or lead to regulatory action, financial impact or damage to our reputation.	The Board maintains its commitment to the highest standards of quality, health, safety and environmental (QHSE) performance, through effective governance, oversight and management standards, with QHSE performance continuing to be the first item on every Board agenda. Our well-established QHSE management systems are certified to the ISO 9001, 14001 and OHSAS 18001 standards and we continue to focus on the importance of values and behaviours through our employee engagement programme Work Safe Home Safe! To support our management system and engagement programme we focus on developing training programmes to ensure every employee, at every level of the business, has the core competencies required to do their work safely. Our programmes are supported by a network of dedicated and experienced QHSE professionals, backed up with the use of external parties to provide specialist technical expertise where required.
System, process or control failure may impact our operational performance	Our operational efficiency and future business performance is increasingly reliant on the use of sophisticated, interdependent business systems, which provide the basis for contract management and business support activities. These systems, in addition to our governance framework of policies and procedures, will remain critical for the control and success of the business as they help to drive innovative solutions to customer requirements, improve operational efficiency via the use of targeted management information and underpin the effectiveness of our business support functions. The business critical nature of these systems means that operational failure may result in a significant impact on operational delivery, contract management and client expectations. Equally the role of systems in ensuring the effectiveness of the business support control and reporting environment may mean that system failure could lead to a breakdown in the controls around high volume transactions and compliance areas such as vetting and employment legislation. Such a breakdown could result in financial or other misstatements occurring or non-compliance fines.	Our core policies provide the basis of our governance framework and these remain under continual review to ensure they remain optimised in line with effective governance practices as the business continues to grow and diversify. Our internal control effectiveness continues to be reviewed formally, supported by a programme of internal audits and self-certification on the operation of key controls and procedures. Business critical systems are tested to ensure effective recovery following a potential disaster scenario and we have in place an assurance programme to test the adequacy of our mitigation activity. Oversight of IT related governance is provided by the IT steering group who continue to monitor the effectiveness of the information security management system which is aligned with recognised international standards.
Retention and attraction of skilled people	We acknowledge the importance of attracting and retaining the best skilled people at all levels of the business to achieve our strategic objectives and helping to deliver our long-term growth aspirations. This is particularly the case where we require specialist technical expertise or management and where the market may be highly competitive. We also recognise the importance of diversity in ensuring a broad range of views are considered when developing strategy and supporting programmes. Challenges in attracting new talent, or developing and retaining our existing employees could impact our ability to achieve our strategic growth objectives. As we continue to grow and diversify into new areas, this risk will continue to be a focus for the Board.	Our career development and talent management programmes are a key focus for our management teams, ensuring a pipeline of opportunities exist for staff at every level of the business. Additionally, succession plans exist for key management to ensure a talent pool is identified, developed and ready for succession if needed. Our focus on training and competency at all levels of the business continues to ensure that we develop our people to enable them to manage the changing profile of our business.

Regulatory risk

	Risk	Mitigation
Non-compliance with the developing regulatory framework	We continue to provide a strong focus on ensuring, as a minimum requirement, legal compliance in all of our business areas, in particular where we enter into new business areas. As a major employer, further development of the regulatory framework in areas where we work may have a material financial impact on the business. Failure to achieve appropriate legal or regulatory compliance could lead to enforcement action, fines, adverse publicity and therefore potential damage to our reputation.	Our legal compliance framework, as a key element of our management system, has been established to ensure proactive identification of legal and regulatory requirements in all our business areas. Our operational teams remain primarily responsible for ensuring legal compliance, supported by experienced teams of functional experts and backed up by our assurance teams. Where required, we obtain specialist technical advice to support our in-house teams. We continue to monitor the developing regulatory framework to allow for effective planning on potential requirements and costs of compliance.

One approach. One strategy.

Being a responsible business is not optional for us. Doing the right thing creates financial value for Mitie – so whether we're developing great relationships with our clients, recruiting and developing the best people in the industry, or measuring and improving our carbon footprint, our sustainability strategy is consistent with our corporate strategy.

We've been setting ourselves sustainability targets and publishing the results honestly and transparently for the last nine years – and our performance has improved year on year. This year, we have retained our Platinum status in the 2014 Business in the Community CR Index, we have been recognised at the Opportunity Now Excellence in Practice Awards 2014 and we have been named a Times Top 50 employer for women, for the fourth consecutive year.

We have very clear sustainability ambitions, illustrated by our 2020 targets, and the basis of our sustainability report is to update all our stakeholders on our progress against those targets, as well as set out clearly what they can expect from us. Our 2014 sustainability report encompasses the social and environmental aspects of our operations, our key performance metrics and goals, and our commitments for the future. Go to www.mitie.com/sustainability to view it in full.

More on our group strategy:
Pages 8 to 11

Our sustainability targets for 2020

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

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

Progress

The best way to measure how well we're looking after our clients is to measure how happy they are.

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

Progress

As a company founded in the entrepreneurial spirit, we've always understood the importance of motivation – engaged people are great performing people.

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

Progress

When it comes to people, our objective is very clear: we want to recruit, retain and develop the very best, and that means getting the right mix of people too.

→Embed our key Work Safe Home Safe! behaviours

Progress

The health and safety of our people is our absolute priority, making sure they can work in a secure environment and go home safe at the end of the day.

→Embed our values and beliefs into our supply chain

Progress

We already have a robust process in place to audit our partners' sustainability policies and performance – but we want to do much more.

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

Progress

The Mitie Foundation, set up to bring together Mitie's community engagement activities, is focused on creating opportunities for people of all backgrounds to join the world of work, by raising aspirations and unlocking people's true potential.

→Reduce our carbon footprint by 35% (compared to 2010 baseline and measured as CO_2e/£m revenue)

Progress

We will actively manage our energy use, waste production and fuel consumption to ensure that we cut both costs and carbon emissions.

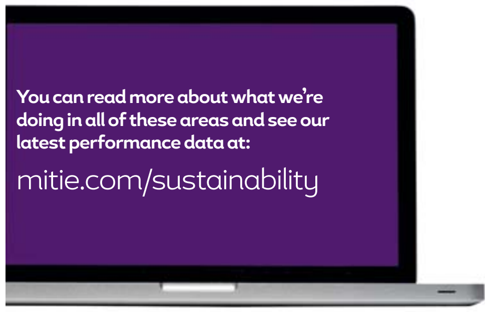
On track   Work to be done

Our position on human rights issues

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

We continually strive to create an environment of respect for all individuals. We are committed to an inclusive, safe and ethical workplace as demonstrated within our People Policy and our Equality, Diversity and Inclusion Policy, as well as our human resources procedures. Our human resources policies and procedures are compliant with the local employment laws concerning employment and individuals' rights, in every country in which we operate.

We work with our communities and our suppliers to encourage cultural, economic and social development, and through all our actions, we protect and preserve human rights.



	Resource	Units	2010 restated baseline*	2013	**2014**	% change against baseline
Scope 1	Gas and fleet fuel	Tonnes of CO_2e	41,343	43,007	**42,075**	2%
Scope 2	Electricity	Tonnes of CO_2e	3,490	2,978	**3,223**	-8%
Scope 1 and 2	Intensity	Tonnes of CO_2e/employee	0.79	0.64	**0.63**	-21%
	Intensity	Tonnes/£m	26.07	21.68	**20.39**	-22%
Scope 3	Energy and business car travel	Tonnes of CO_2e	4,564	3,591	**10,455***	129%
Upstream	Water	Tonnes of CO_2e	10	11	**12**	22%
	Created waste	Tonnes	1,436	1,204	**1,536***	7%
	Intensity	Tonnes/employee	0.025	0.017	**0.021**	-16%
	General waste	Tonnes	989	607	**793***	-20%
	Recycled waste	Tonnes	447	597	**743**	66%
	% recycled		31	50	**48***	56%

* Variance to the prior year due to the integration of Enara (now MiHomecare)

Directors of the parent company	Senior managers of the Company**	Employees of the Company
2 women	**80 women**	**34,583 women**
1 man	**382 men**	**38,185 men**

**Defined as employees earning >£60,000 per annum

Board of Directors

Roger Matthews

Non-Executive Chairman

Chairman of the Nomination Committee
Member of the Remuneration Committee

Roger was appointed as a Non-Executive Director of Mitie in December 2006 and was appointed as Non-Executive Chairman in July 2008. Roger is a Non-Executive Chairman on the board of LSL Property Services plc and is also a Trustee of Cancer Research UK. Roger was previously Non-Executive Chairman of Pertemps Network Group Limited and held the roles of Group Finance Director of J Sainsbury plc, Group Managing Director and Group Finance Director of Compass Group PLC.

Ruby McGregor-Smith CBE

Chief Executive

Chair of the Results and Investment Committees

Ruby joined Mitie in 2002 and was appointed as Chief Executive in 2007. Ruby has extensive experience within the support services sector where, prior to joining Mitie, she held a range of senior roles, primarily at Serco Group plc. Ruby is an Independent Non-Executive Director of Michael Page International PLC, appointed to the board in May 2007, and is also a member of their Nomination and Remuneration Committees. She is a Non-Executive Director of the Department of Culture, Media and Sport. Ruby's charitable and community interests include acting as Chair of the Confederation of British Industry's Public Services Strategy Board, Chair of the Women's Business Council, and Business Ambassador for UK Trade and Investment.

Suzanne Baxter

Group Finance Director

Member of the Results and Investment Committees

Suzanne was appointed as Group Finance Director of Mitie Group plc in April 2006. Suzanne is a Chartered Accountant with a wealth of experience in the support services sector. Prior to joining Mitie, Suzanne specialised in mergers and acquisitions related transaction support and held a number of commercial and operational roles with Serco Group plc. Suzanne is a Non-Executive Director of WH Smith PLC, where she is also Chair of the Audit Committee and member of the Nomination and Remuneration Committees. She is Deputy Chairman and a member of the Counsel of the Business Services Association, a policy and research centre of excellence for the support services industry, and Deputy Chairman of Opportunity Now, a part of the BitC organisation with a focus on gender diversity in the workplace. Suzanne also acted as interim Company Secretary during the year.

Bill Robson

Executive Director

Bill is the longest serving Executive Director of Mitie Group plc. He joined the group in 1992 by way of the acquisition of his private painting and maintenance company. Bill was appointed to the Board in August 2001 and has been responsible for the creation and strategic development of the Property Management division. On 31 July 2014 he will step down from the Board. He will remain as part of the executive team, continuing as Managing Director of the Property Management division, focusing on the many new opportunities that are developing within the housing sector.

Larry Hirst CBE

Non-Executive Director

Member of the Audit, Nomination and Remuneration Committees

Independent

Larry was appointed as a Non-Executive Director on 1 February 2010. Until his retirement from IBM in 2010, Larry was Chairman of IBM (EMEA) where he held a number of senior positions during his 33 year career with IBM. Larry is a Non-Executive Director of ARM Holdings plc and is also the Chairman of the Imperial College Data Science Institute Advisory Board. His community interests include acting as an Ambassador to Everywoman, International Adviser to British Airways and a Global Ambassador to Monitise plc.

David Jenkins

Senior Independent Director

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

Independent

David was appointed as a Non-Executive Director in March 2006 and is currently the Senior Independent Director. David was previously a senior partner with Deloitte LLP in London having spent over 20 years in Assurance and Advisory Services. David is Chairman of Development Securities PLC and a Non-Executive Director of Renewable Energy Systems Holdings Limited.

Crawford Gillies

Non-Executive Director

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

Independent

Crawford was appointed as a Non-Executive Director to the Board in July 2012 and Chairman of the Remuneration Committee with effect from 1 November 2013. Crawford spent 25 years with Bain & Co., the international management consultants, where he was Managing Director Europe. He is also the Chairman of Scottish Enterprise and Control Risks Group, and a non-executive director of Standard Life plc. He was recently appointed to the board of Barclays plc and is also a member of the Advisory board of the School for CEOs.

Jack Boyer

Non-Executive Director

Member of the Audit, Nomination and Remuneration Committees

Independent

Jack was appointed as a Non-Executive Director to the Board on 1 June 2013. He is Chairman of Ilika plc and iQur Ltd and a Non-Executive Director of Laird PLC where he chairs the Remuneration Committee. He also sits on the board of the Engineering and Physical Sciences Research Council. A serial entrepreneur, he previously founded and was CEO of companies in engineering, telecommunications and biotechnology. He has been an investment banker at Goldman Sachs and strategy consultant at Bain & Co. He is Deputy Chairman of Godolphin & Latymer School. Educated at Stanford University (BA), the London School of Economics (MSc) and Insead (MBA).

Chairman's introduction to Corporate Governance

As a Board, we are responsible to shareholders for the group's activities and its long-term success. We recognise the importance and value of good governance in assisting us to achieve this. In this governance report, we explain how the main principles of good governance are applied across the group and how that governance framework has been enhanced during the year to take into account the changes introduced by the September 2012 edition of the UK Corporate Governance Code (the 'Code') and the new reporting framework.

Statement of compliance with the Code
I can confirm on behalf of the Board that:

The group has complied with the main principles and all the relevant provisions set out in the Code throughout the year. Details of how we have applied the principles and complied with the provisions are explained throughout the report.

The Code can be found on the Financial Reporting Council website at www.frc.org.uk.

The most significant reporting changes have been to our Directors' remuneration report. These changes include the way we are required to report some elements of remuneration for our Directors, for example, the single total figure of remuneration.

This revised reporting framework also includes a statement made by the Directors that we consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable. The processes in place to support our confidence in making this statement include a review of the narrative sections of the report by our Assurance function, internal and external counsel and our Independent Auditor. As a Board we also receive drafts and working papers relating to the Annual Report and Accounts in good time in order to facilitate our review and input.

During the year the Board, with the help of the committees, considers that sufficient time has been spent reviewing and discussing strategy, risk, financial performance, investor communication and engagement and key matters of governance. An overview of the activities and the effectiveness of each of our Board Committees are explained further on pages 43 to 67.

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

Board composition
Ensuring that a balance of views is available and that the right decisions are taken requires the right leadership. Our Board is composed of directors from various backgrounds with a breadth of professional and sector experience. This means that we have a balanced Board with the right range of skills and experience to contribute and, where appropriate, challenge decision making.

During the year Jack Boyer was appointed as a Non-Executive Director and Crawford Gillies was appointed as Chairman of the Remuneration Committee.

Board evaluation
The Board is committed to reviewing the effectiveness of its performance and that of the Committees and individual Directors. During the year, the Board engaged external consultants to assist with the review; the process followed and the outcome of the review are discussed further on page 41.

Internal audit
During the year the group appointed a Head of Internal Audit, a role which was previously undertaken by the Group Enterprise Risk Director, to manage and oversee the delivery of the internal audit programme and its associated activity. The internal audit team has since then been expanded with additional senior audit resource, moving the Audit function from an outsourced model to a co-source model with the continued support of Grant Thornton LLP. This change in our model serves to improve the breadth of assurance being provided to the Board, while maintaining the provision of the Grant Thornton specialist expertise.

Roger Matthews
Chairman

The Board

Who are the Board members?
The members of the Board and their accompanying biographies are set out on pages 36 and 37. All Directors are expected to allocate sufficient time to the Company to discharge their responsibilities effectively and, where possible, attend all Board meetings and the AGM. Any time commitment matters are addressed by the Chairman with the Director concerned.

Chairman	Roger Matthews
Board members (executive)	Ruby McGregor-Smith
	Suzanne Baxter
	Bill Robson
Board members (non-executive)	David Jenkins
	Crawford Gillies
	Larry Hirst
	Terry Morgan (until 31 October 2013)
	Graeme Potts (until 9 July 2013)
	Jack Boyer (from 1 June 2013)

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

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

- setting group objectives and strategies;
- approving business plans and budgets and monitoring performance against them;
- approving material acquisitions, disposals and business start-ups (including any material transactions outside of the normal course of business);
- approving the group's Half-Yearly and Annual Report and Accounts;
- appointing and removing the Chairman, Directors and Company Secretary;
- management of the group's risk profile; and
- monitoring the group's corporate governance arrangements.

The Board recognises its overall responsibility for the group's system of internal control, which is designed to safeguard assets and ensure the reliability of the financial information for both internal use and external publication. Responsibility for designing, operating and monitoring the system of internal control is delegated to the management of each division. The Audit Committee monitors the effectiveness of these controls on behalf of the Board, through Internal Audit and the Group Enterprise Risk framework.

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

How many times did the Board meet?
During the year ended 31 March 2014, there were six scheduled Board meetings. Additional unscheduled Board meetings were held to deal with the review and approval of material transactions, key contracts, acquisitions and issues relating to shares and other administrative matters.

The Board

	Attendance
Number of Board meetings held in the year:	6
Roger Matthews	6
Ruby McGregor-Smith	6
Suzanne Baxter	6
Bill Robson	4
Crawford Gillies	6
Larry Hirst	6
David Jenkins	6
Terry Morgan[1]	2 of 3
Graeme Potts[2]	2 of 2
Jack Boyer[3]	5 of 6

Notes:
1 Terry Morgan retired from the Board on 31 October 2013.
2 Graeme Potts retired from the Board on 9 July 2013.
3 Jack Boyer was appointed to the Board on 1 June 2013.

An explanation of Board roles

Division of responsibilities of our Chairman and Chief Executive

Whilst maintaining a close working relationship, our Chairman and Chief Executive have clearly defined and separate roles divided between running the Board and the business. They have an open dialogue and meet regularly between Board meetings to ensure a full understanding of business issues and to facilitate efficient decision making.

The Chairman
The Chairman is a Non-Executive Director and is responsible for the effective running and leadership of the Board, ensuring its effectiveness. He liaises with the Company Secretary on the annual Board plan and sets and agrees the Board agendas. Key matters covered at each Board meeting include: strategy, enterprise risk management, financial and management reporting, investor relations and corporate governance, with updates received from each of the Committee Chairmen. He ensures that sufficient time is allocated to promote healthy discussion and open debate, supported by the right level and quality of information to assist the Board in reaching its decisions. The Chairman encourages openness and regular communication between Executive and Non-Executive Directors, a culture which has been facilitated throughout the year by meetings between the Chairman and individual Directors. The Chairman ensures that the Non-Executive Directors contribute effectively and that the Executive and Non-Executive Directors are aware of the views of major shareholders. The Chairman is also responsible for ensuring that the Board addresses major challenges faced by Mitie and for the effective performance of the Board and its Committees. The Chairman is available to consult with shareholders throughout the year and will be available at the AGM.

The Chief Executive
The Chief Executive is responsible for all aspects of the operation and management of the group and its business within the authorities delegated to her by the Board. She is responsible for developing and effectively implementing strategy following approval of the strategic and financial plan by the Board. The Chief Executive's remit includes proposing investment into new business and geographical areas and ensuring at all times that the group's risk profile is appropriately considered. She ensures the timely and accurate disclosure of information to the Board and to shareholders. She leads the Executive Directors and senior management team in the day-to-day running of the group's business under clear delegation of authority from the Board. The Chief Executive maintains regular dialogue with the Chairman on all important Company matters and together they provide coherent leadership of the group.

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

The Non-Executive Directors
Non-Executive Directors are responsible for exercising their independent skill and judgement. In reviewing the proposals for the strategic direction of the group, the Non-Executive Directors constructively challenge and probe the Executive Directors, offering a breadth of knowledge, experience and individual skills, and are responsible for contributing to the formulation and development of strategy. The Non-Executive Directors monitor high level corporate reporting and satisfy themselves as to the integrity of financial information and the operation of key controls. The Non-Executive Directors meet without the Executive Directors present during the year.

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

The Senior Independent Director
The role of the Senior Independent Director is to make himself available to shareholders should they have concerns which have not been resolved through the normal channels of Chairman, Chief Executive or Group Finance Director or for which such contact is inappropriate in the circumstances. The Senior Independent Director in particular reviews information on major shareholders and financial analysis to obtain a balanced understanding of the issues and concerns of shareholders. Explained further below is the Senior Independent Director's role in succession planning and performance evaluation for the Chairman.

How we have evaluated the performance of the Board and the Committees
During the year the Board, assisted by independent consultants, Condign Board Consulting, reviewed its performance, that of its Committees and individual Directors. The review process included one-to-one meetings with each of the Directors and observation of the Board at the meeting in March. Particular consideration was given to the balance of skills, experience, independence and knowledge of the Company on the Board. Other key areas considered during the review were the Board's diversity including gender and how the Board performs as a unit. The conclusions and recommendations of the review were shared with the Board at the meeting in May 2014. Evaluation of the Chairman is passed to the Senior Independent Director to discuss with the Chairman.

The Board is comfortable with its effectiveness and that of its Committees and Directors. In addition to reviewing performance and governance, the Board will continue to focus on the composition of the Board and the balance of its skills and experience and the implementation of the growth strategies for both core FM and Healthcare. The Board will receive regular updates and management presentations during the year on the strategic development of the group.

Condign Board Consulting has no other connection with the Company.

Director re-election
The performance of each Director has been reviewed as part of the annual board evaluation process and the Board is satisfied that they continue to operate effectively and demonstrate clear commitment to their roles. All Directors will submit themselves for annual re-election at the 2014 AGM.

The Director Induction process
All Directors receive a personally tailored induction to Mitie which includes visits to group and key client sites. They receive an information pack, which includes: copies of Mitie's Memorandum and Articles of Association; the latest Annual Report and Accounts; the Committee terms of reference and copies of recent Board and Committee minutes; and supporting papers. Directors are given access to the online board portal which, as well as holding all Board reports and Board minutes, has a reading room containing the Board Handbook detailing essential information about: the Company; Board and Committee terms of reference; Directors' statutory duties; governance and regulatory guidelines; the group's approved delegated authorities; and an overview of the group's insurance arrangements. The Handbook is reviewed and updated regularly. Additional briefing notes are circulated where appropriate on matters such as changes in the regulatory and governance environment.

Our Board accountability and assurance explained

Risk management approach
The Board understands that effective risk management and a sound system of internal control is central to the achievement of the group's business strategy of delivering sustainable, profitable growth. The Board, supported by the Audit Committee, has continued to drive improvements to better understand the nature of the risks the group faces as it continues to grow in size, shape and complexity. The group has strengthened resource in risk management capability during the year and will continue to provide a focus on embedding risk management across all areas of the group to ensure the continued identification of risks and opportunities to the delivery of strategic objectives. Our risk management approach was reviewed using third party external expertise during 2013 to ensure continual improvement in our processes.

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

The Board

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

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

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

Risk monitoring and review
The changing nature of our business profile means that the risk management process is dynamic, with principal risks monitored throughout the year to ensure the risk profile is accurate and the control environment remains effective. Through this process, newly identified risks will therefore feature on the risk register and some risks may be removed. Following the 2014 review, the overall risk profile has remained in line with that reported previously, although the definition of a number of risk events has been refined in order to more accurately reflect the potential challenges to achieving our strategic objectives as our business continues to develop. It should be noted that there are other risks identified as part of our risk management process, but these do not have a material impact on the group's overall ability to achieve business objectives. These risks are managed via the existing risk management process.

To further encourage a culture of risk management within the business, the Audit Committee, on behalf of the Board, regularly reviews the programme of risk management undertaken across the group to demonstrate the importance of the management and assessment of risk at a senior level, and to take ownership of mitigation improvements where required.

Ultimately the risk management framework is designed to manage rather than eliminate the risk of failing to achieve the objectives and strategies of the group and can therefore only provide reasonable, and not absolute, assurance against material risk and loss. The Board, through the Audit Committee, considers the nature and extent of significant risks in setting the group's strategy. Details of the principal risks of the group are set out on pages 32 and 33. The Audit Committee confirms that this risk management process has been in place throughout the reporting year and up to the date of approval of the Annual Report and Accounts.

Internal control and assurance
The Board has established an appropriate system of governance throughout the group, with a framework of internal control based around the 'three lines of defence' model. The first line of defence is provided by line management, who are responsible for implementing and monitoring specific controls, the second line is provided by senior management within the divisions and specific functions (such as Finance, Human Resources and Risk) who provide assurance on the effectiveness of these controls, and the third line is provided by internal and external audit. The Internal Audit function is structured by way of a co-source arrangement with in-house auditors working alongside specialists from Grant Thornton LLP to achieve the overall delivery of the internal audit programme.

The internal audit programme is designed to provide a level of assurance over the principal risks as identified in the group risk register and is developed by the Head of Internal Audit who reports independently to the Audit Committee. The Audit Committee supports the Board by monitoring and guiding the activities of the Internal Audit function, including review and approval of the internal audit programme, reviewing the findings of the internal audit reports from the Internal Audit function and reviewing plans to address identified areas for improvement arising from the audits.

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

Committees of the Board

The Board has five formally constituted committees: the Audit Committee, the Nomination Committee, the Remuneration Committee, the Investment Committee and the Results Committee, the work of which are set out on the following pages.

Audit Committee

Chairman's introduction
As Chairman of the Audit Committee I am pleased to present this report on the role and activities of the Audit Committee for the financial year ended 31 March 2014. The primary role of the Committee is to oversee and assist the Board in its responsibility to discharge a set of fair, balanced and understandable group Annual Report and Accounts. Such accounts should provide the information necessary for shareholders to assess the Company's performance, business model and strategy throughout the year.

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

Who is on the Audit Committee?
The Audit Committee comprises independent Non-Executive Directors who are all considered appropriately experienced to fulfil their duties. The Chairman of the Committee is David Jenkins, who continues to be deemed by the Board, as at the date of this report, to have significant, recent and relevant financial experience through his qualifications and ongoing positions.

Chairman	David Jenkins
Committee members	Crawford Gillies
	Larry Hirst
	Terry Morgan (until 31 October 2013)
	Graeme Potts (until 9 July 2013)
	Jack Boyer (from 1 June 2013)

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

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

What are the key responsibilities of the Audit Committee?
During the year, the Audit Committee considered and reviewed general matters relevant to discharging its responsibilities, including:

– monitoring the group's corporate reporting process and the statutory audit of the Annual Report and Accounts;
– reviewing the Half-Yearly Financial Report and Annual Report and Accounts and recommending for Board approval;
– reviewing accounting policies and key areas of accounting judgement;
– reviewing the Independent Auditor's audit plan, nature and scope of work and overall summary of key issues and judgements;
– reviewing the quality of the group's Independent Auditor services and the re-appointment of the Independent Auditor;
– assessing the effectiveness of the Independent Auditor including the appropriateness and skills of its audit team;
– reviewing and monitoring compliance with the Non-Audit Services Policy and maintenance of auditor independence;
– reviewing the group's consolidated risk register prior to its approval by the Board;
– approving the group's assurance framework and the internal audit plan;
– reviewing key internal audit reports and findings;

Audit Committee

- reviewing the group's whistleblowing process and procedure;
- considering management's response to any major internal or independent audit recommendations;
- monitoring the effectiveness of the internal audit, independent audit and risk management systems and functions; and
- advising on and reviewing the fair, balanced and understandable statement.

The Audit Committee's terms of reference are available at http://www.mitie.com/documents/investors/corporate-governance/committee_terms_of_reference.pdf

How many times did the Audit Committee meet?
During the financial year, the Audit Committee met three times. Meetings may, by invitation, be attended by the Company's Independent Auditor, the Chairman, the Chief Executive, the Group Finance Director and the Group Enterprise Risk Director.

	Attendance
Number of meetings held in year:	3
David Jenkins	3
Crawford Gillies	3
Larry Hirst	3
Terry Morgan[1]	0 of 1
Graeme Potts[2]	1 of 1
Jack Boyer[3]	2 of 2

Notes:
1 Terry Morgan retired from the Board on 31 October 2013.
2 Graeme Potts retired from the Board on 9 July 2013.
3 Jack Boyer was appointed to the Board on 1 June 2013.

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

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or where there has been discussion with the Independent Auditor; and
- whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

To aid our review, the Committee considers reports from the Group Finance Director and also reports from the Independent Auditor on the outcomes of their Half-Yearly review and annual audit.

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

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

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

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

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

Accounting for business activities that are being exited or restructured
In the last financial year, the group announced that it was exiting its cyclical mechanical and electrical engineering contraction business and in the current year it has taken the decision to reduce its exposure to the loss-making construction element of its Energy Solutions business.

In forming judgements on the accounting estimates in respect of these businesses, the papers presented to the Committee considered the performance of the contracts within each business area, the carrying value of contract related assets and liabilities in the balance sheet and the continuing obligations of the group in respect of those businesses. The Committee also specifically considered the accounting treatment afforded to the group's 30% non-controlling equity interest in a joint venture company, to which Mitie has also extended subordinated debt. The Energy Solutions division has a contract to construct and operate a renewable energy plant for the joint venture company and the project has been subject to delays and considerable cost overruns. Consideration was given to the treatment that should be adopted for the joint venture on consolidation of the group's results, and whether it should therefore be considered to be a subsidiary or an associate. The group's interest in that joint venture is accounted for as an associate and is held at nil value (see Note 16). Given the delays in the project, consideration was also given to the recoverability of receivables due from the joint venture company taking into account the planned timing of repayments from the joint venture company and the risks associated with their collection.

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

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

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

The assumptions underpinning the review were considered by the Audit Committee, particularly the discount rates applied. The cash flow forecasts used in the review were derived from the most recent budgets which have been reviewed and approved by the Board and the long-term business plans of the group. Sensitivities to changes in key assumptions were considered by management and presented to the Audit Committee.

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

Accounting for acquisitions
In the previous financial year, the group made the significant acquisition of Enara to support its strategy to enter the homecare market. It also made other, smaller acquisitions in the current and prior years. The accounting estimates made by the group in accounting for acquisitions were considered by the Audit Committee.

The fair value estimates established following the acquisition of Enara were reviewed and finalised during the current reporting period having taken into account the performance and experience of the business since acquisition and the conditions that existed at the acquisition date.

Audit Committee

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

Deloitte LLP has been the Company's Independent Auditor since its market listing over 25 years ago. However, Mitie tendered its full external audit services in the year ended 31 March 2012 and concluded that Deloitte LLP should be re-appointed as Independent Auditor given its relevant experience in both the PLC environment and the support services sector.

The independence of our Independent Auditor
The Audit Committee has approved a Non-Audit Services Policy that ensures the Independent Auditor remains independent and objective throughout the provision of their independent audit services and when formulating their audit opinion. In order to retain the flexibility of utilising the Independent Auditor to provide non-audit services, the following criteria must also be met. These are such that the Independent Auditor does not:

– audit their own work;
– make management decisions for the group;
– create a conflict of interest; or
– find themselves in the role of advocate for the group.

The Non-Audit Services Policy identifies the various types of non-audit services and determines the analysis to be undertaken along with the level of authority required before the Independent Auditor can be considered to undertake such services. Further, the policy is consistent with the Financial Reporting Council's ethical standards policy.

When considering the appointment of the Independent Auditor for non-audit services, the following factors are taken into account:

– the quality of work provided by the Independent Auditor;
– representations provided by the Independent Auditor regarding independence and objectivity, along with internal controls implemented by them when providing non-audit services;
– the level of the Independent Auditor's understanding of the group;
– the nature of the work being performed; and
– the commercial and practical circumstances of particular types of work required.

Non-audit services provided to the group during the year included corporate finance services associated with the acquisition of Complete Care Holdings Limited, for reasons of commercial confidentiality and efficiency, taxation advice and compliance services.

The Audit Committee considered reports from both management and the Independent Auditor, none of which raised concerns about auditor independence.

A summary of the fees paid to the Independent Auditor is given in Note 6 to the financial statements. The Audit Committee confirms that the requirements of the Non-Audit Services Policy have been met throughout the year.

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

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

The Audit Committee is satisfied with the effectiveness of the independent audit and, in light of the audit tender conducted in the year ended 31 March 2012, has assessed and recommended to the Board the continued engagement of Deloitte LLP as the Company's Independent Auditor and has recommended their re-appointment at the AGM. Deloitte LLP has expressed willingness to continue in office as our Independent Auditor and accordingly the Board is recommending their re-appointment as Independent Auditor at the forthcoming AGM.

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

Assurance
In line with 'Internal Control: Guidance for Directors' and the revised C.2.1, the Board performs a formal annual assessment of the operation and effectiveness of the system of internal control, covering all material controls including financial, operational and compliance controls, and updates this assessment prior to the signing of the Annual Report and Accounts.

To support the previously reported redesign of the internal control questionnaire, a more robust exercise was carried out to gather evidence to support the responses submitted by the businesses. The feedback from this exercise has been used to improve and strengthen the system of internal control, embed effective controls further into the operations of the group and to implement other procedural improvements.

These activities are monitored at executive level to ensure that control changes are implemented appropriately and that they are effective. The Head of Internal Audit oversees the application of control environment improvements and attends each Audit Committee meeting to provide regular updates on the effectiveness of the group's internal controls and the results of the internal audit process.

Features of the internal control and risk management systems that ensure accuracy and reliability of financial reporting include: a culture of good governance, integrity, competence, fairness and responsibility; group level policies and procedures to support the business by providing an operational internal control framework; clearly defined responsibilities, delegated in accordance with the group's delegated authorities and authorisation registers; and a group function with a team of specialist resources.

David Jenkins
Chairman of the Audit Committee

Nomination Committee

Chairman's introduction
As Chairman of the Nomination Committee my role is to ensure that the group maintains a Board which is appropriately balanced and, as a unit, functions as efficiently and effectively as possible.

The Committee is comprised of independent Non-Executive Directors who are all considered to be appropriately experienced to fulfil their duties.

Who is on the Nomination Committee?

Chairman	Roger Matthews
Committee members	David Jenkins
	Crawford Gillies
	Larry Hirst
	Terry Morgan (until 31 October 2013)
	Graeme Potts (until 9 July 2013)
	Jack Boyer (from 1 June 2013)

What is the key purpose of the Nomination Committee?
The Nomination Committee reviews and evaluates the composition of the Board and its Committees to maintain the appropriate balance of skills, knowledge, experience and independence to ensure their continued effectiveness.

The Nomination Committee also ensures that appropriate succession plans for the Non-Executive Directors, Executive Directors and the group's senior management are also kept under review.

Nomination Committee

What are the key responsibilities of the Nomination Committee?
The Nomination Committee is responsible for:

- succession planning;
- identifying and nominating, for the approval of the Board, candidates to fill Board vacancies;
- considering the adequacy of the skills, experience and diversity represented on the Board;
- leading the process for appointments to the Board; and
- satisfying itself and the Board that there are sufficient plans in place for orderly succession for future appointments.

The Nomination Committee's terms of reference are available at http://www.mitie.com/documents/investors/corporate-governance/committee_terms_of_reference.pdf.

What were the key activities during the year?
The Committee reviewed the composition and chairmanship of the Board and each of its Committees and determined that all Non-Executive Directors remained independent in character and judgement. The Committee continues to be satisfied that its current composition is appropriate, having regard in particular to the integrity, skills, knowledge and experience of its Directors and the size and nature of the business.

The Committee has worked with Inzito, an executive search firm, to support appointments to Non-Executive Director positions made in 2013. Inzito have also supported Mitie in the identification of candidates for a small number of senior positions below Executive Director level, but the Company has no other connection with this firm.

The process followed is set out below:

- the Committee provides Inzito with an agreed candidate specification;
- Inzito conducts a candidate search;
- the Chairman and Senior Independent Director review the candidate list and interview a pre-determined short list;
- the Committee recommends the appointment to the Board.

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

How many times did the Nomination Committee meet?
During the financial year, the Committee met four times.

	Attendance
Number of meetings held in year:	4
Roger Matthews	4
David Jenkins	4
Crawford Gillies	4
Larry Hirst	4
Terry Morgan[1]	1 of 2
Graeme Potts[1]	2 of 2
Jack Boyer[3]	2 of 3

Notes:
1 Terry Morgan retired from the Board on 31 October 2013.
2 Graeme Potts retired from the Board on 9 July 2013.
3 Jack Boyer was appointed to the Board on 1 June 2013.

Our policy on diversity
Mitie welcomes, as a general principle, the updated Code requirement to consider diversity at Board level and sees this as an opportunity to consider the appropriateness of our approach to managing the diversity of ideas and skills on the Board. The Board believes that setting aspirational diversity targets could drive a practice that is not necessarily in the best interests of the organisation and that the issue of Board diversity should be tackled in a manner that considers all areas of the diversity agenda such as skills and experience, as well as gender, race, disability or other aspects of difference. Diversity of candidates at Board level has to be balanced against the required skills and experience and should be a consideration in any recruitment, succession planning and talent management process.

During the past year, the group's Equality, Diversity and Inclusion policy has been reviewed and updated to include specific references to boardroom diversity. The Board has been responsible for further driving the diversity agenda throughout the organisation in a number of ways, including the development of divisional diversity forums. With specific targets around gender, race and age, these business-specific diversity forums reflect the Board's commitment to diversity, through their work to implement bespoke diversity action plans, which support the goals of those business areas.

The Board is keen to ensure that all aspects of diversity are considered in the promotion, retention and development of the talent pipeline throughout the group as well as at Board level, and a suite of diversity policies and procedures have been cascaded and embedded throughout the group. Further details of the diversity of Mitie's people can be found in the sustainability report which is available on the Company's website at www.mitie.com.

Since the fourth quarter of 2012, we have been monitoring our workforce data, by salary banding, to understand progress made on employee diversity, with regard to gender, age, disability and ethnicity.

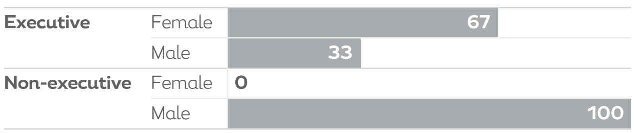
Particular achievements to date include continued improvements in the percentage of women in the higher salary bands within the organisation. Additionally, the number of people employed in the 16-24 age group has also grown over the last year, as has the percentage of people employed aged 60 and over.

Disability and ethnic minority percentages have remained stable over the same time period and these are particular areas of focus at this time.

We work with a number of external search consultancies, none of which have any other connection with the Company. In addition, we have recently built a bespoke recruitment portal, which we use to create and publish vacancies, which are also posted to third party jobsites. In the past 12 months we have formalised our long-standing relationship with Remploy by signing a partnership agreement. Our relationship with Remploy provides work experience and employment opportunities for disabled people and those facing complex barriers to work. Additionally, in the past 12 months we have formed links with Pink Jobs (UK's largest LGBT job vacancies board). In effect this means that all external vacancies are now open to Pink Jobs and Remploy candidates. Additionally, we are working towards developing further partnerships with Leonard Cheshire and the Ethnic Jobsite.

We have a long-standing relationship with Remploy and since 2006 more than 450 disabled people have been employed by Mitie.

Board composition
%



Board tenure

Roger Matthews
Chairman of the Nomination Committee

Remuneration Committee

The Directors' remuneration report is set out at pages 50 to 67 and details the Remuneration Committee's activities during the year and its policy on remuneration. The Directors' remuneration report contains full details of any earnings that the Executive Directors are permitted to retain from their external appointments. The Chairman of the Remuneration Committee will be available at the AGM to respond to any shareholder questions relating to the activities of the Remuneration Committee.

Investment Committee

Overview and Purpose
The Investment Committee strengthens the group's governance framework and facilitates the internal approvals process by approving matters as delegated by the Board and referring recommendations for Board approval. The Committee, which comprises the Chief Executive, as chairman, and Group Finance Director, met eight times during the year and considered matters such as major bids and contracts, acquisitions, disposals, capital expenditure and Mitie Model investments.

Results Committee

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

Directors' remuneration report

Statement from the Remuneration Committee Chairman

Introduction
On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 March 2014, which has been prepared in line with the new reporting requirements which came into effect in October 2013. This report sets out the remuneration policy which shapes our Directors' pay and how that policy was applied during 2014.

This is also the first report I have prepared in my capacity as new Committee Chairman, a role I assumed on 1 November 2013, replacing Terry Morgan. The other change in Committee composition during the year was the appointment of Jack Boyer who replaced Graeme Potts. Both Terry and Graeme's contributions to the Committee's activities have been greatly appreciated.

Company performance
As set out in the Chairman's and Chief Executive's overviews, Mitie has had a strong year, delivering organic growth in headline revenues and profits. Key highlights include:

- Headline revenue growth of 8.2%, of which 5.2% was organic (statutory revenue growth of 4.7%);
- Headline operating profit growth of 6.0% (statutory profit growth of 21.5%);
- Headline basic EPS growth of 5.2% (statutory basic EPS growth of 13.6%); and
- Dividend per share growth of 6.8%.

Key decisions
It has been in this positive context that the Committee has approached the key decisions it has taken in connection with the remuneration of our Executive Directors. With regard to fixed pay, it has been agreed that the base salaries, which were not increased last year for the Chief Executive and Group Finance Director, should be increased by 4.5% from 1 April 2014. No increase was granted to Bill Robson. The reason for this is that he has indicated his intent to step down from the Mitie Group plc Board on 31 July 2014. Bill has served as a member of the Board since August 2001 and intends to stay within the group as Managing Director of our Property management division, focusing on the many new opportunities that are developing within the housing sector.

Performance-related pay continues to play an important role in our remuneration policy. In assessing achievement against the year's financial target and strategic objectives, the resulting bonus pay-outs as a percentage of base salary were 144.1% for the Chief Executive and 122.9% for the other two Executive Directors, with any bonus paid above 100% of base salary deferred in shares for a two year period. As mentioned above, this reflects a year of strong performance at Mitie.

With regard to long-term incentives, the following decisions were taken by the Committee:

- Treatment of the 2010 LTIP awards – LTIP awards granted in 2010 were based solely on real EPS growth targets. Based on performance against these targets, the Committee determined on 29 June 2013 that 57.2% of the award vested, with the balance lapsing.
- Treatment of 2011 LTIP awards – LTIP awards granted in 2011 were based on solely absolute EPS growth for the three years ending 31 March 2014. EPS growth was below the threshold of 7% and therefore the award will lapse in full.
- 2013 LTIP awards – Following consultation with major shareholders, it was agreed that the previous approach of using solely EPS-based performance conditions for awards should be changed for the 2013 LTIP award. Instead, this award will vest based upon a combination of three year absolute EPS growth, relative TSR, cash conversion and organic revenue growth targets. In addition, it was also agreed, following this shareholder consultation, that the Chief Executive be granted an award over shares worth 250% of salary (ie higher than the default award of 200% of salary but within the LTIP plan individual participation limit which allows for awards to be made over shares worth up to 250% of salary in exceptional circumstances) to ensure her continued incentivisation and further strengthen her alignment with shareholders.

Remuneration policy for 2014/15
The remuneration policy for which we are seeking shareholder approval at the forthcoming AGM, and which will apply from that date, is set out on pages 53 - 56. This policy broadly reflects the approach adopted by Mitie last year and, therefore, no substantial policy changes have been suggested for the following year. However, one of my first objectives as the new Chair is to conduct a review of this remuneration policy during the course of 2014, with the assistance of our newly appointed advisers, FIT Remuneration Consultants. The primary aim of this policy review will be to ensure that the Executive Directors' remuneration is clearly and demonstrably aligned to the group's evolving strategy, ensuring that the interests of the Executive Directors are fully aligned with our shareholders. If, as anticipated, the output of this review is that revisions to the existing policy are proposed, shareholder approval will again be sought for these changes at next year's AGM. As we continue to welcome ongoing discussions with investors on remuneration matters, the Committee will consult with major shareholders in advance of the 2015 AGM should it be intended that a revised policy be put to a formal vote at that meeting.

Crawford Gillies
Chairman of the Remuneration Committee

Who is on the Remuneration Committee?

Chairman:	Crawford Gillies (from 1 November 2013)
	Terry Morgan (until 31 October 2013)
Committee Members:	Jack Boyer (from 1 June 2013)
	Larry Hirst
	David Jenkins
	Roger Matthews
	Graeme Potts (until 9 July 2013)

What is the Committee's key purpose?
The Committee has the responsibility for determining remuneration for Mitie's Executive Directors and the Chairman, taking into account the need to recruit and retain executives and ensuring they are properly incentivised to perform in the interests of the Company and shareholders.

What are the Committee's key responsibilities?
The Committee's key responsibilities are:

– shaping and agreeing with the Board the policy framework for the remuneration of Executive Directors and certain aspects of the remuneration of senior management;
– determining the total individual remuneration package of each Executive Director with due regard to the performance of the individual in line with the agreed remuneration policy;
– agreeing Executive Directors' contractual terms;
– acting on behalf of the Board, in connection with the establishment and administration of the group's current and/or future share plans, including the selection of participants, determining the structure of awards and the setting of performance targets;
– overseeing the remuneration policy for the group as a whole; and
– drafting and approving the Directors' remuneration report and any remuneration-related resolutions to be put to the shareholders at the group's AGM.

Who attends Committee meetings?
The Remuneration Committee regularly consults with Ruby McGregor-Smith, Chief Executive and the Group HR Director on various matters relating to the appropriateness of rewards for the Executive Directors. However, the Chief Executive is not present when matters relating directly to her specific individual remuneration are discussed.

The Assistant Company Secretary attended the meetings as Secretary to the Committee. The Chief Executive and Group HR Director attended meetings by invitation only.

The Remuneration Committee seeks and considers advice from independent remuneration advisers where appropriate. Kepler Associates ('Kepler'), appointed by the Committee in 2007, acted as the independent remuneration adviser to the Committee up to the end of November 2013. During its appointment, Kepler attended Committee meetings and provided advice on remuneration for executives, analysis on all elements of the remuneration policy and regular market and best practice updates. Kepler complied with the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Kepler provided no other services to the Company during its appointment. The total cost of advice to the Committee for the portion of the year Kepler advised was £95,000 (such fees being charged in accordance with Kepler's standard terms of business).

Directors' remuneration report

Following the appointment of Crawford Gillies as Remuneration Committee Chairman, FIT Remuneration Consultants ('FIT') were appointed by the Committee in December 2013 to provide independent advice on executive remuneration. FIT attended Committee meetings and provided advice and analysis on executive remuneration. The advisers provide no other services to the Company and also comply with the Code of Conduct for Remuneration Consultants. FIT's total cost of advice for the portion of the year they advised was £38,100 (such fees being charged in accordance with FIT's standard terms of business).

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

How many times did the Committee meet?
During the financial year, the Committee met seven times.

	Attendance
Number of meetings held in year:	7
David Jenkins	7
Crawford Gillies	7
Larry Hirst	7
Terry Morgan[1]	3 of 4
Graeme Potts[2]	4 of 4
Jack Boyer[3]	4 of 4

Notes:
1 Terry Morgan retired from the Board on 31 October 2013.
2 Graeme Potts retired from the Board on 9 July 2013.
3 Jack Boyer was appointed to the Board on 1 June 2013.

What were the key activities of the Committee during the year?
The Remuneration Committee:

- Set base salaries for the Executive Directors.
- Assessed performance of the Executive Directors and determined annual bonuses for 2013.
- Set bonus targets for the Executive Directors for 2014.
- Approved share awards for 2013 and the vesting of share awards granted in 2010.
- Reviewed and amended the Long Term Incentive Plan performance conditions in consultation with major shareholders
- Reviewed the revised remuneration reporting regulations and prepared the Directors' remuneration report.

This report
We have presented this report to reflect the recent changes in reporting requirements on remuneration matters for companies, particularly the UK's new Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report also describes how the Board has complied with the provisions set out in the UK Corporate Governance Code relating to remuneration matters.

At our 2014 AGM we will be holding two votes relating directly to this report: a binding vote on the Directors' Remuneration Policy as set out in the policy section of this report, and an advisory vote on the implementation section of this report.

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

The Company's remuneration policy

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

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

The policy itself

The Committee currently reflects these key principles in each of the main elements of the reward packages for the Executive Directors as set out in the table below. This policy, if approved by shareholders, will take effect from the date of the forthcoming AGM. However, as mentioned above, the Committee intends to conduct a review of the Company's senior executive pay policy in the forthcoming year. Based on the outcome of the review, it is anticipated that Mitie will be putting forward a revised policy for the binding vote next year.

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

Directors' remuneration report

Purpose and link to strategy	Operation	Opportunity	Performance metrics
All-employee share plans To provide opportunities for the Directors to voluntarily invest in the Company on the same terms as other employees.	UK-based Directors are entitled to participate in UK tax approved all-employee schemes, namely the Mitie Save as You Earn (SAYE) scheme and Share Incentive Plan (SIP). Under SAYE, employees make monthly savings over a period of three years linked to the grant of an option over Mitie shares with an option price which can be at a discount of up to 20% of the market value of shares on grant. Under SIP, employees can use their gross salary to purchase shares in the Company as part of a regular share purchase plan. Shares are currently purchased monthly using employees' deductions and are placed in trust. The Company gives the employee one free share for every ten shares purchased.	Participation limits are those set by the UK tax authorities.	N/A
Pension To aid retention and provide competitive retirement benefits.	Executive Directors participate in the group's defined benefit scheme which is now closed to new entrants. The plan has a cap on pensionable salary. A cash supplement is payable in respect of full salary. The Directors are subject to the same scheme rules as other members of the Final Salary scheme. The rules detail the pension benefits which members receive on retirement, death or leaving service.	All Directors accrue at a rate of 1/70th of pensionable salary. Pension salary supplement for each of the Directors is 20% of salary. The pension salary supplement for new Directors will be determined based on the Committee's assessment of competitive levels needed to attract and retain such individuals.	N/A

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Annual Bonus Plan To motivate and incentivise delivery of key strategic priorities for the financial year.	Measures and targets are set annually and pay-out levels determined by the Remuneration Committee after the year end based on performance against those targets. The Committee may, in exceptional circumstances, amend the bonus pay-out should this not, in the view of the Committee, reflect overall business performance or individual contribution. Up to 100% of Base Salary is paid in cash with anything over 100% being deferred in shares which vest in two years (normally subject to continued employment). Dividends are accrued on deferred shares and paid in cash.	Maximum bonus opportunity is 160% of salary for the Chief Executive and 135% of salary for the other Executive Directors.	Bonuses are based on stretching financial and strategic objectives as set at the beginning of the year and assessed by the Remuneration Committee at the end of the year, with the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders. The Committee has discretion to determine the appropriate weightings each year depending on business priorities. The financial measure will represent the majority of the bonus, with the strategic objectives representing the balance. These elements are additive. The award opportunity for bonus at threshold performance is zero. At the start-to-earn performance level under the financial element, a bonus of 90% of salary is payable.
Long Term Incentive Scheme To motivate and incentivise delivery of sustained performance and alignment with shareholder interests.	Annual awards (in the form of nil-cost options) are made under the Mitie Long Term Incentive Plan with vesting dependent upon the achievement of performance conditions over three years. Award levels and the framework for determining vesting are reviewed annually to ensure they continue to support the group's strategy. The Remuneration Committee has the discretion to decide whether, and to what extent, targets have been met, and, if an exceptional event occurs that causes the Committee to consider that the targets are no longer appropriate, the Committee may adjust them. Dividend equivalents are paid in cash on or after the vesting date.	The Committee's normal policy is to make annual awards of up to 200% of salary. Maximum award allowable under the LTIP is 250% of salary which will be used in exceptional situations only.	Performance over three financial years is measured against stretching objectives set at the beginning of the performance period which again have the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders. The targets that will apply to the LTIP awards that are to be made in 2015 are referred to in the notes below. Vesting under the LTIP depends on the achievement of four performance conditions, for which a minimum performance threshold has been set. Awards attributable to each performance condition vest at 25% on the achievement of the minimum performance threshold rising to 100% for the achievement of a defined upper performance threshold.

Directors' remuneration report

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Share Ownership To ensure alignment between Executive Directors and shareholders.	Executive Directors are required, over time, to build and maintain a target shareholding in the Company worth 150% of salary. They are required to retain half of the post-tax shares vesting under the LTIP until the guideline is met.	N/A	N/A
Chairman and Non-Executive Director fees To attract and retain high-calibre individuals. Non-Executive Directors do not participate in any incentive schemes.	Fees are normally reviewed every three years. The fee structure is as follows: The Chairman is paid an all-inclusive single fee for all Board responsibilities. The Non-Executive Directors are paid a basic fee, plus additional fees for Chairmanship of committees. Fees are currently paid in cash but the Company may choose to provide some of the fees in shares.	Fees are set at the level which: Reflects the commitment and contribution that is expected from a Chairman and the Non-Executive Directors. Is appropriately positioned against comparator roles in companies of a similar size and complexity in the relevant market. Actual fees are disclosed in the Directors' remuneration report for the relevant financial year. Aggregate fees are capped at the amount set out in the Company's Articles of Association.	N/A

Notes:
2015 salaries for the Executive Directors can be found on page 61.
Private medical coverage was extended from single cover to family cover at the start of the year.
There are no specific provisions to lapse or recover amounts paid under the short and long-term incentive schemes.
2015 bonus targets and measures are discussed on pages 61 and 62.
Performance conditions for the LTIP award for 2014 are provided on pages 62 and 63.

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

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

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

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

In addition, for the avoidance of doubt, in approving this policy report, authority is given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the relevant report going forward as required by the new Regulations.

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

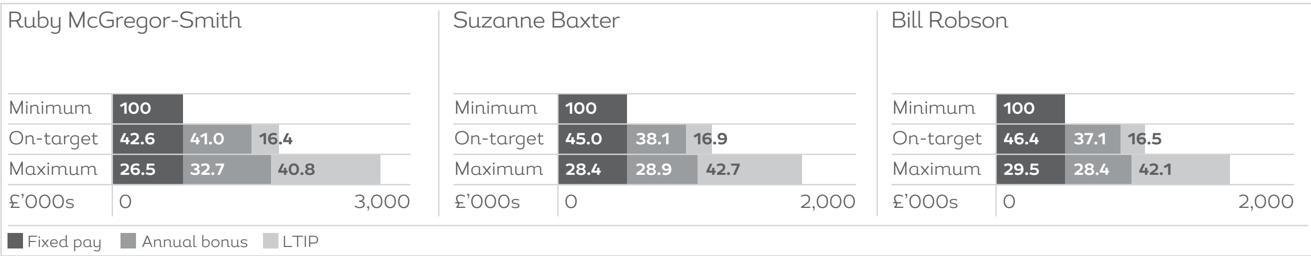
– Minimum (performance below threshold) – Fixed pay only with no pay-out/vesting under any of Mitie's incentive plans.
– On-target – Fixed pay plus an on-target bonus and vesting of 25% of LTIP awards.
– Maximum (performance above target) – Fixed pay plus maximum bonus and maximum LTIP awards.

Fixed pay comprises of:

– Salaries – effective as of 1 April 2014.
– Benefits – amount received by each Executive Director in 2014, excluding the value of any matching SIP shares.
– Pension – amount received by each Executive Director in 2014.

The table below does not take account of the decision taken by Bill Robson to step down from the Mitie Group plc Board on 31 July 2014, referred to in the Chairman's Statement.

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



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

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

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

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

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

As reported in the Chairman's Statement, Bill Robson will be stepping down from the Mitie Group plc Board on 31 July 2014 and will be staying within the group as Managing Director of our Property management division.

For future Directors, notice periods will not exceed 12 months.

Directors' remuneration report

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

	Date of agreement
Ruby McGregor-Smith	01-Apr-03
Suzanne Baxter	10-Apr-06
Bill Robson	01-Apr-03

Our policy on loss of office
The rules of the Annual Bonus Plan and LTIP set out what happens to awards if a participant ceases to be an employee or Director of Mitie before the end of a vesting period.

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

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

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

Our policy on external appointments
The Board recognises that the appointment of Executive Directors to Non-Executive positions at other companies can be beneficial both for the individual Director and the group through the broadening of their experience and knowledge. Ruby McGregor-Smith received fees of £53,515 per annum in respect of her role as a Non-Executive Director of Michael Page International plc and £15,000 for her role as Non-Executive Director of the Department of Culture, Media and Sport. Suzanne Baxter received fees of £47,499 for her role as a Non-Executive Director of WH Smith plc. Both individuals are entitled to retain any fees earned.

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

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

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

The maximum level of variable pay that may be offered on an ongoing basis and the structure of remuneration will be in accordance with the approved policy detailed above (ie, at an aggregate maximum of 410% of salary – 160% annual bonus and up to 250% for LTIP). This limit does not include the value of buy-out arrangements.

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

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

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

Our policy on Non-Executive Director remuneration and appointment terms

The Chairman and Non-Executive Directors receive an annual fee which is paid in monthly instalments. The Chairman's fee is set by the Remuneration Committee and the fees for the Non-Executive Directors are approved by the Board, on the recommendation of the Chairman and the Chief Executive. The Non-Executive Directors are paid a basic fee with an additional fee for chairing a Committee, together with expenses incurred in carrying out their duties on behalf of the Company. Non-Executive Directors are not eligible to participate in any of the Company's share schemes or the Annual Bonus Plan, nor do they receive pension or ancillary benefits.

The terms of appointment of the Non-Executive Directors are available for inspection at Mitie's registered office, the head office and at the AGM. The Non-Executive Directors are engaged for an initial term of three years which is terminable on either three or six months' notice and thereafter on a rolling term. They are also subject to annual re-election.

Non-Executive Directors' engagement terms

	Additional duties	Date of engagement	Initial contract term	Notice period
Roger Matthews	Chairman; Chairman of Nomination Committee	04-Dec-06	3 years	6 months
David Jenkins	Senior Independent Director; Chairman of Audit Committee	31-Jan-06	3 years	6 months
Graeme Potts[1]		01-Aug-06	3 years	6 months
Terry Morgan[2]	Chairman of Remuneration Committee	01-Jul-09	3 years	3 months
Larry Hirst		01-Feb-10	3 years	3 months
Crawford Gillies[3]	Chairman of Remuneration Committee	12-Jul-12	3 years	3 months
Jack Boyer		01-Jun-13	3 years	3 months

Notes:
1 Graeme Potts retired as a Non-Executive Director on 9 July 2013.
2 Terry Morgan retired as a Non-Executive Director on 31 October 2013.
3 Crawford Gillies was appointed as Chairman of the Remuneration Committee on 1 November 2013.

How does the executive pay policy differ from that of other Mitie employees?

The remuneration policy for the Executive Directors is more heavily weighted towards variable pay than for other employees, ensuring that the greater part of their pay is conditional on the successful delivery of business strategy. This helps create a clear link between the value created for shareholders and the remuneration received by the Directors. The LTIP is limited to the most senior employees (approximately 100 in total). For employees below this level, variable pay may consist of share options and annual bonus (both of which will be based on role) and the opportunity to participate in SAYE and SIP.

How we take account of employment conditions elsewhere in the Company when setting our policy

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

How we take account of shareholder views when setting our policy

The Committee is committed to a continuing discussion with major shareholders and obtains their views when any significant changes to remuneration arrangements are being proposed. A recent example of this was the consultation with major shareholders undertaken in relation to changing the performance measures for the 2013 LTIP award. A similar consultation exercise will be undertaken following the culmination of the forthcoming review of the Company's pay policy.

Directors' remuneration report

Annual report on remuneration

Executive Director remuneration (subject to audit)

The table below reports a single figure for total remuneration for each Executive Director for the financial years ending 31 March 2013 and 31 March 2014.

	Year	Salary	Benefits	Annual bonus	LTIP	Pension	Total
Ruby McGregor-Smith	2014	£526,000	£20,399	£757,966	–	£142,901	£1,447,266
	2013	£526,000	£25,845	£712,000	£714,433	£126,853	£2,105,131
Suzanne Baxter	2014	£335,000	£18,157	£411,548	–	£95,973	£860,678
	2013	£335,000	£20,505	£387,000	£460,734	£95,952	£1,299,191
Bill Robson	2014	£330,000	£18,183	£405,405	–	£115,198	£868,786
	2013	£330,000	£19,919	£381,000	£223,077	£80,573	£1,034,569
Total remuneration	2014						£3,176,730
	2013						£4,438,891

Notes:

Benefits relate to the cost to the Company of private medical cover, private fuel and the car allowance. Value of matching shares during the year under the Company Share Incentive Plan is also included as is the option gain under the 2012 SAYE grant.

Bonus payable in respect of the financial year includes any deferred element at face value at the date of award. Further information about how the level of the 2014 award was determined is provided on pages 61 and 62.

The value of the 2014 LTIP is based on the 2011 LTIP award, which will lapse in full. The value of the 2013 LTIP is based on the value of the shares that vested in respect of the 2010 LTIP award on the vesting date and includes the value of the dividend equivalent.

The pension benefits of the Directors comprise a pension supplement paid in cash in the year of 20% of salary and a capped cash contribution to a defined benefit pension scheme of £15,576 (2013: £15,114) made by Mitie for each of the Directors.

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

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

	Year	Years of scheme membership at 31 March	£
Ruby McGregor-Smith	2014	11	37,701
	2013	10	21,653
Suzanne Baxter	2014	2	28,973
	2013	1	28,952
Bill Robson	2014	22	49,198
	2013	21	14,573

Non-Executive Directors fees (subject to audit)

The fees to the Non-Executive Directors for the financial year ending 31 March 2014 and 31 March 2013 are set out below:

Non-Executive Directors' remuneration

	Base salary/fees £'000	
	2014	2013
Roger Matthews	140	140
David Jenkins	53	53
Graeme Potts[1]	27	46
Terry Morgan[2, 3]	37	53
Larry Hirst	46	46
Crawford Gillies[4, 5]	49	33
Jack Boyer[6]	38	–
Total	390	371

Notes:
1 Graeme Potts retired as a Non-Executive Director on 9 July 2013.
2 Terry Morgan retired as a Non-Executive Director on 31 October 2013.
3 The fees in consideration for the services of Terry Morgan were paid to TKM Management Services Limited.
4 Crawford Gillies was appointed as Remuneration Committee Chairman on 1 November 2013.
5 50% of the fees in consideration for the services of Crawford Gillies were paid to CG Advisory Ltd.
6 Jack Boyer was appointed as a Non-Executive Director on 1 June 2013.

What happened in 2014 and changes for 2015

Base salary and benefits

For 2014, the Remuneration Committee did not award pay increases for the Executive Directors. For the Chief Executive, the Remuneration Committee considered an increase given her current pay positioning versus the market; however, the Chief Executive requested that the increase be waived.

For 2015, the Committee awarded average salary increases of 4.5% for two of the Executive Directors, resulting in the following base salaries being payable:

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

Bill Robson received no increase and his salary remains £330,000.

A review of Non-Executive Director fees was undertaken in March 2014. The fees are reviewed every three years with the exception of the Chairman's fee, which had not been reviewed for the past six years. As a result of that review, the fees for 2015 are as follows:

	Base salary/fees £'000	
	2015[1]	2014
Chairman fees[2]	185	140
Non-Executive Director core fees[3]	52	46
Additional fees		
Senior Independent Director	7	–
Chairman of a Committee	8	7

Notes:
1 The core fee of £52,000 paid to each Non-Executive Director (including the Chairman) will total £260,000 for 2015 (£230,000 in 2014). Total fees, including additional duties are expected to amount to £416,000 for 2015 (£338,000 in 2014).
2 The Chairman's fee is inclusive of the Non-Executive Directors core fee and no additional fees are paid to the Chairman where he is a Chairman, or is a member of, other committees.
3 For Non-Executive Directors, individual fees comprise the core fee and adding supplemental fees for chairing committees where a greater responsibility and time commitment is required.

Benefits are as described in the Remuneration policy table. No changes are planned for 2015, aside from a modest increase made to the car allowance (which was last reviewed in 2004) to retain market competitiveness.

Pension (subject to audit)

Pension is as described in the Remuneration policy table. The pension entitlement for each Director is as follows:

Defined benefit pension scheme transfer values

	Normal retirement date	Transfer values 31 March 2013 £'000	Contributions made by the Director £'000	Increase in accrued pension over the year £'000	Transfer value of pension increase (after inflation, net of contributions) £'000	**Transfer value 31 March 2014 £'000**
Ruby McGregor-Smith	22/02/2028	207	0	3	24	238
Suzanne Baxter	16/04/2033	17	0	4	17	34
Bill Robson	11/08/2015	847	0	2	48	913

The pension benefits of the Executive Directors are based on a pensionable salary capped at £141,600. The Company made contributions to the group's defined benefit scheme on behalf of the three Directors who are members of the scheme at a rate of 11% of the value of the benefit cap. In addition, the Directors received a salary supplement as described in the policy table. The normal retirement age for the three Directors is 65 and there are no additional benefits available to the Directors upon early retirement.

No changes are planned for 2015.

Annual Bonus Plan

Awards in respect of 2014 were made under the group Annual Bonus Plan. The outcomes were as follows:

Evaluation of performance

At the beginning of the year the Committee set a range for EBITA performance from threshold, target through to maximum. Performance was slightly better than the target level of EBITA for bonus purposes, and this equated to performance 55% between threshold and maximum, thereby resulting in a pay-out of 101.6% of salary for this element.

Directors' remuneration report

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

- Upper quartile performance on organic revenue growth versus comparator group.
- Growth of our Healthcare offering through the completion of a strategic acquisition.
- Good progress in our care and custody offering with substantial wins.
- Launch of an integrated energy consulting business.
- Key strategic hires made to strengthen the leadership pipeline across the business.

Having evaluated a range of outcomes and indicators of performance, the Committee determined that overall progress was excellent and warranted a pay-out of 85% of maximum, resulting in a pay-out of 42.5% of salary for the Chief Executive and 21.3% of salary for the other Executive Directors.

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

	Financial Performance			Strategic Performance			Total Bonus Payable		
	% of salary payable at threshold	% of salary payable at maximum	% of salary payable	% of salary payable at threshold	% of salary payable at maximum	% of salary payable	Total bonus	Cash	Deferred shares
Ruby McGregor-Smith				0	50	42.5	758.0	526.0	232.0
Suzanne Baxter	90	110	101.6	0	25	21.3	411.6	335.0	76.6
Bill Robson				0	25	21.3	405.4	330.0	75.4

While the actual financial and strategic target ranges have not been disclosed in this report due to commercial sensitivity, it is intended that the EBITA targets will be disclosed in next year's Remuneration Report (although not the strategic targets as they will remain commercially sensitive).

For 2015, no changes are proposed to be made to the bonus scheme. The EBITA and strategic targets used are not disclosed at this time as they are considered commercially sensitive. However, similar levels of disclosure as set out above will be made in future reports.

Details of LTIP vesting in June 2014 (2011 award)

The Committee assessed the outcome of the 2011 LTIP awards against the performance condition of EPS growth (%) per annum.

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

EPS% growth	% of award vesting
13% or more	100%
Between 7% and 13%	On a straight-line basis between 25% and 100%
7%	25%
Less than 7%	0%

For the performance period, EPS growth was below the threshold of 7% and the award will therefore lapse in full.

LTIP awards granted in year

Following consultation with major shareholders, different performance conditions were applied to awards made in 2014 compared to awards made in earlier years, in order to provide improved alignment with the strategic drivers of our business. Awards granted in 2014 will vest depending on performance against four weighted measures, measured over three years:

Performance measure	Weighting	Performance range	Vesting of portion of the award (performance period ending 31 March 2016)
Absolute Earnings Per Share (EPS) growth	20% of the award	3% – 8% pa	Zero vesting if EPS growth is less than 3% pa. If performance is equal to 3%, 25% of the award will vest. If Mitie achieves 8% EPS growth pa, all the awards will vest. Between these two points, the proportion of awards vesting will be determined on a linear sliding scale basis.
Relative Total Shareholder Return (TSR)	20% of the award	Outperformance against FTSE 350 Support Services index	Zero vesting if Mitie Group's TSR performance is less than the median of the index. If Mitie's TSR performance is equal to the median of the index, 25% of an award will vest. If the Company's TSR exceeds the index TSR by 10% pa or more, all the awards will vest. Between these two points the proportion of awards vesting will be determined on a linear sliding scale basis.
Organic revenue growth	30% of the award	3% – 6% pa with a financial underpin based on the achievement of target margin of 5.5% pa.	Zero vesting if organic revenue growth is less than 3% pa. If performance is equal to 3% pa, 25% of the award will vest. If Mitie achieves 6% organic growth pa, all the awards will vest. Between these two points, the proportion of awards vesting will be determined on a linear sliding scale basis. Entire portion of award is subject to Mitie achieving 5.5% margin.
Cash conversion	30% of the award	75% – 85% pa	Zero vesting if cash conversion is less than 75% pa. At 75%, 25% of the award will vest. Up to 70% of the award will vest if Mitie achieves 80%. Full vesting for this portion will occur if 85% pa is achieved. Between 75% and 80% and 80% and 85%, the proportion of awards vesting will be determined on a linear sliding scale basis.

Details of the awards made to the Executive Directors under the LTIP (granted as nil cost options) are summarised below, with further details given in the table on outstanding share interests on page 66.

What was granted in 2014

	Award	Type	Number of shares	Face value[1]	% of salary	Performance condition[2]	Performance period	% vesting at threshold
Ruby McGregor-Smith	Performance	Nil-cost option	527,371	£1,325,283	250%	20% Absolute Earnings Per Share 30% Organic Revenue Growth 30% Cash Conversion 20% Relative TSR	3 financial years ending 31 March 2016	25%
Suzanne Baxter	Performance	Nil-cost option	268,698	£675,235	200%			
Bill Robson	Performance	Nil-cost option	264,688	£665,161	200%			

Notes:
1 Face value was calculated based on the grant date share price of 251.30p on 28 June 2013.
2 Performance conditions are set out on pages 62 and 63.

As set out above, the Chief Executive received an exceptional award over shares worth 250% (albeit granted within the existing LTIP limits) to ensure her continued incentivisation and further strengthen her alignment with shareholders.

For 2015, no changes are proposed to the LTIP scheme, with award levels set at 200% for all the Executive Directors. The performance conditions remain as outlined above.

Loss of office payments

No payments for loss of office were made to past directors during the year. No payments have been made that have not already been included in the single figure of remuneration set out on page 60.

Change in CEO pay for the year compared to UK salaried employees

The table below sets out the change in remuneration of the Chief Executive and Mitie's UK salaried population.

%	Salary	Benefits[1]	Bonus
Chief Executive	0%	-7.5%	6%
Average pay based on Mitie's UK salaried employees[2]	4.2%	12.4%	23.8%

Notes:
1 Includes car/car allowance, private medical, and private fuel.
2 Reflects the change in average pay for UK salaried employees employed in both the year ended 31 March 2013 and 31 March 2014.

Directors' remuneration report

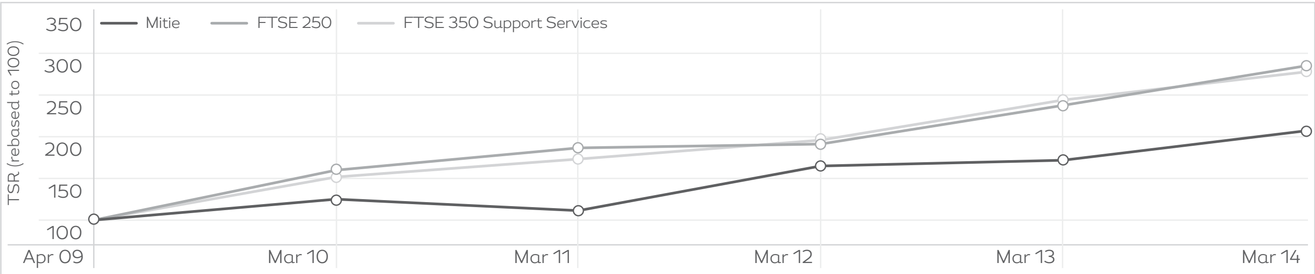
Relative spend on pay

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

	Year ended 31 March 2014	Year ended 31 March 2013	Change
Aggregate employee remuneration	1,137	1,052	8.0%
Equity dividends and share buybacks	46	35	30.4%

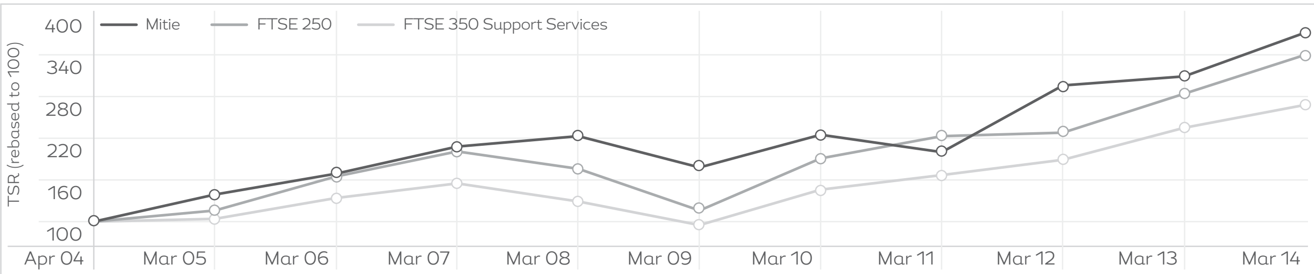
Assessing pay and performance

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



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

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



Share ownership

	Number of Ordinary shares owned as at 31 March 2014	Value of target holding at 1 May 2013 based on % of salary as at 31 March 2014	Value of holding as at 31 March 2014[1]	Percentage of base salary achieved as at 31 March 2014
Ruby McGregor-Smith	565,403	£789,000	£1,840,387	350%
Suzanne Baxter	213,673	£502,500	£695,506	208%
Bill Robson	1,623,821	£495,000	£5,285,537	1,602%

Note:
1 Calculated at a share price of 325.5p being the closing market price on 31 March 2014.

Directors outstanding share interests *(subject to audit)*

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

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

	Options as at 31 March 2013	Exercised in year	Granted in year	Lapsed in year	Options as at 31 March 2014	Exercise price p	Earliest normal exercise date
Ruby McGregor-Smith	4,035	–	–	–	4,035	223	Dec-15
Suzanne Baxter	4,035	–	–	–	4,035	223	Dec-15
Bill Robson	4,035	–	–	–	4,035	223	Dec-15

Note:
1 Executive Directors were invited to participate in the 2011 SAYE scheme and are contributing the maximum amount of £250/month over a 36 month period starting December 2012.

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

	Shares outstanding as at 31 March 2013[1]	Number of partnership shares acquired in year[2]	Number of matching shares awarded in year[3]	Total number of shares outstanding at 31 March 2014
Ruby McGregor-Smith	1,198	621	55	1,874
Suzanne Baxter	1,198	621	55	1,874
Bill Robson	1,198	621	55	1,874

Notes:
1 Figure comprises 1,093 purchased shares plus 105 Matching shares.
2 Shares were acquired at a market price of 270.10p on 13 May 2013. Executive Directors contributed the full annual amount of £1,500 permitted under the Plan. Shares acquired through dividend reinvestment (8 August 2013 and 4 February 2014) have also been included.
3 Matching shares were purchased in the market at a price of 270.10p on 13 May 2013. Awards of Matching shares must in normal circumstances be held for at least three years from the date of award and are subject to forfeiture if corresponding Partnership shares are withdrawn during that period.
4 The market price of the Company's shares as at 31 March 2014 was 325.5p. The highest and lowest prices during the year were 345.6p and 248.0p respectively.

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

	ESOS options outstanding as at 31 March 2013	Granted during the year	Lapsed during the year	Exercised during the year	ESOS options outstanding as at 31 March 2014[1]	Exercise price p	Exercisable between	
Ruby McGregor-Smith								
Unapproved scheme	100,000	–	–	–	100,000	162	Jun-08	Jun-15
Unapproved scheme	100,000	–	–	–	100,000	191	Jun-09	Jun-16
Suzanne Baxter								
Unapproved scheme	35,000	–	–	–	35,000	191	Jun-09	Jun-16
Approved scheme	15,000	–	–	–	15,000	191	Jun-09	Jun-16

Note:
1 The market price of the Company's shares as at 31 March 2014 was 325.5p. The highest and lowest prices during the year were 345.6p and 248.0p respectively.

Directors' remuneration report

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

	Year of grant[1]	Shares outstanding as at 31 March 2013	Granted during the year	Lapsed during the year	Exercised during the year[2,3]	Shares outstanding as at 31 March 2014[4]	Earliest exercise date
Ruby McGregor-Smith	2011	54,046	–	–	54,046	–	May-13
	2012	45,883	–	–	–	45,883	May-14
	2013	–	71,616	–	–	71,616	May-15
Suzanne Baxter	2011	34,854	–	–	34,854	–	May-13
	2012	29,239	–	–	–	29,239	May-14
	2013		19,842	–	–	19,842	May-15
Bill Robson	2011	33,751	–	–	33,751	–	May-13
	2012	28,789	–	–	–	28,789	May-14
	2013	–	19,546	–	–	19,546	May-15

Notes:
1 The 2011 award was granted on 31 May 2011 at a grant price of 226.66p.
The 2012 award was granted on 28 May 2012 at a grant price of 277.88p.
The 2013 award was granted on 28 May 2013 at a grant price of 260.0p.
2 Awards vested on 27 May 2013 and were transferred to the participant. At the date these awards vested the market price of the Company's shares was 260.0p.
3 The awards attract dividend equivalents which are accrued from grant date and paid out on vesting.
4 The market price of the Company's shares as at 31 March 2014 was 325.5p. The highest and lowest prices during the year were 345.6p and 248p respectively.

Directors' interests in nil-cost options granted under the Mitie Group plc 2007 Long Term Incentive Plan

	Year of grant[1]	LTIP options outstanding at 1 April 2013	Granted during the year at 249.35p/ share	Lapsed during the year	Exercised during the year[2]	LTIP options outstanding at 31 March 2014[3]	Exercise price p	Exercisable between	
Ruby McGregor-Smith	2010	438,989	–	187,888	251,101	–	Nil-cost	–	–
	2011	446,663	–	–	–	446,663	Nil-cost	Jun-14	Jun-15
	2012	414,336	–	–	–	414,336	Nil-cost	Jun-15	Jun-16
	2013	–	527,371	–	–	527,371	Nil-cost	Jun-16	Jun-17
Suzanne Baxter	2010	283,103	–	121,169	161,934	–	Nil-cost	–	–
	2011	284,638	–	–	–	284,638	Nil-cost	Jun-14	Jun-15
	2012	263,883	–	–	–	263,883	Nil-cost	Jun-15	Jun-16
	2013	–	268,698	–	–	268,698	Nil-cost	Jun-16	Jun-17
Bill Robson	2010	137,072	–	58,667	78,405	–	Nil-cost	–	–
	2011	280,259	–	–	–	280,259	Nil-cost	Jun-14	Jun-15
	2012	259,945	–	–	–	259,945	Nil-cost	Jun-15	Jun-16
	2013	–	264,688	–	–	264,688	Nil-cost	Jun-16	Jun-17

Notes:
1 The performance criteria applicable to the 2010 award: lower and upper performance thresholds of RPI+5% pa and RPI+10% pa respectively.
The performance criteria applicable to the 2011 award: lower and upper performance thresholds of 7% pa and 13% pa respectively.
The performance criteria applicable to the 2012 award: lower and upper performance thresholds of 5% pa and 10% pa respectively.
The performance criteria applicable to the 2013 award are provided on pages 62 and 63.
The Directors acquired a conditional joint beneficial interest with the Mitie Employee Benefit Trust 2008 in the shares awarded in 2011 and 2012 under the LTIP. The full beneficial interest will transfer to the Director only if the performance criteria applicable to the award is met.
2 The Committee assessed the extent to which the performance conditions applicable to the 2010 awards had been satisfied and approved the vesting of awards on 29 June 2013 at 57.2%. Awards are capable of exercise from 29 June 2013 to 28 June 2014. At the date these awards vested the market price of the Company's shares was 253.0p. This compares to a market price on the date of award on 29 June 2010 of 212.8p. The aggregate gain on the share awards was £1,243,000 based on the share price on exercise of 290.5p.
3 The market price of the Company's shares as at 31 March 2014 was 325.5p. The highest and lowest prices during the year were 345.6p and 248p respectively.

Director share ownership

	Number of Ordinary Mitie shares beneficially owned as at 31 March 2014	Number of Ordinary Mitie shares beneficially owned as at 31 March 2013 (or date of appointment if later)
Executive Directors		
Ruby McGregor-Smith	565,403	564,782
Suzanne Baxter	213,673	213,052
Bill Robson	1,623,821	1,623,200
Non-Executive Directors		
Roger Matthews	100,000	100,000
David Jenkins	50,000	50,000
Graeme Potts[1]	15,000	15,000
Terry Morgan[2]	0	0
Larry Hirst	25,000	25,000
Crawford Gillies	10,000	10,000
Jack Boyer[3]	2,000	0

Notes:
1 Graeme Potts retired as a Non-Executive Director on 9 July 2013.
2 Terry Morgan retired as a Non-Executive Director on 31 October 2013.
3 Jack Boyer was appointed as a Non-Executive Director on 1 June 2013.

Share dilution

The Company manages dilution rates within the ABI guidelines of 10% of issued Ordinary share capital in respect of all employee schemes and 5% in respect of discretionary schemes. In calculating compliance with these guidelines, the Company allocates available 'headroom' on a ten-year flat-line basis, making adjustments for projected lapse rates and projected increases in issued share capital.

LTIP awards are satisfied through the market purchase of shares held by the Mitie Group plc Employee Benefit Trust 2008. The potential dilution of the Company's issued share capital is set out below in respect of all outstanding awards granted under the Company's equity-based incentive schemes which are to be satisfied through the allotment of new shares or Treasury shares.

Share dilution at 31 March 2014

	Dilution %
All share plan (maximum 10%)	7.7%
Discretionary share plans (maximum 5%)	4.4%

Shareholder voting

Mitie remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Prior to the 2013 Annual General Meeting, the Chairman and Senior Independent Director met with major shareholders to discuss the proposed changes to the performance measures for the 2013 LTIP award along with other remuneration proposals. Where there are substantial votes against resolutions in relation to Executive Directors' remuneration, the group seeks to understand the reasons for any such vote, and will detail here any actions in response to it.

Number of votes	Votes in favour	Votes against	Votes withheld
2013 Directors' remuneration report	194.7m	50.6m	3.7m
2013 AGM	78.2%	20.3%	1.5%

The Committee understands that votes against the resolution related to the lack of explanation around certain elements of remuneration. We have sought to address this issue going forward. Further explanation of this year's bonus outturn has been provided in this report.

Directors' report: other disclosures

Principal group activities
The Company is the holding company of the group. The principal activity of the Company is to provide management services to the group. The group's activities are focused on the provision of strategic outsourcing services. The detailed strategy for the group can be found on pages 8 to 11 of the Strategic report. Further details of the subsidiary undertakings of the Company principally affecting the profits or net assets of the group in the reporting period are listed in Note 37 to the financial statements.

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

Shares and shareholders

Share capital and powers of shareholders
The group is financed through both equity share capital and debt instruments. Details of the Company's share capital are given in Note 29 to the financial statements and the detail of its debt instruments is set out in Note 24 to the financial statements.

The Company has a single class of shares being 2.5p ordinary shares ('Ordinary shares'). The Ordinary shares have no right to any fixed income and each share has the right to one vote per share at general meetings of the Company. Under the Company's Articles of Association, holders of Ordinary shares are entitled to participate in any dividends pro-rata to their holding.

In accordance with the Articles of Association, the Board may propose and pay interim dividends and recommend a final dividend for approval by the shareholders at the AGM. A final dividend may be declared by the shareholders in a general meeting by ordinary resolution, but such dividend cannot exceed the amount recommended by the Board.

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

Powers of the Company to issue or buy back its own shares
At the 2013 AGM shareholders authorised:

- the Directors to allot Ordinary shares up to an aggregate nominal amount of £3,417,300 representing one-third of the issued share capital plus 13,334,618 Ordinary shares representing the outstanding commitment in respect of options granted under Mitie's share schemes (such total equating to 36.94% of the issued share capital as at 31 March 2013);
- the dis-application of pre-emption rights over allotted shares up to an aggregate nominal value equal to £462,590 or a maximum 18,503,604 Ordinary shares (representing 5% of the issued share capital as at 31 March 2013); and
- the Company to make market purchases of its own shares up to a total of 37,007,209 Ordinary shares (representing 10% of the issued share capital as at 31 March 2013).

Further details of these authorisations are available in the notes to the 2013 Notice of AGM and shareholders are referred to the 2014 Notice (both are available at www.mitie.com/investors) which contains similar provisions in respect of the Company's share capital.

During the reporting period, the Directors utilised the above authorities to allot 7,774,761 Ordinary shares to an aggregate nominal amount of £194,369 to employees participating in Mitie's share schemes and to minority shareholders in consideration for shares purchased in connection with Mitie Model investments.

The Company market purchased a total of 9,671,303 of its own shares during the reporting period representing 2.6% of the called-up share capital of the Company as at 31 March 2013. The shares equated to an aggregate nominal value of £241,783 and the total aggregate amount paid was £26,963,207. The reasons for the purchases are set out below:

- 1,000,000 shares were purchased into the Company's Employee Benefit Trust to hedge future Long Term Incentive Plan (LTIP) obligations.
- 2,871,303 shares were purchased and subsequently cancelled from the register. This purchase was notionally undertaken to largely offset expected issues under the Mitie model and LTIP.
- The remaining 5,800,000 shares purchased are held in treasury so that they can be re-issued at a later date and used to hedge future share scheme issues.

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

Significant interests in the Company's Mitie's share capital
As at 16 May 2014, the Company has been notified of the following significant holdings of voting rights in its shares under the Disclosure and Transparency Rules:

	Number of Ordinary shares	Percentage of share capital
The Capital Group	35,411,000	9.75
FMR LLC	18,000,006	5.05
Massachusetts Financial Services Company	18,549,276	5.02
Heronbridge	18,366,728	5.00
Majedie Asset Management Limited	18,493,852	5.00

Details of the Directors' interests in the share capital of the Company are detailed within the Directors' remuneration report on pages 65 to 67.

Restrictions on the trading of shares
Ordinary shares that are issued as consideration upon the acquisition by the Company of the shares of minority shareholders in subsidiaries of the group that participate in the Mitie Model (as explained in more detail on page 72) have contractual restrictions placed upon them that both prevent the transfer of such shares and/or attach specific claw-back provisions for periods of up to two years following allotment. Recipients of Company shares received in this way are contractually restricted from selling the shares issued as consideration generally for a maximum of two years. The Board believes that this is a unique business model that has aided Mitie's past performance and continues to ensure a close alignment of interests between Company shareholders and the management and employees of the group.

There are no specific restrictions on the size of any shareholding or on the transfer of shares, which are both governed by the provisions of the Articles of Association of the Company (available at www.Mitie.com/investors/shareholder-services/corporate-governance) and legislation.

The Directors are not aware of any agreements between Company shareholders that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital.

Details of employee share schemes are set out below and in Note 34 to the Accounts.

The group operates a Share Trading and Insider Dealing Policy which provides a framework to identify persons who may have access to inside information relating to the Company and explains the rules applicable to them for dealing in Company shares. Individuals who may have access to such information are informed individually and asked to read, understand and follow the procedures detailed in the policy.

Significant agreements – change of control
There are a number of agreements with provisions that take effect, alter or terminate upon a change of control of the Company such as bank facility agreements, employee share scheme rules and Articles of Association of certain Mitie Model companies. None of these are considered to be significant in terms of their likely impact on the normal course of business of the group. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs solely because of a takeover bid.

Shareholder engagement
The Board is committed to an ongoing, proactive dialogue with institutional and private investors, to further encourage engagement between the Company and its shareholders. A full programme, led by the Chief Executive and Group Finance Director, of formal and informal events, institutional investor meetings and presentations are also held following the half yearly and full year results announcements.

During the year, the Board appointed a capital markets advisory firm to conduct an Investor Relations strategy survey. The objective was to provide the Board with a better understanding of the market perception of the group. The survey involved interviews with existing shareholders, those that have held shares in the recent past and also non-shareholders. The results of the survey were shared with the Board at its annual strategy meeting in January.

Significant importance is attached to investor feedback on the group's performance, and as such the Board receives an investor relations report at each Board meeting detailing corporate news, share price activity, investor relations activity and major movements in shareholdings. The Board is also regularly updated and is provided with investor feedback, broker updates and detailed analyst reports following the half year and full year results presentations. The Chairman is responsible for ensuring that the Board is made aware of the issues and concerns of the major shareholders.

Directors' report

The Chairman and Senior Independent Director are available for additional meetings with shareholders upon request. The Board encourages an ongoing dialogue between the Directors and investors and as such all Directors were present at the 2013 AGM and made themselves available for direct discussions with shareholders. Latest group information, financial reports, corporate governance and sustainability matters, half yearly and full year results presentations, major shareholder information and all announcements are made available to shareholders via the Mitie website (www.mitie.com) which has a specific area dedicated to investor relations.

Electronic communications
The Directors remain committed to improving and extending the electronic methods by which the Company communicates with its shareholders, not only allowing the latest information on the group to be provided more efficiently but recognising the environmental benefits. The Board encourages each shareholder to join the growing number of investors electing to receive their information electronically and further details on how to register are provided at the end of this report.

Directors

Board of Directors
The membership of the Board as at 31 March 2014 and biographical details of the Directors (including details of committee chairmanships and other positions held) are given on pages 36 and 37. To comply with relevant provision of the Code, all Directors will submit themselves for re-election at the forthcoming AGM and details are provided in the Notice of AGM which is available at www.mitie.com/investors.

During the year, Non-Executive Director independence was considered by the Board. The Board determined that all Non-Executive Directors as at 31 March 2014 were independent in mind and judgement, and free from any material relationship that could interfere with their ability to discharge their duties effectively.

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

Succession planning is discussed in more detail on page 47 and 48.

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

Director conflicts
The Board has a formal policy on the declaration and management of Director conflicts of interests in accordance with the Articles of Association of the Company which has operated effectively during the reporting period. Any potential situation or transactional conflict must be reported as soon as possible to the Chairman, the Chief Executive and the Company Secretary. Where a potential conflict is authorised (under the statutory powers and powers granted under the Articles of Association to the Board), such conflict is kept under ongoing review.

Director indemnities
The group maintains Directors' and officers' liability insurance, providing appropriate cover for any legal action brought against its Directors and/or officers. The Articles of Association of the Company extend the protection provided to Directors in respect of any litigation against Directors relating to their position as a Director of the Company, and specifically provide that the Company may indemnify Directors against any liability incurred in connection with any negligence, default, breach of duty or breach of trust in relation to the Company and that the Company may fund defence costs. Individual Directors would still be liable to pay damages awarded to the Company in any action against them by the Company and to repay their defence costs (to the extent funded by the Company) if their defence was unsuccessful.

Director commitments
Executive Directors are permitted to accept appointments outside the group provided permission is sought from the Chairman and the Chief Executive and that the additional appointments do not interfere with the Directors' ability to discharge their duties effectively. The commitments outside the group of each Executive Director are detailed in the Directors' remuneration report on page 58. Executive Directors are entitled to retain any fees earned from these external appointments.

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

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

Employees

Employee involvement
The Board remains committed to fostering and developing a culture of employee involvement in the business through communication with employees and equity involvement whereby employees are enabled to build a stake in the Company through the Company's various equity-based incentive schemes.

The Board believes that the group's culture of employee equity involvement is a significant driver in the group's growth performance and that this assists in attracting and retaining skilled and committed employees.

During the year, the group has continued to operate the Mitie Long Term Incentive Plan to incentivise and reward senior members of the Mitie management team, the Executive Share Option Scheme for certain other employees and the Savings Related Share Option Scheme and Share Incentive Plan which are open to all eligible employees of the group.

The group has historically grown by giving entrepreneurial managers the opportunity to create wealth by participating in the investment risk of starting a new business, taking equity stakes at fair value in those new businesses in conjunction with Mitie and then, dependent on a pre-agreed pricing structure, offering to sell (but cannot require Mitie to buy) that stake to Mitie predominantly in exchange for Company shares.

Under the terms of certain shareholder's agreements and Articles of Association relating to Mitie Model companies, minority shareholders in such companies may provide an option for the purchase by the Company of their minority shares. The mechanism for calculating the price to be paid in respect of such transfer is transparent, on an arms-length basis, and in accordance with the pricing structure generally applicable for other transfers under the Mitie Model. In consideration for these purchases, the Company generally has the option to settle payment in cash or in Company shares.

In 2011, the group launched a £10m Entrepreneurial Fund to back management teams with innovative ideas for starting mutually owned businesses. The Board remains committed to supporting growing businesses through the Entrepreneurial Fund which builds on a long history of partnering with management teams to start up new business ventures.

Directors' report

On 5 July 2013, the Company approved investment into two new Mitie Model companies: Mitie Waste & Environmental Services Limited, Mitie's existing waste management business; and Mitie Local Services Limited, a new start-up business providing cleaning services to small to medium size clients in the London area. In total during the year, the Company has invested over £0.8m from the Entrepreneurial Fund, in the form of Mitie Model start-ups, second generation equity schemes and other equity incentive based businesses.

On 27 August 2013, the Company announced the purchase of certain minority shareholdings in four of its subsidiary companies: Mitie Client Services Limited, Mitie Pest Control (London) Limited, Mitie Security Holdings Limited and Mitie Landscapes Limited in accordance with the respective Articles of Association and shareholders' agreements of those companies. The total maximum consideration for all four transactions amounted to £6.9m, being satisfied as to £0.8m in cash and as to the remaining £6.1m by the issue of 2,279,533 new Ordinary shares valued at 267.04p per share, being the average of the closing middle market price for the five banking days immediately preceding 23 July 2013 .The selling shareholders gave certain warranties and representations relating to past and future performance of the relevant subsidiary companies. The shares issued in consideration are held in safe custody for a maximum period of one year and may be sold to meet any claims that the Company may have in the future in relation to those warranties and representations. Details of these structures are generally available (to the extent incorporated into the Articles of Association for individual Mitie Model companies) from Companies House at www.companieshouse.gov.uk.

Communication with employees

Communication with Mitie's employees remains a high priority, and has been the focus of a comprehensive review of employee engagement undertaken in the past year. The group communicates with employees via multiple channels, including group-wide mailings, employee magazines and updates, employee-focused initiatives and events (including group business roadshows), media networks and the provision of access to broadcasts of periodic financial presentations.

We are also committed to developing our use of social media tools as an effective way of communicating with our people because we recognise that these methods can provide great ways of allowing our people to give us feedback, share ideas and engage with the wider Mitie community.

Our social media tools are supported by a group-wide intranet system which has improved communication and information sharing across the business and includes blog updates from Executive Board members and functional teams. Through this system employees are able to access key information (such as online payslips), platforms (such as eLearning), and key strategic messages as well as group news.

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

Our group-wide *Mitie Stars* programme continues to grow year on year, and recognises and rewards exceptional performance displayed by Mitie people. *Mitie's Got Talent*, the group-wide talent contest, continues to be supported and encourages employee engagement and recognition. The group Sustainability report contains further details of these initiatives and is available from www.mitie.com.

Mitie's employees remain actively involved in the group's activities via an employee forum. This year the forum held two meetings and included presentations by senior management or functional heads as requested by the employee representatives. The Executive Board will continue to seek increasing involvement and activity of the employee representatives.

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

Employee diversity and inclusion

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

The group's employment policies are designed to recruit, motivate, retain, train and develop the very best people, recognising that this can be achieved only through offering equal opportunities regardless of gender, race, religion, age, disability, sexual orientation or any other aspect of diversity. Applications from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the group that the training, career development and promotion of disabled people (including those who become disabled whilst employees of the group) should, as far as reasonably possible, be identical to that of other employees.

Finance

Financial results and dividends
A detailed commentary on the operational and financial results of the group for the year is contained within the Strategic report and Financial review on pages 1 to 35 of this report. The profit before taxation for the financial year is £68.4m (2013: £56.3m).

- The Directors declared an interim dividend of 4.9p per Ordinary share with a total value of £17.6m (2013: £16.6m) which was paid to shareholders on 3 February 2014.
- The Directors recommend a final dividend of 6.1p per Ordinary share with a total value of £21.9m based upon the number of shares issued as at 19 May 2014 (2013: £20.6m). The final dividend for the year will be paid on 6 August 2014, subject to shareholder approval at the AGM, to ordinary shareholders on the register on 27 June 2014.
- The total dividend per Ordinary share for the year ended 31 March 2014 is 11.0p (2013: 10.3p).

The Company operates a Dividend Re-investment Plan ('DRIP') which allows shareholders to build their holding by using the cash dividend to purchase additional shares in Mitie. Further details on the operation of the DRIP are included at the back of this report and are available from Mitie's Registrar.

During the reporting period, the trustees of the Company's Employee Benefit Trusts waived dividends on shares held.

Financial instruments
The group's financial instruments include bank loans, finance leases, overdrafts, US private placement loan notes and performance guarantees. Various derivatives are used to manage interest, currency and other risks when necessary or material.

The principal objective of these instruments is to raise funds for general corporate purposes and to manage financial risk. Further details of these instruments are given in Note 24 to the financial statements.

Events after the balance sheet date
There have not been any significant events post the balance sheet date.

Payment of creditors
The group manages its procurement and supply chain with increasing consideration of its impact on the Company's profitability, reputation and sustainability objectives and is committed to proactively developing mutually beneficial and sustainable trading relationships with all of our stakeholders, based on a foundation of trust and co-operation. The group's Ethical Business Practices Policy provides a framework and demonstrates our values and commitment to developing and implementing ethical business practices throughout the organisation.

The group's policy is to comply with the terms of payment agreed with suppliers on the group's standard purchasing terms as notified to suppliers. Notification of these terms is issued with each generated purchase order and a copy of the group's standard purchasing terms can be found at www.mitie.com/suppliers. At 31 March 2014, the group had 46 days' purchases outstanding (2013: 32 days).

Future developments
The Strategic report sets out the Board's view on the future developments of the group.

Research and development
Given the nature of the group's activities, it does not carry out any material research and development work.

Donations
Donations to charity and community projects made during the year amounted to £441,322 (2013: £153,573). The total value of community investment was £834,240 (2013: £728,773).

The Company included a resolution in its 2013 AGM notice to shareholders in relation to the ability to make political donations. Although, Mitie's long-standing policy of not making any political donations will continue, it is possible that certain routine activities (including charitable donations) undertaken by Mitie might unintentionally fall within the wide definition of payments constituting political donations and expenditure as set out in the Companies Act 2006. The resolution, which was duly passed, granted the Directors the relevant statutory authority until the 2014 AGM subject to a total aggregate cap for Mitie and its subsidiary companies of £50,000.

Carbon reporting and the environment
The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the group is responsible, including combustion of fuel and the operation of facilities. Details of our emissions during the year ended 31 March 2014, are set out in the Strategic report on page 35 and form part of the Directors' report disclosures.

Going concern
The Directors acknowledge the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies' issued in October 2009 and 'An update for Directors of Listed Companies: Responding to increased country and currency risk in financial reports'.

Directors' report

The group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic report as referred to on pages 2 to 35. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial review, as part of the Strategic report, on pages 28 to 31. In addition, Note 25 to the consolidated financial statements includes details of the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

The group benefits from a large number of long-term contracts with a broad range of public and private customers which provide a strong forward order book of £8.7bn and high visibility of secured work (84% of budgeted revenue) for the financial year ending 31 March 2015. These support the Directors' belief that the group is well-placed to manage its business risks successfully.

In assessing the group's ability to continue as a going concern, the Board reviews and approves the annual budget including forecasts of cash flows and borrowing requirements. The Board reviews the group's sources of available funds and the level of headroom available against its committed borrowing facilities. The group's financial forecasts, taking into account possible sensitivities in trading performance, indicate that the group will be able to operate within the level of its committed borrowing facilities. The group's committed borrowing facilities comprise £251.7m of US Private Placement Loan Notes expiring in December 2017, December 2019, December 2022 and December 2024 and its committed banking facility of £250m which is available for use until September 2015.

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

Disclosure of information to the auditors

Each of the Directors in office as of the date of approval of this Annual Report and Accounts confirms that:

- so far as he/she is aware, there is no relevant audit information (being information required by the auditors in the preparation of their report) of which the Company's auditors are unaware; and
- he/she has each taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

This confirmation is given, and should be interpreted, in accordance with Section 418 of the Companies Act 2006.

AGM

Mitie's AGM will be held on 9 July 2014 at 2.30pm at the offices of UBS, 1 Finsbury Avenue, London, EC2M 2PP.

By order of the Board

Suzanne Baxter
Company Secretary
19 May 2014

Directors' report: statement of Directors' responsibilities

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

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations. The Directors are required to prepare the financial statements for the group in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and Article 4 of the IAS Regulation and have chosen to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

In the case of International Financial Reporting Standards (IFRS) accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with IFRS where applicable. The Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific IFRS requirements is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and,
- make an assessment of the Company's ability to continue as a going concern.

In the parent company accounts, the Directors have elected to prepare the financial statements in accordance with UK GAAP. The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company, safeguarding the assets, taking reasonable steps for the prevention and detection of fraud and other irregularities, and the preparation of a Directors' remuneration report which complies with the relevant requirements of the Companies Acts, Listing Rules and Disclosure and Transparency Rules (DTRs).

The Directors are also responsible for the maintenance and integrity of the Company website. Financial statements published by the Company on this website are prepared in accordance with UK legislation which may differ from legislation in other jurisdictions.

To the best of each Director's knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards and contained within this Annual Report and Accounts, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Ruby McGregor-Smith CBE
Chief Executive
19 May 2014

Suzanne Baxter
Group Finance Director
19 May 2014

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

For the year ended 31 March 2014

Opinion on financial statements of Mitie Group plc	In our opinion: – the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's profit for the year then ended; – the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; – the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and – the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet and the related notes 1 to 51. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
Going concern	As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' Report that the group is a going concern. We confirm that: – we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and – we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:
Risk	How the scope of our audit responded to the risk
Revenue recognition and accounting for complex contracts	There are significant accounting judgements in applying the group's revenue recognition policies to the larger, longer-term contracts entered into by the group. In particular this relates to determining the stage of completion and forecasting total contract profitability. The group's policy on revenue recognition is set out in Note 1 to the group financial statements. We challenged the revenue and profit recognition policies applied to the contracts across the group, with particular focus on the more complex, long-term contracts, the largest contracts and new contracts won during the year that were significant either due to size or specific characteristics. In addition to understanding the design and implementation of the key controls over revenue recognition, we performed substantive tests and analytical procedures, including agreeing significant contract terms and analysing margin trends.
Debtor recoverability	The group has exposures on the balance sheet in relation to both the recognition and recoverability of contract costs capitalised, other contract assets and receivables. We have challenged the judgements made with respect to the recoverability of significant contract receivables with reference to contract documentation and legal correspondence where appropriate. We performed cash after date testing over the trade debtor population to assess recoverability.
Goodwill and intangible assets	The assessment of the carrying value of goodwill and intangibles involves significant judgement by management in undertaking its annual impairment review which incorporates judgements based on assumptions of future profitability, revenue growth, margins and forecast cash flows, and the selection of appropriate discount rates. We critically assessed the appropriateness of Management's assumptions used in the impairment model for goodwill, including the determination of the cash generating units, the underlying assumptions supporting the cash flow projections, discount rates, the sensitivity analysis performed by Management and the appropriateness of the disclosures included in the financial statements. In making this critical assessment of the cash flow projections we assessed historical forecasting accuracy and compared forecast profit margins to historical margins and benchmarked the discount and growth rates employed to available market data.
	The Audit Committee's consideration of these risks is set out on page 45. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.
Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined planning materiality for the group to be £6.0 million, which is 0.3% of revenue, 5.3% of headline profit before tax, 8.8% of profit before tax and 1.5% of equity. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £150,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

For the year ended 31 March 2014

An overview of the scope of our audit	Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, our group audit scope focused primarily on the audit work at the four divisions and at head office. All of these were subject to a full audit, led by the Senior Statutory Auditor. These four divisions represent the principal business units within the group's four reportable segments and, together with head office, account for 100% of the group's net assets, 98.4% of the group's revenue and 100% of the group's profit before tax. Our statutory audits were executed at levels of materiality applicable to each individual entity which were much lower than group materiality.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: – the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and – the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or – the parent company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or – otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor	As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.
Scope of the audit of the financial statements	An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Colin Hudson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, UK
19 May 2014

Consolidated income statement

For the year ended 31 March 2014

	Notes	2014 Headline £m	2014 Other Items[1] £m	2014 Total £m	2013 Headline[2] £m	2013 Other Items[1] £m	2013 Total[2] £m
Continuing operations							
Revenue	3,4	**2,142.6**	**78.5**	**2,221.1**	1,980.6	139.9	2,120.5
Cost of sales		**(1,819.3)**	**(76.5)**	**(1,895.8)**	(1,670.6)	(132.3)	(1,802.9)
Gross profit		**323.3**	**2.0**	**325.3**	310.0	7.6	317.6
Administrative expenses		**(196.3)**	**(46.9)**	**(243.2)**	(189.7)	(59.9)	(249.6)
Share of profit of joint ventures and associates	16	**0.5**	**–**	**0.5**	–	–	–
Operating profit	4,6	**127.5**	**(44.9)**	**82.6**	120.3	(52.3)	68.0
Investment revenue	8	**1.2**	**–**	**1.2**	0.5	–	0.5
Finance costs	9	**(15.4)**	**–**	**(15.4)**	(12.2)	–	(12.2)
Net finance costs		**(14.2)**	**–**	**(14.2)**	(11.7)	–	(11.7)
Profit before tax		**113.3**	**(44.9)**	**68.4**	108.6	(52.3)	56.3
Tax	10	**(25.6)**	**5.7**	**(19.9)**	(25.7)	11.8	(13.9)
Profit for the year		**87.7**	**(39.2)**	**48.5**	82.9	(40.5)	42.4
Attributable to:							
Equity holders of the parent		**87.5**	**(39.2)**	**48.3**	82.7	(40.5)	42.2
Non-controlling interests		**0.2**	**–**	**0.2**	0.2	–	0.2
		87.7	**(39.2)**	**48.5**	82.9	(40.5)	42.4
Earnings per share (EPS)							
– basic	12	**24.3p**	**(10.9)p**	**13.4p**	23.1p	(11.3)p	11.8p
– diluted	12	**23.6p**	**(10.6)p**	**13.0p**	22.5p	(11.0)p	11.5p

Notes:
1 Other items are as described in Note 5.
2 Restated following amendments to IAS 19, as described in Note 1.

Consolidated statement of comprehensive income

For the year ended 31 March 2014

	Notes	2014 £m	2013[1, 2] £m
Profit for the year		**48.5**	42.4
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit pension liability	35	**2.4**	(11.2)
Income tax relating to items not reclassified		**(1.0)**	2.7
		1.4	(8.5)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(0.6)**	0.1
Gains/(losses) on hedge of a net investment taken to equity		**0.2**	(0.1)
Cash flow hedges:			
(Losses)/gains arising during the year		**(10.1)**	2.8
Reclassification adjustment for gains/(losses) included in profit and loss		**12.1**	(8.1)
Income tax (charge)/credit relating to items that may be reclassified		**(0.8)**	0.9
		0.8	(4.4)
Other comprehensive income/(expense) for the financial year		**2.2**	(12.9)
Total comprehensive income for the financial year		**50.7**	29.5
Attributable to:			
Equity holders of the parent		**50.5**	29.3
Non-controlling interests		**0.2**	0.2

Notes:
1 Re-presented following amendments to IAS 1, as described in Note 1.
2 Restated following amendments to IAS 19, as described in Note 1.

Consolidated balance sheet

At 31 March 2014

	Notes	2014 £m	2013 £m
Non-current assets			
Goodwill	13	**459.6**	447.2
Other intangible assets	14	**79.3**	88.0
Property, plant and equipment	15	**56.7**	56.2
Interest in joint ventures and associates	16	**0.9**	0.4
Financing assets	17	**20.4**	25.3
Trade and other receivables	18	**41.2**	20.8
Deferred tax assets	20	**8.4**	14.0
Total non-current assets		**666.5**	651.9
Current assets			
Inventories	21	**7.4**	6.7
Trade and other receivables	18	**491.6**	507.4
Cash and cash equivalents	22	**89.1**	90.8
Total current assets		**588.1**	604.9
Total assets		**1,254.6**	1,256.8
Current liabilities			
Trade and other payables	23	**(525.6)**	(500.7)
Current tax liabilities		**(11.0)**	(10.5)
Financing liabilities	24	**(2.7)**	(2.7)
Provisions	26	**(1.2)**	(1.4)
Total current liabilities		**(540.5)**	(515.3)
Net current assets		**47.6**	89.6
Non-current liabilities			
Financing liabilities	24	**(273.0)**	(284.3)
Provisions	26	**(8.8)**	(8.8)
Retirement benefit obligation	35	**(19.1)**	(29.9)
Deferred tax liabilities	20	**(9.3)**	(13.2)
Total non-current liabilities		**(310.2)**	(336.2)
Total liabilities		**(850.7)**	(851.5)
Net assets		**403.9**	405.3

Consolidated balance sheet

At 31 March 2014

	Notes	2014 £m	2013 £m
Equity			
Share capital	29	**9.3**	9.3
Share premium account	30	**118.9**	108.0
Merger reserve	30	**101.2**	97.6
Share-based payments reserve	30	**2.6**	1.9
Own shares reserve	30	**(37.2)**	(20.3)
Other reserves	30	**0.4**	0.3
Hedging and translation reserve	30	**(4.3)**	(5.9)
Retained earnings		**210.0**	210.6
Equity attributable to equity holders of the parent		**400.9**	401.5
Non-controlling interests		**3.0**	3.8
Total equity		**403.9**	405.3

The financial statements were approved by the Board of Directors and authorised for issue on 19 May 2014. They were signed on its behalf by:

Ruby McGregor-Smith CBE
Chief Executive

Suzanne Baxter
Group Finance Director

Consolidated statement of changes in equity

For the year ended 31 March 2014

	Share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Hedging and translation reserve £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total £m
At 1 April 2012	9.0	92.5	93.6	5.2	(18.3)	0.3	(0.6)	230.4	**412.1**	4.2	**416.3**
Total comprehensive income	–	–	–	–	–	–	(5.3)	34.6	**29.3**	0.2	**29.5**
Shares issued	0.3	15.5	4.0	–	–	–	–	–	**19.8**	–	**19.8**
Dividends paid	–	–	–	–	–	–	–	(34.9)	**(34.9)**	(0.1)	**(35.0)**
Purchase of own shares	–	–	–	–	(6.6)	–	–	–	**(6.6)**	–	**(6.6)**
Share-based payments	–	–	–	(3.3)	4.6	–	–	0.8	**2.1**	–	**2.1**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(20.3)	**(20.3)**	(0.5)	**(20.8)**
At 31 March 2013	9.3	108.0	97.6	1.9	(20.3)	0.3	(5.9)	210.6	**401.5**	3.8	**405.3**
Total comprehensive income	–	–	–	–	–	–	1.6	48.9	**50.5**	0.2	**50.7**
Shares issued	0.1	10.9	3.6	–	–	–	–	–	**14.6**	–	**14.6**
Dividends paid	–	–	–	–	–	–	–	(38.1)	**(38.1)**	(0.1)	**(38.2)**
Purchase of own shares	–	–	–	–	(19.8)	–	–	–	**(19.8)**	–	**(19.8)**
Share-based payments	–	–	–	0.7	2.9	–	–	1.1	**4.7**	–	**4.7**
Tax on share-based payment transactions	–	–	–	–	–	–	–	1.0	**1.0**	–	**1.0**
Share buybacks	(0.1)	–	–	–	–	0.1	–	(7.4)	**(7.4)**	–	**(7.4)**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(6.1)	**(6.1)**	(0.9)	**(7.0)**
At 31 March 2014	**9.3**	**118.9**	**101.2**	**2.6**	**(37.2)**	**0.4**	**(4.3)**	**210.0**	**400.9**	**3.0**	**403.9**

Consolidated statement of cash flows

For the year ended 31 March 2014

	Notes	2014 £m	2013[1] £m
Operating profit		**82.6**	68.0
Adjustments for:			
Share-based payment expense	34	**5.0**	2.5
Defined benefit pension charge	35	**(6.1)**	4.6
Defined benefit pension contributions	35	**(3.6)**	(4.1)
Acquisition related items	5	**0.7**	3.2
Depreciation of property, plant and equipment	15	**16.1**	20.4
Amortisation of intangible assets	14	**17.0**	14.1
Share of profit of joint ventures and associates	16	**(0.5)**	–
Gain on disposal of property, plant and equipment		**(0.7)**	(2.6)
Operating cash flows before movements in working capital		**110.5**	106.1
Increase in inventories		**(0.8)**	(1.0)
(Increase)/decrease in receivables		**(2.4)**	16.7
Increase in payables		**16.8**	11.4
Decrease in provisions		**–**	(2.2)
Cash generated by operations		**124.1**	131.0
Income taxes paid		**(18.2)**	(21.6)
Interest paid		**(14.3)**	(9.6)
Acquisition costs	5	**(0.7)**	(3.2)
Net cash from operating activities		**90.9**	96.6
Investing activities			
Interest received		**1.2**	0.3
Purchase of property, plant and equipment		**(20.6)**	(30.0)
Purchase of subsidiary undertakings, net of cash acquired	31	**(10.7)**	(117.0)
Investment in financing assets		**0.8**	(13.0)
Purchase of other intangible assets	14	**(6.2)**	(5.8)
Disposals of property, plant and equipment		**6.0**	23.4
Net cash outflow from investing activities		**(29.5)**	(142.1)

Note:
1 Restated following amendments to IAS 19, as described in Note 1.

Consolidated statement of cash flows

For the year ended 31 March 2014

	Notes	2014 £m	2013 £m
Financing activities			
Repayments of obligations under finance leases		**(3.6)**	(4.1)
Proceeds on issue of share capital		**8.9**	8.5
Settlement of loan notes on purchase of subsidiary undertakings		**–**	(0.6)
Bank loans repaid		**(2.8)**	(38.4)
Private placement notes raised		**–**	151.5
Purchase of own shares	30	**(19.8)**	(6.6)
Share buybacks	29	**(7.4)**	–
Equity dividends paid	11	**(38.1)**	(34.9)
Non-controlling interests dividends paid		**(0.1)**	(0.1)
Net cash (outflow)/inflow from financing		**(62.9)**	75.3
Net (decrease)/increase in cash and cash equivalents		**(1.5)**	29.8
Net cash and cash equivalents at beginning of the year		**90.8**	60.8
Effect of foreign exchange rate changes		**(0.2)**	0.2
Net cash and cash equivalents at end of the year		**89.1**	90.8
Net cash and cash equivalents comprise:			
Cash at bank		**89.1**	90.8
		89.1	90.8

Reconciliation of net cash flow to movements in net debt	Notes	2014 £m	2013 £m
Net (decrease)/increase in cash and cash equivalents		**(1.5)**	29.8
Effect of foreign exchange rate changes		**(0.2)**	0.2
Decrease in bank loans		**3.5**	37.7
Private placement notes raised		**–**	(151.5)
Non-cash movement in private placement notes and associated hedges		**2.2**	(5.3)
Settlement of loan notes on purchase of subsidiary undertakings		**–**	1.6
Decrease in finance leases		**1.6**	2.2
Decrease/(increase) in net debt during the year		**5.6**	(85.3)
Opening net debt		**(192.2)**	(106.9)
Closing net debt	28	**(186.6)**	(192.2)

Notes to the consolidated financial statements

For the year ended 31 March 2014

1 Basis of preparation and significant accounting policies

Basis of preparation

The group's financial statements for the year ended 31 March 2014 have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

As more fully detailed in the Directors' report, the group's financial statements have been prepared on a going concern basis.

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

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 March 2013, except for the adoption of the following new standards and amendments for the first time in the current period:

- Amendments to IAS 19 'Employee Benefits' impact the measurement of various components representing movements in the defined benefit pension obligation and associated disclosures, but not the group's total obligation. The amendment has no cash impact. Prior year comparatives have been restated. The headline operating profit for the year to 31 March 2014 was reduced by £1.3m, finance costs were increased by £1.4m and the tax charge decreased by £0.6m under the revised standard, with other comprehensive income increased by £2.1m for the same period. The headline operating profit for the year to 31 March 2013 was reduced by £1.7m, finance costs were increased by £0.8m and the tax charge decreased by £0.6m under the revised standard, with other comprehensive income increased by £1.9m for the same period;
- IFRS 13 'Fair Value Measurement' has resulted in increased disclosure during the year of financial assets and liabilities measured at fair value (see Note 25);
- Amendments to IAS 1 'Presentation of Financial Statements' have increased the disclosure within the statement of comprehensive income by separating items that will not be reclassified subsequently to profit and loss from those that could be reclassified. Comparative information has been re-presented. The amendments affect presentation only and there is no impact on profit or loss and total comprehensive income;
- Amendments resulting from May 2012 Improvements to IFRSs; and
- Amendments to IFRS 7 'Financial Instruments: Disclosures' – offsetting financial assets and financial liabilities.

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

- IFRS 9 'Financial Instruments';
- IAS 27 (Revised) 'Separate Financial Statements';
- IAS 28 (Revised) 'Investments in Associates and Joint Ventures';
- IFRS 10 'Consolidated Financial Statements';
- IFRS 11 'Joint Arrangements';
- IFRS 12 'Disclosures of Interests in Other Entities';
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance;
- Amendments to IAS 32 'Financial Instruments: Presentation' – offsetting financial assets and financial liabilities;
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities';
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting;
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets;
- IFRIC Interpretation 21 'Levies';
- Amendments to IAS 19 'Employee Benefits' – Employee Contributions;
- Amendments to IFRS 11 'Joint Arrangements' – accounting for acquisitions of interests in joint operations;
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – clarification of acceptable methods of depreciation and amortisation; and
- Amendments resulting from Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle.

The Directors do not anticipate that the adoption of standards and interpretations that have been issued but are not yet effective (and in some cases have not yet been adopted by the EU) will have a material financial impact on the group's financial statements in the period of initial application.

Notes to the consolidated financial statements
For the year ended 31 March 2014

1 Basis of preparation and significant accounting policies

Significant accounting policies under IFRS

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of Mitie Group plc and all its subsidiaries. The financial statements of the parent company and subsidiaries are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) with the exception of a small number of entities. Adjustments are made in the consolidated accounts to bring into line any dissimilar accounting policies that may exist between UK GAAP and IFRS.

All inter-company balances and transactions, including unrealised profits arising from inter-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. The results, assets and liabilities of joint ventures and associates are accounted for under the equity method of accounting. Where necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring the accounting policies used into line with those used by the group.

Interests of non-controlling interest shareholders are measured at the non-controlling interest's proportion of the net fair value of the assets and liabilities recognised. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for within shareholders' equity. No gain or loss is recognised on such transactions and goodwill is not re-measured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Foreign currency
The financial statements of each of the group's businesses are prepared in the functional currency applicable to that business. Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

On consolidation, the assets and liabilities of the group's overseas operations, including goodwill and fair value adjustments arising on their acquisition, are translated into sterling at exchange rates prevailing at the balance sheet date. Income and expenses are translated into sterling at average exchange rates for the period. Exchange differences arising are recognised directly in equity in the group's hedging and translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation shall be recognised in the income statement.

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue represents income recognised in respect of services provided during the period (stated net of sales taxes) and is earned predominantly within the United Kingdom.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance sheet date. Revenue from time and material contracts is recognised at the contractual rates as labour hours and tasks are delivered and direct expenses incurred. In other cases, where services provided reflect a contractual arrangement to deliver an indeterminate number of acts over the contract term, revenue is recognised on a straight-line basis unless this is not an accurate reflection of the work performed. Where a straight-line basis is not appropriate, for example if specific works on contracts represent a significant element of the whole, revenue is recognised based on the percentage of completion method, based on the proportion of costs incurred at the balance sheet date relative to the total estimated cost of completing the contracted work.

1 Basis of preparation and significant accounting policies

Revenue from long-term contracts represents the sales value of work done in the year, including fees invoiced and estimates in respect of amounts to be invoiced after the year end. Profits are recognised on long-term contracts where the final outcome can be assessed with reasonable certainty. In calculating this, the percentage of completion method is used based on the proportion of costs incurred to the total estimated cost. Cost includes direct staff costs and outlays. Full provision is made for all known or anticipated losses on each contract immediately such losses are forecast.

Gross amounts due from customers are stated at the proportion of the anticipated net sales value earned to date less amounts billed on account. To the extent that fees paid on account exceed the value of work performed, they are included in creditors as gross amounts due to customers.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when: there is a legally enforceable right to set off current tax assets against current tax liabilities; when they relate to income taxes levied by the same taxation authority; and the group intends to settle its current tax assets and liabilities on a net basis.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units ('CGUs') expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the consolidated financial statements

For the year ended 31 March 2014

1 Basis of preparation and significant accounting policies

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged so as to write off the cost less expected residual value of the assets over their estimated useful lives and is calculated on a straight-line basis as follows:

Freehold buildings and long leasehold property	– 50 years
Leasehold improvements	– period of the lease
Plant and vehicles	– 3–10 years

Annually the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years.
A reversal of an impairment loss is recognised as income immediately.

Intangible assets
Intangible assets identified in a business acquisition are capitalised at fair value as at the date of acquisition.

Software and development expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably.

Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are reviewed for impairment annually, or more frequently when there is an indication that they may be impaired. Amortisation expense is charged to administrative expenses in the income statement on a straight-line basis over its useful life.

Joint ventures and associates
The group has an interest in joint ventures which are entities in which the group has joint control of financial and operating policies. The group also has an interest in associates which are entities in which the group has significant influence.

The group accounts for its interest in joint ventures and associates using the equity method. Under the equity method the group's share of the post-tax result of joint ventures and associates is reported as a single line item in the consolidated income statement. The group's interest in joint ventures and associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in the group's share of net assets.

Inventories
Inventories are stated at the lower of cost and net realisable value.

Costs represent materials, direct labour and overheads incurred in bringing the inventories to their present condition and location. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and estimated selling costs. Provision is made for obsolete, slow moving or defective items where appropriate.

Bid, mobilisation and pre-contract costs
Rendering of services
All bid costs are expensed through the income statement up to the point where contract award or full recovery of the costs is virtually certain.

1 Basis of preparation and significant accounting policies

The confirmation of the preferred bidder for a contract by a client is the point at which the award of a contract is considered to be virtually certain. Costs incurred after that point, but before the commencement of services under the contract, are defined as mobilisation costs. These costs are capitalised and included within trade and other receivables on the balance sheet provided that the costs relate directly to the contract, are separately identifiable, can be measured reliably and that the future net cash inflows from the contract are estimated to be no less than the amounts capitalised. The capitalised mobilisation costs are amortised over the life of the contract, generally on a straight-line basis, or on a basis to reflect the profile of work to be performed over the life of the contract if the straight-line basis is not considered to be appropriate for the specific contract to which the costs relate. If the contract becomes loss making, any unamortised costs are written off immediately.

Construction contracts
In the case of construction contracts, pre-contract costs that are direct costs associated with securing a contract and which can be separately identified and measured reliably are included in the cost of the contract when the realisation of income from the contract is virtually certain. Their treatment is as for mobilisation costs above.

Financial instruments
Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument. The group derecognises financial assets and liabilities only when the contractual rights and obligations are transferred, discharged or expire.

Assets that are assessed not to be individually impaired are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the group's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

Financial assets comprise loans and receivables and are measured at initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised where there is objective evidence that the asset is impaired. Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities comprise trade payables, financing liabilities, including bank and other borrowings, and deferred contingent consideration. These are measured at initial recognition at fair value and subsequently at amortised cost with the exception of derivative financial instruments which are measured at fair value, and deferred contingent consideration which is measured at the Directors' best estimate of the likely future obligation. Bank and other borrowings are stated at the amount of the net proceeds after deduction of transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting
The group uses derivative financial instruments including cross currency interest rate swaps and forward foreign exchange contracts to manage the group's exposure to financial risks associated with interest rates and foreign exchange. Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value, determined by reference to market rates, at each balance sheet date and included as financial assets or liabilities as appropriate. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The group may designate certain hedging instruments including derivatives as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Notes to the consolidated financial statements
For the year ended 31 March 2014

1 Basis of preparation and significant accounting policies

Fair value hedges
Hedges are classified as fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item. Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges
Hedges are classified as cash flow hedges when they hedge the exposure to changes in cash flows that are attributable to a particular risk associated with either a recognised asset or liability or a forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity within the group's translation and hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations
Hedges are classified as net investment hedges when they hedge the foreign currency exposure to changes in the group's share in the net assets of a foreign operation. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the group's translation and hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss. Gains or losses on the hedging instrument relating to the effective portion of the hedge accumulated in equity are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation as described above.

Leasing
Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Any lease incentives are amortised on a straight-line basis over the non-cancellable period for which the group has contracted to lease the asset, together with any further terms for which the group has the option to continue to lease the asset if, at the inception of the lease, it is judged to be reasonably certain that the group will exercise the option.

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

1 Basis of preparation and significant accounting policies

Business combinations
The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition costs incurred are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Where applicable, the consideration for an acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, measured at fair value at the acquisition date. Subsequent changes in such fair values are adjusted against the cost of acquisition where they result from additional information, obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

Any business combinations prior to 1 April 2010 were accounted for using the standards in place prior to the adoption of IFRS 3 (revised 2008) which differ in the following respects: transaction costs directly attributable to the acquisition formed part of the acquisition costs; contingent consideration was recognised if, and only if, the group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable; and subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Share-based payments
The group operates a number of executive and employee share option schemes. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. For all grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes or Monte Carlo models and the corresponding expense is recognised on a straight-line basis over the vesting period based on the group's estimate of shares that will eventually vest. At each balance sheet date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

Retirement benefit costs
The group operates and participates in a number of defined benefit schemes. In respect of the schemes in which the group participates, the group accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only.

In addition, the group operates a number of defined contribution retirement benefit schemes for all qualifying employees.

Payments to the defined contribution and stakeholder pension schemes are charged as an expense as they fall due.

For the defined benefit pension schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if applicable) are recognised in full in the period in which they occur. They are recognised outside profit and loss and presented in the statement of comprehensive income.

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

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Notes to the consolidated financial statements
For the year ended 31 March 2014

2 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the group's accounting policies
In the process of applying the group's accounting policies, which are described in Note 1 above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition
Revenue is recognised for certain project based contracts based on the stage of completion of the contract activity. This is measured by comparing the proportion of costs incurred against the estimated whole-life contract costs.

Accounting for joint ventures and associates
The group has interests in entities in which it considers that it does not have control and which are accounted for using the equity method.

In the group accounts, consideration is given to the treatment that should be adopted for the results of those entities in which the group has a participation, taking into account the ownership of the entity and the group's influence over its control. These considerations determine whether the entity should be consolidated in the accounts as a subsidiary or equity accounted as a joint venture or associate. A change in the judgement around Mitie's influence on the control of an entity in which the group participates may determine that the entity should be consolidated. It is not currently expected that entities currently accounted for under the equity method would be treated differently in the year ended 31 March 2015 following the adoption of IAS 27 (Revised) 'Separate Financial Statements', IAS 28 (Revised) 'Investments in Associates and Joint Ventures', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', and IFRS 12 'Disclosures of Interests in Other Entities'.

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

Measurement and impairment of intangible assets
The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of suitable discount rates. Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of CGUs and also the selection of appropriate discount rates to use in order to calculate present values. The carrying value of goodwill and other intangible assets is £538.9m (2013: £535.2m) at the balance sheet date; see Notes 13 and 14. Management do not consider that any reasonably foreseeable change in the key assumptions would result in an impairment.

Measurement of provisions and defined benefit pension obligations
The group's provisions (per Note 26) comprise deferred contingent consideration and insurance reserves. The measurement of provisions and defined benefit obligations requires judgement. In particular, the calculation of defined benefit obligations is dependent on material key assumptions including discount rates, life expectancy rates, future returns on assets and future contribution rates. The present value of defined benefit obligations at the balance sheet date is £179.1m (2013: £171.8m); see Note 35.

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

	Change in assumption	Increase/ (decrease) in liability £m
Discount rate	+0.5%	(15.3)
	-0.5%	15.3
Retail Price Inflation	+0.5%	12.1
	-0.5%	(12.1)
Consumer Price Inflation	+0.5%	3.2
	-0.5%	(3.2)
Salary increases	+0.5%	3.2
	-0.5%	(3.2)
Life expectancy	+1 year	4.8

3 Revenue

	2014 £m	2013 £m
Rendering of services	**2,113.2**	1,918.9
Construction contracts	**107.9**	201.6
Total revenue as disclosed in the consolidated income statement	**2,221.1**	2,120.5
Investment revenue (Note 8)	**1.2**	0.5
Total revenue as defined in IAS 18	**2,222.3**	2,121.0

4 Business and geographical segments

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

Business segments – structure during the year

	2014					2013[1]				
	Revenue £m	Headline[2] revenue £m	Headline[2] operating profit £m	Headline[2] operating profit margin %	Profit before tax £m	Revenue £m	Headline[2] revenue £m	Headline[2] operating profit £m	Headline[2] operating profit margin %	Profit before tax £m
Facilities Management	**1,685.7**	**1,685.7**	**101.1**	**6.0**	**99.7**	1,542.8	1,542.8	95.4	6.2	82.9
Property Management	**427.8**	**349.3**	**18.1**	**5.2**	**6.3**	488.8	348.9	20.6	5.9	(6.6)
Healthcare	**91.7**	**91.7**	**12.7**	**13.8**	**8.8**	43.0	43.0	5.7	13.3	3.9
Energy Solutions	**15.9**	**15.9**	**(4.4)**	**(27.7)**	**(30.3)**	45.9	45.9	(1.4)	(3.1)	(7.0)
Acquisition-related costs[3]	**–**	**–**	**–**	**–**	**(16.1)**	–	–	–	–	(16.9)
Total	**2,221.1**	**2,142.6**	**127.5**	**6.0**	**68.4**	2,120.5	1,980.6	120.3	6.1	56.3

Notes:
1 Restated following amendments to IAS 19, as described in Note 1.
2 Headline revenue and operating profit exclude other items which are analysed in Note 5.
3 This includes costs relating to the integration of Enara, UK CRBs and Complete Group of £4.4m (2013: £3.7m), acquisition costs of £0.7m (2013: £3.2m), and the amortisation of acquisition related intangibles of £11.0m (2013: £10.0m), see Note 5.

With effect from 1 April 2014 our operating divisions are as follows; Facilities Management has been split into Soft FM and Hard FM. Hard FM also includes some of the niche services previously reported within the Property Management division. The Energy Solutions and Healthcare divisions remain unchanged. A proforma analysis of the financial results of the business for the year ended 31 March 2014 is set out below.

Notes to the consolidated financial statements
For the year ended 31 March 2014

4 Business and geographical segments

Business segments – structure from 1 April 2014

	2014					2013[1]				
	Revenue £m	Headline[2] revenue £m	Headline[2] operating profit £m	Headline[2] operating profit margin %	Profit before tax £m	Revenue £m	Headline[2] revenue £m	Headline[2] operating profit £m	Headline[2] operating profit margin %	Profit before tax £m
Soft FM	**1,190.8**	**1,190.8**	**74.8**	**6.3**	**77.4**	1,122.2	1,122.2	73.4	6.5	67.0
Hard FM	**579.4**	**579.4**	**30.0**	**5.2**	**25.8**	526.7	526.7	29.0	5.5	22.4
Property Management	**343.3**	**264.8**	**14.4**	**5.4**	**2.8**	382.7	242.8	13.6	5.6	(13.1)
Healthcare	**91.7**	**91.7**	**12.7**	**13.8**	**8.8**	43.0	43.0	5.7	13.3	3.9
Energy Solutions	**15.9**	**15.9**	**(4.4)**	**(27.7)**	**(30.3)**	45.9	45.9	(1.4)	(3.1)	(7.0)
Acquisition-related costs[3]	**–**	**–**	**–**	**–**	**(16.1)**	–	–	–	–	(16.9)
Total	**2,221.1**	**2,142.6**	**127.5**	**6.0**	**68.4**	2,120.5	1,980.6	120.3	6.1	56.3

Notes:
1 Restated following amendments to IAS 19, as described in Note 1.
2 Headline revenue and operating profit exclude other items which are analysed in Note 5.
3 This includes costs relating to the integration of Enara, UK CRBs and Complete Group of £4.4m (2013: £3.7m), acquisition costs of £0.7m (2013: £3.2m), and the amortisation of acquisition related intangibles of £11.0m (2013: £10.0m), see Note 5.

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

Headline revenue[1] £m	2014 £m	Technical Facilities Management £m	Property Management sections £m	2014 – structure from 1 April 2014 £m
Soft FM	**1,685.7**	**(494.9)**	**–**	**1,190.8**
Hard FM	**–**	**494.9**	**84.5**	**579.4**
Property Management	**349.3**	**–**	**(84.5)**	**264.8**
Healthcare	**91.7**	**–**	**–**	**91.7**
Energy Solutions	**15.9**	**–**	**–**	**15.9**
Total	**2,142.6**	**–**	**–**	**2,142.6**

Headline operating profit[1] £m	2014 £m	Technical Facilities Management £m	Property Management sections £m	2014 – structure from 1 April 2014 £m
Soft FM	**101.1**	**(26.3)**	**–**	**74.8**
Hard FM	**–**	**26.3**	**3.7**	**30.0**
Property Management	**18.1**	**–**	**(3.7)**	**14.4**
Healthcare	**12.7**	**–**	**–**	**12.7**
Energy Solutions	**(4.4)**	**–**	**–**	**(4.4)**
Total	**127.5**	**–**	**–**	**127.5**

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

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

No single customer accounted for more than 10% of external revenue in 2014 or 2013.

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

4 Business and geographical segments

Geographical segments

	2014					2013[1]				
	Revenue £m	Headline[2] revenue £m	Headline[2] operating profit £m	Headline[2] operating profit margin %	Profit before tax £m	Revenue £m	Headline[2] revenue £m	Headline[2] operating profit £m	Headline[2] operating profit margin %	Profit before tax £m
United Kingdom	**2,149.5**	**2,071.0**	**125.7**	**6.1**	**66.9**	2,063.8	1,923.9	119.0	6.2	55.6
Other countries	**71.6**	**71.6**	**1.8**	**2.5**	**1.5**	56.7	56.7	1.3	2.3	0.7
Total	**2,221.1**	**2,142.6**	**127.5**	**6.0**	**68.4**	2,120.5	1,980.6	120.3	6.1	56.3

Notes:
1 Restated following amendments to IAS 19, as described in Note 1.
2 Headline revenue and operating profit exclude other items which are analysed in Note 5 and are all incurred in the United Kingdom.

5 Other items

The group separately identifies and discloses restructuring and acquisition related items (termed 'other items'). The results of the cyclical mechanical and electrical engineering contracting businesses which are being exited are also presented in other items. During the year those businesses generated revenue of £78.5m (2013: £139.9m), and incurred a trading loss of £13.6m (2013: £3.1m) and business closure costs of £nil (2013: £22.1m).

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

The exceptional charges in relation to design and build contracts in Energy Solutions of £25.4m (2013: £nil) have also been presented in other items. Following the group's decision to reduce its exposure to the design and build element of its Energy Solutions business, it has reassessed the recoverability of certain of its contract-related debtors, the carrying value of certain of its assets and the requirement to provide for the settlement of certain of its contract obligations.

During the year, following a strategic review of the Mitie Group defined benefit pension scheme, a cap on increases in pensionable pay was introduced. This led to a reduction in the defined benefit pension deficit of £10.5m at the date when the plan amendment occurred and was accounted for as a negative past service cost in accordance with IAS 19 (see Note 35). The net reported credit after costs incurred of £0.3m was £10.2m.

Restructuring costs in the prior year principally reflect the reorganisation of the overhead cost base in two divisions.

	2014			2013		
	Restructuring and acquisition related costs £m	Businesses being exited £m	Other items £m	Restructuring and acquisition related costs £m	Businesses being exited £m	Other items £m
Trading losses	**–**	**(13.6)**	**(13.6)**	–	(3.1)	(3.1)
Business closure costs	**–**	**–**	**–**	–	(22.1)	(22.1)
Exceptional charges in relation to design and build contracts in Energy Solutions	**(25.4)**	**–**	**(25.4)**	–	–	–
Restructuring costs	**–**	**–**	**–**	(10.2)	–	(10.2)
Integration costs	**(4.4)**	**–**	**(4.4)**	(3.7)	–	(3.7)
Acquisition costs	**(0.7)**	**–**	**(0.7)**	(3.2)	–	(3.2)
Amortisation of acquisition related intangibles	**(11.0)**	**–**	**(11.0)**	(10.0)	–	(10.0)
Restructuring of Mitie Group defined benefit pension scheme	**10.2**	**–**	**10.2**	–	–	–
Other items before tax	**(31.3)**	**(13.6)**	**(44.9)**	(27.1)	(25.2)	(52.3)
Tax on other items	**3.7**	**2.0**	**5.7**	6.6	5.2	11.8
Other items net of tax	**(27.6)**	**(11.6)**	**(39.2)**	(20.5)	(20.0)	(40.5)

Notes to the consolidated financial statements

For the year ended 31 March 2014

6 Operating profit

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

	2014 £m	2013[1] £m
Depreciation of property, plant and equipment (Note 15)	**16.1**	20.4
Amortisation of intangible assets (Note 14)	**17.0**	14.1
Gain on disposal of property, plant and equipment	**(0.7)**	(2.6)
Staff costs (Note 7)	**1,136.7**	1,052.2

Note:
1 Restated following amendments to IAS 19, as described in Note 1.

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

	2014 £'000	2013 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**33**	33
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	**481**	485
Total audit fees	**514**	518
Other audit related services to the group	**50**	50
Tax services – Relating to the acquisition of Enara	**–**	75
Tax services – Other	**140**	170
Corporate finance services – Relating to the acquisition of Enara	**–**	275
Corporate finance services – Other	**99**	–
Other services – Relating to the acquisition of Enara	**–**	33
Other Services – Other	**10**	15
Non-audit fees	**299**	618
Total	**813**	1,136

In addition to the amounts shown above the auditor received fees of £19,000 (2013: £17,000) for the audit of the group pension scheme and trusts.

7 Staff costs

Number of people	2014	2013
The average number of people employed during the financial year was:		
Facilities Management	**62,251**	62,086
Property Management	**3,297**	3,532
Healthcare	**6,587**	3,096
Energy Solutions	**113**	176
Total group	**72,248**	68,890
The number of people employed at 31 March was:		
Total group	**72,768**	72,401

Their aggregate remuneration comprised:	2014 £m	2013[1] £m
Wages and salaries	**1,035.8**	958.9
Social security costs	**80.5**	77.3
Other pension costs	**15.4**	13.5
Share-based payments (Note 34)	**5.0**	2.5
	1,136.7	1,052.2

Note:
1 Restated following amendments to IAS 19, as described in Note 1.

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

8 Investment revenue

	2014 £m	2013 £m
Interest on bank deposits	**0.2**	0.3
Other interest receivable	**1.0**	0.2
	1.2	0.5

Notes to the consolidated financial statements

For the year ended 31 March 2014

9 Finance costs

	2014 £m	2013[1] £m
Interest on bank facilities	**2.1**	3.8
Interest on private placement	**9.5**	5.4
Bank fees	**2.3**	1.7
Interest on obligations under finance leases	**0.3**	0.3
Loss/(gain) arising on derivatives in a designated fair value hedge	**3.8**	(2.4)
(Gain)/loss arising on adjustment for the hedged item in a designated fair value hedge	**(4.0)**	2.6
Net interest on defined benefit pension scheme assets and liabilities	**1.4**	0.8
	15.4	12.2

Note:
1 Restated following amendments to IAS 19, as described in Note 1.

10 Tax

	2014 £m	2013[1] £m
Current tax	**19.1**	17.3
Deferred tax (Note 20)	**0.8**	(3.4)
	19.9	13.9

Corporation tax is calculated at 23.0% (2013: 24.0%) of the estimated assessable profit for the year.

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

	2014 £m	2013[1] £m
Profit before tax	**68.4**	56.3
Tax at the UK corporation tax rate of 23.0% (2013: 24.0%)	**15.7**	13.5
Non-taxable items	**4.1**	1.6
Impact of changes in statutory tax rates	**(1.0)**	(0.1)
Overseas tax rates	**0.2**	(0.1)
Prior year adjustments	**0.9**	(1.0)
Tax charge for the year	**19.9**	13.9

In addition to the amount charged to the consolidated income statement, tax relating to retirement benefit costs and hedged items amounting to £1.8m has been charged directly to the statement of comprehensive income (2013: £3.6m credit[1]) and £1.0m (2013: £0.1m) relating to share-based payments has been credited directly to equity.

Note:
1 Restated following amendments to IAS 19, as described in Note 1.

11 Dividends

	2014 £m	2013 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2013 of 5.7p (2012: 5.2p) per share	**20.5**	18.3
Interim dividend for the year ended 31 March 2014 of 4.9p (2013: 4.6p) per share	**17.6**	16.6
	38.1	34.9
Proposed final dividend for the year ended 31 March 2014 of 6.1p (2013: 5.7p) per share	**21.9**	20.6

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

12 Earnings per share

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

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

	2014 £m	2013 £m
Net headline profit attributable to equity holders of the parent[1,2]	**87.5**	82.7
Other items net of tax[1]	**(39.2)**	(40.5)
Net profit attributable to equity holders of the parent	**48.3**	42.2

Number of shares	2014 million	2013 million
Weighted average number of Ordinary shares for the purpose of basic EPS	**359.9**	357.7
Effect of dilutive potential Ordinary shares: share options	**11.1**	9.5
Weighted average number of Ordinary shares for the purpose of diluted EPS	**371.0**	367.2

	2014 p	2013 p
Headline basic earnings per share[1,2]	**24.3**	23.1
Basic earnings per share	**13.4**	11.8
Headline diluted earnings per share[1,2]	**23.6**	22.5
Diluted earnings per share	**13.0**	11.5

Notes:
1 Restated following amendments to IAS 19, as described in Note 1.
2 Headline revenue and operating profit exclude other items which are analysed in Note 5.

The weighted average number of Ordinary shares in issue during the year excludes those accounted for in the Own shares reserve (see Note 30).

Notes to the consolidated financial statements

For the year ended 31 March 2014

13 Goodwill

Cost	£m
At 1 April 2012	347.7
Acquisition of subsidiaries	100.3
Impact of foreign exchange	0.1
Change in deferred contingent consideration for subsidiaries acquired prior to 31 March 2010	(0.9)
At 1 April 2013	447.2
Acquisition of subsidiaries	12.7
Impact of foreign exchange	(0.3)
At 31 March 2014	**459.6**
Accumulated impairment losses	
At 1 April 2012	–
At 1 April 2013	–
At 31 March 2014	**–**
Carrying amount	
At 31 March 2014	**459.6**
At 31 March 2013	447.2

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. Additions during the year relate to goodwill recognised on two acquisitions and finalisation of the acquisition accounting for acquisitions made in the prior year. More details are presented in the Acquisitions note (Note 31).

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

	Discount rate 2014 %	Discount rate 2013 %	Goodwill 2014 £m	Goodwill 2013 £m
Facilities Management	**9.8**	8.2	**251.9**	250.9
Property Management	**11.0**	9.5	**85.2**	85.2
Healthcare	**11.0**	9.5	**105.0**	93.6
Energy Solutions	**12.0**	10.7	**17.5**	17.5
			459.6	447.2

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

Key assumptions
The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Growth rates and terminal values
The group prepares cash flow forecasts derived from the most recent one year financial budgets approved by the Board, extrapolated for four future years by a growth rate applicable to each unit with a terminal value using a 2% inflationary growth rate assumption.

13 Goodwill

Discount rates
The pre-tax rates used to discount the forecast cash flows from CGUs are derived from the Company's post-tax Weighted Average Cost of Capital, which was 8.2% (2013: 6.8%) at 31 March 2014, and adjusted for the risks specific to the market in which the CGU operates. All CGUs have the same access to the group's Treasury functions and borrowing lines to fund their operations.

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

14 Other intangible assets

	Acquisition related				
	Customer relationships £m	Other £m	**Total acquisition related £m**	Software and development expenditure £m	**Total £m**
Cost					
At 1 April 2012	54.2	10.5	**64.7**	34.6	**99.3**
Additions	30.5	–	**30.5**	5.8	**36.3**
At 1 April 2013	84.7	10.5	**95.2**	40.4	**135.6**
Additions	2.1	–	**2.1**	6.2	**8.3**
At 31 March 2014	86.8	10.5	**97.3**	46.6	**143.9**
Amortisation					
At 1 April 2012	23.2	5.7	**28.9**	4.6	**33.5**
Charge for the year	8.3	1.7	**10.0**	4.1	**14.1**
At 1 April 2013	31.5	7.4	**38.9**	8.7	**47.6**
Charge for the year	10.2	0.8	**11.0**	6.0	**17.0**
At 31 March 2014	41.7	8.2	**49.9**	14.7	**64.6**
Carrying amount					
At 31 March 2014	45.1	2.3	**47.4**	31.9	**79.3**
At 31 March 2013	53.2	3.1	**56.3**	31.7	**88.0**

Customer relationships are amortised over their useful lives based on the period of time over which they are anticipated to generate benefits. These currently range from six to eight years. Other acquisition related intangibles include acquired software, trade names and non-compete agreements and are amortised over their useful lives which currently range from three to ten years. Software and development costs are amortised over their useful lives of between five and ten years, once they have been brought into use.

Notes to the consolidated financial statements

For the year ended 31 March 2014

15 Property, plant and equipment

	Freehold properties £m	Leasehold properties £m	Plant and vehicles £m	Total £m
Cost				
At 1 April 2012	4.8	16.0	105.5	**126.3**
Additions	–	0.2	31.7	**31.9**
Transfers	–	0.1	(0.1)	**–**
Acquired with subsidiaries	–	–	1.4	**1.4**
Disposals	–	(0.7)	(40.7)	**(41.4)**
At 1 April 2013	4.8	15.6	97.8	**118.2**
Additions	–	2.4	20.2	**22.6**
Disposals	(1.5)	(2.3)	(16.2)	**(20.0)**
At 31 March 2014	3.3	15.7	101.8	**120.8**
Accumulated depreciation and impairment				
At 1 April 2012	0.9	6.8	54.5	**62.2**
Charge for the year	0.1	1.5	18.8	**20.4**
Disposals	–	(0.7)	(19.9)	**(20.6)**
At 1 April 2013	1.0	7.6	53.4	**62.0**
Charge for the year	0.1	1.6	14.4	**16.1**
Disposals	(0.4)	(1.7)	(11.9)	**(14.0)**
At 31 March 2014	0.7	7.5	55.9	**64.1**
Carrying amount				
At 31 March 2014	2.6	8.2	45.9	**56.7**
At 31 March 2013	3.8	8.0	44.4	**56.2**

The net book value of plant and vehicles held under finance leases included above was £4.9m (2013: £6.5m).

Additions to fixtures and equipment during the year amounting to £2.0m (2013: £1.9m) were financed by new finance leases.

In the prior year, Management took the decision to perform a 'sale and operating leaseback' on its commercial vans. Approximately 1,830 vehicles were sold and leased back. These vehicles had a carrying value of £15.6m and were sold for a fair market value of £17.8m.

16 Interest in joint ventures and associates

The group's interests in joint ventures and associates are accounted for in the consolidated financial statements using the equity method.

The group's share of result of joint ventures and associates included in the consolidated income statement was as follows:

	2014 £m	2013 £m
Revenue	**3.3**	–
Operating profit	**0.6**	–
Net finance costs	**(0.1)**	–
Taxation	**–**	–
Share of result of joint ventures and associates	**0.5**	–

The group's share of net assets of joint ventures and associates as at 31 March 2014 was as follows:

	2014 £m	2013 £m
Non-current assets	**13.1**	11.0
Current assets	**1.2**	0.5
Current liabilities	**(2.4)**	(0.5)
Non-current liabilities	**(11.0)**	(10.6)
Interest in joint ventures and associates	**0.9**	0.4

17 Financing assets

	2014 £m	2013 £m
Derivative financial instruments (Note 25)	**–**	4.0
Loans to joint ventures and associates	**14.8**	12.7
Infrastructure assets	**5.6**	8.6
	20.4	25.3
Included in current assets	**–**	–
Included in non-current assets	**20.4**	25.3
	20.4	25.3

Notes to the consolidated financial statements
For the year ended 31 March 2014

18 Trade and other receivables

	2014 £m	2013 £m
Amounts receivable for the sale of services	**259.0**	280.3
Allowance for doubtful debt	**(6.2)**	(6.0)
Trade receivables	**252.8**	274.3
Amounts recoverable on contracts (Note 19)	**85.5**	89.1
Other debtors	**24.4**	19.2
Prepayments and accrued income	**170.1**	145.6
	532.8	528.2
Included in current assets	**491.6**	507.4
Included in non-current assets	**41.2**	20.8
	532.8	528.2

Ageing of trade receivables:

	2014 £m	2013 £m
Neither impaired nor past due	**198.6**	216.0
Not impaired and less than three months overdue	**36.5**	43.3
Not impaired and more than three months overdue	**21.3**	18.0
Impaired receivables	**2.6**	3.0
Allowance for doubtful debt	**(6.2)**	(6.0)
	252.8	274.3

Movement in the allowance for doubtful debt:

	2014 £m	2013 £m
Balance at the beginning of the year	**6.0**	5.3
Impairment losses recognised	**2.5**	3.5
Amounts written off as uncollectable	**(1.1)**	(2.2)
Amounts recovered during the year	**(1.2)**	(0.6)
	6.2	6.0

The average credit period taken on sales of services was 37 days (2013: 38 days).

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

19 Amounts recoverable on contracts

Contracts in progress at the balance sheet date	2014 £m	2013 £m
Contract costs incurred plus recognised profits less recognised losses to date	**620.2**	795.0
Less progress billings	**(534.7)**	(705.9)
Amounts due from contract customers included in trade and other receivables	**85.5**	89.1
Included in current assets	**68.4**	68.3
Included in non-current assets	**17.1**	20.8
	85.5	89.1

At 31 March 2014, retentions held by customers for contract work amounted to £8.9m (2013: £11.1m).

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

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

Mobilisation costs	2014 £m	2013 £m
At 1 April	**23.2**	21.0
Additions	**15.7**	9.6
Amounts recognised in the income statement	**(8.6)**	(7.4)
At 31 March	**30.3**	23.2
Included in current assets	**13.7**	9.0
Included in non-current assets	**16.6**	14.2
	30.3	23.2

20 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Intangible assets acquired £m	Share options £m	Short-term timing differences £m	Tax losses £m	Total £m
At 1 April 2012	(2.0)	4.2	(8.5)	2.0	1.2	2.0	**(1.1)**
Credit/(charge) to income	1.6	(0.3)	2.7	(0.8)	(0.3)	(0.1)	**2.8**
Credit to equity and the statement of comprehensive income	–	3.0	–	(0.3)	1.3	–	**4.0**
Acquisition of subsidiaries	–	–	(7.0)	–	2.1	–	**(4.9)**
At 1 April 2013	(0.4)	6.9	(12.8)	0.9	4.3	1.9	**0.8**
Credit/(charge) to income	0.5	(2.0)	4.0	(0.3)	(1.2)	(1.8)	**(0.8)**
(Charge)/credit to equity and the statement of comprehensive income	–	(1.1)	–	0.5	(0.6)	–	**(1.2)**
Acquisition of subsidiaries	–	–	(0.5)	–	0.8	–	**0.3**
At 31 March 2014	0.1	3.8	(9.3)	1.1	3.3	0.1	**(0.9)**

Notes to the consolidated financial statements

For the year ended 31 March 2014

20 Deferred tax

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2014 £m	2013 £m
Deferred tax assets	**8.4**	14.0
Deferred tax liabilities	**(9.3)**	(13.2)
Net deferred tax (liability)/asset	**(0.9)**	0.8

The group has unutilised income tax losses of £8.5m (2013: £8.7m) that are available for offset against future profits. In addition the group has £0.8m (2013: £0.7m) of capital losses.

The UK Government announced a reduction in the UK corporation tax rate from 23% to 21% from 1 April 2014, with a further reduction to 20% from 1 April 2015, which were substantively enacted on 2 July 2013. The reduction in the balance sheet carrying value of deferred tax assets and liabilities to reflect the rate of tax at which those assets are expected to reverse has resulted in a deferred tax credit of £1.0m to the income statement.

21 Inventories

	2014 £m	2013 £m
Work-in-progress	**2.9**	2.7
Materials	**4.5**	4.0
	7.4	6.7

22 Cash and cash equivalents

	2014 £m	2013 £m
Cash and cash equivalents	**89.1**	90.8
	89.1	90.8

Cash and cash equivalents comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The carrying amount of the assets approximates their fair value.

Included in cash and cash equivalents are deposits totalling £2.1m (2013: £4.8m) held by the group's insurance subsidiary, which are not readily available for the general purposes of the group.

23 Trade and other payables

	2014 £m	2013 £m
Payments received on account	**1.4**	3.7
Trade creditors	**186.9**	210.7
Other taxes and social security	**96.8**	86.2
Other creditors	**17.9**	25.0
Accruals and deferred income	**222.6**	175.1
	525.6	500.7

Trade creditors and accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 46 days (2013: 32 days).

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

24 Financing liabilities

	2014 £m	2013 £m
Bank loans	**15.3**	18.8
Private placement notes	**245.2**	261.3
Derivative financial instruments	**10.3**	0.4
Obligations under finance leases (Note 27)	**4.9**	6.5
	275.7	287.0
Included in current liabilities	**2.7**	2.7
Included in non-current liabilities	**273.0**	284.3
	275.7	287.0

The banking facilities and private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements.

Included in current liabilities are £2.7m (2013: £2.7m) of obligations under finance leases (see Note 27).

With the exception of derivative financial instruments and the private placement notes, all financing liabilities are held at amortised cost. The Directors estimate that their carrying value approximates their fair value. Derivative financial instruments are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value through profit or loss unless they are designated as hedges for which hedge accounting can be applied (see Note 25). The carrying value of the private placement notes at 31 March 2014 includes a fair value adjustment for interest rate and currency risk of £0.6m (2013: £1.7m). The fair value of the private placement notes is not significantly different from their carrying value.

Private placement notes
On 13 December 2012, the group issued US$153.0m and £55.0m of private placement ('PP') notes in the United States Private Placement market. This followed the issue on 16 December 2010 of US$96.0m and £40.0m of PP notes in the United States Private Placement market. The PP notes are unsecured and rank pari passu with other senior unsecured indebtedness of the group. In order to manage the risk of foreign currency fluctuations and to manage the group's finance costs through a mix of fixed and variable rate debt, the group has entered into cross currency interest rate swaps. The swap contracts have the same duration and other critical terms as the borrowings and are considered to be highly effective. The amount, maturity and interest terms of the PP notes are as shown below:

Tranche	Maturity date	Amount	Interest terms	Swap interest
7 year	16 December 2017	US$48.0m	US$ fixed at 3.39%	£ fixed at 3.88%
7 year	16 December 2017	US$48.0m	US$ fixed at 3.39%	£ LIBOR + 1.26%
9 year	16 December 2019	£40.0m	£ fixed at 4.38%	n/a
10 year	16 December 2022	US$76.0m	US$ fixed at 3.85%	£ fixed at 4.05%
10 year	16 December 2022	US$77.0m	US$ fixed at 3.85%	£ fixed at 4.02%
10 year	16 December 2022	£25.0m	£ fixed at 3.87%	n/a
12 year	16 December 2024	£30.0m	£ fixed at 4.04%	n/a

The weighted average interest rates paid during the year on the overdrafts and loans outstanding were as follows:

	2014 %	2013 %
Overdrafts	**2.5**	1.9
Bank loans	**1.9**	1.9
Private placement notes	**3.8**	3.8

At 31 March 2014, the group had available £234.7m (2013: £231.2m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facilities have an expiry date of September 2015. The loans carry interest rates which are currently determined at 1.5% over LIBOR. Details of the group's contingent liabilities are provided in Note 32.

Notes to the consolidated financial statements
For the year ended 31 March 2014

25 Financial instruments

Classification
The group's principal financial assets are cash and cash equivalents, trade receivables and financing assets. With the exception of derivative financial instruments, all financial assets are classified as loans and receivables.

The group's principal financial liabilities are trade payables, financing liabilities and deferred contingent consideration. With the exception of derivative financial instruments, private placement notes and deferred contingent consideration, all financial liabilities are held at amortised cost.

Derivative financial instruments, and private placement loan notes are measured initially at fair value at the date the contract is entered into and are subsequently remeasured to their fair value through profit or loss unless they are designated as hedges for which hedge accounting can be applied. Deferred contingent consideration is measured at the Directors' best estimate of the likely future obligation.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expense) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Risk management objectives
The group's treasury function monitors and manages the financial risks relating to the operations of the group. These risks include those arising from interest rates, foreign currencies, liquidity, credit and capital management. The group seeks to minimise the effects of these risks by using effective control measures and, where appropriate, derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by group policies and reviewed regularly. Group policy is not to trade in financial instruments. The risk management policies remain unchanged from the previous year.

Interest rate risk
The group's activities expose it to the financial risks of interest rates. The group's Treasury function reviews its risk management strategy on a regular basis and will appropriately enter into derivative financial instruments in order to manage interest rate risk. Having issued US$249.0m and £95.0m of notes in the US PP fixed rate market, the group has swapped US$48.0m into floating rate debt. Details of derivative financial instruments are given in *Derivative financial instruments* below.

Interest rate sensitivity
The interest rate sensitivity has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. All financial liabilities, other than financing liabilities, are interest free.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the group's profit after tax for the year ended 31 March 2014 and reserves would decrease/increase by £0.2m (2013: £0.5m).

Foreign currency risk
The group has limited exposure to transactional foreign currency risk from trading transactions in currencies other than the functional currency of individual group entities and some exposure to translational foreign currency risk from the translation of its operations in Europe. The group considers the need to hedge its exposures appropriately and will enter into forward foreign exchange contracts to mitigate any significant risks.

In addition, the group has fully hedged the US dollar exposure on its PP notes into sterling using cross currency interest rate swaps (see *Hedging activities* below).

At 31 March 2014 £3.9m (2013: £6.0m) of cash and cash equivalents were held in foreign currencies. Included in bank loans were £15.3m (2013: £18.8m) of loans denominated in foreign currency.

Liquidity risk
The group monitors its liquidity risk using a cash flow projection model which considers the maturity of the group's assets and liabilities and the projected cash flows from operations. Bank facilities, which allow for appropriate headroom in the group's daily cash movements, are then arranged. Details of our bank facilities can be found in Note 24.

25 Financial instruments

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

Financial assets at 31 March 2014	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade receivables	**252.8**	**–**	**–**	**252.8**
Financing assets	**0.9**	**21.0**	**–**	**21.9**
Cash and cash equivalents	**89.1**	**–**	**–**	**89.1**
Financial assets	**342.8**	**21.0**	**–**	**363.8**

Financial assets at 31 March 2013	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade receivables	274.3	–	–	274.3
Financing assets	0.8	26.2	–	27.0
Cash and cash equivalents	90.8	–	–	90.8
Financial assets	365.9	26.2	–	392.1

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

Financial liabilities at 31 March 2013	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade creditors	210.7	–	–	210.7
Financing liabilities	12.5	122.6	226.1	361.2
Deferred contingent consideration	–	8.0	–	8.0
Financial liabilities	223.2	130.6	226.1	579.9

Credit risk

The group's credit risk is monitored on an ongoing basis and formally reported quarterly. The value of business placed with financial institutions is reviewed on a daily basis.

The group's credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies and are managed through regular review.

The amounts presented in the balance sheet in relation to the group's trade receivables are net of allowances for doubtful receivables.

Before accepting a new customer, the group uses external credit scoring systems to assess the potential customer's credit quality and define an appropriate credit limit which is reviewed regularly.

In determining the recoverability of a trade receivable, the group considers the credit quality of the counterparty. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Directors believe that there is no further provision required in excess of the allowance for doubtful debts at the balance sheet date.

The maximum exposure to credit risk in relation to trade receivables at the balance sheet date is the fair value of trade receivables. The group's customer base is large and unrelated and, accordingly, the group does not have a significant concentration of credit risk with any one counterparty or group of counterparties.

Notes to the consolidated financial statements
For the year ended 31 March 2014

25 Financial instruments

Capital management risk
The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity. The capital structure of the group consists of net debt per Note 28 and equity per the consolidated statement of changes in equity.

The group's capital structure is reviewed regularly. The group is not subject to externally imposed regulatory capital requirements with the exception of those applicable to the group's captive insurance subsidiary, which is monitored on a regular basis.

Hedging activities
Cash flow hedges
The group holds a number of cross currency interest rate swaps designated as cash flow hedges. Bi-annual fixed interest cash flows arising over the periods to December 2022 and denominated in US$ from the US Private Placement market are exchanged for fixed interest cash flows denominated in sterling. The group also holds a number of forward exchange currency contracts designated as hedges of highly probable forecast transactions. All cash flow hedges were assessed as being highly effective as at 31 March 2014.

Fair value hedges
The group holds a number of cross currency interest rate swaps designated as fair value hedges. Fixed interest cash flows denominated in US$ from the US Private Placement market are exchanged for floating interest cash flows denominated in sterling. All fair value hedges were assessed as being highly effective as at 31 March 2014.

Hedge of net investment in foreign operations
Included in bank loans at 31 March 2014 was a borrowing of €9.5m (2013: €9.5m) which has been designated as a hedge of the net investment in the Republic of Ireland business of Dalkia FM in Ireland and is being used to hedge the group's exposure to foreign exchange risk on this investment. Gains or losses on the translation of the borrowing are transferred to equity to offset gains or losses on the translation of the net investment.

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

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m
Cross currency interest rate swaps designated as cash flow hedges	**–**	0.8	**(9.7)**	(0.4)
Cross currency interest rate swaps designated as fair value hedges	**–**	3.2	**(0.6)**	–
Derivative financial instruments hedging private placement notes	**–**	4.0	**(10.3)**	(0.4)

Derivative financial instruments are measured at fair value. Fair values of derivative financial instruments are calculated based on a discounted cash flow analysis using appropriate market information for the duration of the instruments.

Financial instruments fair value disclosure
Fair value measurements are classified into three levels, depending on the degree to which the fair value is observable:

– Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
– Level 2 fair value measurements are those derived from other observable inputs for the asset or liability; and
– Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data.

We consider that the derivative financial instruments fall into Level 2 and deferred contingent consideration falls into Level 3.

Deferred contingent consideration is measured at the Directors' best estimate of the likely future obligation based on the attainment of certain profit targets. In assessing the likely future obligation, the directors have used their experience and knowledge of market conditions, alongside internal business plans and growth forecasts. Actual amounts payable may vary up to a maximum of £7.8m (2013: £8.0m) dependent upon the results of the acquired businesses. Movements in the carrying value of deferred contingent consideration are shown in Note 26.

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

.

26 Provisions

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2013	8.0	2.2	**10.2**
Amounts recognised in the income statement	–	1.8	**1.8**
Utilised within the captive insurance subsidiary	–	(1.8)	**(1.8)**
Amounts recognised through equity (arising from transactions with non-controlling interests)	(0.2)	–	**(0.2)**
At 31 March 2014	7.8	2.2	**10.0**
Included in current liabilities			**1.2**
Included in non-current liabilities			**8.8**
			10.0

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2012	1.2	4.4	5.6
Amounts recognised in the income statement	–	0.4	0.4
Deferred contingent consideration settled during the period	(1.4)	–	(1.4)
Utilised within the captive insurance subsidiary	–	(2.6)	(2.6)
Amounts recognised through goodwill	0.3	–	0.3
Amounts recognised through equity (arising from transactions with non-controlling interests)	7.9	–	7.9
At 31 March 2013	8.0	2.2	10.2
Included in current liabilities			1.4
Included in non-current liabilities			8.8
			10.2

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

27 Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	2014 £m	2013 £m	2014 £m	2013 £m
Amounts payable under finance leases:				
Within one year	**2.9**	3.0	**2.7**	2.7
In the second to fifth years inclusive	**2.5**	4.1	**2.2**	3.8
	5.4	7.1	**4.9**	6.5
Less: future finance charges	**(0.5)**	(0.6)	**–**	–
Present value of lease obligations	**4.9**	6.5	**4.9**	6.5
Less: Amount due for settlement within 12 months	**(2.7)**	(2.7)	**(2.7)**	(2.7)
Amount due for settlement after 12 months	**2.2**	3.8	**2.2**	3.8

The average remaining lease term is 52 months (2013: 43 months). For the year ended 31 March 2014, the average effective borrowing rate was 2.5% (2013: 2.6%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

Notes to the consolidated financial statements
For the year ended 31 March 2014

The fair value of the group's lease obligations approximates their carrying amount. The group's obligations under finance leases are protected by the lessors' rights over the leased assets.

28 Analysis of net debt

	2014 £m	2013 £m
Cash and cash equivalents (Note 22)	**89.1**	90.8
Bank loans (Note 24)	**(15.3)**	(18.8)
Private placement notes (Note 24)	**(245.2)**	(261.3)
Derivative financial instruments hedging private placement notes (Note 25)	**(10.3)**	3.6
Net debt before loan notes and obligations under finance leases	**(181.7)**	(185.7)
Obligations under finance leases (Note 27)	**(4.9)**	(6.5)
Net debt	**(186.6)**	(192.2)

29 Share capital

Ordinary shares of 2.5p	Number million	£m
Allotted and fully paid		
At 1 April 2013	**370.1**	**9.3**
Issued for acquisitions	**2.3**	**–**
Share buybacks	**(2.9)**	**(0.1)**
Issued under share option schemes	**4.0**	**0.1**
At 31 March 2014	**373.5**	**9.3**
At 1 April 2012	361.9	9.0
Issued for acquisitions	4.5	0.2
Issued under share option schemes	3.7	0.1
At 31 March 2013	370.1	9.3

During the year 2.3m (2013: 4.5m) Ordinary shares of 2.5p were allotted in respect of the acquisition of non-controlling interests at a mid-market price of 267.0p (2013: 267.6p) giving rise to share premium of £2.4m (2013: £7.8m) and a merger reserve of £3.6m (2013: £4.0m).

During the year 2.9m (2013: nil) Ordinary shares of 2.5p were purchased at a cost of £7.4m (2013: £nil) and subsequently cancelled.

During the year 4.0m (2013: 3.7m) Ordinary shares of 2.5p were allotted in respect of share option schemes at a price between 127p and 254p (2013: 117p and 254p) giving rise to share premium of £8.5m (2013: £7.7m).

30 Reserves

Share premium account
The share premium account represents the premium arising on the issue of equity shares (see Note 29).

Merger reserve
The merger reserve represents amounts relating to premiums arising on shares issued subject to the provisions of Section 612 of the Companies Act 2006 (see Note 29).

Share-based payment reserve
The share-based payment reserve represents credits relating to equity-settled share-based payment transactions that have not yet fully vested (see Note 34).

Own shares reserve
The group uses shares held in the Employee Benefit Trust to satisfy options under the group's LTIP and SIP share option schemes. During the year 1.0m shares (2013: 2.3m) were purchased at a cost of £2.8m (2013: £6.6m). In addition, 5.8m (2013: nil) Treasury shares were purchased at a cost of £17.0m (2013: £nil). The own shares reserve at 31 March 2014 represents the cost of 13.9m (2013: 8.4m) shares in Mitie Group plc, with a weighted average of 11.1m (2013: 8.6m) shares during the year.

30 Reserves

Other reserves
Other reserves are comprised of the revaluation reserve of £(0.2)m (2013: £(0.2)m), the capital redemption reserve of £0.5m (2013: £0.4m) and other reserves of £0.1m (2013: £0.1m).

Hedging and translation reserve
The hedging and translation reserve of £4.3m (2013: £5.9m) predominantly represents movements relating to cash flow hedges. It also includes foreign exchange differences arising on translation of the group's overseas operations and movements on net investment hedges.

31 Acquisitions

During the year a net cash outflow of £10.7m arose on the acquisitions set out below:

	£m
UK CRBs Limited	**0.9**
Complete Care Holdings Limited	**8.8**
Non-controlling interests	**0.8**
Other	**0.2**
Net cash outflow on acquisitions	**10.7**

Current year acquisitions
Entities acquired during the year contributed £5.8m to revenue and £0.4m to the group's headline operating profit for the period. If the acquisitions had taken place at the start of the period, the group's headline revenue and operating profit would have been approximately £2,158m and £128m respectively.

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

IAS 27 'Consolidated and Separate Financial Statements' (revised 2008) requires transactions with non-controlling interests to be accounted for within equity. As a result, the difference of £5.8m between the consideration paid for the purchase of non-controlling interests during the year and the change in non-controlling interests is recognised in retained earnings. Prior to adoption of the revised standard in the year ended 31 March 2011 these amounts would have been recognised in goodwill.

Purchase of Complete Care Holdings Limited
On 15 January 2014, Mitie acquired the high acuity care provider Complete Care Holdings Limited ('Complete Group') for a total consideration of £9.0m. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). The provisional information on the acquisition is provided below:

	Fair value £m
Net assets acquired	
Intangible assets	2.1
Trade and other receivables	2.8
Cash and cash equivalents	0.2
Trade and other payables	(2.3)
Deferred tax liability	(0.3)
Net assets acquired	**2.5**
Goodwill	6.5
Total consideration	**9.0**
Satisfied by	
Cash	9.0
Total consideration	**9.0**

Notes to the consolidated financial statements

For the year ended 31 March 2014

31 Acquisitions

Purchase of UK CRBs Limited

On 14 August 2013, Mitie acquired the criminal records checking service UK CRBs Limited ('UKCRBs') for a total consideration of £1.0m.

Prior year acquisitions

The provisional acquisition accounting for prior year acquisitions as disclosed in the 2013 Annual Report and Accounts was reviewed during the period resulting in a reduction of the fair value of net assets acquired of £5.5m, an increase in non-controlling interests of £0.4m and an increase of goodwill of £5.1m. These adjustments comprise an adjustment to estimates made at the end of the prior year and within a year from the date of acquisition in line with the requirements of IFRS 3 'Business Combinations'. The adjustments have not materially changed the net assets of the group and therefore the 2013 comparative information has not been restated. The final information on prior year acquisitions is shown below.

Purchase of Enara Group Limited

On 9 October 2012, Mitie acquired Enara Group Limited ('Enara'), from August Equity LLP and Enara's senior management team, for a total consideration of £110.8m on a cash and debt free basis. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). The provisional acquisition accounting in the 2013 Annual Report and Accounts was reviewed during the period resulting in a reduction of the fair value of net assets acquired of £4.8m and an increase of goodwill of £4.8m to £98.4m. The final information on the acquisition is provided below:

	Fair value £m
Net assets acquired	
Intangible assets	28.5
Property, plant and equipment	0.4
Trade and other receivables	11.6
Cash and cash equivalents	4.9
Trade and other payables	(23.9)
Deferred tax liability	(4.2)
Net assets acquired	17.3
Goodwill	98.4
Total consideration	115.7
Satisfied by	
Cash	115.7
Total consideration	115.7

Purchase of Creativevents Limited

On 31 July 2012, Mitie acquired a 51% stake in one of the UK's leading independent events and leisure catering companies, Creativevents Limited ('Creativevents'). The initial consideration payable was £5.2m paid in cash on completion and £0.3m of deferred contingent consideration which was settled in cash in the year ended 31 March 2013. The earn out of the remaining 49% stake will bring total consideration payable to a maximum of £12.0m, which is dependent on long-term performance. Earn out deferred consideration of £6.5m is provided at the Directors' best estimate of the likely future obligation, which in all likelihood will become payable up to 2017 subject to certain profit targets being attained. This is recognised via equity and is included in Provisions in Note 26.

31 Acquisitions

The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). The provisional acquisition accounting in the 2013 Annual Report and Accounts was reviewed during the period resulting in a reduction of the fair value of net assets acquired of £0.7m, an increase in non-controlling interests of £0.4m and an increase of goodwill of £0.3m to £5.6m. The final information on the acquisition is provided below:

	Fair value £m
Net assets acquired	
Intangible assets	1.9
Property, plant and equipment	0.3
Trade and other receivables	3.6
Cash and cash equivalents	2.6
Trade and other payables	(8.7)
Net assets acquired	**(0.3)**
Non-controlling interest	0.2
Goodwill	5.6
Total consideration	**5.5**

Satisfied by	
Initial cash consideration	5.2
Deferred contingent consideration cash settled in cash in the year ended 31 March 2013	0.3
Total cash consideration	**5.5**

Purchase of non-controlling interests

	Mitie Client Services Ltd £m	Mitie Landscapes Ltd £m	Mitie Pest Control (London) Ltd £m	Mitie Security Holdings Ltd £m	**Total £m**
Shares issued – Mitie Group plc	0.9	3.7	0.5	1.0	**6.1**
Cash consideration	0.1	0.1	0.1	0.5	**0.8**
Total purchase consideration	1.0	3.8	0.6	1.5	**6.9**
Non-controlling interests	0.2	0.7	0.1	0.1	**1.1**
Retained earnings	0.8	3.1	0.5	1.4	**5.8**
Total recognised in equity	1.0	3.8	0.6	1.5	**6.9**

32 Contingent liabilities

The Company is party with other group companies to cross guarantees of each other's bank and other borrowings, commitments and overdrafts of £589.3m (2013: £551.3m).

The Company and various of its subsidiaries are, from time to time, party to legal proceedings and claims that are in the ordinary course of business. The Directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect on the group's financial position, other than as provided for in the accounts.

Deferred contingent consideration relating to acquisitions has been accrued at the Directors' best estimate of the likely future obligation of £7.8m (2013: £8.0m) per Note 26. The actual amounts payable may vary up to a maximum of £7.8m (2013: £8.0m) dependent upon the results of the acquired businesses.

In addition, the group and its subsidiaries have provided guarantees and indemnities in respect of performance, issued by financial institutions on its behalf, amounting to £27.2m (2013: £30.6m) in the ordinary course of business and guarantees with a maximum value of £20.6m in respect of the activities of an entity in which the group has a non-controlling interest.

Notes to the consolidated financial statements
For the year ended 31 March 2014

33 Operating lease arrangements

The group as lessee

	2014 £m	2013 £m
Minimum lease payments under operating leases recognised in income for the year	**27.7**	15.8

At the balance sheet date, the group had total outstanding aggregate commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 £m	2013 £m
Within one year	**22.4**	22.0
In the second to fifth years inclusive	**35.0**	32.2
After five years	**4.8**	3.5
	62.2	57.7

Operating lease payments represent rentals payable by the group for certain of its office properties and hire of vehicles and other equipment. These leases have average durations ranging from three to ten years. No arrangements have been entered into for contingent rental payments.

34 Share-based payments

The Company has six equity-settled share option schemes:

Discretionary share plans:
The Mitie Group plc Long Term Incentive Plan (LTIP)
The LTIP was introduced in 2007. The awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management. Where offered as options the exercise price is nil. The vesting period is three years. If the awards remain unexercised after a period of four years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the group. Before the awards can be exercised, performance conditions must be satisfied which are based on movements in a range of market and non-market measures over a three year period.

The group also awards performance-related bonuses for Executive Directors which are deferred in shares and are accounted for as a share-based payment charge.

The Mitie Group plc 2001 Executive share option scheme
The Executive share option scheme exercise price is equal to the average market value of the shares over the five day period immediately preceding the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the group. Before options can be exercised, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three year period.

The Mitie Group plc 2011 Executive share option scheme
The Executive share option scheme exercise price is equal to the average market value of the shares on the business day preceding grant or, if the Committee decides, the average market value of shares over a number of preceding business days (not to exceed 20). The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the group. Before options can be exercised, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three year period.

Non-discretionary share plans:
The Mitie Group plc 2001 SAYE scheme
The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares on the day preceding the date on which invitations to participate in the scheme are issued. For options granted prior to September 2008, the vesting period is five years. For options granted in September 2008 and thereafter, the vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

The Mitie Group plc 2011 SAYE scheme
The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares determined using either: the share price preceding the date on which invitations to participate in the scheme are issued, or an average share price over five days preceding the invitation date. The vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

34 Share-based payments

The Share Incentive Plan (SIP)
The SIP was introduced in 2011 and is a non-discretionary scheme open to all eligible UK resident employees. Under the scheme, eligible employees are invited to invest in Partnership Shares which are purchased in the market on their behalf and held in a UK employee benefit trust. One Matching Share is awarded for every ten Partnership Shares purchased and has a holding period of three years. Matching Shares are funded by way of market purchases.

Details of the share options outstanding during the year are as follows:

	2014		2013	
	Number of share options (million)	Weighted average exercise price (in p)	Number of share options (million)	Weighted average exercise price (in p)
Outstanding at beginning of the year	**21.1**	**142**	21.2	139
Granted during the year	**7.9**	**137**	8.0	148
Forfeited during the year	**(3.2)**	**121**	(2.9)	114
Exercised during the year	**(5.5)**	**158**	(5.2)	147
Outstanding at the end of the year	**20.3**	**138**	21.1	142
Exercisable at the end of the year	**2.0**	**204**	2.8	196

The group recognised the following expenses related to share-based payments:

	2014 £m	2013 £m
Discretionary share plans	**4.5**	1.7
Non-discretionary share plans	**0.5**	0.8
	5.0	2.5

The weighted average share price at the date of exercise for share options exercised during the year was 290p (2013: 267p). The options outstanding at 31 March 2014 had exercise prices (other than nil in the case of the LTIP and the SIP) ranging from 120p – 254p (2013: 127p – 254p) and a weighted average remaining contractual life of 4.3 years (2013: 4.5 years). In the year ended 31 March 2014, options were granted in June, July and November 2013 in respect of the SAYE, LTIP and Executive Share Option schemes. The aggregate of the estimated fair values of the options granted on those dates was £4.0m. In the year ended 31 March 2013, options were granted in May, July and August in respect of the SAYE, LTIP and Executive share option schemes. The aggregate of the estimated fair values of the options granted on those dates was £6.5m.

The fair value of options is measured by use of the Black-Scholes and Monte Carlo models.

The inputs into the Black-Scholes model are as follows:

	2014	2013
Share price (p)	**219-274**	198–274
Exercise price (p)	**0-254**	0–254
Expected volatility (%)	**30-32**	32–35
Expected life (years)	**3-5**	3–5
Risk-free rate (%)	**0.55-1.48**	0.55–2.42
Expected dividends (%)	**3.5-4.1**	3.30–4.10

Notes to the consolidated financial statements

For the year ended 31 March 2014

34 Share-based payments

The inputs into the Monte Carlo model are as follows:

	2014	2013
Share price (p)	**251**	–
Average correlation with TSR benchmark (%)	**32**	–
Expected volatility (%)	**24**	–
Expected life (years)	**3**	–
Risk-free rate (%)	**0.64**	–
Expected dividends (%)	**4.1**	–

Expected volatility was based upon the historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

35 Retirement benefit schemes

Defined contribution schemes

The group operates a number of defined contribution retirement benefit schemes for qualifying employees. The assets of the schemes are held separately from those of the group in funds controlled by the scheme providers. The group paid employer contributions of £10.4m (2013: £8.8m) during the year. As at 31 March 2014, contributions of £1.2m (2013: £0.7m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

Group defined benefit scheme

The group operates a defined benefit pension scheme called the Mitie Group plc Pension Scheme where Mitie Group plc is the principal employer.

The assets of the scheme are held separately from the group. Contributions to the scheme are charged to the income statement so as to spread the cost of pensions over the employees' working lives with the group.

Under the scheme, the employees are entitled to retirement benefits varying between 0% and 66% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided. The scheme is a funded scheme.

The most recent actuarial valuation of the group scheme's assets and the present value of their defined benefit obligations was carried out as at 1 April 2011 by Chris Vaughan-Williams, Fellow of the Institute of Actuaries, from Aon Hewitt Limited. The next triennial valuation is due as at 1 April 2014.

During the year, following a strategic review of the Mitie Group defined benefit pension scheme, a cap on increases in pensionable pay was introduced. This led to a reduction in the defined benefit pension deficit of £10.5m at the date when the plan amendment occurred and was accounted for as a negative past service cost in accordance with IAS 19.

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 our customers' defined benefit schemes in respect of certain TUPE employees. These valuations are updated by the actuaries at each balance sheet date. The present values of the defined benefit obligations, the related current service cost and past service cost were measured using the Projected Unit Credit Method.

For the Admitted Body Schemes, which are all part of the Local Government Pension Scheme, the group will only participate for a finite period up to the end of the contracts. The group is required to pay regular contributions as decided by the relevant Scheme Actuaries and detailed in the schemes' Schedule of Contributions. In a number of cases contributions payable by the employer are capped and any excess is recovered from the body 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 remaining for its notional section of the scheme.

35 Retirement benefit schemes

Assumptions

	Group scheme 2014 %	Group scheme 2013 %	Other schemes 2014 %	Other schemes 2013 %
Key assumptions used for IAS 19 valuation:				
Discount rate	**4.50**	4.50	**4.50**	4.50
Expected rate of salary increases	**2.00**	3.90	**2.00**	3.90
Retail Price Inflation	**3.40**	3.40	**3.40**	3.40
Consumer Price Inflation	**2.40**	2.40	**2.40**	2.40
Future pension increases	**3.40**	3.40	**3.40**	3.40

	Group scheme 2014 Years	Group scheme 2013 Years
Post retirement life expectancy:		
Current pensioners at 65 – male	**88.0**	88.0
Current pensioners at 65 – female	**89.0**	89.0
Future pensioners at 65 – male	**89.0**	89.0
Future pensioners at 65 – female	**91.0**	91.0

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

The overall expected return on assets is calculated as the weighted average of the expected return of each asset class. The expected return on equities is the sum of dividend growth and capital growth net of investment expenses. The return on gilts and bonds is the current market yield on long-term bonds. The expected return on property has been set equal to that expected on equities less a margin. The expected return on other assets is the rate earned by the scheme on cash and alternate assets.

The sensitivity of defined benefit obligations to changes in principal actuarial assumptions is shown in Note 2.

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	2014 Group scheme £m	2014 Other schemes £m	2014 Total £m	2013[1] Group scheme £m	2013[1] Other schemes £m	2013[1] Total £m
Current service cost	**(3.6)**	**(0.4)**	**(4.0)**	(3.8)	(0.3)	(4.1)
Total administration expense	**(0.4)**	**–**	**(0.4)**	(0.5)	–	(0.5)
Past service cost	**10.5**	**–**	**10.5**	–	–	–
Amounts recognised in operating profit	**6.5**	**(0.4)**	**6.1**	(4.3)	(0.3)	(4.6)
Net interest cost	**(1.3)**	**(0.1)**	**(1.4)**	(0.8)	–	(0.8)
Amounts recognised in profit before tax	**5.2**	**(0.5)**	**4.7**	(5.1)	(0.3)	(5.4)

Note:
1 Restated following amendments to IAS 19, as described in Note 1.

Notes to the consolidated financial statements

For the year ended 31 March 2014

35 Retirement benefit schemes

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

	2014			2013[1]		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Actuarial gains/(losses) due to changes in financial assumptions	–	0.2	0.2	(17.4)	(0.8)	(18.2)
Actuarial gains/(losses) due to changes in demographic assumptions	0.9	–	0.9	–	–	–
Actuarial gains/(losses) due to liability experience	(0.1)	0.3	0.2	0.1	–	0.1
Return on scheme assets, excluding interest income	3.5	(0.3)	3.2	6.3	0.6	6.9
Contract transfers	–	(2.1)	(2.1)	–	–	–
	4.3	(1.9)	2.4	(11.0)	(0.2)	(11.2)

Note:
1 Restated following amendments to IAS 19, as described in Note 1.

The cumulative amount of actuarial loss recognised since 1 April 2004 in the consolidated statement of comprehensive income is £52.3m (2013: £54.7m).

The amounts included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit schemes are as follows:

	2014			2013		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	143.8	16.2	160.0	134.0	7.9	141.9
Present value of defined benefit obligations	(160.8)	(18.3)	(179.1)	(163.7)	(8.1)	(171.8)
(Deficit)/surplus in scheme	(17.0)	(2.1)	(19.1)	(29.7)	(0.2)	(29.9)
Contract adjustment	–	–	–	–	–	–
Net pension liability	(17.0)	(2.1)	(19.1)	(29.7)	(0.2)	(29.9)

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

	2014			2013		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
At 1 April	163.7	8.1	171.8	137.9	10.6	148.5
Current service cost	3.6	0.4	4.0	3.8	0.3	4.1
Interest cost	7.4	0.5	7.9	6.8	0.3	7.1
Contributions from scheme members	0.2	0.1	0.3	1.0	0.1	1.1
Actuarial (gains)/losses on liabilities arising from demographic assumptions	(0.9)	–	(0.9)	–	–	–
Actuarial (gains)/losses on liabilities arising from changes in financial assumptions	–	(0.2)	(0.2)	17.4	0.8	18.2
Actuarial (gains)/losses liabilities arising from experience	0.1	(0.3)	(0.2)	(0.1)	–	(0.1)
Benefits paid	(2.8)	(0.2)	(3.0)	(3.1)	(0.1)	(3.2)
Past service cost	(10.5)	–	(10.5)			
Contract transfers	–	9.9	9.9	–	(3.9)	(3.9)
At 31 March	160.8	18.3	179.1	163.7	8.1	171.8

35 Retirement benefit schemes

The defined benefit obligation of the group scheme is analysed by participant status below:

	2014 £m	2013 £m
Active	**69.1**	77.8
Deferred	**49.9**	48.6
Pensioners	**41.8**	37.3
At 31 March	**160.8**	163.7

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

	2014			2013		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
At 1 April	**134.0**	**7.9**	**141.9**	120.7	10.7	131.4
Interest income	**6.0**	**0.5**	**6.5**	6.0	0.3	6.3
Actuarial gains and losses	**3.5**	**(0.3)**	**3.2**	6.3	0.5	6.8
Contributions from the sponsoring companies	**3.2**	**0.4**	**3.6**	3.6	0.5	4.1
Contributions from scheme members	**0.2**	**0.1**	**0.3**	1.0	0.1	1.1
Expenses paid	**(0.4)**	**–**	**(0.4)**	(0.5)	–	(0.5)
Benefits paid	**(2.7)**	**(0.2)**	**(2.9)**	(3.1)	(0.1)	(3.2)
Contract transfers	**–**	**7.8**	**7.8**	–	(4.1)	(4.1)
At 31 March	**143.8**	**16.2**	**160.0**	134.0	7.9	141.9

The analysis of the scheme assets at the balance sheet date was as follows:

	2014			2013		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Equity instruments	**55.7**	**9.9**	**65.6**	59.1	5.2	64.3
Debt instruments	**31.8**	**4.8**	**36.6**	31.3	1.9	33.2
Property	**16.2**	**0.7**	**16.9**	16.1	0.5	16.6
Other assets	**3.2**	**0.8**	**4.0**	0.8	0.3	1.1
Alternative assets	**36.9**	**–**	**36.9**	26.7	–	26.7
At 31 March	**143.8**	**16.2**	**160.0**	134.0	7.9	141.9

The pension schemes have invested in property occupied by the group with a fair value of £2.5m (2013: £2.5m) generating rental of £0.3m (2013: £0.3m). At 31 March 2014 the pension schemes held no Mitie Group plc shares (2013: nil). The pension schemes have not invested in any other assets used by the group. Transactions between the group and the pension schemes are conducted at arm's length.

Notes to the consolidated financial statements

For the year ended 31 March 2014

35 Retirement benefit schemes

The history of experience adjustments is as follows:

					Group scheme
	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Fair value of scheme assets	**143.8**	134.0	120.7	114.5	101.4
Present value of defined benefit obligations	**(160.8)**	(163.7)	(137.9)	(117.5)	(108.2)
Deficit in the scheme	**(17.0)**	(29.7)	(17.2)	(3.0)	(6.8)
Experience adjustments on scheme liabilities	**0.1**	0.1	(5.3)	(0.5)	(0.1)
Percentage of scheme liabilities	**(0.1)%**	(0.1)%	3.9%	0.4%	0.1%
Experience adjustments on scheme assets	**3.6**	3.9	(4.3)	(0.7)	14.5
Percentage of scheme assets	**2.5%**	2.9%	(3.6)%	(0.6)%	14.3%

					Other schemes
	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Fair value of scheme assets	**16.2**	7.9	10.7	9.8	61.5
Present value of defined benefit obligations	**(18.3)**	(8.1)	(10.8)	(9.8)	(65.2)
Deficit in the scheme	**(2.1)**	(0.2)	(0.1)	–	(3.7)
Experience adjustments on scheme liabilities	**0.3**	0.2	0.2	0.9	(0.7)
Percentage of scheme liabilities	**(1.8)%**	(2.8)%	(2.0)%	(9.2)%	1.0%
Experience adjustments on scheme assets	**(0.3)**	0.5	0.2	(1.3)	11.7
Percentage of scheme assets	**(1.9)%**	6.1%	1.6%	(13.3)%	19.0%

The estimated contributions expected to be paid to the group scheme during the current financial year are £2.8m (2013: £3.4m) and to other schemes £0.4m (2013: £0.4m).

As at 31 March 2014, contributions of £0.3m (2013: £0.3m) due in respect of the current reporting period had not been paid over to the schemes.

36 Related party transactions

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

During the year, the group derived £10.5m (2013: £16.1m) of revenue from contracts with joint ventures and associated undertakings. At 31 March 2014 £7.5m (2013: £2.1m) was outstanding (excluding the loans to joint ventures and associates included in Note 17).

No material contract or arrangement has been entered into during the year, nor existed at the end of the year, in which a Director had a material interest.

The group's key management personnel are the Directors and Non-Executive Directors whose remuneration is disclosed in the audited section of the Directors' remuneration report. The share-based payment charge for key management personnel was £1.5m (2013: £1.1m).

37 Principal subsidiaries

The companies set out below are those which were part of the group at 31 March 2014 and in the opinion of the Directors significantly affected the group's results and net assets during the year. Principal subsidiaries are incorporated in the United Kingdom and are held directly or indirectly by Mitie Group plc.

Division	Activities	Principal subsidiaries	At 31 March 2014 % Voting rights owned	At 31 March 2014 % Ownership interest	At 31 March 2014 % Nominal value owned
Facilities Management	Our Facilities Management division delivers facilities consultancy, management and service delivery to our clients. Services include: security, business services, managed services, catering, client services, PFI, cleaning, landscaping, pest control, as well as the facilities management led by technology, engineering and energy requirements.	Mitie Facilities Services Ltd	**100%**	**100%**	**100%**
		Mitie Cleaning & Environmental Services Ltd	**100%**	**100%**	**100%**
		Mitie Security Holdings Ltd	**100%**	**100%**	**100%**
		Mitie Technical Facilities Management Ltd	**90.3%**	**90.3%**	**99.85%**
Property Management	Our Property Management division offers an integrated property management service, including mechanical and electrical engineering, energy and more general facilities management services in addition to the traditional services such as maintenance, refurbishment, painting, roofing, interior fit-out, fire protection, plumbing and heating.	Mitie Property Services (UK) Ltd	**100%**	**100%**	**100%**
		Mitie Built Environment Ltd	**100%**	**100%**	**100%**
Energy Solutions	Our Energy Solutions division provides the integration, management and maintenance of technical assets to meet the challenges of the low-carbon economy including: energy design, generation and certification, infrastructure projects, building services and mechanical and electrical engineering.	Utilyx Ltd	**100%**	**100%**	**100%**
		Utilyx Asset Management Ltd (formerly Mitie Asset Management Ltd)	**100%**	**100%**	**100%**
		Mitie Infrastructure Ltd	**100%**	**100%**	**100%**
Healthcare	Our Healthcare division provides high quality homecare in the UK, delivering a wide range of services to people who require help and support due to illness, disability or infirmity. The business cares for people via local authority, NHS and private pay agreements.	MiHomecare Ltd (formerly Enara Ltd)	**100%**	**100%**	**100%**

The companies listed above represent the principal subsidiary companies of the group. A full list of subsidiary companies will be annexed to the next Annual Return.

Company balance sheet

At 31 March 2014

	Notes	2014 £m	2013 £m
Fixed assets			
Tangible assets	41	–	0.1
Investments in subsidiary undertakings	42	739.5	714.8
Total fixed assets		739.5	714.9
Current assets			
Debtors	43	14.7	28.6
Total current assets		14.7	28.6
Total assets		754.2	743.5
Creditors: amounts falling due within one year	45	(276.9)	(255.0)
Provisions	46	(1.2)	(1.4)
Total current liabilities		(278.1)	(256.4)
Net current liabilities		(263.4)	(227.8)
Total assets less current liabilities		476.1	487.1
Creditors: amounts falling due after more than one year		–	–
Provisions	46	–	–
Total non-current liabilities		–	–
Total liabilities		(278.1)	(256.4)
Net assets		476.1	487.1
Capital and reserves			
Share capital	47	9.3	9.3
Share premium account	48	118.9	108.0
Merger reserve	48	101.2	97.6
Share-based payments reserve	48	12.6	10.0
Own shares reserve	48	(37.2)	(20.3)
Other reserves	48	0.5	0.4
Profit and loss account	48	270.8	282.1
Equity shareholders' funds		476.1	487.1

The financial statements of Mitie Group plc, company registration number SC 19230, were approved by the Board of Directors and authorised for issue on 19 May 2014. They were signed on its behalf by:

Ruby McGregor-Smith CBE
Chief Executive

Suzanne Baxter
Group Finance Director

Notes to the Company financial statements

For the year ended 31 March 2014

38 Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by company law. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

As more fully detailed in the Directors' report, the Company's financial statements have been prepared on a going concern basis.

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Investments

Fixed asset investments in subsidiaries are shown at cost less any provision for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged so as to write off the cost of the assets over their estimated useful lives and is calculated on a straight-line basis as follows:

Software and development costs	5–10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of tangible fixed assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to the profit and loss account, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the Company financial statements

For the year ended 31 March 2014

38 Significant accounting policies

Financial instruments
Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account where there is objective evidence that the asset is impaired.

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables are measured at amortised cost.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Share-based payments
The group operates a number of executive and employee share option schemes. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. For all grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes or Monte Carlo models and the corresponding expense is recognised on a straight-line basis over the vesting period based on the group's estimate of shares that will eventually vest. At each balance sheet date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

Options over the Company's shares awarded to employees of the Company's subsidiaries are accounted for as a capital contribution within the carrying value of investments in subsidiary undertakings.

Pensions
Pension costs represent amounts paid to one of the group's pension schemes. For the purposes of FRS 17 'Retirement Benefits' the Company has been unable to identify its share of the underlying assets and liabilities of the group defined benefit pension scheme on a consistent and reasonable basis. Therefore the Company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 35 to the consolidated financial statements sets out the details of the IAS 19 'Employee Benefits' net pension liability of £17.0m (2013: £29.7m).

39 Profit for the year

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. Mitie Group plc reported a profit after taxation for the financial year ended 31 March 2014 of £34.9m (2013: £44.7m).

The auditor's remuneration for audit services to the Company was £33,000 (2013: £33,000).

Detailed disclosures of Directors' remuneration and share options are given in the audited section of the Directors' remuneration report contained in the consolidated financial statements.

40 Dividends

	2014 £m	2013 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2013 of 5.7p (2012: 5.2p) per share	20.5	18.3
Interim dividend for the year ended 31 March 2014 of 4.9p (2013: 4.6p) per share	17.6	16.6
	38.1	34.9
Proposed final dividend for the year ended 31 March 2014 of 6.1p (2013: 5.7p) per share	21.9	20.6

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

41 Tangible fixed assets

	Software and development costs £m	Total £m
Cost		
At 1 April 2013	0.1	0.1
Additions	–	–
Disposals	(0.1)	(0.1)
At 31 March 2014	–	–
Accumulated depreciation		
At 1 April 2013	–	–
Charge for the year	–	–
Disposals	–	–
At 31 March 2014	–	–
Net book value		
At 31 March 2014	–	–
At 31 March 2013	0.1	0.1

42 Investments in subsidiary undertakings

	£m
Shares at cost	
At 1 April 2013	726.5
Additions	22.5
Capital contribution re share-based payments	2.6
Disposals	(7.8)
At 31 March 2014	**743.8**
Provision for impairment	
At 1 April 2013	11.7
Impairment	–
Disposals	(7.4)
At 31 March 2014	**4.3**
Net book value	
At 31 March 2014	**739.5**
At 31 March 2013	714.8

Details of the acquisitions in the year are provided in Note 31 of the consolidated financial statements and a listing of principal subsidiaries in Note 37. The cumulative cost of non-compete agreements included in investments is £4.6m (2013: £4.6m).

Disposals in the period relate to the voluntary strike-off of dormant subsidiaries within the group.

Notes to the Company financial statements

For the year ended 31 March 2014

43 Debtors

	2014 £m	2013 £m
Amounts owed by subsidiary undertakings	11.3	24.2
Other debtors	–	0.4
Prepayments and accrued income	3.1	3.8
Deferred tax asset (Note 44)	0.3	0.2
	14.7	28.6

The Directors consider that the carrying amount of debtors approximates their fair value.

44 Deferred tax

	£m
Deferred tax asset at 1 April 2013 (Note 43)	0.2
Charge to the profit and loss account	0.1
Deferred tax asset at 31 March 2014	0.3

The closing balance is analysed as follows:

	£m
Depreciation in excess of capital allowances	–
Short-term timing differences	–
Share-based payment timing differences	0.3
Deferred tax asset	0.3

45 Creditors: amounts falling due within one year

	2014 £m	2013 £m
Overdraft	98.1	80.2
Trade creditors	1.2	1.2
Amounts owed to subsidiary undertakings	148.0	157.5
Other taxes and social security	15.1	0.4
Accruals and deferred income	11.9	9.5
Corporation tax	2.6	6.2
	276.9	255.0

The Directors consider that the carrying amount of creditors approximates their fair value.

The Company's bank overdrafts are part of the group's banking arrangements and are offset against credit balances within the group. The Company has adequate liquidity to discharge all current obligations.

For details of group borrowings, see Note 24.

46 Provisions

	Deferred contingent consideration £m	Total £m
At 1 April 2013	1.4	1.4
Other movements in the year	(0.2)	(0.2)
At 31 March 2014	1.2	1.2
Falling due within one year	1.2	1.2
	1.2	1.2

The deferred contingent consideration relates to the purchase of non-controlling interests.

47 Share capital

Ordinary shares of 2.5p	Number million	£m
Allotted and fully paid		
At 1 April 2013	370.1	9.3
Issued for acquisitions	2.3	–
Share buybacks	(2.9)	(0.1)
Issued under share option schemes	4.0	0.1
At 31 March 2014	373.5	9.3
At 1 April 2012	361.9	9.0
Issued for acquisitions	4.5	0.2
Issued under share option schemes	3.7	0.1
At 31 March 2013	370.1	9.3

Details of movements in share capital during the year are provided in Note 29 of the consolidated financial statements.

Notes to the Company financial statements

For the year ended 31 March 2014

48 Reserves

	Share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At beginning of year	9.3	108.0	97.6	10.0	(20.3)	0.4	282.1	487.1
Shares issued	0.1	10.9	3.6	–	–	–	–	14.6
Purchase of own shares	–	–	–	–	(19.8)	–	–	(19.8)
Share-based payments	–	–	–	2.6	2.9	–	(0.7)	4.8
Profit for the year	–	–	–	–	–	–	34.9	34.9
Share buybacks	(0.1)	–	–	–	–	0.1	(7.4)	(7.4)
Dividends paid to shareholders	–	–	–	–	–	–	(38.1)	(38.1)
Balance at 31 March 2014	9.3	118.9	101.2	12.6	(37.2)	0.5	270.8	476.1

49 Contingent liabilities

Details of contingent liabilities have been given in Note 32 of the consolidated financial statements.

50 Share-based payments

Equity-settled share option schemes
The Company has six share option schemes as described in Note 34 of the consolidated financial statements.

The Company recognised the following expenses related to share-based payments:

	2014 £m	2013 £m
Discretionary schemes	2.4	1.6
Non-discretionary schemes	–	–
	2.4	1.6

The fair value of options is measured by use of the Black-Scholes and Monte Carlo models. The inputs into the Black-Scholes and Monte Carlo models are as described in Note 34 of the consolidated financial statements.

51 Related parties

The Company makes management charges to all of its subsidiaries, whether they are wholly-owned or otherwise, and receives dividends from its subsidiaries, according to their ability to remit them. Other details of related party transactions have been given in Note 36 of the consolidated financial statements.

Shareholder information

Results

2015 Interim management statement	11 August 2014
2015 Half-yearly results	17 November 2014

Dividends

2014 Half-yearly dividend 4.9p paid	3 February 2014
2014 Final dividend 6.1p (proposed)	–
2014 Final ex-dividend date	25 June 2014
2014 Final dividend record date	27 June 2014
2014 Final dividend payment date	6 August 2014
2014 Final dividend last date for receipt/ revocation of DRIP mandate	12 July 2014

2014 Annual General Meeting

2014 Annual General Meeting	9 July 2014

Company details

Mitie Group plc
1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol
BS16 7FN

Telephone: 0117 970 8800
Fax: 0117 301 4159
Email: group@mitie.com
Website: www.mitie.com

Registered number: SC 19230

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone: 0871 664 0300*
Website: www.mitie-shares.com

* calls cost 10p a minute plus network extras, lines are open 9.00am – 5.30pm Mon – Fri

Designed and produced by Radley Yeldar | www.ry.com
Photography by Ed Robinson.
Printed by Park Communications on FSC® certified paper.

Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on Olin, a paper containing 100% virgin fibre sourced from well – managed, responsible, FSC® certified forests. Some pulp used in this product is bleached using an elemental chlorine free (ECF) process and some using a totally chlorine free (TCF) process.

FSC www.fsc.org MIX Paper from responsible sources FSC® C001785

Dividend reinvestment plan (DRIP)

Mitie has set up a dividend reinvestment plan (DRIP) to enable you to build your shareholding by using your cash dividends under a standing election to buy additional shares in Mitie. If you would like to receive further information, including details of how to apply, please call Capita Asset Services on 020 8639 3402 or contact them by sending an email to: shares@capita.co.uk.

Mitie online share portal

Mitie has launched a shareholder portal where shareholders can register and can:

- access information on shareholdings and movements;
- update address details;
- view dividend payments received and register bank mandate instructions;
- sell Mitie shares;
- complete an online proxy voting form; and
- register for e-communications allowing Mitie to notify shareholders by email that certain documents are available to view on its website. This will further reduce Mitie's carbon footprint as well as reduce costs.

If you wish to register, please sign up at **www.mitie-shares.com**.

Corporate website

This report can be downloaded in PDF format from the Mitie website, which also contains additional general information about Mitie. Please visit **www.mitie.com**.

Mitie Group plc

1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol BS16 7FN
United Kingdom

T: +44 (0) 117 970 8800
F: +44 (0) 117 301 4159
E: group@mitie.com