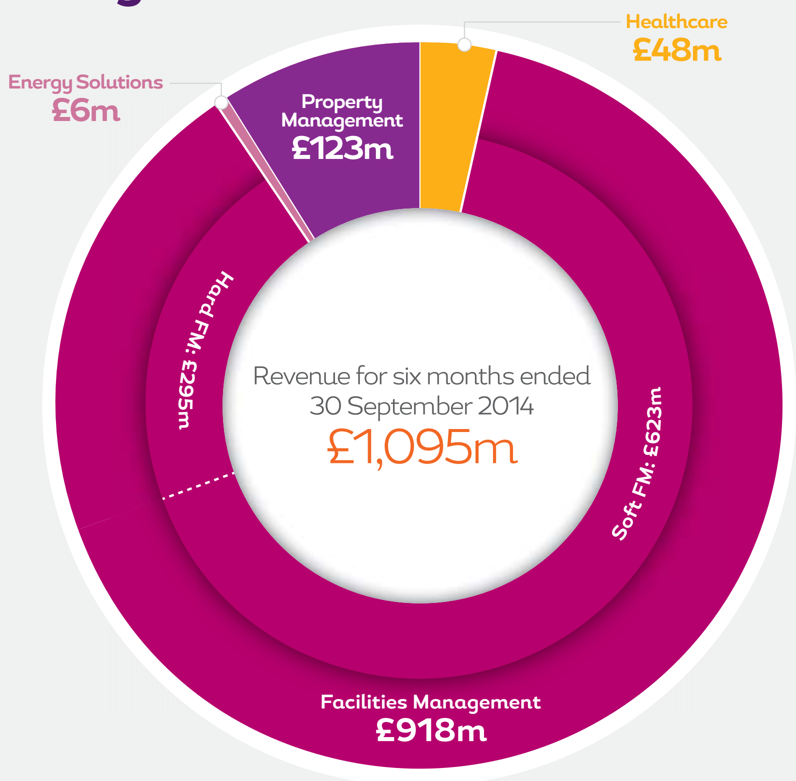
Mitie Group plc

Half-yearly financial report for the six months to 30 September 2014

We are Mitie...

The Mitie business

The shape of our business today



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.

mitie

Integrated FM

Energy Solutions

Property Management
Social housing maintenance and painting

Hard FM
Technical and building services

Soft FM
Security, cleaning, landscaping, pest control and waste, catering and front of house

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.

MiHomecare

Complete Group

Contents

Chief Executive's update

Strong performance in our core business

Mitie has delivered a strong headline performance during the first half of the year. Revenue and earnings for the period have increased and organic growth remains strong, driven by our facilities management (FM) business.

For the six months to 30 September 2014, headline revenue grew by 4.8% to £1,095.0m (2013: £1,044.6m). Of this amount, 3.9% was organic growth, with excellent organic growth of 6.3% in our core FM business.

Our headline operating profit increased by 3.0% to £64.2m (2013: £62.3m) and the operating profit margin was 5.9% (2013: 6.0%). Statutory cash conversion remains strong at 128.6% on a rolling 12-month basis (2013: 116.3%) and headline cash conversion was 80.3% (2013: 106.7%), above our target KPI of 80%. Headline basic earnings per share increased by 5.1% to 12.4p (2013: 11.8p) and the dividend has increased by 6.1% to 5.2p per share (2013: 4.9p per share).

Our statutory results include £58.3m of other items, which include exceptional costs incurred in the exit from our mechanical and electrical engineering construction and Asset Management businesses. Of this, £6.9m is related to our engineering construction business and £45.7m is related to Asset Management. Beyond this financial year we expect no further exceptional charges from either of these businesses.

Our order book remains strong at £8.5bn (March 2014: £8.7bn) and our sales pipeline has grown by 20% during the period to £9.8bn (March 2014: £8.2bn). At 30 September 2014, 98% of budgeted revenues for this financial year had already been secured (prior year: 99%), and 72% of our budgeted revenues for the financial year ending 31 March 2016 have been secured (prior year: 74%).

Performance has again been driven predominantly by the private sector, where we provide services to a wide range of companies in sectors including finance and professional services, manufacturing and leisure. The public sector where we work with clients in the healthcare, justice, local government and social housing sectors offers excellent long-term opportunities. During the first six months of the year, the public sector accounted for 36% of revenue, including 6% from central government, with the private sector generating the remaining 64%.

Divisional overview

Facilities Management (FM)

Soft FM

	2014 Headline	2013 Headline	Growth
Revenue	**£622.7m**	£589.3m	5.7%
Operating profit	**£40.3m**	£38.5m	4.7%
Operating profit margin	**6.5%**	6.5%	–

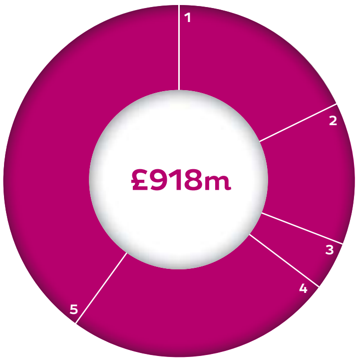
Hard FM

	2014 Headline	2013 Headline	Growth
Revenue	**£295.3m**	£273.7m	7.9%
Operating profit	**£14.1m**	£13.8m	2.2%
Operating profit margin	**4.8%**	5.0%	(0.2)ppts

Our FM business is made up of a Soft FM and a Hard FM division. 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 the full range of hard and soft FM services.

Chief Executive's update

FM revenue split:



		2014 £m	2013 £m
1	Cleaning and environmental services	**164**	155
2	Security	**121**	125
3	Catering and front of house	**40**	38
4	Technical and building services	**228**	197
5	Integrated FM	**365**	348

Our core FM business is performing particularly well, delivering strong organic growth, securing a number of excellent new contracts and extending other key relationships during the period. Our objective is to be the UK market leader in FM and for the second year running we were delighted to be rated as the top overall service provider in the FM industry in the 2014 i-FM brand survey. We provide world-leading services to clients in both the public and private sectors, based on unbeatable expertise and outstanding value. In the private sector we are focused on a number of key sectors, which include: finance and professional services; manufacturing; retail; technology and communications; and transport and logistics. In the public sector we are focused on: central and other government; local government; social housing; and healthcare.

We were awarded a significant amount of new work in the first half of the year with established clients, resulting in the FM business achieving organic revenue growth of 6.3%. The hard, or technical FM division is experiencing good conditions and we anticipate additional project work as the year continues.

In the telecommunications sector, we extended our integrated FM contract with Vodafone for a further five years, a highlight of the year to date. Through a contract valued at £250m, we have been re-appointed to deliver services including fabric and engineering maintenance, workplace management, security and cleaning across 2,000 Vodafone sites. Further important new work in this sector includes a new, three-year contract to provide a full range of FM services at BBC Worldwide's new offices in Television Centre, White City, London, when they open in 2015.

In the transport sector, Heathrow Airport is another example of how a thriving client relationship can deliver additional revenues. We have been awarded new work, valued at around £40m over three years, which includes an extension to our existing airside and landside contract, as well as hold baggage screening and other services. Our Environmental+ business has also been awarded a new £20m, five-year contract to clean buses.

In the healthcare sector, we were delighted to be awarded a new contract with the Royal Cornwall Hospitals NHS Trust, valued at £90m over seven years, with a possible three-year extension, to deliver soft FM services. Mobilisation of the contract, which includes cleaning, portering, catering, post room services and security, commenced on 1 October 2014.

In the retail and consumer goods sector, our fast-growing waste management business was awarded and has commenced a new contract with a major multinational consumer goods company, valued at £18m over three years, delivering waste management services at 22 UK sites, 13 of which are production sites.

The justice sector is a key market specialism for Mitie and one where we continue to expand our presence. Our landmark £180m contract with the Home Office to manage and maintain two immigration removal centres near Heathrow was successfully mobilised in September 2014. Just three years after entering the market, we are now the largest provider of immigration detention services to the Home Office and continue to build on this partnership.

Property Management

	2014 Headline	2013 Headline	Growth
Revenue	**£123.3m**	£123.4m	(0.1)%
Operating profit	**£5.5m**	£7.3m	(24.7)%
Operating profit margin	**4.5%**	5.9%	(1.4)ppts

We have a good track record of providing property management services to housing associations and local authorities on long-term contracts. Activity levels in the first half have been broadly similar to the same period last year, however headline operating profit was £1.8m or 24.7% lower than in the prior year, predominantly as a consequence of investments we have made in technology, bidding and contract management, which are expected to yield benefits over the medium term. We expect growth in the second half of the financial year as a result of planned project works commencing and new contracts being mobilised. Our flagship contracts with the London Borough of Hammersmith & Fulham, Orbit Housing and Lewisham Homes will provide increased volumes in the coming months as we undertake capital works and property management projects.

Since the start of the financial year we have secured a range of new contracts, including one managing the 'Better Homes' programme for the Royal Borough of Kingston upon Thames, which aims to lift all Council-owned housing to a higher standard. The contract is valued at £7m for the first year, with a potential one-year extension worth a further £8m. Additionally, we have secured a two-year, planned maintenance contract with A2Dominion with a value of £32m, refurbishing its properties in London and the South.

The division is heavily involved in the domestic heating market and we see opportunities to supply boiler replacements, insulation and other projects for a varied list of housing providers.

Energy Solutions

	2014 Headline	2013 Headline	Growth
Revenue	**£5.5m**	£13.3m	(58.6)%
Operating loss	**£(0.2)m**	£(2.9)m	n/a
Operating loss margin	**(3.6)%**	(21.8)%	n/a

Our Energy Solutions divisional results are made up of our energy consulting business Utilyx, and residual overhead costs relating to Asset Management.

During the period, Utilyx's standalone revenue decreased by £1.0m to £4.7m, and headline operating profit decreased by £1.8m to £0.5m.

As one of the largest buyers of business energy in the UK, Utilyx secures more than £4bn of energy contracts a year, or 7.5% of the total spend of the industrial and commercial sector. As the cost and volatility of energy are forecast to continue rising over the long-term, the business is seeing growing demand from clients for services to also help them use energy more efficiently and to minimise carbon emissions.

Many organisations which initially began working with Utilyx on procurement now see the company as their energy partner of choice for services ranging from evaluation of energy efficiency measures through to negotiation of long-term Power Purchase Agreements.

Utilyx helps to differentiate our integrated FM proposition in the marketplace. The growing number of contracts which Utilyx and Mitie are jointly working on is highlighting the complementary skills and expertise now available to clients.

During the period Utilyx has continued to strengthen client relationships with major blue-chip customers including Lloyds Banking Group and David Lloyd Leisure. It has also made significant inroads into the public sector, working on contracts for clients including Essex County Council and Southampton City Council.

Utilyx was recently named Most Trusted Consultancy and also Large Consultancy of the Year at the Energy Live Consultancy Awards.

Healthcare

	2014 Headline	2013 Headline	Growth
Revenue	**£48.2m**	£44.9m	7.3%
Operating profit	**£4.5m**	£5.6m	(19.6)%
Operating profit margin	**9.3%**	12.5%	(3.2)ppts

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. The £17bn homecare market will provide the opportunity for strong growth in the long term due to demographic changes and the trend towards the integration of health and social care provision. However, it is currently a very fragmented market, which will take time to change.

It was a challenging first half of the year and the market has been more difficult than we expected. Despite a 7.3% increase in headline revenue over the period due to the contribution of Complete Group, headline operating profit was lower in the division by £1.1m or 19.6%. The results were affected by the closure of a number of poor performing branches and continuing to invest in operational systems and management. We also increased investment in a commercial team to exploit opportunities working in partnership with the NHS, which has resulted in our first major contract success in Cambridgeshire and Peterborough.

The primary challenge in this business, in common with our peers, is to recruit and retain sufficient levels of care workers to be able to mobilise new contracts and maximise revenues from our existing contracts. We continue to invest in training and development to ensure that the service we deliver reflects both our reputation and our ambitions. Our goal is to help people live happier and more independent lives and a pipeline of well-trained, committed staff is absolutely key to our future success.

We expect to see growth in this business in the medium to long term, and see two main areas for growth in this market. The first is directly through our MiHomecare business which has had a successful six months securing a number of new contracts including with Surrey County Council (£19m over seven years), East Sussex County Council (£15m over five years), the London Borough of Hillingdon (£16m over five years) and with the London Borough of Brent (£4m over four years). We are seeing a trend towards larger, longer term contracts with fewer suppliers working in partnership with clients to achieve their desired outcomes. The integration of Complete Group, which takes our healthcare business higher up the acuity chain, is proceeding as planned, with performance in line with expectations.

The second area of growth is working in strategic partnership with NHS organisations to combine the best of the public and private sectors to improve the delivery of public services. Over the past 15 months we have been supporting UnitingCare Partnership which has been appointed preferred bidder for the five-year £800m contract to provide older people's healthcare and adult community services in Cambridgeshire and Peterborough. UnitingCare is a partnership between Cambridge University Hospitals NHS Trust and Cambridge and Peterborough NHS Foundation Trust. We have been advising the partnership on a wide range of services including homecare, rostering, scheduling, administration, facilities management and other support services.

Acquisitions

Organic growth continues to be our primary focus, but we are also alert to opportunities to acquire businesses that add value, improve our customer proposition and help us to deliver on our long-term strategy.

On 16 October 2014, we acquired Procius Limited ('Procius') from the management team. Procius specialises in pre-employment screening and vetting, and has particular expertise in the aviation and transportation sectors. This acquisition will provide our Total Security Management business with additional niche capability and support its growth as one of the UK's largest providers of pre-employment screening, competency management and criminal records checking services. The combined business has over 3,000 customers across all sectors. Consideration of up to £2.3m is payable subject to any adjustment for final completion accounts.

Chief Executive's update

Non-core businesses

As we have outlined previously and as part of our strategy to deliver sustainable, profitable growth, our focus is on higher margin, growth markets. To this end, two years ago we announced that we would be reducing our exposure to cyclical, high-risk markets, with the anticipation that this would take two to three years.

The exit from our mechanical and electrical engineering construction business will be fully completed in this financial year. During the period, the revenue was £3.8m (2013: £41.2m) and the operating loss was £6.9m (2013: £4.3m), of which £2.3m represents cash costs. We expect the operating loss for the full financial year to be in the range of £11m to £15m. No further costs will be incurred beyond this financial year.

Within our Asset Management business, which became part of our Energy Solutions division, we have ceased to do any bidding or new work designing and building energy centres. We previously announced that there were a small number of material energy contracts where the operational performance and financial returns were highly uncertain. As a result of significant deterioration in the forecast performance of three remaining contracts, together with the exit from one other contract, a charge of £45.7m, £38.5m post tax (2013: £nil) is included in other items, of which £0.8m represents cash costs incurred during the period. We have assessed all potential risk within this business, and this charge covers all balance sheet exposures, as well as all material expected future costs.

Of this charge, £29.0m relates to the largest remaining design and build contract within Asset Management. Mitie has a non-controlling interest in an entity that is responsible for delivering a waste to energy plant, which Asset Management is contracted to construct. At the year ended 31 March 2014, we disclosed a contingent liability with a maximum value of £20.6m in respect of guarantees provided on this project. We have reassessed our exposure and accrued in full for the potential liability under the guarantee arrangement of £19.4m, together with other charges of £9.6m relating to the expected residual financial exposure to the project.

On another of these contracts with a healthcare authority, we have taken the decision by mutual agreement with the client, to cancel the contract completely, which has crystallised a loss.

We are very disappointed with this outcome and absolutely acknowledge that the level of operational and financial risk on these projects far exceeded our initial evaluations. Beyond the amounts referred to above, we expect no further exceptional charges from either of these businesses in this financial year or beyond.

Code of conduct

Our people are the single factor that makes Mitie such a compelling partner for organisations looking to improve performance and reduce costs. Passionate and skilled, our people are also determined to 'do the right thing' at all times, and during the first half of the year we produced a new code of conduct to support them. The Code promotes our core values and the responsible behaviours that underpin them.
It provides guidance and support for our people when undertaking their work and draws together all of our longstanding policies and procedures from all business areas into one simple and practical guide. Every Mitie person has access to the Code and is encouraged to understand the importance of following its principles at all times.

Board changes

From 31 July 2014, Bill Robson stepped down as an Executive Director of the Board. On behalf of the Board and our shareholders, I thank him for his contribution and am delighted that he remains as part of the executive team, in his role as Managing Director of our Property Management division.

On 1 October 2014, Crawford Gillies stepped down from his role as Chairman of the Remuneration Committee, however he will remain as a Non-Executive Director of the Board. Jack Boyer, Non-Executive Director, has now taken on the role of Chairman of the Remuneration Committee.

Financial performance

Mitie has delivered a good underlying performance in the first six months of the year, with headline revenue growth of 4.8% to £1,095.0m (2013: £1,044.6m) and growth in headline operating profit of 3.0% to £64.2m (2013: £62.3m). Organic growth in headline revenue was 3.9%. The group's headline operating profit margin for the first half was 5.9% (2013: 6.0%).

Other items totalled £58.3m during the period. This comprised an operating loss of £6.9m (2013: £4.3m) in our mechanical and electrical engineering construction business; a charge of £45.7m, £38.5m post tax (2013: £nil) in relation to our Asset Management contract portfolio (see Note 3); acquisition costs of £0.2m (2013: £0.1m) resulting from the acquisition of Procius Limited on 16 October 2014; integration costs of £0.4m (2013: £2.5m) related to the prior year acquisition of Complete Group; and amortisation on acquisition related intangibles of £5.1m (2013: £5.6m).

Net finance costs for the first six months of the year are in line with prior year at £7.2m (2013: £7.0m) resulting in headline profit before tax for the period of £57.0m (2013: £55.3m). Statutory loss before tax of £1.3m (2013: profit of £42.8m) was a result of the other items noted above.

The effective rate of tax on headline profit for the period was in line with the UK corporation tax rate at 21.0% (2013: 23.0%).

Headline basic earnings per share (EPS) increased in the period by 5.1% to 12.4p per share (2013: 11.8p per share). Statutory basic EPS was negative 1.0p per share (2013: 8.8p per share).

We have maintained our focus on cash and converting profit to cash. The conversion of statutory EBITDA to operating cash was 128.6% (2013: 116.3%) on a rolling 12-month basis, above our stated long-term target of 80%. The conversion of headline EBITDA to operating cash was 80.3% (2013: 106.7%).

Net debt at the period end was £233.8m (2013: £221.8m) which on a headline basis was in line with prior year at 1.5x rolling 12-month EBITDA. It is usual to see an outflow of working capital in the first half of the year and in the six months to 30 September 2014 there was an outflow of £46.5m (2013: £41.0m). Working capital management remains a key area of focus for the group.

Financial results for the six months ended 30 September 2014

	2014 Headline[1] £m	Headline[1] period on period % change	2014 Statutory £m
Revenue	**1,095.0**	+4.8	1,098.8
Operating profit	**64.2**	+3.0	5.9
Profit before tax	**57.0**	+3.1	(1.3)
Operating profit margin	**5.9%**	(0.1)ppt	0.5%
Basic earnings per share	**12.4p**	+5.1	(1.0)p
Dividend per share	**5.2p**	+6.1	5.2p

- → Headline revenue growth of 4.8% of which 3.9% was organic
- → Headline operating profit up 3.0% (2.2% organic) and operating profit margin remains strong at 5.9%
- → Headline cash conversion of 80.3%[2] (2013: 106.7%) and statutory cash conversion of 128.6% (2013: 116.3%); above target KPI of 80%
- → Net debt at 30 September 2014 of £233.8m or 1.5x headline EBITDA[3] (2013: £221.8m, 1.5x headline EBITDA)
- → Strong growth of both headline basic EPS and dividend, up 5.1% and 6.1% respectively

1 Headline results exclude other items. Other items comprise exceptional charges in relation to design and build contracts in Energy Solutions of £45.7m (2013: £nil), acquisition related and integration costs of £0.6m (2013: £2.6m) and the amortisation of acquisition related intangible assets of £5.1m (2013: £5.6m). They also include the results of the mechanical and electrical engineering construction business, with revenue of £3.8m (2013: £41.2m) and a trading loss of £6.9m (2013: £4.3m loss).

2 Headline cash conversion, calculated on a rolling 12-month basis, excludes the cash effect of other items.

3 12-month rolling EBITDA

In July 2014, the group completed a refinancing of its revolving credit facility through a syndicate of six banks which secured £275m of committed facilities for a further five years at margins favourable to the previous facility. Including US Private Placement notes, the group now has committed funding of £527m in place to support our future growth opportunities.

The group operates both defined benefit and defined contribution pension schemes. The net deficit on our defined benefit obligations as at 30 September 2014 was £27.4m (March 2014: £19.1m) which increased predominantly as a result of decreasing bond rates. We are currently making good progress with the triennial valuation of our largest scheme, the Mitie Group plc Pension Scheme, which is expected to be concluded by 31 March 2015.

Dividend

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. The interim dividend declared by the Board of 5.2p per share (2013: 4.9p per share) represents an increase of 6.1% on the prior year. This is growing in line with underlying earnings and represents a cover of 2.4 times headline earnings per share.

During the first half, cash dividends of £21.9m were paid to shareholders (2013: £20.5m). The proposed interim dividend for the six months ended 30 September 2014 was approved by the Board on 17 November 2014 and will be paid on 2 February 2015 to shareholders on the register at close of business on 19 December 2014.

Key factors that could affect our business

Mitie's system of risk management and internal control is designed to support the group's strategic objective of delivering sustainable, profitable growth. The assessment and management of risk is undertaken by every business segment, which has a comprehensive risk register that feeds through to the group risk register reviewed by our Board. We analyse our risk profile into four categories: strategic; financial; operational; and regulatory. The principal risks and uncertainties have not changed significantly from those detailed on pages 32 and 33 of our 2014 Annual Report and Accounts.

Statement of Directors' responsibilities

The Directors of Mitie Group plc confirm that, to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair view of the information required by rules 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules. The names and functions of the Directors of Mitie Group plc are as listed in the group's 2014 Annual Report (available on the group's website: www.mitie.com), except as described above.

Outlook

We have delivered a strong performance in our facilities management business during the first half of the year, and we expect to gain further positive momentum through the rest of the year.

We have significantly de-risked our group by finalising the exit from our loss-making businesses. We are focused on investing in and maximising the long-term growth potential of our facilities management, property management and healthcare businesses.

Our order book and sales pipeline are substantial. We are in a good position to deliver growth and look ahead with confidence.

By order of the board

Ruby McGregor-Smith CBE
Chief Executive

Mitie Group plc
17 November 2014

New contracts update

Building client relationships

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

Finance and professional services — Private

Client	Timeframe	Total value
Bank of America Retained a contract to provide front of house services, which includes reception, switchboard, helpdesk and meeting and event bookings for the bank at four locations across the UK	3 years	ND
Major high street insurance company Appointed to provide hard FM services to the group's property portfolio	3 years	£6m

Retail — Private

Client	Timeframe	Total value
Multinational consumer goods company Appointed to deliver waste management services to 22 UK sites, including 13 production sites	3 years	£18m

Technology and communications — Private

Client	Timeframe	Total value
Vodafone Retained and extended an integrated FM contract to deliver services including fabric and engineering maintenance, workplace management, security and cleaning across 2,000 Vodafone sites	5 years	£250m
BBC Worldwide A new contract delivering the full range of FM services including maintenance and repairs, cleaning, catering, security and front of house services at BBC Worldwide's new offices in Television Centre, White City, London, when the offices open in 2015	3 years +3 years +3 years	ND

Transport and logistics — Private

Client	Timeframe	Total value
Heathrow Airport Expanded existing relationship to provide additional services including hold baggage screening and immigration presentation services	3 years	£40m
Bus company Awarded a new contract to clean buses at depots across the UK	5 years	£20m

Central government — Public

Client	Timeframe	Total value
Home Office Successfully mobilised our contract to manage and maintain Colnbrook and Harmondsworth detention centres	8 years +3 years	£180m (phase 1)

Education — Public

Client	Timeframe	Total value
Queen Mary University Awarded a contract to deliver hard services including maintenance and repairs, fire protection, water treatment and building audit services to 64 buildings over three campuses	5 years +2 years	£5m

Healthcare — Public

Client	Timeframe	Total value
Royal Cornwall Hospitals NHS Trust Awarded a first-generation outsourcing contract to deliver soft FM services across three sites	7 years	£90m
Marie Curie Cancer Care Awarded a contract with Marie Curie Cancer Care to provide cleaning, laundry and hostess services for their hospices in the West Midlands and Cardiff and the Vale	3 years	£1m

Homecare — Public

Client	Timeframe	Total value
Surrey County Council New contract to deliver homecare services to eight boroughs	7 years	£19m
London Borough of Hillingdon New contract to deliver homecare services for 300 service users	5 years +1 year +1 year	£16m
London Borough of Brent New contract to deliver homecare services	4 years	£4m
Hampshire County Council New contract to deliver homecare services	4 years	£4m
London Borough of Redbridge New contract to deliver homecare services, including reablement and complex care	4 years	£3m
London Borough of Hounslow New contract to deliver homecare services	3 years	£2m

ND = not disclosed

Public and private sector portfolio

Social housing

Public

Client	Timeframe	Total value
A2Dominion Extended our existing contract with the housing association to service two planned maintenance contracts covering their property portfolios in London and the South	2 years	£32m
Derwent Living Redecoration and repair project to carry out internal and external cyclical decoration, pre-decoration repairs, minor roofing repairs and small work	7 years	up to £5m
Newport City Homes A contract to carry out painting and repairs work to social housing in the borough	1 year	£1m
Gloucester City Homes Awarded a contract to provide external and internal pre-paint repairs and cyclical decorations to housing stock located across Gloucestershire	1 year	£1m
Unite Group Lifecycle painting and flooring contract to carry out internal painting and decorating work to over 30 student accommodation blocks across England	1 year	£1m

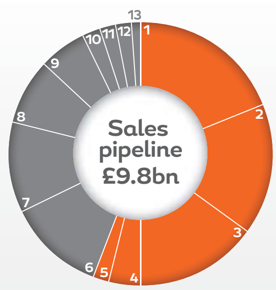
A strong and diverse portfolio

Public sector
£0.4bn 36%

1	Social housing	9%
2	Central and other government	8%
3	Local government	7%
4	Education	6%
5	Healthcare	6%

Private sector
£0.7bn 64%

6	Finance and professional services	17%
7	Retail	12%
8	Manufacturing	9%
9	Transport and logistics	7%
10	Technology and communications	6%
11	Leisure	5%
12	Property management	5%
13	Utilities	3%



Public sector
£5.5bn 56%

1	Central and other government	19%
2	Social housing	16%
3	Local government	15%
4	Healthcare	4%
5	Education	2%

Private sector
£4.3bn 44%

6	Finance and professional services	12%
7	Transport and logistics	11%
8	Property management	8%
9	Manufacturing	6%
10	Leisure	2%
11	Retail	2%
12	Utilities	2%
13	Technology and communications	1%

Independent review report to Mitie Group plc

For the six months ended 30 September 2014

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
17 November 2014

Condensed consolidated income statement

For the six months ended 30 September 2014

		30 September 2014 (unaudited)			30 September 2013 (unaudited)		
	Notes	Headline £m	Other items[1] £m	Total £m	Headline £m	Other items[1] £m	Total £m
Continuing operations							
Revenue	2	**1,095.0**	**3.8**	**1,098.8**	1,044.6	41.2	1,085.8
Cost of sales		**(930.7)**	**(8.2)**	**(938.9)**	(881.5)	(36.2)	(917.7)
Gross profit		**164.3**	**(4.4)**	**159.9**	163.1	5.0	168.1
Administrative expenses		**(100.5)**	**(53.9)**	**(154.4)**	(100.8)	(17.5)	(118.3)
Share of profit of joint ventures and associates		**0.4**	**–**	**0.4**	–	–	–
Operating profit	2	**64.2**	**(58.3)**	**5.9**	62.3	(12.5)	49.8
Investment revenue		**0.1**	**–**	**0.1**	0.7	–	0.7
Finance costs		**(7.3)**	**–**	**(7.3)**	(7.7)	–	(7.7)
Net finance costs		**(7.2)**	**–**	**(7.2)**	(7.0)	–	(7.0)
Profit/(loss) before tax	2	**57.0**	**(58.3)**	**(1.3)**	55.3	(12.5)	42.8
Tax	5	**(12.0)**	**10.0**	**(2.0)**	(12.7)	1.7	(11.0)
Profit/(loss) for the period		**45.0**	**(48.3)**	**(3.3)**	42.6	(10.8)	31.8
Attributable to:							
Equity holders of the parent		**44.6**	**(48.3)**	**(3.7)**	42.5	(10.8)	31.7
Non-controlling interests		**0.4**	**–**	**0.4**	0.1	–	0.1
		45.0	**(48.3)**	**(3.3)**	42.6	(10.8)	31.8
Earnings per share (EPS)							
– basic	6	**12.4p**	**(13.4)p**	**(1.0)p**	11.8p	(3.0)p	8.8p
– diluted	6	**12.0p**	**(13.0)p**	**(1.0)p**	11.5p	(2.9)p	8.6p

[1] Other items are as described in Note 3.

Condensed consolidated income statement

For the year ended 31 March 2014

	Notes	Year to 31 March 2014 (audited) Headline £m	Other items[1] £m	Total £m
Continuing operations				
Revenue	2	2,142.6	78.5	2,221.1
Cost of sales		(1,819.3)	(76.5)	(1,895.8)
Gross profit		323.3	2.0	325.3
Administrative expenses		(196.3)	(46.9)	(243.2)
Share of profit of joint ventures and associates		0.5	–	0.5
Operating profit	2	127.5	(44.9)	82.6
Investment revenue		1.2	–	1.2
Finance costs		(15.4)	–	(15.4)
Net finance costs		(14.2)	–	(14.2)
Profit before tax	2	113.3	(44.9)	68.4
Tax		(25.6)	5.7	(19.9)
Profit for the year		87.7	(39.2)	48.5
Attributable to:				
Equity holders of the parent		87.5	(39.2)	48.3
Non-controlling interests		0.2	–	0.2
		87.7	(39.2)	48.5
Earnings per share (EPS)				
– basic	6	24.3p	(10.9)p	13.4p
– diluted	6	23.6p	(10.6)p	13.0p

[1] Other items are as described in Note 3.

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2014

	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	Year to 31 March 2014 (audited) £m
(Loss)/profit for the period	**(3.3)**	31.8	48.5
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit pension liability	**(7.4)**	3.8	2.4
Income tax relating to items not reclassified	**1.4**	(1.4)	(1.0)
	(6.0)	2.4	1.4
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**(0.6)**	(0.2)	(0.6)
Gains on a hedge of a net investment taken to equity	**0.5**	0.1	0.2
Cash flow hedges:			
Gains/(losses) arising during the period	**3.2**	(7.6)	(10.1)
Reclassification adjustment for (losses)/gains included in profit and loss	**(3.4)**	8.5	12.1
Income tax credit/(charge) relating to items that may be reclassified	**0.4**	(0.2)	(0.8)
	0.1	0.6	0.8
Other comprehensive (expense)/income for the financial period	**(5.9)**	3.0	2.2
Total comprehensive (expense)/income for the financial period	**(9.2)**	34.8	50.7
Attributable to:			
Equity holders of the parent	**(9.6)**	34.7	50.5
Non-controlling interests	**0.4**	0.1	0.2

Condensed consolidated balance sheet

At 30 September 2014

	Notes	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	31 March 2014 (audited) £m
Non-current assets				
Goodwill		**459.3**	453.2	459.6
Other intangible assets		**72.9**	81.8	79.3
Property, plant and equipment		**56.2**	55.2	56.7
Interest in joint ventures and associates		**0.7**	0.4	0.9
Financing assets		**1.4**	23.5	20.4
Trade and other receivables		**50.9**	29.5	41.2
Deferred tax assets		**17.5**	16.4	8.4
Total non-current assets		**658.9**	660.0	666.5
Current assets				
Inventories		**8.4**	6.9	7.4
Trade and other receivables		**496.4**	510.4	491.6
Cash and cash equivalents		**41.6**	53.9	89.1
Total current assets		**546.4**	571.2	588.1
Total assets		**1,205.3**	1,231.2	1,254.6
Current liabilities				
Trade and other payables		**(493.2)**	(477.8)	(525.6)
Current tax liabilities		**(13.7)**	(15.0)	(11.0)
Financing liabilities		**(2.1)**	(2.7)	(2.7)
Provisions	10	**(1.2)**	(1.4)	(1.2)
Total current liabilities		**(510.2)**	(496.9)	(540.5)
Net current assets		**36.2**	74.3	47.6
Non-current liabilities				
Financing liabilities		**(273.3)**	(273.5)	(273.0)
Provisions	10	**(8.0)**	(8.8)	(8.8)
Retirement benefit obligation		**(27.4)**	(27.4)	(19.1)
Deferred tax liabilities		**(9.8)**	(15.4)	(9.3)
Total non-current liabilities		**(318.5)**	(325.1)	(310.2)
Total liabilities		**(828.7)**	(822.0)	(850.7)
Net assets		**376.6**	409.2	403.9

	Notes	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	31 March 2014 (audited) £m
Equity				
Share capital	11	**9.3**	9.3	9.3
Share premium account		**121.5**	114.1	118.9
Merger reserve		**98.5**	101.2	101.2
Share-based payments reserve		**3.5**	1.3	2.6
Own shares reserve		**(37.9)**	(27.3)	(37.2)
Other reserves		**0.4**	0.4	0.4
Hedging and translation reserve		**(4.6)**	(5.1)	(4.3)
Retained earnings		**182.5**	212.3	210.0
Equity attributable to equity holders of the parent		**373.2**	406.2	400.9
Non-controlling interests		**3.4**	3.0	3.0
Total equity		**376.6**	409.2	403.9

Condensed consolidated statement of changes in equity

For the six months ended 30 September 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 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	–	–	–	–	–	–	0.8	33.9	**34.7**	0.1	34.8
Shares issued	0.1	6.1	3.6	–	–	–	–	–	**9.8**	–	9.8
Dividends paid	–	–	–	–	–	–	–	(20.5)	**(20.5)**	(0.1)	(20.6)
Purchase of own shares	–	–	–	–	(10.0)	–	–	–	**(10.0)**	–	(10.0)
Share-based payments	–	–	–	(0.6)	3.0	–	–	1.2	**3.6**	–	3.6
Tax on share-based payment transactions	–	–	–	–	–	–	–	0.3	**0.3**	–	0.3
Share buybacks	(0.1)	–	–	–	–	0.1	–	(7.4)	**(7.4)**	–	(7.4)
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(5.8)	**(5.8)**	(0.8)	(6.6)
At 30 September 2013	9.3	114.1	101.2	1.3	(27.3)	0.4	(5.1)	212.3	**406.2**	3.0	409.2
Total comprehensive income	–	–	–	–	–	–	0.8	15.0	**15.8**	0.1	15.9
Shares issued	–	4.8	–	–	–	–	–	–	**4.8**	–	4.8
Dividends paid	–	–	–	–	–	–	–	(17.6)	**(17.6)**	–	(17.6)
Purchase of own shares	–	–	–	–	(9.8)	–	–	–	**(9.8)**	–	(9.8)
Share-based payments	–	–	–	1.3	(0.1)	–	–	(0.1)	**1.1**	–	1.1
Tax on share-based payment transactions	–	–	–	–	–	–	–	0.7	**0.7**	–	0.7
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(0.3)	**(0.3)**	(0.1)	(0.4)
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
Total comprehensive (expense)/income	–	–	–	–	–	–	(0.3)	(9.3)	**(9.6)**	0.4	(9.2)
Shares issued	–	2.6	–	–	–	–	–	–	**2.6**	–	2.6
Dividends paid	–	–	–	–	–	–	–	(21.9)	**(21.9)**	(0.1)	(22.0)
Purchase of own shares	–	–	–	–	(1.1)	–	–	–	**(1.1)**	–	(1.1)
Share-based payments	–	–	–	0.9	0.4	–	–	1.2	**2.5**	–	2.5
Tax on share-based payment transactions	–	–	–	–	–	–	–	(0.2)	**(0.2)**	–	(0.2)
Transfer between reserves	–	–	(2.7)	–	–	–	–	2.7	**–**	–	–
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	–	**–**	0.1	0.1
At 30 September 2014	**9.3**	**121.5**	**98.5**	**3.5**	**(37.9)**	**0.4**	**(4.6)**	**182.5**	**373.2**	**3.4**	**376.6**

Condensed consolidated statement of cash flows

For the six months ended 30 September 2014

	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	Year to 31 March 2014 (audited) £m
Operating profit	**5.9**	49.8	82.6
Adjustments for:			
Share-based payment expense	**2.7**	3.7	5.0
Defined benefit pension charge	**2.1**	2.6	(6.1)
Defined benefit pension contributions	**(1.6)**	(1.9)	(3.6)
Acquisition related items	**0.2**	0.1	0.7
Depreciation of property, plant and equipment	**9.0**	7.8	16.1
Amortisation of intangible assets	**7.6**	8.3	17.0
Non-cash movement in financing assets	**19.0**	–	–
Share of profit of joint ventures and associates	**(0.4)**	–	(0.5)
Gain on disposal of property, plant and equipment	**–**	(0.3)	(0.7)
Operating cash flows before movements in working capital	**44.5**	70.1	110.5
Increase in inventories	**(1.0)**	(0.2)	(0.8)
Increase in receivables	**(14.3)**	(12.4)	(2.4)
(Decrease)/increase in payables	**(30.5)**	(28.4)	16.8
Decrease in provisions	**(0.7)**	–	–
Cash generated by operations	**(2.0)**	29.1	124.1
Income taxes paid	**(6.5)**	(7.1)	(18.2)
Interest paid	**(6.7)**	(7.1)	(14.3)
Facility extension fees	**(2.0)**	–	–
Acquisition costs	**(0.2)**	(0.1)	(0.7)
Net cash (outflow)/inflow from operating activities	**(17.4)**	14.8	90.9
Investing activities			
Interest received	**–**	0.8	1.2
Purchase of property, plant and equipment	**(8.2)**	(7.6)	(20.6)
Purchase of subsidiary undertakings, net of cash acquired	**–**	(1.8)	(10.7)
Dividends received from joint ventures and associates	**0.5**	–	–
Investment in financing assets	**–**	(1.8)	0.8
Purchase of other intangible assets	**(1.3)**	(2.0)	(6.2)
Disposals of property, plant and equipment	**0.7**	1.2	6.0
Net cash outflow from investing activities	**(8.3)**	(11.2)	(29.5)

Condensed consolidated statement of cash flows

For the six months ended 30 September 2014

	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	Year to 31 March 2014 (audited) £m
Financing activities			
Repayments of obligations under finance leases	**(2.0)**	(2.0)	(3.6)
Proceeds on issue of share capital	**2.5**	4.4	8.9
Bank loans raised/(repaid)	**1.1**	(4.8)	(2.8)
Purchase of own shares	**(1.1)**	(10.0)	(19.8)
Share buybacks	**–**	(7.4)	(7.4)
Equity dividends paid	**(21.9)**	(20.5)	(38.1)
Non-controlling interest dividends paid	**(0.1)**	(0.1)	(0.1)
Net cash outflow from financing	**(21.5)**	(40.4)	(62.9)
Net decrease in cash and cash equivalents	**(47.2)**	(36.8)	(1.5)
Net cash and cash equivalents at beginning of the period	**89.1**	90.8	90.8
Effect of foreign exchange rate changes	**(0.3)**	(0.1)	(0.2)
Net cash and cash equivalents at end of the period	**41.6**	53.9	89.1
Net cash and cash equivalents comprise:			
Cash at bank	**41.6**	53.9	89.1
	41.6	53.9	89.1

Reconciliation of net cash flow to movement in net debt	Notes	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	Year to 31 March 2014 (audited) £m
Net decrease in cash and cash equivalents		**(47.2)**	(36.8)	(1.5)
Effect of foreign exchange rate changes		**(0.3)**	(0.1)	(0.2)
(Increase)/decrease in bank loans		**(0.4)**	5.1	3.5
Non-cash movement in private placement notes and associated hedges		**(0.3)**	1.0	2.2
Decrease in finance leases		**1.0**	1.2	1.6
Increase in net debt during the period		**(47.2)**	(29.6)	5.6
Opening net debt		**(186.6)**	(192.2)	(192.2)
Closing net debt	8	**(233.8)**	(221.8)	(186.6)

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2014

1 Basis of preparation

The condensed consolidated financial statements for the six months to 30 September 2014 have been prepared on the basis of the accounting policies set out in the 2014 Annual Report and Accounts, except as set out below.

These accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted for use in the European Union. The condensed financial statements for the six months to 30 September 2014 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and with the Disclosure and Transparency Rules of the Financial Conduct Authority.

The condensed consolidated financial statements for the six months to 30 September 2014 have been reviewed by Deloitte LLP but have not been audited (see page 10). They do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the group's annual financial statements as at 31 March 2014. The financial information presented for the year ended 31 March 2014 does not represent full statutory accounts within the meaning of Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under Section 498 of the Companies Act 2006.

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 March 2014 primarily except for the adoption of IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and related amendments which are effective for the first time in the current period.

These standards clarify aspects of the basis for consolidation. The adoption of these standards has had no impact on the results or financial position of the group. Other amendments and interpretations are effective for the first time in the current period but have also had no impact on the results or financial position of the group.

Going concern and principal risks and uncertainties

The Directors have considered the Financial Reporting Council guidance on going concern and the principal risks and uncertainties affecting the group which, in the Directors' view, are unchanged from those described on pages 32 and 33 of the group's 2014 Annual Report and Accounts. The group benefits from a well diversified portfolio of service offerings and has a broad, diverse customer base. The group currently operates well within the financial covenants associated with its committed funding lines and its £252m of US Private Placement debt expiring in December 2017, December 2019, December 2022 and December 2024. On 23 July 2014, the group announced the extension of its multi-currency revolving credit facility. The group now benefits from a committed facility of £275m, which will mature in July 2019. Together with the US Private Placements, this gives the group total committed funding of £527m, of which £259m was undrawn at 30 September 2014.

After making enquiries, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the group continues to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2014

2 Business and geographical segments

Business segments

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

	Six months to 30 September 2014 (unaudited)					Six months to 30 September 2013 (unaudited and restated)[1]				
	Revenue £m	Headline[2] revenue £m	Headline[2] operating profit £m	Headline[2] operating profit margin %	Profit/ (loss) before tax £m	Revenue £m	Headline[2] revenue £m	Headline[2] operating profit £m	Headline[2] operating profit margin %	Profit/ (loss) before tax £m
Soft FM	**622.7**	**622.7**	**40.3**	**6.5**	**38.8**	589.3	589.3	38.5	6.5	37.3
Hard FM	**295.3**	**295.3**	**14.1**	**4.8**	**11.1**	273.7	273.7	13.8	5.0	10.3
Property Management	**127.1**	**123.3**	**5.5**	**4.5**	**5.5**	164.6	123.4	7.3	5.9	7.4
Healthcare	**48.2**	**48.2**	**4.5**	**9.3**	**2.4**	44.9	44.9	5.6	12.5	3.6
Energy Solutions	**5.5**	**5.5**	**(0.2)**	**(3.6)**	**(0.8)**	13.3	13.3	(2.9)	(21.8)	(3.3)
Other items (Note 3)	–	–	–	–	**(58.3)**	–	–	–	–	(12.5)
Total	**1,098.8**	**1,095.0**	**64.2**	**5.9**	**(1.3)**	1,085.8	1,044.6	62.3	6.0	42.8

	Year to 31 March 2014 (audited)				
	Revenue £m	Headline[2] revenue £m	Headline[2] operating profit £m	Headline[2] operating profit margin %	Profit/ (loss) before tax £m
Soft FM	1,190.8	1,190.8	74.8	6.3	72.2
Hard FM	579.4	579.4	30.0	5.2	22.6
Property Management	343.3	264.8	14.4	5.4	15.1
Healthcare	91.7	91.7	12.7	13.8	8.4
Energy Solutions	15.9	15.9	(4.4)	(27.7)	(5.0)
Other items (Note 3)	–	–	–	–	(44.9)
Total	2,221.1	2,142.6	127.5	6.0	68.4

Notes:
1 Re-presented for operating segments effective from 1 April 2014 as disclosed in the 2014 Annual Report and Accounts.
2 Headline revenue and operating profit exclude other items which are analysed in Note 3.

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

Geographical segments

	Six months to 30 September 2014 (unaudited)					Six months to 30 September 2013 (unaudited)				
	Revenue £m	Headline revenue £m	Headline operating profit £m	Headline operating profit margin %	Profit/ (loss) before tax £m	Revenue £m	Headline revenue £m	Headline operating profit £m	Headline operating profit margin %	Profit before tax £m
United Kingdom	**1,059.0**	**1,055.2**	**63.9**	**6.1**	**(1.4)**	1,052.9	1,011.7	61.9	6.1	42.5
Other countries	**39.8**	**39.8**	**0.3**	**0.8**	**0.1**	32.9	32.9	0.4	1.2	0.3
Total	**1,098.8**	**1,095.0**	**64.2**	**5.9**	**(1.3)**	1,085.8	1,044.6	62.3	6.0	42.8

2 Business and geographical segments

	Year to 31 March 2014 (audited)				
	Revenue £m	Headline revenue £m	Headline operating profit £m	Headline operating profit margin %	Profit before tax £m
United Kingdom	2,149.5	2,071.0	125.7	6.1	66.9
Other countries	71.6	71.6	1.8	2.5	1.5
Total	2,221.1	2,142.6	127.5	6.0	68.4

Note:
Headline revenue and operating profit exclude other items which are analysed in Note 3 and are all incurred in the United Kingdom.

3 Other items

The group separately identifies and discloses restructuring and acquisition related items (termed 'other items').

The results of the mechanical and electrical engineering construction businesses which are being exited are presented in other items. During the six months to 30 September 2014 those businesses generated revenue of £3.8m (2013: £41.2m), and incurred a trading loss of £6.9m (2013: £4.3m). 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.

Within our Asset Management business, which became part of our Energy Solutions division, there are a small number of contracts where the forecast operational and financial performance has deteriorated and where returns were highly uncertain. As a result of significant deterioration in the forecast performance of three key remaining contracts, together with the decision taken by mutual agreement with a customer to exit from one other contract which crystallised a loss, exceptional charges of £45.7m, £38.5m post tax (2013: £nil), have been included in other items.

£29.0m of the £45.7m charge relates to the most material of these projects, which is the group's largest remaining design and build Asset Management contract arrangement, where Mitie has a non-controlling interest in an entity responsible for delivering a waste to energy plant.

At the year ended 31 March 2014, the group disclosed a contingent liability with a maximum value of £20.6m in respect of guarantees provided on this project. The group has reassessed its exposure to this project and, due to the deterioration in expected financial returns, has now accrued in full for its current assessment of its potential liability under its guarantee arrangement of £19.4m together with other charges of £9.6m relating to the expected residual financial exposure to the project.

Acquisition costs in the six months to 30 September 2014 relate to the costs incurred on the acquisition of Procius Limited.

	Six months to 30 September 2014 (unaudited)			Six months to 30 September 2013 (unaudited)		
	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	–	(6.9)	(6.9)	–	(4.3)	(4.3)
Exceptional charges in relation to design and build Asset Management contracts in Energy Solutions	(45.7)	–	(45.7)	–	–	–
Restructuring costs relating to the integration of Complete Group (2013: Enara and UKCRBs)	(0.4)	–	(0.4)	(2.5)	–	(2.5)
Acquisition costs	(0.2)	–	(0.2)	(0.1)	–	(0.1)
Amortisation of acquisition related intangibles	(5.1)	–	(5.1)	(5.6)	–	(5.6)
Other items before tax	(51.4)	(6.9)	(58.3)	(8.2)	(4.3)	(12.5)
Tax on other items	8.6	1.4	10.0	1.8	(0.1)	1.7
Other items net of tax	(42.8)	(5.5)	(48.3)	(6.4)	(4.4)	(10.8)

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2014

3 Other items

	Year to 31 March 2014 (audited)		
	Restructuring and acquisition related costs £m	Businesses being exited £m	Other items £m
Trading losses	–	(13.6)	(13.6)
Exceptional charges in relation to design and build contracts in Energy Solutions	(25.4)	–	(25.4)
Integration costs	(4.4)	–	(4.4)
Acquisition costs	(0.7)	–	(0.7)
Amortisation of acquisition related intangibles	(11.0)	–	(11.0)
Restructuring of Mitie Group defined benefit pension scheme	10.2	–	10.2
Other items before tax	**(31.3)**	**(13.6)**	**(44.9)**
Tax on other items	3.7	2.0	5.7
Other items net of tax	**(27.6)**	**(11.6)**	**(39.2)**

4 Dividends

The proposed interim dividend of 5.2p (2013: 4.9p) per share (not recognised as a liability at 30 September 2014) will be paid on 2 February 2015 to shareholders on the register on 19 December 2014.

The dividend disclosed in the statement of cash flows represents the final ordinary dividend of 6.1p (2013: 5.7p) per share as proposed in the 31 March 2014 financial statements and approved at the group's AGM (not recognised as a liability at 31 March 2014).

5 Tax

The income tax charge for the six months ended 30 September 2014 is calculated based upon the effective tax rates expected to apply to the group for the full year. The rate of tax on headline profits is 21.0% (2013: 23.0%) with the decrease compared to the prior period mainly being due to the 2% reduction in the UK statutory tax rate from 23% to 21%. The effective rate of tax on headline earnings is principally influenced by the incidence of overseas earnings that may be expected to increase the rate and tax relief for share incentive plans that may fluctuate with share price movements. The group has a low level of recurring non-tax deductible expenses and so may expect its sustainable effective tax rate to be slightly above the UK statutory rate.

Tax relief is recognised on other items to the extent that it is considered probable that tax relief will be obtained or losses will be utilised by the group. The effective rate of tax on other items is 17.2% (2013: 13.6%) due to uncertainty around the incidence and timing of certain losses and provisions. The effective tax rate on statutory profits is (153.8)% (2013: 25.7%) reflecting the lower rate of tax relief on other items relative to statutory profits for the period.

6 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:

	Six months to 30 September 2014 £m	Six months to 30 September 2013 £m	Year to 31 March 2014 £m
Net headline profit attributable to equity holders of the parent	**44.6**	42.5	87.5
Other items net of tax	**(48.3)**	(10.8)	(39.2)
Net (loss)/profit attributable to equity holders of the parent	**(3.7)**	31.7	48.3

Number of shares	Six months to 30 September 2014 million	Six months to 30 September 2013 million	Year to 31 March 2014 million
Weighted average number of Ordinary shares for the purpose of basic EPS	**359.9**	360.3	359.9
Effect of dilutive potential Ordinary shares: share options	**12.5**	10.2	11.1
Weighted average number of Ordinary shares for the purpose of diluted EPS	**372.4**	370.5	371.0

	Six months to 30 September 2014 p	Six months to 30 September 2013 p	Year to 31 March 2014 p
Headline basic earnings per share	**12.4**	11.8	24.3
Basic earnings per share	**(1.0)**	8.8	13.4
Headline diluted earnings per share	**12.0**	11.5	23.6
Diluted earnings per share	**(1.0)**	8.6	13.0

Note:
Headline profit and earnings exclude other items which are analysed in Note 3.

The weighted average number of Ordinary shares in issue during the period excludes those accounted for in the Own shares reserve which were purchased in the market and are held in Treasury or by the Employee Benefit Trust to satisfy options under the group's LTIP and SIP share option schemes. The Own shares reserve represents the cost of 14.2m (2013: 10.8m) shares in Mitie Group plc, with a weighted average of 14.1m shares during the period (2013: 8.8m).

7 Acquisitions

Prior period acquisitions
Purchase of Complete Care Holdings Limited
On 15 January 2014, Mitie acquired the high acuity 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 acquisition accounting in the 2014 Annual Report and Accounts was reviewed during the period resulting in a reduction of the fair value of net assets acquired of £0.2m and an increase of goodwill of £0.2m to £6.7m.

Post balance sheet event
Purchase of Procius Limited
On 16 October 2014, Mitie acquired the leading UK pre-employment screening company Procius Limited ('Procius') for a total consideration of up to £2.3m. The transaction will be accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008); further details on the acquisition will be provided in the 2015 Annual Report and Accounts.

Notes to the condensed consolidated financial statements
For the six months ended 30 September 2014

8 Analysis of net debt

	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	31 March 2014 (audited) £m
Cash and cash equivalents	**41.6**	53.9	89.1
Bank loans	**(15.6)**	(13.7)	(15.3)
Private placement notes	**(249.4)**	(250.0)	(245.2)
Derivative financial instruments hedging private placement notes	**(6.5)**	(6.7)	(10.3)
Net debt before obligations under finance leases	**(229.9)**	(216.5)	(181.7)
Obligations under finance leases	**(3.9)**	(5.3)	(4.9)
Net debt	**(233.8)**	(221.8)	(186.6)

9 Financial instruments

With the exception of derivative financial instruments, private placement notes and deferred contingent consideration, all financial assets and liabilities are held at amortised cost. The Directors estimate that their carrying value approximates their fair value. Derivative financial instruments and private placement 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. The carrying value of the private placement notes at 30 September 2014 includes a fair value adjustment for interest rate and currency risk of £0.5m (2013: £0.8m). The fair value of the private placement notes is not significantly different from their carrying value. Deferred contingent consideration is measured at the Directors' best estimate of the likely future obligation.

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 10.

There were no transfers between levels during the period. All contracts are gross settled.

9 Financial instruments

The carrying values of derivative financial instruments at the balance sheet date were as follows:

Assets	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	Year to 31 March 2014 (audited) £m
Cross currency interest rate swaps designated as fair value hedges	–	0.5	–
Derivative financial instruments hedging private placement notes	–	0.5	–

Liabilities	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	Year to 31 March 2014 (audited) £m
Cross currency interest rate swaps designated as cash flow hedges	**(6.5)**	(7.2)	(9.7)
Cross currency interest rate swaps designated as fair value hedges	–	–	(0.6)
Derivative financial instruments hedging private placement notes	**(6.5)**	(7.2)	(10.3)

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.

10 Provisions

	Deferred contingent consideration £m	Insurance reserve £m	Total £m
At 1 April 2014	7.8	2.2	**10.0**
Utilised within the Captive Insurance subsidiary	–	(0.8)	**(0.8)**
At 30 September 2014	7.8	1.4	**9.2**
Included in current liabilities			**1.2**
Included in non-current liabilities			**8.0**
			9.2

	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	–	0.6	0.6
Utilised within the Captive Insurance subsidiary	–	(0.6)	(0.6)
At 30 September 2013	8.0	2.2	10.2
Amounts recognised in the income statement	–	1.2	1.2
Utilised within the Captive Insurance subsidiary	–	(1.2)	(1.2)
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

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2014

10 Provisions

	30 September 2013 (unaudited) £m	31 March 2014 (audited) £m
Included in current liabilities	1.4	1.2
Included in non-current liabilities	8.8	8.8
	10.2	10.0

The provision for insurance claims represents amounts payable by Mitie Reinsurance Company Limited in respect of outstanding claims incurred at the balance sheet dates. These amounts will become payable as each year's claims are settled.

11 Share capital

Ordinary shares of 2.5p	Number million	£m
Allotted and fully paid		
At 1 April 2014	373.5	9.3
Issued under share option schemes	1.1	–
At 30 September 2014	**374.6**	**9.3**
At 1 April 2013	370.1	9.3
Issued for acquisitions	2.3	0.1
Share buybacks	(2.9)	(0.1)
Issued under share option schemes	1.7	–
At 30 September 2013	371.2	9.3

During the period no (2013: 2.3m) Ordinary shares of 2.5p were allotted in respect of the acquisition of non-controlling interests (2013: at a mid-market price of 267.0p) giving rise to share premium of £nil (2013: £2.4m) and a merger reserve of £nil (2013: £3.6m).

During the period 1.1m (2013: 1.7m) Ordinary shares of 2.5p were allotted in respect of share option schemes at a price between 127p and 254p (2013: 127p and 254p) giving rise to share premium of £2.6m (2013: £3.7m).

In addition, 0.3m (2013: nil) Treasury shares were purchased at a cost of £1.1m (2013: £nil).

During the period no (2013: 2.9m) Ordinary shares of 2.5p were bought by Mitie Group plc (2013: at a price between 247.0p and 259.8p) and subsequently cancelled.

12 Contingent liabilities

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). This is the maximum amount payable subject to certain targets being attained.

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 £34.7m (2013: £29.4m) in the ordinary course of business. These are not expected to result in any material financial loss. The performance guarantee with a maximum value of £20.6m at 31 March 2014 (per Note 32 to the 2014 Annual Report and Accounts), in respect of the activities of an entity in which the group has a non-controlling interest, has been accrued for in the accounts at 30 September 2014 at its maximum value of £19.4m.

13 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 period, the group derived £0.2m (2013: £7.1m) of revenue from contracts with joint ventures and associated undertakings. At 30 September 2014 trade and other receivables of £1.1m (2013: £7.0m) were outstanding and loans to joint ventures and associates of £1.3m (2013: £14.1m) were included in Financing assets.

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company, as R McGregor-Smith and S C Baxter are two of the trustees of the Foundation. During the period, the group made donations of £10,000 (2013: £51,000) and gifts in kind of £95,400 (2013: £112,000) to the Foundation. At the end of the period £35,000 (2013: £25,000) was due to the Foundation.

No other material contract or arrangement has been entered into during the period, nor existed at the end of the period, in which a Director had a material interest.

Amounts paid to key management personnel are disclosed in the Directors' remuneration report of our Annual Report and Accounts.

14 Company financial statements

Unaudited interim financial statements for the six months to 30 September 2014 for Mitie Group plc will be filed with the Registrar of Companies. The report is not included within this document but can be obtained from the Company Secretary at the Registered Office or from the Registrar of Companies.

Shareholder information

Results

2015 Preliminary statement of annual results	18 May 2015
2016 Half-yearly financial report	23 November 2015

Dividends

2014 Final dividend of 6.1p paid	6 August 2014
2015 Half-yearly ex dividend date	18 December 2014
2015 Half-yearly dividend record date	19 December 2014
2015 Half-yearly dividend payment date	2 February 2015
2015 Half-yearly dividend last date for receipt/ revocation of DRIP mandate	7 January 2015

Annual General Meeting

2015 Annual General Meeting	13 July 2015

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Capita Asset Services
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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

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**.

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