



inspiring change...

Mitie Group plc
Half-yearly financial report
for the six months to 30 September 2015

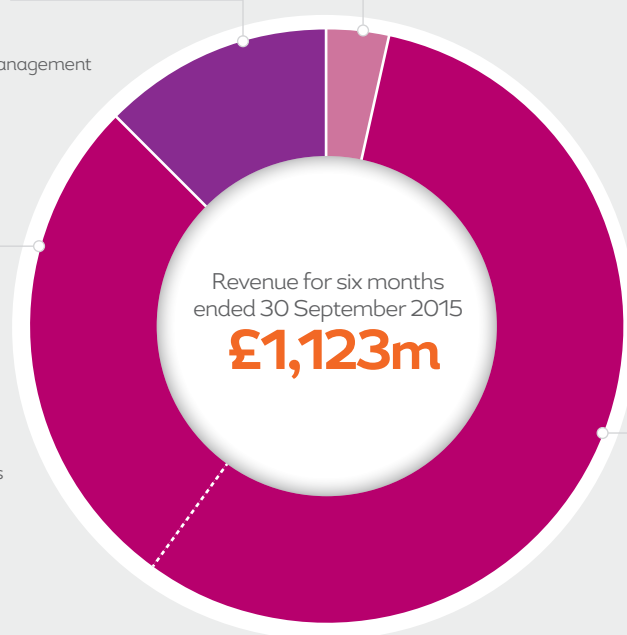
Our business today

Property Management £138m

- Housing maintenance
- Insurance claim response management

Healthcare £39m

- Homecare
- Complex care



Hard Facilities Management £310m

- Technical and building services
- Maintenance
 - Compliance

Soft Facilities Management £636m

- Security
- Cleaning
- Landscaping
- Pest control and waste
- Catering and front of house

Facilities Management £946m

(Hard FM and Soft FM = 84% of group revenue)

Integrated Facilities Management £355m

(32% of group revenue)

We deliver a combination of Hard and Soft FM services as one tailored proposition

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Cautionary Statement

Certain statements contained in this announcement constitute or may constitute 'forward-looking statements'. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'projects', 'aims', 'plans', 'predicts', 'prepares', 'anticipates', 'expects', 'intends', 'may', 'will' or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the group's present and future business strategies and the environment in which the group will operate in the future. These forward-looking statements speak only as at the date of this announcement. Except as required by applicable law, rule or regulation, the group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this announcement to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the group's control. Forward-looking statements are not guarantees of future performance. Mitie's actual results of operations, financial condition and the development of the business sector in which the group operates may differ materially from those suggested by the forward-looking statements contained in this document including, but not limited to, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, currency changes, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which the group and its affiliates operate. In addition, even if the group's actual results of operations, financial condition and the development of the business sector in which the group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

The forward-looking statements contained in this document speak only as of the date of this announcement

Consistent strategy, steady growth



Overview

Mitie is purely a services business, operating primarily in our core market of UK FM, which has continued to perform well, particularly in the area of integrated FM where we had a number of important contract retentions and awards during the period. Our exit from the construction market was completed in the last financial year. Our social housing business has seen a pleasing improvement in performance, with strong growth in the first half of the year. Whilst the homecare market remains challenging, we are encouraged by recent contract awards, which give us confidence that conditions are beginning to improve.

Headline revenue for the six months to 30 September 2015 grew by 2.6% to £1,123.1m (HY15: £1,095.0m). Of this amount, 2.1% was organic growth.

Headline operating profit fell by 9.5% to £58.1m (HY15: £64.2m), however statutory operating profit increased by £47.2m to £53.1m (HY15: £5.9m), reflecting the reduction in Other items. The headline operating profit margin was 5.2% (HY15: 5.9%). Within Soft FM, which represents the largest part of the group, the operating profit margin increased to 6.7% (HY15: 6.5%). The primary driver of the reduction in margin at a headline level, was the deterioration in profitability of our healthcare business. Margins within Hard FM were also lower in the period, as a result of a higher than usual balance of project works skewed to the second half of the financial year.

Headline cash conversion was very strong at 101.2% on a rolling 12-month basis (HY15: 80.3%), above our target KPI of 80%. Headline basic earnings per share decreased by 10.5% to 11.1 pence (HY15: 12.4 pence) while the dividend rose by 3.8% to 5.4 pence per share (HY15: 5.2 pence per share) at 2.1x cover.

The order book stands at £8.5bn (March 2015: £9.0bn) and our sales pipeline is £9.2bn (March 2015: £9.7bn). At the end of the first six months of our financial year, 97% of budgeted revenues for the entire year had already been secured (prior year: 98%), while 68% of our forecast revenues for the year ending 31 March 2017 have also been secured (prior year: 72%).

The private sector accounted for 62% of revenue during the first half of the year. We retained and won a number of key contracts across the sector, including in finance and professional services, manufacturing and leisure. The public sector generated 38% of revenue during the period. We work with clients in healthcare, justice, local government and social housing, and see selected long-term opportunities in all of these sectors.

Strategy

Mitie's strategy is to be the best outsourcing provider, delivering the highest quality and most innovative services in our chosen markets and being an employer of choice. We are focused on achieving our targets in relation to organic growth, cash conversion and margins, and maintaining an efficient balance sheet.

Organic growth will be driven predominantly by our FM business, which accounts for 85% of the group. We are the UK market leader in integrated FM, and will continue to evolve and differentiate our offering, provide the best service to clients and retain the number one market position. We will also remain focused on growing each of our single service specialisms, which are both successful standalone businesses as well as critical to our ability to self-deliver the full range of integrated FM services.

Our Property Management business remains focused on long-term maintenance contracts in the social housing market, where further bundling and integration of services will provide good growth opportunities.

In our healthcare business, we are addressing the short-term challenges that we have seen in the homecare market, and are positioning ourselves to take advantage of the industry evolution that will inevitably take place and the long-term growth opportunities associated with that.

Organic growth is very much our focus, and in the medium term we expect overall organic growth of the group to range between three and eight per cent.

M&A will be limited to small, bolt-on businesses that add capability to our core FM offering. Over the last five years, on average in each year we have invested c£10m on acquisitions, excluding Enara. We expect M&A activity over the short to medium term to be broadly similar to this.

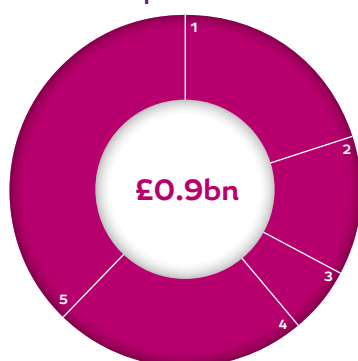
Our cash conversion target is 80% and over the last ten years we have achieved an average conversion of 102%. Our headline operating profit margin has consistently ranged between five and six percent (and is 5.6% on average over the last ten years); we are confident of maintaining it in this range.

Maintaining an efficient balance sheet is also a key priority. Our overall capital allocation priorities, in order, are to: support the delivery of organic growth; make small bolt-on acquisitions that add capability to our core FM business; continue our excellent track record of dividend growth; and if our net debt:EBITDA ratio falls consistently below 1x we will return any surplus cash to shareholders.

Divisional overview

Facilities Management (FM)			
£m	HY 2016	HY 2015	Growth
Revenue			
Soft FM	635.7	622.7	2.1%
Hard FM	310.5	300.8	3.2%
	946.2	923.5	2.5%
Operating profit			
Soft FM	42.4	40.3	5.2%
Hard FM	10.5	13.9	(24.5)%
	52.9	54.2	(2.4)%
Operating profit margin			
Soft FM	6.7%	6.5%	+0.2ppt
Hard FM	3.4%	4.6%	(1.2)ppt
	5.6%	5.9%	(0.3)ppt

FM revenue split:



	HY 2016 £m	HY 2015 £m
1 Cleaning and environmental services	191	164
2 Security	120	121
3 Catering and front of house	58	40
4 Technical and building services	221	228
5 Integrated FM	355	365

Our FM business is made up of a Soft FM and a Hard FM division. Soft FM is made up of cleaning, landscaping, waste management, pest control, security, catering, events and front of house services. Hard FM provides maintenance and a range of specialist services. Our integrated FM proposition brings together the full range of hard and soft FM services.

Our core FM business has delivered a good performance, with organic growth of 1.8%. We have a track record of building and maintaining long-term client relationships, with our largest contracts constituting a significant share of revenue.

Profit in the Hard FM division will be more skewed to the second half of the year, due to the phasing of project works.

Integrated

The first six months of the year saw excellent results in contract retentions, particularly in the area of integrated FM, where we have successfully extended all our major private sector contracts over the last 12 months. There are no significant re-bids in this portfolio over the medium term.

We have retained our contract to deliver pan-European integrated FM services for Rolls-Royce. This was the largest contract out to tender during this financial year and we are delighted to be continuing a relationship that first began in 1992, when we provided a single service to Rolls-Royce in the UK.

We also extended our integrated FM contract with Sky for an additional five years. We have supported Sky's operations since 2012 and the new agreement, under which we will provide integrated FM across Sky's entire estate in the UK and Ireland, will extend our partnership to 2023 and generate total revenues of £190m.

In addition, we successfully renewed our integrated FM contract with RWE npower and were awarded a new contract to provide integrated FM for dmg media, building on our existing work providing security services to the group.

Our success at developing existing client relationships has been complemented by a range of service contracts for new clients, including three significant integrated FM contracts. Each of these contracts is valued at around £40m over five years and includes the potential for additional reactive and project works. In the finance sector, we were appointed preferred bidder by Deloitte and will deliver a wide range of services across 34 sites and over 1.3m square feet of office space. We also won a contract to provide services to over 300 UK branches of a new High Street bank. In the industrial sector, we have been appointed preferred bidder to provide services across the UK estate of Thales Group.

Soft FM

Cleaning

The cleaning business has had a positive start to the year, with a number of new clients including Westfield Shopping centre, Chelsea Harbour, Santander, Michelin and Royal Bank of Canada. We have retained a number of high profile accounts such as Ofcom, Michael Page Group, Northumbrian Water, TFL, AEC Aero, Etihad Airways and Everton FC. The transport and commercial sectors are seeing good growth, with new business and a high retention of accounts.

We have also begun a major investment in the IT infrastructure of the cleaning business, to move it forward for the future. Our award winning Workplace+ application, which is already embedded in our security business, is to be rolled out in the cleaning business, along with other IT applications that will maximise efficiency. Other applications are also being developed, such as mobile

application planning and processing, which has been launched in the industrial services sector – it offers real time data stamp of attendance and work carried out rather than paper based confirmation. Wearable technology from Samsung is being tested in multiple locations across the UK, which will manage workflows and increase productivity.

Specialist services – landscaping, waste management, pest control

Our landscaping business is performing well and has successfully mobilised its largest ever account, with Jones Lang LaSalle as part of Mitie's broader bundled services contract. It has also re-launched its offering, with a motto that 'first impressions count' and a focus on its broader horticultural credentials. There is a good pipeline, particularly in the property sector, and we are seeing the size of the potential opportunities grow quite significantly from a few years ago.

In pest control, the offering is centred on intelligent pest management. We are seeing the benefits of our investment in a portal, 'Pest Alert', which allows clients to see in real time what the activity is on their site and receive a totally paperless service.

Within waste management, there is a strong pipeline, and lots of opportunities particularly with our existing client base. We have been awarded new work with the Hull NHS Trust, and retained and extended work with Novartis.

Across pest control and waste management, we see good opportunities in the food, leisure and retail sectors, as well as pharmaceutical and FMCG.



Security

Our security business – Total Security Management – continues to lead the market in terms of its overall offering, combining people, consultancy and technology to help clients reduce their various security risks.

We have been awarded good levels of new business, most notably with E.ON, Belfast City Airport, Allen & Overy and Mars. We have retained and grown a number of high profile accounts including Eurostar, PepsiCo, 125 Old Broad St and Coventry University. Our growth in the transport and aviation sectors has been excellent and we anticipate further growth in these areas, along with our clients in high security environments such as nuclear and defence.

Our technology business has continued to see good traction. Our offering encompasses systems, mobile services, Procius (vetting and personnel screening) and remote management. Procius, which we acquired in 2015, has been fully integrated into our own screening and vetting business alongside our UKCRBs brand. We are extremely pleased by the performance in this area, with new clients such as Ethical workforce, Sky Guard, and Diamond Exec Aviation adding to our already impressive client list of leading brands such as British Airways and Easyjet. Our systems business has continued to grow strongly with large installations of camera and access control systems, for clients such as BAE Systems and Ashworth Hospital.

In August, we announced a partnering agreement with Fujitsu, which enables us to operate in the cyber security space. Coupled with the re-launch of Mitec, our purpose-built technology and remote management centre, this will help us to deliver enterprise security risk management services and grow in the security convergence arena, between physical and cyber security.

Catering, events, front of house

Our catering business Gather & Gather continues to perform strongly, having secured new contracts with annual revenues in excess of £16m in the first half of the financial year. Successes include new sites with Primark and Laithwaites Wines. Gather & Gather also continues to enjoy strong retention performance across its existing client base.

Since launching over two years ago, its unique offering has developed real traction in the marketplace. The approach is all about creating food with personality and attitude, and a commitment to sourcing in a responsible, ethical and sustainable way. In particular, for corporate clients who see catering as a key part of how they look after the health and wellbeing of their own employees and improve retention, Gather & Gather's focus on high quality food that is locally sourced, is proving very attractive.

Our events arm Creativevents has also enjoyed significant success, mobilising a new commercial café within the viewing platform at The Shard, and securing a new contract under its Creative Bars model for Live Music at Alexandra Palace. They have also been appointed preferred bidder for a six year contract with Farnborough Airshow.

Our Client Services offering continues to grow, supported by its industry-leading training and development programme, having secured yet another nomination at this year's BIFM awards in recognition of its National Training team.



Hard FM

Maintenance

We deliver a full range of technical and building services to clients across a broad range of market sectors. We manage and maintain all of our clients' mechanical and electrical engineering maintenance needs, as part of our focus on long-term client relationships. We are the largest provider of these services in the UK.

In the first six months of the financial year we retained contracts with Mersey Care Healthcare and Aberdeen College, and expanded our contract with property management company Jones Lang LaSalle to include shopping centres and lighting. We successfully mobilised our contract with BBC Worldwide, and completed our lighting installation contract with Ladbrokes. Our contract with Heathrow Airport continues to grow.

We continue to develop the best systems and the processes to support what we do for our clients, from market-leading auditing tools to innovative engineering systems. We are also investing in automating our processes and integrating our systems. The result is that we bring innovative ideas to our clients, offer them better value for money, and support them to make robust decisions about their property strategies.

Specialist technical services

We provide additional, critical specialist services, which broaden our offering and bring valuable new opportunities to the business. These include heating, cooling, lighting, fire and security, water treatment, compliance, building controls, roofing and projects.



We are Europe's largest indoor lighting maintenance specialist, with 50 years' experience in design, installation and maintenance. We utilise the latest technology to improve visual quality and efficiency. Last year, by utilising LED technology, we saved our clients over £5m and over 31,000 tonnes of CO₂ and we have over 200 skilled lighting engineers working across the country.

Our water treatment business continues to go from strength to strength. It is the fastest growing water compliance business in the UK, providing a single source for all our clients' water and air quality needs.

Our Resilience solution for data centre environments is the most comprehensive critical engineering solution in the market. Our expertise in this area really differentiates our offering. It is relied upon by the largest financial and media institutions in the world, with over 600 people looking after 750,000 square feet of white space.

Other developments

One of the highlights for the FM business has been the successful launch of our Executive Relationship Programme (ERP), an initiative through which we are building relationships with strategic level contacts across our top 400 clients and prospects. The ERP is giving us the opportunity to demonstrate how our thinking and approach can add value to contracts and to help us engage with clients through a strategic forum where industry peers can discuss shared challenges. We aim to use extensive research and strategy papers to underline our position as thought leaders in the market – and the ERP is already helping us enter into conversations with clients at a senior level. Those conversations are emphasising the importance of service delivery and also highlighting the fact that our insight and knowledge set us apart from our competitors.

We help our clients to run more efficient and effective businesses – and organisations across the board are becoming increasingly aware of the role that we can play in improving the performance of their people. During the first half of the year we commissioned the Quora report, which showed that over 80% of service sector employees agree that FM is a core people-facing operational function. Those working in finance and the legal professions felt particularly let down by their workplaces, with almost half feeling that their workplaces did not optimise productivity and fewer than 35% identifying themselves as ‘emotionally attached’ to their workplaces. Our FM business is working hard to help clients put the needs of their people ahead of the needs of their buildings, and to reap the rewards of a motivated, engaged workforce.

Innovation

Being an outsourcer of choice is all about delivering high quality services and bringing innovation to everything we do. Increasingly, what differentiates us to our clients and prospective clients, is what we provide over and above service delivery. Along with developing our core service offerings, we have continually grown and evolved our advisory capabilities.

Through Source8 we provide advisory and business support services to corporate, governmental and non-governmental organisations on the implementation of real estate, technology and risk management solutions globally.

Through Utilyx, we provide expert energy consultancy, working with businesses and organisations to help reduce costs and carbon emissions, develop smarter ways to meet energy needs and better manage the risks posed by volatile markets. We also help clients comply with the growing demands of energy and environmental legislation.

Our compliance offering provides comprehensive technology led, evidence based auditing services that ensures our clients comply with the building legislation and sustain safe, robust and legally compliant operations. And we manage people risk for our clients through our vetting and screening business.

Technology is driving change across every service we do, which is producing significant operational benefits to our clients. We have invested heavily in applications, from MiWorld, which allows clients to see everything we do across their estates, to Workplace+, which gives thousands of our people direct access to wage information, holiday bookings and roster updates. From wearable technology to intelligent pest control, we are constantly evolving our offering.

Data is becoming ever more important to our clients and we have embraced this. For a number of clients, we have embedded data and analytics functionality that helps them to better understand and manage their property portfolios. The expertise we provide includes:

- Planning long-term property footprint, refurbishment cycles and acquisition/disposal strategies
- Managing lease renewals and expiries and the impact of that on operations and project work plans
- Managing the technical asset maintenance and renewal programme and optimising the operating and capital expenditure budgets
- Understanding the footfall of building and how utility can be maximised
- Ensuring the estate is compliant and managing the associated audit trail

Property Management

£m	HY 2016	HY 2015	Growth
Revenue	137.9	123.3	11.8%
Operating profit	7.3	5.5	32.7%
Operating profit margin	5.3%	4.5%	+0.8ppt

We work with housing associations, local authorities and private landlords, providing property management services through long-term contracts. Client budgets for service delivery and investment may be under heightening pressure, but the social housing market remains stable with significant potential for our business through the unique outsourcing solutions Mitie provides. Margins have improved as our contract portfolio matures, with over a third of our revenues continuing to grow through ongoing ten year strategic partnerships, and significant benefits derived from the trend for clients to choose bundled and integrated services.

As with the FM business, our focus in property management is squarely on supporting existing clients and maintaining long-term partnerships. We are trusted advisers to our clients, working alongside them to develop bespoke strategies for the management, maintenance and investment in housing assets and communities. With clients increasingly recognising the value we bring to their organisations, they are choosing us to take greater responsibility for their services, leveraging our integrated service offering, and moving more and more toward a commissioning client role. For example, our contract with the London Borough of Hammersmith and Fulham continues to grow, develop, and is now established as an industry-leading, integrated services contract.

Since the start of the financial year, we have been awarded contracts, including with Circle Housing, to provide responsive repairs and maintenance services to 6,500 properties in London.

Healthcare

£m	HY 2016	HY 2015	Growth
Revenue	39.0	48.2	(19.1)%
Operating (loss)/profit	(2.1)	4.5	n/a
Operating (loss)/profit margin	(5.4)%	9.3%	(14.7)ppt

We provide high quality homecare, employing outstanding people who help individuals to live more comfortable and independent lives in their own homes. The performance in this business has deteriorated in what is currently a challenging market. Our response has been to take positive action to reshape the business to meet market opportunities.

Revenues have fallen by approximately 20% compared to the same period in the prior year. Around half of this reduction is a result of the closure of a number of branches. We have focused investment and resources on our highest quality branches and exited areas where pricing pressures are unsustainable; we will not jeopardise the quality of care by providing services at unsustainable rates. The remaining drop-off in revenue is a result of lost hours on a small number of other branches.

At the same time, our cost base has increased. We have taken the decision to pre-emptively increase wages across the business. Whilst a significant upfront cost, this change will allow us to properly meet demand to provide care on the frameworks we are on, reduce our use of agency staff, reduce our staff turnover and related costs, and improve the quality of our services. We believe higher wages in this industry will ensure our people feel well rewarded for the valuable work they do. The need to respond to increased regulation has also impacted our cost base.

We were awarded two significant new contracts, within the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith & Fulham, the latter already being a property management client. Our bids scored highly on quality and sustainability, and included a commitment to paying the London Living Wage to our people. Each of these new contracts is for five years and will see around 3,000 hours of care delivered per week to some 1,500 individuals in the home. Together, these contracts have the potential to generate a total of around £25m revenues over a five year period.

We expect that the business will return to profitability over the next 18 months.

Despite the short-term challenges, we remain confident of the medium to long-term prospects for this business. The two fundamental drivers of an ageing population, along with a need to care for people in their own homes rather than in hospitals or residential care environments, will underpin growth of this market.

In the longer term, reform to integrate health and social care budgets is the only solution that will ensure the right decision making and most efficient allocation of resources in the provision of care. Once made, this change will create a more integrated service, with a much simpler path through it and a better experience for individuals caught in the middle of the current arrangements. However, change has been slow and a faster pace in integrating NHS and Social Care would benefit all parties involved – the individuals receiving care and their families, the providers of care, the commissioners of care, and the taxpayer – none of whom are 'winners' under the current arrangement.

The delay to these reforms puts increasing pressure on Councils, whose budgets have seen successive cuts over the past five years. Against that backdrop, we have seen evidence of positive change in the first half of the year. There is a growing acknowledgment of the importance of sustainable rates among local authorities. Our average charge rates are rising and we expect the introduction of the National Living Wage to support this trend. We have also seen some consolidation in the market, where we are being awarded more work as the lead provider, rather than as one of a large number of providers.

Our people

One factor more than any other helps us deliver excellence to our clients – the quality of our people. Carefully-chosen, well-trained and focused on providing great service, our people are what marks Mitie as a very different sort of company, and we work hard to ensure that they are appropriately protected and rewarded.

Health and safety is something we take very seriously, and during the first half we were proud to see this commitment recognised by the award of our eighth consecutive Gold Medal from the Royal Society for the Prevention of Accidents (RoSPA). The RoSPA scheme, which is the largest and longest running programme of its kind in the UK, recognises commitment to accident and ill health prevention.



National Living Wage

As a large employer, we welcome the recent budget announcement that a new National Living Wage (NLW) will be introduced in the UK. We are positive about this move, which ensures that those of our people who are affected, are better rewarded and feel more motivated to do the jobs they do. It will also improve retention rates across our business.

Since the minimum wage was introduced in 1999, we have managed the impact from its annual change as part of the normal course of our business.

The areas of our business that are impacted by this change are single service contracts in cleaning, a small area of security, catering and healthcare. One third of the contracts in these areas of the business come up for re-tender each year, and all work bid or re-bid from July 2015 onwards has factored in the NLW increases. Many contracts in the group have wage rates above this level.

Having reviewed our contracts and spoken with our clients, we are confident that the contractual positions we have across our client base will similarly ensure that the introduction of the NLW will not have a material impact on our future earnings.

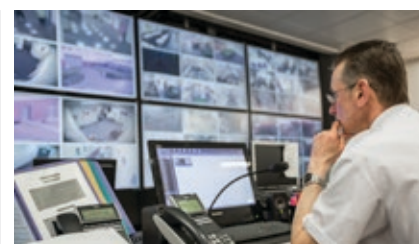
We also believe that this is an important move for the outsourcing industry, as it affects all competitors equally and creates a level playing field in terms of bidding. We do expect outsourcing prices to increase in the future and will not be advocating job cuts in reaction to this change. However, we will continue to work with our clients to identify cost efficiencies in other areas. The vast majority of our client base has been supportive of our approach.

Financial highlights

	HY 2016 Headline ¹	HY 2015 Headline ¹	Change	HY 2016 Statutory	HY 2015 Statutory	Change
Revenue	£1,123.1m	£1,095.0m	2.6%	£1,123.1m	£1,098.8m	2.2%
Operating profit	£58.1m	£64.2m	(9.5)%	£53.1m	£5.9m	800.0%
Profit/(loss) before tax	£50.1m	£57.0m	(12.1)%	£45.1m	£(1.3)m	n/a
Operating profit margin	5.2%	5.9%	(0.7)ppt	4.7%	0.5%	+4.2ppt
Basic earnings per share	11.1p	12.4p	(10.5)%	9.9p	(1.0)p	n/a
Dividend per share	5.4p	5.2p	3.8%	5.4p	5.2p	3.8%
Cash conversion	101.2%	80.3%	+20.9ppt	91.4%	128.6%	(37.2)ppt

¹ Headline results exclude Other items; see Note 3.

- Headline revenue growth of 2.6%, of which 2.1% is organic; overall performance will be weighted to the second half of the year
- Headline operating profit of £58.1m declined 9.5%, largely reflecting a deterioration in the results of the Healthcare division
- Following completion of the group's restructuring activities statutory operating profit increased from £5.9m to £53.1m for the first six months of the year
- Strong headline cash conversion of 101.2%
- Net debt at 30 September 2015 was £221.8m or 1.5x EBITDA (HY15: £233.8m or 1.5x EBITDA)
- Continued good dividend growth of 3.8% reflects confidence in future performance



Financial performance

Mitie has had a positive start to the financial year. Headline revenue was £1,123.1m (HY15: £1,095.0m) reflecting growth of 2.6% in the period, of which 2.1% was organic. Headline operating profit was £58.1m in the period (HY15: £64.2m), generating a headline operating profit margin of 5.2% (HY15: 5.9%).

The results of the group have been driven by strong performance in the core Soft FM, Hard FM and Property Management divisions, where revenues grew by 3.6% to £1,084.1m with operating profit of £60.2m (HY15: £59.7m), with a blended margin of 5.6% (HY15: 5.7%). Organic growth across these divisions was 3.1% (HY15: 4.7%). Operating profit margins in Soft FM and Property Management have seen positive development in the period, with the latter specifically benefiting from the impact of volume growth; whilst in Hard FM, delays in project work until the second half of the year has contributed to a margin reduction in the period. In the Healthcare division, where volumes have declined and we have taken actions to reshape the business in the first half of the year, we have reported a loss in the period of £2.1m (HY15: profit of £4.5m).

The overall performance of the group will be weighted towards the second half of

the financial year with 97% of budgeted revenues already secured.

Other items in the period were £5.0m (HY15: £58.3m), all of which was the amortisation of acquisition related intangible assets (HY15: £5.1m). In the previous period, charges in respect of the exit from the group's interest in certain asset management contracts and engineering construction business were £52.6m. There were no similar charges in the current period.

Statutory operating profit rose to £53.1m (HY15: £5.9m), an increase of 800.0% on the prior year, reflecting the reduction in Other items.

Net finance costs in the period were £8.0m (HY15: £7.2m).

Headline profit before tax for the period was £50.1m (HY15: £57.0m). The effective rate of tax on profit for the period was in line with the UK corporation tax rate at 20.3% (HY15: 21.0%) and resulted in headline earnings per share (EPS) of 11.1p per share (HY15: 12.4p per share). Statutory profit before tax was £45.1m (HY15: £1.3m), with this increase largely reflecting the reduction in Other items. Statutory basic EPS was 9.9p per share (HY15: negative 1.0p per share).

Our return on capital employed for the period was 16.0% (HY15: 16.7%).

This reflects the efficient management of our asset base and is in excess of our weighted average cost of capital which is currently 7.2%.

Balance sheet

The group's net assets at 30 September 2015 were £390.1m (HY15: £376.6m). Within this, goodwill and other intangible assets were £533.1m (HY15: £532.2m) of which £126.1m (HY15: £128.3m) relates to our Healthcare business. Whilst there has been a deterioration in the profitability of the Healthcare division following two years of profitable performance, we remain positive about the longer term prospects of this market and our long term business plan continues to support the carrying value of goodwill in this business area. Details are set out in Note 14.

Our profits continue to be backed by strong cash flows. The conversion of headline EBITDA to operating cash was 101.2% (HY15: 80.3%) on a rolling 12-month basis which is above our stated long-term target of 80%. The conversion of statutory EBITDA to operating cash was 91.4% (HY15: 128.6%). There has been no material impact in the period of cash outflows from businesses being restructured or exited.

Net debt at the period end was £221.8m (HY15: £233.8m) which on a headline basis was 1.5x rolling 12-month EBITDA (HY15: 1.5x) and remains comfortably within our banking covenants. 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 2015 there was a headline outflow of £61.1m (HY15: £69.6m).



The group has committed revolving credit and private placement facilities of £527m over a tenure of 2017-2024. The group has a centralised treasury function whose principal role is to ensure that adequate liquidity is available to meet funding requirements as they arise, and that financial risk is effectively identified and managed. Sufficient funding is in place to support our short term treasury requirements and future growth opportunities.

The group operates both defined benefit and defined contribution pension schemes. Our financial strength and balance sheet remain unaffected by any significant pensions deficit, with the net deficit on our defined benefit obligations as at 30 September 2015 being £32.8m (March 2015: £35.8m).

Dividend

The group has a strong track record of dividend growth and it is the Board's policy to grow dividends at least in line with the underlying earnings of the group, whilst maintaining dividend cover at a prudent level. The interim dividend declared by the Board of 5.4p per share (HY15: 5.2p per share) represents an increase of 3.8% on the prior year. The dividend represents a cover of 2.1 times earnings per share.

During the first half, cash dividends of £23.1m were paid to shareholders (HY15: £21.9m). The proposed interim dividend for the six months ended 30 September 2015 was approved by the Board on 13 November 2015 and will be paid on 1 February 2016 to shareholders on the register at close of business on 18 December 2015.

Board changes

Mark Reckitt was appointed a Non-Executive Director of the Board on 1 July. He is Chairman of the Audit Committee and has also been appointed to the Nomination and Remuneration Committees. Mark brings significant expertise and experience, having held senior business, strategy and finance roles at Smiths Group plc, Kraft Foods Inc., and Cadbury plc.

Crawford Gillies stepped down from the Board at the AGM on 13 July. David Jenkins stepped down as Chairman of the Audit Committee and Senior Independent Director at the AGM, and will remain as a Non-Executive Director until his retirement on 31 December 2015. Larry Hirst CBE, who has been a Non-Executive Director for the past five years, was appointed Senior Independent Director at the AGM. We have commenced a search for an additional Non-Executive Director to complement the current skills that we have on the Board.

Key factors that could affect our business

Underpinning the ability to achieve the group's strategic objective of delivering sustainable, profitable growth is the system of risk management and internal control. The assessment and management of risk is undertaken by every business segment, which has a comprehensive risk management process in place, with business risk registers feeding through to the group risk register reviewed by our Board. We continue to analyse our risk profile through four categories: strategic; financial; operational; and regulatory. The on-going review of our principal risks and uncertainties has not identified any significant changes from those detailed on pages 38 and 39 of our 2015 Annual Report and Accounts, although we continue to actively monitor and mitigate for any potential impact of regulatory changes, for example in areas such as the national living wage.

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 2015 Annual Report (available on the group's website: www.mitie.com), except as described above.

Outlook

Mitie is purely a services business, focused on the long-term growth opportunities across our key outsourcing markets. We have made good progress during the first half of the year. We remain the UK market leader in integrated FM, where we continue to grow with new and existing clients.

We are seeing positive momentum in the business, giving us confidence that we will deliver a good full-year performance. We will continue to build on our long track record of sustainable profitable growth.

By order of the board

Ruby McGregor-Smith CBE
Chief Executive

Mitie Group plc
23 November 2015

Building and creating excellent client relationships in our key markets and sectors

This summary shows a selection of contracts that we have retained, expanded or were awarded during the last six months.

Transport Private

Client	Timeframe	Total value
Rolls-Royce Appointed preferred bidder for an integrated facilities management contract. This will be one of Mitie's largest pan-European agreements and will mark the continuation of a relationship which began in 1992	5 years	ND
Thales Awarded a contract to provide integrated facilities management across 12 key sites in the UK, delivering services including maintenance, cleaning, manned guarding, waste, landscaping and pest control	5 years	£40m
TfL Retained a street furniture cleaning and maintenance contract with Transport for London (TfL)	5 years	£17m
Belfast City Airport Awarded a contract to deliver a range of security services to the airport	3 years	£6m
Michelin Awarded a major industrial cleaning contract with one of the world's largest tyre manufacturers at workshops, warehouses and offices across the UK	3 years	£2m

Retail and leisure Private

Client	Timeframe	Total value
Sky Extended an integrated facilities management contract to January 2023. Mitie delivers a range of services, including catering at a number of bespoke cafes, restaurants and coffee bars across the estate, through its award winning Gather & Gather catering business	5 years	ND
NEC Awarded a new contract to provide landscaping services to the NEC in Birmingham – one of Europe's most prestigious venues for trade and consumer shows. Mitie will also be providing pest control services to the centre	3 years	ND
Chelsea Harbour Awarded cleaning and security contracts across the site, based in south west London on the River Thames, including the marina, commercial offices and the residential estate	5 years	£8m
Leading cosmetics company Awarded a contract to deliver full facilities management services to their new headquarters in central London	3 years	£3m
The Broadway, Westfield Shopping Centres Appointed to deliver security services to the shopping centre in Bradford's city centre	3 years	£3m

Finance and professional services Private

Client	Timeframe	Total value
Deloitte Appointed to deliver integrated facilities management services across Deloitte's entire UK estate, comprising 34 offices and more than 1.3 million square feet of office space	5 years	£40m
High street challenger bank A contract with a new UK bank to deliver integrated facilities management services at all of its office buildings and over 300 bank branches	5 years	£40m
Linklaters Expanded a document management contract with the global law firm to provide reprographic and digital scanning services as well as previously provided mail and distribution services	5 years	ND
Leading international law firm Awarded a security contract with the leading international law firm. Over 40 security guards will be employed at the firm's global HQ in the City of London	1 year	£1m

Technology and communications Private

Client	Timeframe	Total value
dmg media Mitie previously provided security to the group and now provides the full range of services including mechanical and electrical engineering maintenance, cleaning, security, pest control, front of house and mailroom and logistic services	ND	ND
RWE npower Renewed an integrated facilities management providing cleaning, security, waste management, reprographics, space planning, mechanical and electrical maintenance, pest control, mailroom management and drink and snack vending	3 years (+ 2 years)	£30m
Fujitsu Established a partnering agreement with Fujitsu in enterprise cyber security and intelligent building monitoring. Mitie extended its security contract with Fujitsu for three years in April 2015.	N/A	N/A



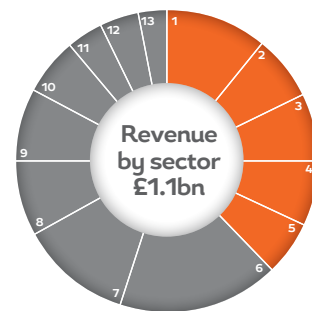
Public and private sector portfolio

A strong and diverse portfolio

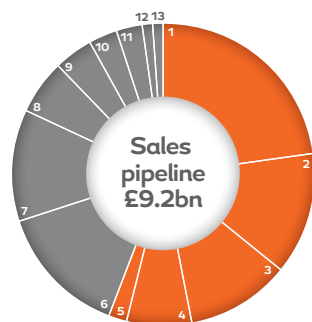
Utilities		Private
Client	Timeframe	Total value
Eggborough Power Station Awarded a security contract delivering 24 hour security personnel. In addition to this Mitie offers superior learning, development and management capabilities through its online operations software Workplace+	3 years	ND
E.ON Appointed by the leading energy company to deliver 24 hour security personnel across all of E.ON's UK sites	2 years (+ 2 years)	ND
Scottish & Southern Energy Renewed a security contract with the British energy company providing manned guarding and technology security solutions	3 years	£4m

Social housing		Public
Client	Timeframe	Total value
Circle Housing Awarded a contract to provide responsive repairs and maintenance services to 6,500 properties in London	ND	ND

Homecare		Public
Client	Timeframe	Total value
London Borough of Hammersmith & Fulham Awarded a contract to provide homecare services. Mitie currently provides property management services to housing in the borough	5 years	£13m
London Borough of Kensington & Chelsea A new contract (as part of a Tri-Borough framework) to deliver 3000 hours of homecare services to the London borough	5 years	£13m



Public sector		Private sector	
£0.4bn	38%	£0.7bn	62%
1 Social housing	11%	6 Finance and professional services	17%
2 Central and other government	7%	7 Retail	12%
3 Local government	7%	8 Manufacturing	8%
4 Healthcare	7%	9 Transport and logistics	8%
5 Education	6%	10 Technology and communications	6%
		11 Property management	4%
		12 Leisure	4%
		13 Utilities	3%



Public sector		Private sector	
£5.2bn	56%	£4.0bn	44%
1 Social housing	23%	6 Finance and professional services	14%
2 Healthcare	13%	7 Transport and logistics	12%
3 Local government	11%	8 Retail	6%
4 Central and other government	7%	9 Property management	4%
5 Education	2%	10 Manufacturing	3%
		11 Utilities	3%
		12 Technology and communications	1%
		13 Leisure	1%

Independent review report to Mitie Group plc

For the six months ended 30 September 2015

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 2015 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 15. 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 2015 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
23 November 2015

Condensed consolidated income statement

For the six months ended 30 September 2015

	Notes	30 September 2015 (unaudited)			30 September 2014 (unaudited)		
		Headline £m	Other items ¹ £m	Total £m	Headline £m	Other items ¹ £m	Total £m
Continuing operations							
Revenue	2	1,123.1	-	1,123.1	1,095.0	3.8	1,098.8
Cost of sales		(963.7)	-	(963.7)	(930.7)	(8.2)	(938.9)
Gross profit		159.4	-	159.4	164.3	(4.4)	159.9
Administrative expenses		(101.7)	(5.0)	(106.7)	(100.5)	(53.9)	(154.4)
Share of profit of joint ventures and associates		0.4	-	0.4	0.4	-	0.4
Operating profit	2	58.1	(5.0)	53.1	64.2	(58.3)	5.9
Investment revenue		-	-	-	0.1	-	0.1
Finance costs		(8.0)	-	(8.0)	(7.3)	-	(7.3)
Net finance costs		(8.0)	-	(8.0)	(7.2)	-	(7.2)
Profit/(loss) before tax	2	50.1	(5.0)	45.1	57.0	(58.3)	(1.3)
Tax	4	(10.1)	0.9	(9.2)	(12.0)	10.0	(2.0)
Profit/(loss) for the period		40.0	(4.1)	35.9	45.0	(48.3)	(3.3)
Attributable to:							
Equity holders of the parent		39.3	(4.1)	35.2	44.6	(48.3)	(3.7)
Non-controlling interests		0.7	-	0.7	0.4	-	0.4
		40.0	(4.1)	35.9	45.0	(48.3)	(3.3)
Earnings per share (EPS)							
- basic	6	11.1p	(1.2)p	9.9p	12.4p	(13.4)p	(1.0)p
- diluted	6	10.7p	(1.1)p	9.6p	12.0p	(13.0)p	(1.0)p

1 Other items are as described in Note 3.

Condensed consolidated income statement

For the year ended 31 March 2015

	Notes	Year to 31 March 2015 (audited)		
		Headline £m	Other items ¹ £m	Total £m
Continuing operations				
Revenue	2	2,266.2	7.6	2,273.8
Cost of sales		(1,928.3)	(17.4)	(1,945.7)
Gross profit		337.9	(9.8)	328.1
Administrative expenses		(210.0)	(62.8)	(272.8)
Share of profit of joint ventures and associates		0.7	-	0.7
Operating profit	2	128.6	(72.6)	56.0
Investment revenue		0.3	-	0.3
Finance costs		(14.8)	-	(14.8)
Net finance costs		(14.5)	-	(14.5)
Profit before tax	2	114.1	(72.6)	41.5
Tax		(24.1)	18.3	(5.8)
Profit for the year		90.0	(54.3)	35.7
Attributable to:				
Equity holders of the parent		89.3	(54.3)	35.0
Non-controlling interests		0.7	-	0.7
		90.0	(54.3)	35.7
Earnings per share (EPS)				
- basic	6	24.8p	(15.1)p	9.7p
- diluted	6	24.2p	(14.7)p	9.5p

1 Other items are as described in Note 3.

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2015

	2015 (unaudited) £m	30 September 2014 (unaudited) £m	Year to 31 March 2015 (audited) £m
Profit/(loss) for the period	35.9	(3.3)	35.7
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit pension liability	4.6	(7.4)	(15.0)
Income tax relating to items not reclassified	(0.9)	1.4	3.0
	3.7	(6.0)	(12.0)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(0.6)	(0.6)	(2.0)
(Loss)/gain on a hedge of a net investment taken to equity	(0.1)	0.5	1.1
Cash flow hedges:			
(Losses)/gains arising during the period	(2.8)	3.2	13.4
Reclassification adjustment for gains/(losses) included in profit and loss	2.6	(3.4)	(14.6)
Income tax credit relating to items that may be reclassified	0.1	0.4	0.2
	(0.8)	0.1	(1.9)
Other comprehensive income/(expense) for the financial period	2.9	(5.9)	(13.9)
Total comprehensive income/(expense) for the financial period	38.8	(9.2)	21.8
Attributable to:			
Equity holders of the parent	38.1	(9.6)	21.1
Non-controlling interests	0.7	0.4	0.7

Condensed consolidated balance sheet

At 30 September 2015

	Notes	2015 (unaudited) £m	30 September 2014 (unaudited) £m	31 March 2015 (audited) £m
Non-current assets				
Goodwill		464.4	459.3	464.4
Other intangible assets		68.7	72.9	76.6
Property, plant and equipment		54.2	56.2	53.3
Interest in joint ventures and associates		1.1	0.7	1.1
Financing assets		4.1	1.4	8.0
Trade and other receivables		68.3	50.9	58.5
Deferred tax assets		11.9	17.5	13.4
Total non-current assets		672.7	658.9	675.3
Current assets				
Inventories		9.9	8.4	11.0
Trade and other receivables		460.1	496.4	421.4
Cash and cash equivalents		53.0	41.6	96.4
Total current assets		523.0	546.4	528.8
Total assets		1,195.7	1,205.3	1,204.1
Current liabilities				
Trade and other payables		(461.1)	(493.2)	(476.0)
Current tax liabilities		(11.3)	(13.7)	(5.2)
Financing liabilities		(1.5)	(2.1)	(1.8)
Provisions	10	(6.8)	(1.2)	(4.9)
Total current liabilities		(480.7)	(510.2)	(487.9)
Net current assets		42.3	36.2	40.9
Non-current liabilities				
Trade and other payables		(8.4)	-	(8.0)
Financing liabilities		(276.2)	(273.3)	(279.2)
Provisions	10	(0.7)	(8.0)	(7.4)
Retirement benefit obligation		(32.8)	(27.4)	(35.8)
Deferred tax liabilities		(6.8)	(9.8)	(7.5)
Total non-current liabilities		(324.9)	(318.5)	(337.9)
Total liabilities		(805.6)	(828.7)	(825.8)
Net assets		390.1	376.6	378.3

Condensed consolidated balance sheet

At 30 September 2015

	Notes	2015 (unaudited) £m	30 September 2014 (unaudited) £m	31 March 2015 (audited) £m
Equity				
Share capital	11	9.4	9.3	9.4
Share premium account		126.0	121.5	122.6
Merger reserve		80.1	98.5	80.1
Share-based payments reserve		7.6	3.5	7.2
Own shares reserve		(52.8)	(37.9)	(47.5)
Other reserves		0.4	0.4	0.4
Hedging and translation reserve		(7.3)	(4.6)	(6.4)
Retained earnings		222.9	182.5	209.2
Equity attributable to equity holders of the parent		386.3	373.2	375.0
Non-controlling interests		3.8	3.4	3.3
Total equity		390.1	376.6	378.3

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2015

	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 2014	9.3	118.9	101.2	2.6	(37.2)	0.4	(4.3)	210.0	400.9	3.0	403.9
(Loss)/profit for the period	-	-	-	-	-	-	-	(3.7)	(3.7)	0.4	(3.3)
Other comprehensive expense	-	-	-	-	-	-	(0.3)	(5.6)	(5.9)	-	(5.9)
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)
Transfers 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
Profit for the period	-	-	-	-	-	-	-	38.7	38.7	0.3	39.0
Other comprehensive expense	-	-	-	-	-	-	(1.8)	(6.2)	(8.0)	-	(8.0)
Total comprehensive (expense)/income	-	-	-	-	-	-	(1.8)	32.5	30.7	0.3	31.0
Shares issued	0.1	1.1	-	-	-	-	-	-	1.2	-	1.2
Dividends paid	-	-	-	-	-	-	-	(18.6)	(18.6)	-	(18.6)
Purchase of own shares	-	-	-	-	(9.6)	-	-	-	(9.6)	-	(9.6)
Share-based payments	-	-	-	3.7	-	-	-	0.2	3.9	-	3.9
Tax on share-based payment transactions	-	-	-	-	-	-	-	0.1	0.1	-	0.1
Transfer between reserves	-	-	(18.4)	-	-	-	-	18.4	-	-	-
Acquisitions and other movements in non-controlling interests	-	-	-	-	-	-	-	(5.9)	(5.9)	(0.4)	(6.3)
At 31 March 2015	9.4	122.6	80.1	7.2	(47.5)	0.4	(6.4)	209.2	375.0	3.3	378.3

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2015

	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 2015	9.4	122.6	80.1	7.2	(47.5)	0.4	(6.4)	209.2	375.0	3.3	378.3
Profit for the period	-	-	-	-	-	-	-	35.2	35.2	0.7	35.9
Other comprehensive (expense)/income	-	-	-	-	-	-	(0.9)	3.8	2.9	-	2.9
Total comprehensive (expense)/income	-	-	-	-	-	-	(0.9)	39.0	38.1	0.7	38.8
Shares issued	-	3.4	-	-	-	-	-	-	3.4	-	3.4
Dividends paid	-	-	-	-	-	-	-	(23.1)	(23.1)	(0.2)	(23.3)
Purchase of own shares	-	-	-	-	(6.6)	-	-	-	(6.6)	-	(6.6)
Share buybacks	-	-	-	-	-	-	-	(4.4)	(4.4)	-	(4.4)
Share-based payments	-	-	-	0.4	1.3	-	-	1.4	3.1	-	3.1
Tax on share-based payment transactions	-	-	-	-	-	-	-	0.1	0.1	-	0.1
Acquisitions and other movements in non-controlling interests	-	-	-	-	-	-	-	0.7	0.7	-	0.7
At 30 September 2015	9.4	126.0	80.1	7.6	(52.8)	0.4	(7.3)	222.9	386.3	3.8	390.1

Condensed consolidated statement of cash flows

For the six months ended 30 September 2015

	30 September		Year to 31 March 2015 (audited) £m
	2015 (unaudited) £m	2014 (unaudited) £m	
Operating profit	53.1	5.9	56.0
Adjustments for:			
Share-based payment expense	3.3	2.7	6.5
Defined benefit pension charge	2.6	2.1	4.0
Defined benefit pension contributions	(1.6)	(1.6)	(3.1)
Acquisition costs	-	0.2	0.3
Depreciation of property, plant and equipment	8.3	9.0	19.7
Amortisation of intangible assets	8.8	7.6	13.8
Other non-cash movement in Other items	-	19.0	19.0
Share of profit of joint ventures and associates	(0.4)	(0.4)	(0.7)
(Gain)/loss on disposal of property, plant and equipment	(0.4)	-	0.3
Operating cash flows before movements in working capital	73.7	44.5	115.8
Decrease/(increase) in inventories	1.1	(1.0)	(3.8)
(Increase)/decrease in receivables	(48.7)	(14.3)	53.4
Decrease in payables	(15.7)	(30.5)	(50.9)
Decrease in provisions	(0.2)	(0.7)	(1.3)
Cash generated by operations	10.2	(2.0)	113.2
Income taxes paid	(3.1)	(6.5)	(15.5)
Interest paid	(7.5)	(6.7)	(13.1)
Facility extension fees	-	(2.0)	(2.0)
Acquisition costs	-	(0.2)	(0.3)
Net cash (outflow)/inflow from operating activities	(0.4)	(17.4)	82.3
Investing activities			
Interest received	0.4	-	-
Purchase of property, plant and equipment	(10.0)	(8.2)	(23.0)
Purchase of subsidiary undertakings, net of cash acquired	(3.7)	-	(0.5)
Dividends received from joint ventures and associates	0.7	0.5	0.5
Investment in financing assets	0.2	-	(0.3)
Purchase of other intangible assets	(1.0)	(1.3)	(3.9)
Disposals of property, plant and equipment	2.0	0.7	1.8
Net cash outflow from investing activities	(11.4)	(8.3)	(25.4)

Condensed consolidated statement of cash flows

For the six months ended 30 September 2015

		30 September		Year to 31 March 2015 (audited) £m
		2015 (unaudited) £m	2014 (unaudited) £m	
Financing activities				
Repayments of obligations under finance leases		(1.0)	(2.0)	(2.0)
Proceeds on issue of share capital		3.4	2.5	3.8
Bank loans raised		0.5	1.1	0.6
Purchase of own shares		(6.6)	(1.1)	(10.7)
Share buybacks		(4.4)	-	-
Equity dividends paid		(23.1)	(21.9)	(40.5)
Non-controlling interest dividends paid		(0.2)	(0.1)	(0.1)
Net cash outflow from financing		(31.4)	(21.5)	(48.9)
Net (decrease)/increase in cash and cash equivalents		(43.2)	(47.2)	8.0
Net cash and cash equivalents at beginning of the period		96.4	89.1	89.1
Effect of foreign exchange rate changes		(0.2)	(0.3)	(0.7)
Net cash and cash equivalents at end of the period		53.0	41.6	96.4
Net cash and cash equivalents comprise:				
Cash at bank		53.0	41.6	96.4
		53.0	41.6	96.4
Reconciliation of net cash flow to movement in net debt				
	Notes	2015 (unaudited) £m	30 September 2014 (unaudited) £m	Year to 31 March 2015 (audited) £m
Net (decrease)/increase in cash and cash equivalents		(43.2)	(47.2)	8.0
Effect of foreign exchange rate changes		(0.2)	(0.3)	(0.7)
(Increase)/decrease in bank loans		(0.6)	(0.4)	1.4
Non-cash movement in private placement notes and associated hedges		(0.2)	(0.3)	(1.3)
Decrease in finance leases		0.2	1.0	1.4
(Increase)/decrease in net debt during the period		(44.0)	(47.2)	8.8
Opening net debt		(177.8)	(186.6)	(186.6)
Closing net debt	8	(221.8)	(233.8)	(177.8)

Notes to the condensed consolidated financial statements

For the six months to 30 September 2015

1 Basis of preparation

The condensed consolidated financial statements for the six months to 30 September 2015 have been prepared on the basis of the accounting policies set out in the 2015 Annual Report and Accounts.

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 2015 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 2015 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 2015. The financial information presented for the year ended 31 March 2015 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 2015.

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 38 and 39 of the group's 2015 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. The group also 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 £260m was undrawn at 30 September 2015.

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.

2 Business and geographical segments

Business segments

The group manages its business on a service division basis, although elements of the group's Soft FM and Hard FM divisions make up the group's Integrated FM business. These divisions are the basis on which the group reports its primary segmental information. With effect from 1 April 2015 Energy Solutions is being reported as part of Hard FM. Soft FM, Healthcare and Property Management remain unchanged.

	Six months to 30 September 2015 (unaudited)					Six months to 30 September 2014 (unaudited and restated)				
	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/ (loss) before tax £m
Soft FM	635.7	635.7	42.4	6.7	41.6	622.7	622.7	40.3	6.5	38.8
Hard FM	310.5	310.5	10.5	3.4	5.7	300.8	300.8	13.9	4.6	10.3
Property Management	137.9	137.9	7.3	5.3	7.2	123.3	123.3	5.5	4.5	5.5
Healthcare	39.0	39.0	(2.1)	(5.4)	(4.4)	48.2	48.2	4.5	9.3	2.4
Other items (Note 3)	-	-	-	-	(5.0)	3.8	-	-	-	(58.3)
Total	1,123.1	1,123.1	58.1	5.2	45.1	1,098.8	1,095.0	64.2	5.9	(1.3)

	Year to 31 March 2015 (audited)				
	Revenue £m	Headline revenue £m	Headline operating profit £m	Headline operating profit margin %	Profit/ (loss) before tax £m
Soft FM	1,280.3	1,280.3	81.9	6.4	79.6
Hard FM	621.1	621.1	31.4	5.1	24.2
Property Management	273.4	273.4	10.4	3.8	9.9
Healthcare	91.4	91.4	4.9	5.4	0.4
Other items (Note 3)	7.6	-	-	-	(72.6)
Total	2,273.8	2,266.2	128.6	5.7	41.5

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

IFRS 8 requires that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision maker and consequently no segment assets are disclosed.

Geographical segments

	Six months to 30 September 2015 (unaudited)					Six months to 30 September 2014 (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/(loss) before tax £m
United Kingdom	1,086.4	1,086.4	58.3	5.4	45.6	1,059.0	1,055.2	63.9	6.1	(1.4)
Other countries	36.7	36.7	(0.2)	(0.5)	(0.5)	39.8	39.8	0.3	0.8	0.1
Total	1,123.1	1,123.1	58.1	5.2	45.1	1,098.8	1,095.0	64.2	5.9	(1.3)

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2015

2 Business and geographical segments

	Year to 31 March 2015 (audited)				
	Revenue £m	Headline revenue £m	Headline operating profit £m	Headline operating profit margin %	Profit before tax £m
United Kingdom	2,190.7	2,183.1	126.8	5.8	40.0
Other countries	83.1	83.1	1.8	2.2	1.5
Total	2,273.8	2,266.2	128.6	5.7	41.5

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

During the year ended 31 March 2015, the group separately reported as Other items the results of certain design and build contracts and certain business activities in construction related markets from which it was exiting. During the half year ended 30 September 2015, no further net charges have arisen in respect of these contracts and business activities. Net cash outflows of £2.4m have been incurred in relation to the final close out of these contracts and business activities in the period.

	Six months to 30 September 2015 (unaudited)			Six months to 30 September 2014 (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
Revenue	-	-	-	-	3.8	3.8
Cost of sales	-	-	-	-	(8.2)	(8.2)
Administrative expenses:						
Overheads	-	-	-	-	(2.5)	(2.5)
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	-	-	-	(0.4)	-	(0.4)
Acquisition costs	-	-	-	(0.2)	-	(0.2)
Amortisation of acquisition related intangibles	(5.0)	-	(5.0)	(5.1)	-	(5.1)
Other items before tax	(5.0)	-	(5.0)	(51.4)	(6.9)	(58.3)
Tax on other items	0.9	-	0.9	8.6	1.4	10.0
Other items net of tax	(4.1)	-	(4.1)	(42.8)	(5.5)	(48.3)

3 Other items

	Year to 31 March 2015 (audited)		
	Restructuring and acquisition related costs £m	Businesses being exited £m	Other items £m
Revenue	-	7.6	7.6
Cost of Sales	-	(17.4)	(17.4)
Administrative expenses:			
Overheads	-	(6.1)	(6.1)
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	(0.6)	-	(0.6)
Acquisition costs	(0.3)	-	(0.3)
Amortisation of acquisition related intangibles	(10.1)	-	(10.1)
Other items before tax	(56.7)	(15.9)	(72.6)
Tax on other items	15.0	3.3	18.3
Other items net of tax	(41.7)	(12.6)	(54.3)

4 Tax

The income tax charge for the six months ended 30 September 2015 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 20.3% (2014: 21.0%) with the decrease compared to the prior period mainly being due to the 1% reduction in the UK statutory tax rate from 21% to 20%. The effective rate of tax on headline earnings is principally influenced by tax relief for share incentive plans that may fluctuate with share price movements, overseas tax rates and recurring non-tax deductible expenses. The group expects 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 20.0% (2014: 17.2%); in the prior period the tax rate was affected by uncertainty around the incidence and timing of certain losses and provisions. The effective tax rate on statutory profits is 20.3% (2014: (153.8)%); in the prior period this reflected the lower rate of tax relief on other items relative to statutory profits for the period.

5 Dividends

The proposed interim dividend of 5.4p (2014: 5.2p) per share (not recognised as a liability at 30 September 2015) will be paid on 1 February 2016 to shareholders on the register on 18 December 2015.

The dividend disclosed in the statement of cash flows represents the final ordinary dividend of 6.5p (2014: 6.1p) per share as proposed in the 31 March 2015 financial statements and approved at the group's AGM (not recognised as a liability at 31 March 2015).

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2015

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		Year to 31 March 2015 £m
	2015 £m	2014 £m	
Net headline profit attributable to equity holders of the parent	39.3	44.6	89.3
Other items net of tax	(4.1)	(48.3)	(54.3)
Net profit/(loss) attributable to equity holders of the parent	35.2	(3.7)	35.0

Number of shares	Six months to 30 September		Year to 31 March 2015 million
	2015 million	2014 million	
Weighted average number of Ordinary shares for the purpose of basic EPS	355.4	359.9	359.3
Effect of dilutive potential Ordinary shares: share options	10.5	12.5	10.4
Weighted average number of Ordinary shares for the purpose of diluted EPS	365.9	372.4	369.7

	Six months to 30 September		Year to 31 March 2015 p
	2015 p	2014 p	
Headline basic earnings per share	11.1	12.4	24.8
Basic earnings per share	9.9	(1.0)	9.7
Headline diluted earnings per share	10.7	12.0	24.2
Diluted earnings per share	9.6	(1.0)	9.5

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 19.2m (2014: 14.2m) shares in Mitie Group plc, with a weighted average of 19.3m shares during the period (2014: 14.1m).

7 Acquisitions

There were no acquisitions during the period, a net cash outflow of £3.7m arose on prior year acquisitions as set out below:

	£m
Procius Limited	0.3
Source Eight Limited	0.5
Direct Enquiries Holdings Limited	3.8
Mitie Property Services (UK) Limited	(1.0)
Other	0.1
Net cash outflow on acquisitions	3.7

7 Acquisitions

Prior year acquisitions

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 £3.1m including £0.3m of deferred contingent consideration which was paid in cash in the current period. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). The provisional accounting in the 2015 Annual Report and Accounts was reviewed during the period resulting in no significant adjustments to the fair value of net assets acquired and the value of goodwill.

Purchase of Source 8 Limited

On 26 November 2014, Mitie acquired a 51% stake in the real estate, technology and risk management consultancy Source Eight Limited ('Source 8') for an initial consideration of £2.5m and up to £0.8m of deferred contingent consideration, of which £0.5m was paid in cash in the current period. Further cash consideration may be payable in respect of put options over the remaining 49% bringing total consideration for a 100% stake up to a maximum of £15.8m. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). The provisional accounting in the 2015 Annual Report and Accounts was reviewed during the period resulting in a reduction to the fair value of net assets acquired of £0.2m, from £1.5m to £1.3m, and an increase in the value of goodwill of £0.2m from £2.5m to £2.7m.

Purchase of non-controlling interests

During the year ended 31 March 2015, Mitie purchased 49% of the share capital of Direct Enquiries Holdings Limited for a cash consideration of £5.6m, of which £1.8m was paid in the year ended 31 March 2015 and £3.8m was paid in April 2015.

During the period, Mitie reduced its original business valuation of the acquisition of Mitie Property Services (UK) Limited in August 2011 which resulted in a net cash inflow of £1.0m.

8 Analysis of net debt

		30 September	31 March
	2015 (unaudited) £m	2014 (unaudited) £m	2015 (audited) £m
Cash and cash equivalents	53.0	41.6	96.4
Bank loans	(14.5)	(15.6)	(13.9)
Private placement notes	(259.9)	(249.4)	(263.6)
Derivative financial instruments hedging private placement notes	2.9	(6.5)	6.8
Net debt before obligations under finance leases	(218.5)	(229.9)	(174.3)
Obligations under finance leases	(3.3)	(3.9)	(3.5)
Net debt	(221.8)	(233.8)	(177.8)

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 2015 includes a fair value adjustment for interest rate and currency risk of £0.4m (2014: £0.5m). The fair value of the private placement notes is not significantly different from their carrying value.

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2015

9 Financial instruments

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 £6.8m (2014: £7.8m) dependent upon the results of the acquired businesses.

Put options of non-controlling interests are measured at amortised cost based on the expected redemption value, which is determined by the Directors' best estimate of the present value of the likely future obligation based on the attainment of certain profit targets.

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 that deferred contingent consideration and put options on non-controlling interests fall into Level 3.

The following table shows the reconciliation from the opening to closing balances for Level 3 fair values:

	Deferred contingent consideration £m	Put options of non-controlling interests £m
At 1 April 2015	11.4	8.0
Deferred contingent consideration settled in cash during the period	(4.6)	-
Movement of put options recognised in equity	-	0.4
At 30 September 2015	6.8	8.4

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

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

	30 September		Year to 31 March 2015 (audited) £m
	2015 (unaudited) £m	2014 (unaudited) £m	
Assets			
Cross currency interest rate swaps designated as cash flow hedges	0.9	-	3.7
Cross currency interest rate swaps designated as fair value hedges	2.0	-	3.1
Derivative financial instruments hedging private placement notes	2.9	-	6.8

	30 September		Year to 31 March 2015 (audited) £m
	2015 (unaudited) £m	2014 (unaudited) £m	
Liabilities			
Cross currency interest rate swaps designated as cash flow hedges	-	(6.5)	-
Cross currency interest rate swaps designated as fair value hedges	-	-	-
Derivative financial instruments hedging private placement notes	-	(6.5)	-

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 2015	11.4	0.9	12.3
Deferred contingent consideration settled in cash during the period	(4.6)	-	(4.6)
Utilised within the Captive Insurance subsidiary	-	(0.2)	(0.2)
At 30 September 2015	6.8	0.7	7.5
Included in current liabilities			6.8
Included in non-current liabilities			0.7
			7.5

	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
Amounts recognised in the income statement	-	0.1	0.1
Amounts recognised through goodwill	1.1	-	1.1
Utilised within the Captive Insurance subsidiary	-	(0.6)	(0.6)
Amounts recognised through equity	2.5	-	2.5
At 31 March 2015	11.4	0.9	12.3

	30 September 2014 (unaudited) £m	31 March 2015 (audited) £m
Included in current liabilities		4.9
Included in non-current liabilities		7.4
	9.2	12.3

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.

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2015

11 Share capital

Ordinary shares of 2.5p	Number million	£m
Allotted and fully paid		
At 1 April 2015	375.2	9.4
Share buybacks	(1.5)	-
Issued under share option schemes	1.4	-
At 30 September 2015	375.1	9.4
At 1 April 2014	373.5	9.3
Issued under share option schemes	1.1	-
At 30 September 2014	374.6	9.3

During the period 1.4m (2014: 1.1m) Ordinary shares of 2.5p were allotted in respect of share option schemes at a price between 162p and 319p (2014: 127p and 254p) giving rise to share premium of £3.4m (2014: £2.6m). During the period 1.5m (2014: nil) Ordinary shares of 2.5p were bought by Mitie Group plc at a cost of £4.4m (2014: £nil) and subsequently cancelled. In addition, 2.3m (2014: 0.3m) Treasury shares were purchased at a cost of £6.6m (2014: £1.1m).

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 £6.8m (2014: £7.8m). 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 £24.3m (2014: £34.7m) in the ordinary course of business. These are not expected to result in any material financial loss.

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 (2014: £0.2m) of revenue from contracts with joint ventures and associated undertakings. At 30 September 2015 trade and other receivables of £nil (2014: £1.1m) were outstanding and loans to joint ventures and associates of £1.2m (2014: £1.3m) 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 £40,000 (2014: £10,000) and gifts in kind of £130,700 (2014: £95,400) to the Foundation. At the end of the period £4,000 (2014: £35,000) 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 Goodwill

Background

The financial performance of the Healthcare business has deteriorated in the six months to 30 September 2015 and that division has reported an operating loss of £2.1m for that period. We have been taking positive action to reshape the business during the period to meet future market opportunities and are encouraged by recent contract awards which give us confidence that conditions are beginning to improve.

We remain confident in the long-term prospects of the healthcare sector and continue to closely monitor the financial performance of the group's Healthcare cash-generating unit (CGU). The Directors have reviewed the revised long-term business plan for the Healthcare business and believe that the assumptions on which it is based are reasonable given current performance and market conditions. The Directors continue to see long-term growth opportunities in the domiciliary care market, especially in light of the increasing political focus on the current funding of the sector and the expected demographic shift in the UK.

The Directors recognise that there are risks and uncertainties in its Healthcare CGU if the performance of the business does not improve as expected over the longer term in line with the revised business plan. Factors that could cause deterioration in the future cash flows of the business compared to the plan include:

- the inability to recruit and retain staff at appropriate wage rates;
- the inability to win new and retain contracts to provide care hours at sustainable prices; and
- an adverse structural change to outsourcing of care in the UK caused by changes in UK Government policy.

Review of the carrying value of goodwill in the Healthcare CGU

Given the loss recorded in the first half of the year, the Directors have undertaken an impairment review and made additional voluntary disclosure in this regard in the half yearly report. Accordingly, the group has updated its estimate of the recoverable amount of its Healthcare CGU at 30 September 2015.

There is headroom between the carrying value of goodwill for the Healthcare CGU and the recoverable amount, being the net present value of the future cash flows that are expected to be generated by the business. The value of goodwill and intangible assets attributed to this CGU at 30 September 2015 was £106.6m and £19.4m respectively (31 March 2015: £106.6m and £21.4m).

Key assumptions

The key assumptions for the calculations of the net present value of future cash flows continue to be those regarding discount rates, growth rates and expected changes to revenue and direct costs, in particular:

- cash flow forecasts are derived from a detailed five year business plan approved by the Board, with a terminal value using an inflationary growth rate assumption of 2.5% based on industry growth forecasts and compound annual revenue growth rates of 12.4% (using revenue of £91.4m reported for the year ended 31 March 2015 as the reference point for the rate of compound annual revenue growth) underpinning the growth in operating profit in the first five years of the plan; and
- the pre-tax rate used to discount the forecast cash flows for the CGU is 9.4%, which has been adjusted for the risks specific to the market in which the CGU operates.

Sensitivity analysis

The Directors have concluded that headroom falls to zero only when the key assumptions change significantly and have considered the impact of a range of sensitivities on the headroom between the recoverable amount and the carrying value of the goodwill attributable to the Healthcare CGU. The carrying value of goodwill (and other intangible assets) becomes equal to its recoverable amount following the application of the following sensitivities:

- an increase in the pre-tax discount rate of 3.3%; or
- a fall of 3.7% in the terminal value growth rate to a negative long-term inflationary assumption of 1.2%; or
- a 38% reduction in operating profit by year 5 compared to the revised business plan.

Based on the commentary and analysis above, and considering current market conditions, the Directors have concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the value of goodwill or intangible assets of the Healthcare CGU.

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2015

15 Notes to the condensed consolidated statement of cash flows

	12 months to 30 September 2015 (unaudited)			12 months to 30 September 2014 (unaudited)			Year to 31 March 2015 (audited)		
	Headline £m	Other items £m	Total £m	Headline £m	Other items £m	Total £m	Headline £m	Other items £m	Total £m
Cash conversion									
Operating profit	122.5	(19.3)	103.2	129.4	(90.7)	38.7	128.6	(72.6)	56.0
Depreciation	19.0		19.0	17.3		17.3	19.7		19.7
Amortisation	5.0	10.0	15.0	5.0	11.3	16.3	3.7	10.1	13.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	146.5	(9.3)	137.2	151.7	(79.4)	72.3	152.0	(62.5)	89.5
Cash conversion ¹	101.2%		91.4%	80.3%		128.6%	95.1%		126.5%
Free cash flow									
Cash generated by operations			125.4			93.0			113.2
Purchase of property, plant and equipment			(24.8)			(21.2)			(23.0)
Purchase of other intangible assets			(3.6)			(5.5)			(3.9)
Disposals of property, plant and equipment			3.1			5.5			1.8
Income taxes paid			(16.0)			(17.6)			(15.5)
Interest paid (including facility extension fees)			(9.6)			(15.5)			(15.1)
Free cash flow			74.5			38.7			57.5

¹ Cash conversion is calculated as cash generated by operations as a percentage of EBITDA, on a rolling 12 month basis.

Results

2016 Preliminary statement of annual results	23 May 2016
2017 Half-yearly financial report	21 November 2016

Dividends

2015 Final dividend of 6.5p paid	4 August 2015
2016 Half-yearly ex dividend date	17 December 2015
2016 Half-yearly dividend record date	18 December 2015
2016 Half-yearly dividend payment date	1 February 2016
2016 Half-yearly dividend last date for receipt/ revocation of DRIP mandate	6 January 2016

Annual General Meeting

2016 Annual General Meeting	12 July 2016
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Company details

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* Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales

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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