mitie

Mitie Group plc

Half-yearly financial report for the six months ended 30 September 2017

20 November 2017

Highlights

- Mitie Transformation Programme making good progress; 3 year delivery and execution on track
- Connected Workspace strategy now in pilot phase with a number of clients
- Adjusted[1] revenue[2] up 3.9% at £959.7m (1H 16/17: £923.7m); reported revenues up 4.0% to £959.7m (1H 16/17: £922.6m)
- Adjusted[1] operating profit[2] up 5.8% at £32.6m (1H 16/17: £30.8m); reported operating profit before other items up 2.2% to £32.6m (1H 16/17: £31.9m)
- Interim dividend declared at 1.33p (1H 16/17: 4.0p)
- Net debt[3] at 30 September 2017 at £172.6m (1H 16/17: £231.7m, FY2017: £147.2m)
- Order book at £5.9bn (FY2017: £5.9bn) for continuing operations
- FRC today confirms their review of Mitie's accounts 2015/16 has concluded, with no further action
- Property Management business held for sale – indicative offers received

Phil Bentley, Chief Executive, Mitie Group plc, commented:

"This has been a period of transformation and investment for Mitie. We have had a solid six months with a modest uptick in revenue. We have continued to build foundations, take out costs, simplify systems and processes, invest in our capabilities and put the customer at the heart of our organisation.

"We have had a number of good recent wins, we have attracted some high-quality talent to the business, our Connected Workspace proposition is gaining traction and we are already seeing the benefits of our HR and IT change programmes. We have much more to do, but we are very much on track."

Group results Continuing operations[2]	**Six months ended 30 September** **2017**	 **2016 (restated)[4]**	**Change**
Adjusted[1]			
Revenue	**£959.7m**	£923.7m	3.9%
Operating profit	**£32.6m**	£30.8m	5.8%
Basic earnings per share	**5.2p**	4.9p	6.1%
Basic earnings per share after other items	**1.2p**	3.0p	(60.0)%
Reported			
Revenue	**£959.7m**	£922.6m	4.0%
Operating profit before other items	**£32.6m**	£31.9m	2.2%
Operating profit	**£14.8m**	£23.9m	(38.1)%
Basic earnings per share	**1.2p**	3.3p	(63.6)%
Basic earnings per share[3]	**(1.8)p**	(25.1)p	92.8%
Operating cash flow[3]	**(£6.7m)**	(£1.6m)	(151.4)%
Net debt[5]	**£172.6m**	£147.2m[6]	17.3%
Dividend per share	**1.33p**	4.0p	(66.8)%
Order book *(excluding Property Management)*	**£5,930m**	£5,869m[6]	1.0%

[1] Consistent with the 2017 Annual Report and Accounts, Alternative Performance Measures have been provided to adjust for one-off items to reflect a more meaningful analysis of our adjusted operating performance before other items in 2017. For details, see Financial Review.

[2] Continuing operations (excluding Property Management for 1H 17/18 and 1H 16/17 and Healthcare for 1H 16/17, shown as discontinued operations).

[3] From continuing and discontinued operations.

[4] 1H 16/17 numbers have been restated to correct material errors found during the 2017 Accounting Review. See Note 2 to the condensed consolidated financial statements for further information.

[5] From continuing and discontinued operations before invoice discounting.

[6] FY2017.

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Mitie will be presenting its interim results for the period ended 30 September 2017 at 09:30am (GMT) on Monday 20 November 2017. A live webcast of the presentation will be available online at www.mitie.com/investors at 09:30am (GMT). The recorded webcast of the presentation and a copy of the accompanying slides will also be available on our website later in the day.

About Mitie

Mitie is a FTSE 250 business providing a wide range of facilities management and professional services, from real estate consultancy, project management, energy consultancy, compliance, risk assessment and security systems to cleaning, catering, engineering, technical and environmental services and a range of specialist services.

We work in partnership with organisations to deliver long-term savings, managing and maintaining some of the nation's most recognised landmarks for a range of blue-chip public and private sector customers.

We are the UK's largest Facilities Management Company employing some 53,000 people across the country.

Legal disclaimer

This announcement contains forward-looking statements. Such statements do not relate strictly to historical facts and can be identified by the use of words such as 'anticipate', 'expect', 'intend', 'will', 'project', 'plan', and 'believe' and other words of similar meaning in connection with any discussion of future events. These statements are made by the Directors of Mitie in good faith based on the information available to them as at 20 November 2017 and will not be updated during the year. These statements, by their nature, involve risk and uncertainty because they relate to, and depend upon, events that may or may not occur in the future. Actual events may differ materially from those expressed or implied in this announcement and accordingly all such statements should be treated with caution. Nothing in this announcement should be construed as a profit forecast.

Except as required by law, Mitie is under no obligation to update or keep current the forward-looking statements contained in this announcement or to correct any inaccuracies which may become apparent in such forward-looking statements.

This announcement contains insider information.

Overview

We continue to make steady progress in the transformation of Mitie Group plc (the "Company" or "Mitie" or the "Group") and we expect to see further positive impact from our endeavours as we move into the second half of the year. Transforming a large, diverse business such as Mitie is neither linear nor without challenges, but the programme remains on track as we build the foundations for success. Over the last six months we have made substantial progress on our strategic pillars, by:

- Enhancing our **Customer** and relationship management programme
- Restoring balance sheet strength and transforming our **Cost** base
- Improving engagement with our **People** and cementing the 'Mitie Way'
- Investing in **Technology** and Connected Workspace capabilities

Our strategic focus to put our customers at the heart of our business and drive our cost savings programme is beginning to yield results. Encouragingly, against a backdrop of considerable change, the business delivered better than expected revenue growth of 3.9% in 1H. We will continue to invest at pace in talent, capabilities and systems.

We continue to make progress with the implementation of Project Helix, our Group-wide cost transformation programme. As previously stated, this will see a reduction in net Group operating costs on an annualised basis of c.£40m by FY2020. Recent milestones within Project Helix include:

- Simplification of our corporate structure and ongoing consolidation of multiple businesses into a single operating company. This will lay the foundation for streamlined processes in Finance and HR
- On track to outsource major Finance processes; HR solution introducing automation to administrative functions is live
- Completed the buy-out of all minority shareholders of Mitie Model companies in October 2017
- Workflow transformation is ahead of schedule with encouraging early results – for example, Engineering Services productivity, planning and job allocation
- Commenced Group-wide IT transformation programme with the goal of simplifying the Group's IT architecture and centralising monitoring, system controls and maintenance, all with greater third-party automation.

Results

Revenue from continuing operations for the first six months of this year was £959.7m up 3.9% on previous year. Our order book remains strong at £5.9bn, on a continuing basis. We have renewed and won new contracts across our businesses, with especially good performances from Security (revenues up 9.9%) and Care & Custody (revenues up 28.6%). We have also lost a number of contracts as part of the normal ebb and flow of the business and one notable contract in Engineering Services. New wins across the business include a new contract award from a multinational grocery retailer, a global leader in e-commerce and cloud computing, and a major homewares and household goods retailer. Our customer proposition, long-term client relationships and innovative technology are providing competitive differentiation.

We will continue to invest with discipline in our core capabilities and infrastructure to deliver on our strategy. However, cost-to-serve and general overheads are running ahead of last year, and earlier expectations. We expect this level of spend to continue for the remainder of the year.

As part of the wider strategic review of the Group's operations, Property Management was deemed non-core and a sale process is underway with indicative bids received. The business is now treated as a discontinued operation.

Dividend

For the first six months of the year, the Board has declared a dividend of 1.33p, which is one third of last year's total dividend (4.0p). We expect interim dividends to continue to be calculated on this basis in future.

Board changes

We have made further Non-Executive appointments to the Board, bringing expertise in the field of Human Resources and Financial Audit through the appointment of Jennifer Duvalier and Mary Reilly. Post period end, we have also announced the appointment of Baroness Philippa Couttie to the Board. She brings expertise from across business, finance and government.

On 13 November 2017, we announced the appointment of Paul Woolf as Group CFO and his appointment to the Board with immediate effect. He replaced Sandip Mahajan, who had held the role of Group CFO since 10

February 2017.

FRC update

Mitie has been advised by the Financial Reporting Council (FRC) that the FRC's Corporate Reporting Review team's review of the annual report and accounts of Mitie for the year ended 31 March 2016, which was initiated on 13 October 2016, has now concluded and that they do not intend to pursue the matter further. That review focused on accrued income on long term complex contracts and the goodwill allocated to the Group's former healthcare division.

The FRC has also advised the Company of its decision to open an investigation under the Accountancy in relation to the preparation and approval of the financial statements for Mitie Group plc for the year ended 31 March 2016. This is in addition to the FRC's ongoing investigation, announced on 31 July 2017, in relation to the conduct of Deloitte LLP's audit of Mitie under the Audit Enforcement Procedure (AEP). The Company understands that the investigation does not relate to any current directors of Mitie, any former non-executive directors of Mitie or Sandip Mahajan (who, as was announced on 13 November 2017, stepped down from his role as Group CFO).

Outlook

It has been a busy six months, the business is re-energised. Full-year revenue growth is expected to be in the range of 3% to 4% and our medium-term margin expectation remains unchanged at 4.5% - 5.5%. Transforming Mitie is not without challenges. Whilst we are only at the foundation building stage and there is more to do, we are optimistic about making further progress this year and our medium-term outlook is positive.

Financial review

Reported financial performance

Reported revenue from continuing operations was £959.7m (1H 16/17: £922.6m), a favourable increase of 4.0% due to good revenue growth in Security and Engineering Services offset by a moderate decline in Professional Services & Connected Workspace. Operating profit from continuing operations on a statutory basis has fallen to £14.8m (1H 16/17: £23.9m) primarily due to investment in our Helix transformation programme and Connected Workspace proposition.

Prior period restatements

As reported in the Group's Annual Report and Accounts for the year ended 31 March 2017, the 2017 Accounting Review identified a number of prior year errors that, due to their materiality, required the restatement of results for periods before 31 March 2017 and which also impact the reported results for the six months ended 30 September 2016. The nature of the 2017 Accounting Review errors is outlined in Note 2 to the condensed consolidated financial statements. As a consequence, the net impact of prior period adjustments in 1H 16/17 for continuing operations is a decrease of £4.4m to continuing for the period before other items.

Throughout this report, the 1H 16/17 comparatives are described as 'restated' which means they are stated after adjustment for these errors and for the results of the Property Management and Healthcare businesses being shown as discontinued operations.

Alternative Performance Measures

The adjustments resulting from the 2017 Accounting Review make it difficult to assess underlying operating performance of the business units for the year ended 31 March 2017, which is a key focus for both investors and others seeking to assess the Group's performance. Therefore, for the 1H 16/17 comparatives, Alternative Performance Measures have been provided to adjust for both other items and one-off items, to reflect more meaningful analysis of the Group's like-for-like operating performance (referred to as 'adjusted revenue' and 'adjusted profit').

In considering its presentation of adjusted revenue and adjusted profit, management has sought to ensure that items considered to be non-recurring reflect a fair and balanced position. The restated reported operating profit before other items of £31.9m for continuing operations in 1H 16/17 is decreased to an adjusted profit of £30.8m through recognition of one-off items of £1.1m.

See the Appendix to the condensed consolidated financial statements for further details.

Adjusted revenue and operating profit

The Group's adjusted revenue from continuing operations in the period was £959.7m, an increase of 3.9% (1H 16/17: £923.7m). Adjusted operating profit from continuing operations has increased by 5.8% to £32.6m (1H 16/17: £30.8m) before other items, driven in particular by a solid performance in Security, offset in part by further investment in Connected Workspace.

Other items before discontinued operations

Other items recognised in the period total £17.8m (1H 16/17: £8.0m) for continuing operations. This includes £12.9m of one-off costs of organisation change (1H 16/17: £5.1m). The nature of these costs is to support the Group's cost efficiency and transformation programmes and specifically relate to project management support for the change process, together with the costs of redundancy for people leaving the business. The loss of two contracts during the period resulted in a one-off non-cash write-off of £6.6m offset by the expected receipt of termination payments amounting to £2.0m. In addition, as a result of a contract extension, a non-cash credit of £1.5m was recorded to reinstate a contract-related asset. £1.8m (1H 16/17: £2.9m) relates to the amortisation of acquisition related intangible assets and other acquisition items. The tax credit on other items was £3.5m (1H 16/17: £1.5m) resulting in other items after tax of £14.3m (1H 16/17: £6.5m) for continuing operations.

Discontinued operations

Following a strategic review of the operations of the Group, the Property Management business has been classified as a discontinued operation as at 30 September 2017 and comparative results have been restated.

On 28 February 2017, the Group completed the sale of the Healthcare division following the Board's decision to withdraw from the domiciliary healthcare market. As a result of the disposal, the Healthcare business has been classified as a discontinued operation for the six months ended 30 September 2016 and comparative results have been restated.

Mitie Model

Mitie historically operated an incentive programme known as the Mitie Model. At 1H 17/18, Mitie held majority interests in five Mitie Model companies. The minority non-controlling interests in these companies, held on the balance sheet, were £2.5m at 1H 17/18.

Further to the announcement on 20 September 2017, 2,396,381 ordinary shares of 2.5p each were allotted on 20 October 2017 as consideration valued at £6.4m for the buy-out of all minority shareholder interests in the remaining Mitie Model entities. The shares rank pari passu with the existing issued ordinary shares. 1,139,697 of these shares were allotted on the condition that the relevant individuals remain in Mitie's employment until October 2019. Following this transaction each Mitie Model entity is now wholly owned.

On 6 July 2017, Mitie Group plc entered into a revised agreement with the employee minority shareholders to purchase their remaining 49% shareholdings in Source Eight Limited (Source 8) for a maximum consideration of £9.1m in cash and shares. The acquisition was completed on 19 July 2017 and as a result, Mitie owned 100% of the issued share capital of Source 8 at 1H 17/18. See Note 11 of the condensed consolidated financial statements for further details.

Goodwill and intangible assets

Goodwill and other intangible assets of £322.6m were held on the balance sheet in respect of continuing operations at 1H 17/18. There were no indicators of impairment in the continuing operations of the Group at 1H 17/18. Following the classification of the Property Management business as held for sale, a goodwill impairment charge of £10.0m was recognised at 1H 17/18.

Working capital & invoice discounting

Total operating cash flow in the period was an outflow of £14.2m (1H 16/17: inflow of £27.6m) after working capital outflows of £43.0m (1H 16/17: outflow of £4.3m). Receivables were impacted by an anticipated £7.5m reduction in the utilisation of invoice discounting facilities in the period (1H 16/17 increase: £29.2m). Overall debtors and accrued income remain in line with the year end, after allowing for the invoice discounting unwind. Within this movement, accrued income on long-term complex contracts reduced by £9.3m to £40.9m. £5.8m of this reduction relates to write-offs due to the loss of two contracts during the period.

The remaining working capital outflow was mainly as a consequence of the timing of accounts payable and other expected operating outflows.

Net debt and lender covenants

As a result of the net working capital movement, net debt at 1H 17/18 was £172.6m (FY2017: £147.2m, 1H 16/17: £231.7m).

Mitie's two key covenant ratios are leverage cover (ratio of net debt to EBITDA to be no more than 3x) and interest cover (ratio of EBITDA to net finance costs to be no less than 4x).

The Group remained comfortably within its covenants as at 30 September 2017. £60.2m of the US Private Placement debt is due to be repaid in December 2017.

Retirement benefit schemes

On 14 November 2017, the Group closed the final salary section of the Mitie Group scheme to future accrual. The annualised savings to the Group from FY2019 are expected to be in the region of £850,000 per annum.

During the period, the triennial actuarial valuation of the Mitie Group scheme was also completed. The scheme actuarial deficit was £46.6m at 31 March 2017 (31 March 2014: £6.0m) which has increased principally as a result of falling corporate bond rates since 2014. The Company has agreed a ten-year deficit recovery plan with the scheme Trustees of £58.0m.

The net accounting deficit on the Group's defined benefit pension schemes was £64.9m at 1H 17/18 (FY2017: £74.2m). The decrease has been principally driven by a 5 basis point increase in the discount rate used by the Group to determine its pension obligations as a result of now increasing corporate bond yields since 31 March 2017. The accounting deficit on Mitie's principal defined benefit scheme at 1H 17/18 was £62.1m (FY2017: £70.7m).

The Group also makes contributions to customers' defined benefit pension schemes under Admitted Body arrangements as well as to other arrangements in respect of certain employees who have transferred to the Group under TUPE. Mitie's net defined benefit pension deficit in respect of schemes in which it is committed to funding amounted to £2.8m (FY2017: £3.5m).

Operating review

All numbers here are reported on the 'Alternative Performance Measures', which provides a better like-for-like performance comparison. The difference between 'reported' and 'adjusted' prior year revenue relates principally to adjustments to percentage-of-completion balances and accrued income as part of the 2017 Accounting Review.

Cleaning & Environmental Services

£m	**1H 17/18**	1H 16/17 (restated)	**Change**
Adjusted revenue	**197.2**	199.3	(1.1)%
Adjusted operating profit	**9.4**	8.7	8.0%
Operating margin, %	**4.8%**	4.4%	
Order book (1H 17/18 vs FY2017)	**803**	811	(1.0)%
Reported revenue	**197.2**	196.7	0.3%
Reported operating profit before other items	**9.4**	5.0	88.0%

We remain one of the largest cleaning services providers in the UK, offering a full suite of cleaning services as well as specialist services, such as pest control, landscaping, and gritting. The division will be led going forward by the newly appointed Matthew Thompson (ex. Zenith and Compass).

The business reported £197.2m of revenue and £9.4m of operating profit before other items. Adjusted operating profit was up 8.0% year on year. The solid performance was underpinned by a combination of contract turnarounds in cleaning and continued strong performance from pest and landscape.

The business has performed well against a competitive landscape – price pressures continue to define the overall cleaning market. We are responding to these pressures by: extending our capabilities into more technical areas of work; simplifying our overhead structure; and introducing improved technology for better workforce management. Staff retention improved by 4.5% over the period and we intend to roll out our front-line staff app, Workplace+, across Cleaning in early 2018. In addition, we continue to invest in client engagement, management and service, so strengthening our relationships.

Security

£m	1H 17/18	1H 16/17 (restated)	Change
Adjusted revenue	**213.7**	194.4	9.9%
Adjusted operating profit	**11.8**	9.7	21.6%
Operating margin, %	**5.5%**	5.0%	
Order book (1H 17/18 vs FY2017)	**798**	876	(8.9)%
Reported revenue	**213.7**	194.4	9.9%
Reported operating profit before other items	**11.8**	10.6	11.3%

We are the second largest integrated security services provider in the UK, delivering a full suite of services and products, including security personnel, remote monitoring, mobile response solutions, and fire and security systems – all underpinned by risk-based analytics. Working across all sectors we are the leading provider in the transport and aviation and retail sectors along with critical security environments.

The division reported £213.7m of revenue and £11.8m of operating profit before other items. The strong revenue growth was underpinned by new contract wins. Over the last six months, the business secured new contracts, worth £41m on an annualised basis, including a large national grocer, a high street national homeware retailer, as well as a contract expansion with Linklaters. Operating profit margin improved significantly, driven by cost saving initiatives. Forward order book remains strong at c.£800m. Operating measures have also been encouraging, including a 5% improvement, to 86%, in staff retention in the period March to September.

Catering

£m	1H 17/18	1H 16/17 (restated)	Change
Adjusted revenue	**72.7**	71.1	2.3%
Adjusted operating profit	**2.9**	3.2	(9.4)%
Operating margin, %	**4.0%**	4.5%	
Order book (1H 17/18 vs FY2017)	**428**	458	(6.6)%
Reported revenue	**72.7**	71.1	2.3%
Reported operating profit before other items	**2.9**	3.6	(19.4)%

Our Catering division is comprised of Gather & Gather – our core brand, and Creativevents – our specialist outdoor catering business. The division's goal is to be recognised as the UK and Ireland's most distinctive, technology-enabled workplace catering experts, where the 'Well Being' of our clients' employees is high on the agenda. We look to achieve this by creating food with personality, served by people who are passionate about delivering the highest quality of service.

The business reported revenue of £72.7m and operating profit before other items of £2.9m. Revenue grew at 2.3%, while adjusted operating profit in the comparable period benefited from a one-off rebate. Creativevents, which has delivered a significant turnaround in profitability during the period, and Gather & Gather Ireland performed well during the period.

External market forces such as food inflation, reduced footfall and spend at the till, have continued to push up our cost base and impact our margin. A menu optimisation programme and a more flexible labour model are to be deployed to combat headwinds. Our core offering remains attractive and marketable and is further demonstrated through the recent win of a prestigious Foodservice Cateys Award.

Engineering Services

£m	**1H 17/18**	1H 16/17 (restated)	**Change**
Adjusted revenue	**404.3**	389.7	3.7%
Adjusted operating profit	**15.1**	12.5	20.8%
Operating margin, %	**3.7%**	3.2%	
Order book (1H 17/18 vs FY2017)	**3,443**	3,259	5.6%
Reported revenue	**404.3**	391.2	3.3%
Reported operating profit before other items	**15.1**	14.5	4.1%

We are one of the leading providers of engineering services in the UK, delivering technical and building maintenance services across a wide range of sectors and real estate assets. In addition to our core maintenance offering, we provide critical specialist services such as heating, cooling, lighting, water treatment and building controls.

The overall business reported revenue of £404.3m and operating profit before other items of £15.1m. The adjusted operating profit increased 20.8% to £15.1m. New wins include a multi-year contract with a major food retailer, as well as a three-year extension with Heathrow Airport Group. This will be partially offset by the loss of the previously announced top 20 contract. As a result, the order book is up 5.6% to £3,443m at 1H 17/18.

The workflow re-engineering programme under Project Helix is running ahead of schedule. The business has commenced nationwide rollout of new planning processes to 200 planners and 1,500 engineers and this is forecast to significantly improve productivity.

Professional Services & Connected Workspace

£m	**1H 17/18**	1H 16/17 (restated)	**Change**
Adjusted revenue	**43.0**	46.8	(8.1)%
Adjusted operating profit	**(0.5)**	4.0	(112.5)%
Operating margin, %	**(1.2)%**	8.5%	
Order book (1H 17/18 vs FY2017)	**237**	221	7.2%
Reported revenue	**43.0**	46.8	(8.1)%
Reported operating profit before other items	**(0.5)**	4.0	(112.5)%

Professional Services & Connected Workspace is Mitie’s consultancy services division. The division leverages technology to help our customers effectively and efficiently manage their real estate and facilities services. By combining our consultancy capabilities with strategic account management, we are advising our clients on how to save them money and improve their working environments.

Within this division, we are building our Connected Workspace capabilities. The Connected Workspace is a set of evolving technology-driven solutions that will enable Mitie to improve the delivery of facilities services and provide superior value to our clients. Over the last six months, we have engaged 62 clients, have won 13 bids and have live pilots at Fujitsu and Allianz. More than 5,000 sensors have been deployed.

The division reported £43.0m of revenue and £0.5m of operating loss before other items. Revenue was down due to a contract loss in Waste Management in 1H 16/17. Recent wins in major manufacturing plants will see Waste revenue growing materially in 2H 17/18.

Costs have increased in the division as it continues to invest in talent, which explains the majority of the drop in operating profit. Recent appointments include: Head of Commercial and Head of Strategy and Marketing. A new Sales and Commercial team has been established to provide Group-wide unitary customer relationship management.

Care & Custody

£m	1H 17/18	1H 16/17 (restated)	Change
Adjusted revenue	**28.8**	22.4	28.6%
Adjusted operating profit	**1.5**	1.4	7.1%
Operating margin, %	**5.2%**	6.3%	
Order book (1H 17/18 vs FY2017)	**221**	244	(9.4)%
Reported revenue	**28.8**	22.4	28.6%
Reported operating profit before other items	**1.5**	1.4	7.1%

Our Care & Custody business delivers a range of public services for vulnerable adults in secure environments, on behalf of the UK government. These include managing immigration detention centres for the Home Office, forensic medical examiner (FME) and custody support services for police forces across England and Wales, and offender healthcare provision in two prisons on behalf of NHS England.

Revenue grew 28.6%, up from £22.4m to £28.8m. Operating profit before other items was £1.5m, 7.1% up year-on-year, impacted by continued investment in business development overheads relating to new bids, which are expected to conclude by the end of the fiscal year.

The business delivered 100% contract retention with the award of British Transport Police FME (total contract value of £2.4m over 4 years) and Cleveland Police FME (total contract value of £2.4m over 3 years). The business also successfully mobilised several key contracts.

Discontinued operations – Property Management

£m	1H 17/18	1H 16/17 (restated)	Change
Adjusted revenue	**120.5**	130.4	(7.6)%
Adjusted operating profit	**(0.7)**	6.8	(110.3)%
Operating margin, %	**(0.6)%**	5.2%	
Order book (1H 17/18 vs FY2017)	**657**	663	(0.9)%
Reported revenue	**120.5**	130.4	(7.6)%
Reported operating profit before other items	**(0.7)**	(5.6)	87.5%

The Property Management business provides a wide range of maintenance services in the UK, predominantly to clients in the social housing sector. The business also delivers claims handling and repair services for insurance companies, and is the largest painting and commercial refurbishment roofing provider in the UK.

Property Management reported revenue of £120.5m and an operating loss before other items of £0.7m. This reflected some seasonality, the one-off legal settlement and increased debt provision of £1.2m. The adjusted operating profit of £6.8m for 1H 16/17 eliminates the £12.4m one-off costs and write-downs which were taken in that period as part of the 2017 Accounting Review.

Recent wins include a £84m contract with Home Group over 7 years, with an option on a further 7 years (potential total value of £168m realised through the extended term) and over £50m of social housing contracts in Scotland. There is renewed momentum in the business, under new leadership and following the recent implementation of transformation initiatives.

The outlook for the business is positive with over 80% of FY2018 revenue having been secured by 1H 17/18, an order book of £657m and the business' biggest ever total pipeline.

Corporate overheads

Corporate overheads represent the true costs of running the Group and include costs for Group Finance, Group Legal and central costs. We have continued to make significant investment in talent at the Group level, but these costs have been offset by a release of long-term incentive scheme provisions. Corporate overheads before other items fell by 12.6% to £7.6m (1H 16/17: £8.7m) on an adjusted basis.

Key factors affecting our business, principal risks and uncertainties

There are a number of potential risk factors and uncertainties that could impact the financial performance of the Group and its future success. These risks and our plans to mitigate them are outlined in further detail on pages 30 to 36 of the Group's Annual Report and Accounts for the year ended 31 March 2017. A summary of those risks, which have not changed significantly since 31 March 2017, is as follows:

1. *Poor contract negotiations, mobilisation and management leading to poor contractual terms/inappropriate risk transfer, operational and financial loss.* Incorrectly evaluating the risks involved and entering into contracts with onerous conditions, penalties and one-sided termination clauses would be detrimental to the Group's performance. We have to ensure that the risk profile of contracted services is capable of being properly managed by Mitie and that we have the appropriate skills and resources in the business or in our supply chain to operate contracts successfully. Failure to do so could result in contract termination, penalties and reputational damage.

2. *Continuing uncertainty of company performance and resourcing requirements through changes (positive and negative) to economic conditions*. Company performance is impacted by changes in economic conditions largely through the volume of project works and discretionary expenditure from our customers. High levels of work improve company performance and increase demand for resources, with the opposite for low levels. We are closely monitoring the outcomes of the European Union exit negotiations and any resulting policy changes to determine the impact on future contract opportunities and availability of resources.

3. *Inability to maintain a competitive market offering*. Failure to maintain a compelling and competitive offering could lead to revenue declines and margin reductions.

4. *Failure in delivery of our significant change agenda*. The intensity and volume of the change programmes, the complex interdependencies, poor programme and solution design, poor implementation or failing to make these changes permanent and sustainable could impact on the delivery of the change agenda. Constraints on our ability to invest may impact on the resources needed to deliver the transformational programmes which could delay or prevent some of them and place our positive return on investment at risk.

5. *Failure of critical IT infrastructure leading to performance and back office support issues.* Our operations are increasingly dependent upon technology with a significant increase in both the quantity of data we hold and the number of pieces of critical infrastructure we look after on behalf of our customers. Failure of our IT systems would impact our ability to operate and in some cases our customers' ability to operate.

6. *Cyber risk and/or customer data theft and compliance with data protection regulations.* Organisations of all types are at an increased risk of cyber-attacks, hacking and ransomware. This has the potential to affect our ability to operate and could damage our reputation. Failure to implement and maintain suitable security controls could have an adverse effect on the confidentiality, integrity and availability of both our and our customers' information.

7. *Inability to maintain high health, safety and environmental management standards.* Failure to maintain high health, safety and environmental standards may cause death, disability or injury or cause environmental damage. Failure could also lead to regulatory action, financial penalties or damage to our reputation.

8. *Termination or loss at re-bid of a major contract*. The risk of termination or loss at re-bid could affect our financial performance and impact our reputation in the market, reducing the number of reference sites.

9. *Inability to attract or retain the right talent in the right place impacting performance capability*. Failure to retain our existing talent and attract new talent could result in the business being uncompetitive in the market and impact customer satisfaction and financial performance.

10. *Poor operational cash flows and insufficient access to sources of capital leading to the inability to maintain a strong liquidity position.* Failure to maintain adequate sources of finance ranging from banking facilities and private placements to supply chain finance and invoice discounting could result in insufficient funding to maintain a strong liquidity position.

11. *Failure of material counterparty (customer, banker, supplier, insurer etc.) to fulfil its obligations leading to significant contractual or financial exposure*. Our ability to trade and the operational and financial effectiveness of our business could be materially affected by a failure of one of these key counterparties.

12. *Inability to pass on inflationary pressure on wages and input costs.* The risk to Mitie is that the assumption we make about future inflationary levels is incorrect on those contracts where we do not have pass through clauses.

13. *Non-compliance with legal and regulatory requirements (e.g. employment, governance, anti-bribery, modern slavery etc.).* Failure to adhere to legal and regulatory requirements could lead to fines, prosecutions and loss of our reputation, and impact our ability to attract and retain our people.

Responsibility statement

The Directors of Mitie Group plc confirm that, to the best of their knowledge:

- the unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the European Union; and
- the interim management report includes a fair view of the information required by rules 4.2.7 and 4.2.8 of the Disclosure Guidance and Transparency Rules.

The names and functions of the Directors of Mitie Group plc are available on the Group's website: www.mitie.com/investors/corporate-governance/our-board.

On behalf of the Board

Phil Bentley
Chief Executive Officer

17 November 2017

Independent review report to Mitie Group plc

For the six months ended 30 September 2017

Introduction

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 2017 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 the related Notes 1 to 18.

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.

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 Guidance 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 International Financial Reporting Standards (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.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of, and for the purpose of, our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
17 November 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Condensed consolidated income statement

For the six months ended 30 September 2017

	Notes	30 September 2017 (unaudited) Before other items £m	Other items[2] £m	Total £m	30 September 2016 (restated)[1] (unaudited) Before other items £m	Other items[2] £m	Total £m
Continuing operations							
Revenue	3	**959.7**	**–**	**959.7**	922.6	–	922.6
Cost of sales		**(847.0)**	**–**	**(847.0)**	(816.3)	–	(816.3)
Gross profit		**112.7**	**–**	**112.7**	106.3	–	106.3
Administrative expenses		**(80.1)**	**(17.8)**	**(97.9)**	(74.4)	(8.0)	(82.4)
Operating profit/(loss)	3	**32.6**	**(17.8)**	**14.8**	31.9	(8.0)	23.9
Net finance costs		**(8.7)**	**–**	**(8.7)**	(8.1)	–	(8.1)
Profit/(loss) before tax	3	**23.9**	**(17.8)**	**6.1**	23.8	(8.0)	15.8
Tax	6	**(4.5)**	**3.5**	**(1.0)**	(5.0)	1.5	(3.5)
Profit/(loss) from continuing operations after tax		**19.4**	**(14.3)**	**5.1**	18.8	(6.5)	12.3
Discontinued operations							
Loss from discontinued operations	5	**(0.3)**	**(10.3)**	**(10.6)**	(7.4)	(91.7)	(99.1)
Profit/(loss) for the period		**19.1**	**(24.6)**	**(5.5)**	11.4	(98.2)	(86.8)
Attributable to:							
Equity holders of the parent		**18.2**	**(24.6)**	**(6.4)**	10.7	(98.2)	(87.5)
Non-controlling interests		**0.9**	**–**	**0.9**	0.7	–	0.7
		19.1	**(24.6)**	**(5.5)**	11.4	(98.2)	(86.8)
Earnings/(loss) per share (EPS) attributable to equity shareholders of the parent							
From continuing operations:							
– basic	8	**5.2p**		**1.2p**	5.2p		3.3p
– diluted	8	**5.2p**		**1.2p**	5.1p		3.3p
From continuing and discontinued operations:							
– basic	8	**5.1p**		**(1.8)p**	3.1p		(25.1)p
– diluted	8	**5.1p**		**(1.8)p**	3.0p		(25.1)p

Notes:

1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.
2 Other items are as described in Note 4.

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2017

	30 September 2017 (unaudited) £m	30 September 2016 (restated)[1] (unaudited) £m
Loss for the period	**(5.5)**	(86.8)
Items that will not be reclassified subsequently to profit or loss		
Re-measurement of net defined benefit pension liability	**11.6**	(48.0)
Income tax (charge)/credit relating to items not reclassified	**(1.9)**	8.6
	9.7	(39.4)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**0.1**	0.7
Losses on a hedge of a net investment taken to equity	**–**	(0.7)
Cash flow hedges:		
- gains arising during the period	**7.0**	13.4
- reclassification adjustment for losses included in profit and loss	**(4.5)**	(14.6)
Income tax (charge)/credit relating to items that may be reclassified	**(0.4)**	0.2
	2.2	(1.0)
Other comprehensive income/(expense) for the financial period	**11.9**	(40.4)
Total comprehensive income/(expense) for the financial period	**6.4**	(127.2)
Attributable to:		
Equity holders of the parent	**5.5**	(127.9)
Non-controlling interests	**0.9**	0.7

Note:

1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.

Condensed consolidated balance sheet

As at 30 September 2017

	Notes	**30 September 2017 (unaudited) £m**	30 September 2016 (restated)[1] (unaudited) £m	31 March 2017 (audited) £m
Non-current assets				
Goodwill	9	**273.9**	359.0	343.9
Other intangible assets		**48.7**	59.0	53.2
Property, plant and equipment		**28.3**	40.4	32.3
Interest in joint ventures and associates		**–**	0.3	0.6
Derivative financial instruments	12, 13	**12.9**	30.9	–
Trade and other receivables	10	**41.5**	79.6	50.3
Deferred tax assets		**19.1**	18.9	22.2
Total non-current assets		**424.4**	588.1	502.5
Current assets				
Inventories		**6.1**	9.2	6.8
Trade and other receivables	10	**349.8**	444.9	381.0
Derivative financial instruments	12, 13	**11.5**	–	35.8
Current tax assets		**–**	5.2	12.1
Cash and cash equivalents	12	**81.7**	62.5	129.1
Total current assets		**449.1**	521.8	564.8
Assets held for sale	5	**141.9**	–	–
Total assets		**1,015.4**	1,109.9	1,067.3
Current liabilities				
Trade and other payables		**(476.6)**	(496.0)	(559.9)
Current tax liabilities		**(3.8)**	–	–
Financing liabilities	12	**(72.5)**	(1.6)	(310.8)
Provisions	14	**(13.4)**	(11.6)	(20.4)
Total current liabilities		**(566.3)**	(509.2)	(891.1)
Net current (liabilities)/assets		**(117.2)**	12.6	(326.3)
Non-current liabilities				
Trade and other payables		**–**	(3.0)	(3.4)
Financing liabilities	12	**(224.1)**	(323.5)	(1.3)
Provisions	14	**(6.4)**	(0.4)	(6.4)
Retirement benefit liabilities	15	**(64.9)**	(85.0)	(74.2)
Deferred tax liabilities		**(0.8)**	(1.5)	(1.1)
Total non-current liabilities		**(296.2)**	(413.4)	(86.4)
Liabilities held for sale	5	**(53.4)**	–	–
Total liabilities		**(915.9)**	(922.6)	(977.5)
Net assets		**99.5**	187.3	89.8

Note:

1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of 30 September 2016.

Condensed consolidated balance sheet (continued)

As at 30 September 2017

	30 September 2017 (unaudited) £m	30 September 2016 (restated)[1] (unaudited) £m	31 March 2017 (audited) £m
Equity			
Share capital	**9.2**	9.2	9.2
Share premium account	**130.6**	130.6	130.6
Merger reserve	**97.8**	91.8	91.8
Own shares reserve	**(43.2)**	(46.2)	(42.2)
Other reserves	**9.2**	5.3	10.3
Hedging and translation reserve	**(5.5)**	(5.8)	(8.0)
Retained losses	**(101.1)**	(0.3)	(104.2)
Equity attributable to equity holders of the parent	**97.0**	184.6	87.5
Non-controlling interests	**2.5**	2.7	2.3
Total equity	**99.5**	187.3	89.8

Note:

1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of 30 September 2016.

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2017

	Share capital £m	Share premium account £m	Merger reserve £m	Own shares reserve £m	Other reserves[1] £m	Hedging and translation reserve £m	Retained earnings £m	**Attributable to equity holders of the parent £m**	Non-controlling interests £m	**Total equity £m**
At 31 March 2016 (audited)	9.3	127.7	80.1	(48.8)	9.9	(4.6)	185.0	**358.6**	2.9	**361.5**
(Loss)/profit for the period	–	–	–	–	–	–	(87.5)	**(87.5)**	0.7	**(86.8)**
Other comprehensive expense	–	–	–	–	–	(1.2)	(39.2)	**(40.4)**	–	**(40.4)**
Total comprehensive (expense)/income	–	–	–	–	–	(1.2)	(126.7)	**(127.9)**	0.7	**(127.2)**
Shares issued	0.1	2.9	11.7	–	–	–	–	**14.7**	–	**14.7**
Dividends paid	–	–	–	–	–	–	(23.3)	**(23.3)**	(0.1)	**(23.4)**
Share buybacks	(0.2)	–	–	(0.1)	0.2	–	(24.3)	**(24.4)**	–	**(24.4)**
Share-based payments	–	–	–	2.7	(4.8)	–	4.4	**2.3**	–	**2.3**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	(15.4)	**(15.4)**	(0.8)	**(16.2)**
At 30 September 2016 (restated)[2] (unaudited)	9.2	130.6	91.8	(46.2)	5.3	(5.8)	(0.3)	**184.6**	2.7	**187.3**
(Loss)/profit for the period	–	–	–	–	–	–	(96.5)	**(96.5)**	0.1	**(96.4)**
Other comprehensive (expense)/income	–	–	–	–	–	(2.2)	9.6	**7.4**	–	**7.4**
Total comprehensive (expense)/income	–	–	–	–	–	(2.2)	(86.9)	**(89.1)**	0.1	**(89.0)**
Dividends paid	–	–	–	–	–	–	(14.1)	**(14.1)**	–	**(14.1)**
Share buybacks	–	–	–	(0.1)	0.2	–	(0.1)	**–**	–	**–**
Share-based payments	–	–	–	4.1	4.8	–	(2.0)	**6.9**	–	**6.9**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	(0.8)	**(0.8)**	(0.5)	**(1.3)**
At 31 March 2017 (audited)	9.2	130.6	91.8	(42.2)	10.3	(8.0)	(104.2)	**87.5**	2.3	**89.8**
(Loss)/profit for the period	–	–	–	–	–	–	(6.4)	**(6.4)**	0.9	**(5.5)**
Other comprehensive income	–	–	–	–	–	2.5	9.4	**11.9**	–	**11.9**
Total comprehensive income	–	–	–	–	–	2.5	3.0	**5.5**	0.9	**6.4**
Purchase of own shares	–	–	–	(0.1)	–	–	–	**(0.1)**	–	**(0.1)**
Share-based payments	–	–	–	4.2	(1.1)	–	(0.2)	**2.9**	–	**2.9**
Acquisitions and other movements in non-controlling interests	–	–	6.0	(5.1)	–	–	0.3	**1.2**	(0.7)	**0.5**
At 30 September 2017 (unaudited)	9.2	130.6	97.8	(43.2)	9.2	(5.5)	(101.1)	**97.0**	2.5	**99.5**

Notes:

1 Other reserves include the share-based payments reserve, the revaluation reserve and the capital redemption reserve.
2 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.

Condensed consolidated statement of cash flows

For the six months ended 30 September 2017

	Notes	**30 September 2017 (unaudited) £m**	30 September 2016 (restated)[1] (unaudited) £m
Operating profit/(loss) – continuing operations		**14.8**	23.9
– discontinued operations		**(11.0)**	(103.9)
Adjustments for:			
Share-based payments expense		**(0.2)**	2.6
Defined benefit pension costs		**2.1**	2.2
Defined benefit pension contributions	15	**(0.9)**	(1.4)
Acquisition costs		**–**	0.7
Depreciation of property, plant and equipment		**6.2**	7.3
Amortisation of intangible assets		**7.9**	9.5
Share of profit of joint ventures and associates – discontinued operations		**(0.3)**	(0.3)
Impairment of goodwill and intangible assets		**10.0**	91.2
(Gain)/loss on disposal of property, plant and equipment		**(0.3)**	0.1
Other non-cash operating items		**0.5**	–
Operating cash flows before movements in working capital		**28.8**	31.9
Decrease in inventories		**0.2**	0.7
Increase in receivables		**(11.9)**	(6.5)
Decrease in payables		**(26.3)**	(1.5)
(Decrease)/increase in provisions		**(5.0)**	3.0
Cash (used in)/generated by operations		**(14.2)**	27.6
Income taxes received/(paid)		**12.5**	(10.8)
Interest paid		**(6.7)**	(6.7)
Acquisition costs		**–**	(0.7)
Net cash (outflow)/inflow from operating activities		**(8.4)**	9.4
Investing activities			
Interest received		**0.1**	–
Purchase of property, plant and equipment		**(4.0)**	(5.7)
Dividends received from joint ventures and associates		**0.6**	0.3
Purchase of other intangible assets		**(7.3)**	(8.6)
Disposals of property, plant and equipment		**1.3**	0.1
Disposal of subsidiaries		**(9.8)**	–
Net cash outflow from investing activities		**(19.1)**	(13.9)

Note:

1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.

Condensed consolidated statement of cash flows (continued)

For the six months ended 30 September 2017

	Notes	30 September 2017 (unaudited) £m	30 September 2016 (restated)[1] (unaudited) £m
Financing activities			
Repayments of obligations under finance leases		**(1.1)**	(0.8)
Proceeds on issue of share capital		–	0.5
Bank loans (repaid)/raised		**(0.6)**	21.8
Proceeds from re-issue of Treasury shares		**3.2**	–
Purchase of non-controlling interests[2]	11	**(3.0)**	(1.4)
Share buybacks		–	(24.3)
Equity dividends paid		–	(23.3)
Non-controlling interest dividends paid		–	(0.1)
Other financing items		**(0.6)**	–
Net cash outflow from financing		**(2.1)**	(27.6)
Net decrease in cash and cash equivalents		**(29.6)**	(32.1)
Net cash and cash equivalents at beginning of the period		**129.1**	93.1
Effect of foreign exchange rate changes		**0.1**	1.5
Net cash and cash equivalents at end of the period	12	**99.6**	62.5
Net cash and cash equivalents comprise:			
Cash at bank		**99.6**	62.5

Reconciliation of net cash flow to movements in net debt	Note	30 September 2017 (unaudited) £m	30 September 2016 (restated)[1] (unaudited) £m
Cash drivers			
Net decrease in cash and cash equivalents		**(29.6)**	(32.1)
Decrease/(increase) in bank loans		**0.5**	(21.8)
Non-cash drivers			
Non-cash movement in private placement notes and associated hedges		**2.5**	(1.9)
Effect of foreign exchange rate changes		**0.1**	1.5
Decrease in finance leases		**1.1**	0.9
Increase in net debt during the period		**(25.4)**	(53.4)
Opening net debt		**(147.2)**	(178.3)
Closing net debt	12	**(172.6)**	(231.7)

Note:

1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.
2 Purchase of non-controlling interests classified as financing cash flows in accordance with IAS 7.

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2017

1. Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 September 2017 (the condensed consolidated financial statements) have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board and as adopted by the European Union (EU).

The condensed consolidated financial statements have been reviewed by BDO LLP but have not been audited. 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 consolidated financial statements for the year ended 31 March 2017.

The financial information presented for the six months ended 30 September 2017 does not represent full statutory accounts within the meaning of Section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2017 has been delivered to the Registrar of Companies and is available upon request from the Company's registered office or at mitie.com/investors. The auditor for the year ended 31 March 2017 was Deloitte LLP and its 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.

The condensed consolidated financial statements were approved by the Board of Directors on 17 November 2017.

Significant accounting policies

The accounting policies and methods of calculation adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2017, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted by the EU. A number of new accounting pronouncements will become effective in 2018 and 2019. IFRS 9 *Financial Instruments* which is effective for accounting periods commencing 1 January 2018, is not expected to have a material effect on the consolidated financial statements of the Group. The impact of IFRS 16 *Leases* (effective 1 January 2019) will increase property, plant and equipment and lease liabilities in the consolidated financial statements of the Group which will result in a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs) in place of the lease rental expense which is included within operating costs. The impact of IFRS 15 *Revenue from Contracts with Customers* is outlined below.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 has been endorsed by the EU and will be effective for accounting periods beginning on or after 1 January 2018. 'Clarifications to IFRS 15' which have not yet been endorsed by the EU, were issued in April 2016. Management is currently assessing the feasibility of early adopting IFRS 15 for the year ending 31 March 2018, however such determination will be dependent upon ensuring that effective management controls and processes are in place to provide the required level of assurance.

A project to assess the full impact of the new standard has now been advanced with the engagement of an independent professional services firm. The results of the feasibility study are expected to be completed in the second half of the year. At this stage, it is not possible to estimate the potential impact of any adjustments required to transition to IFRS 15. It is likely that the accounting for the Group's most complex long-term contracts will be affected by the new standard, together with mobilisation costs. In addition, certain transactions are high in volume and complexity and therefore the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 15. The significant areas of accounting considered likely to be impacted by IFRS 15 have been identified below:

Percentage of completion accounting on long-term complex contracts

The five-step model for revenue recognition contained in IFRS 15 introduces the concept of performance obligations. Performance obligations are the contractual promise by an entity to transfer goods or services to a customer. Percentage of completion accounting does not provide an appropriate representation of the satisfaction of performance obligations on these long-term complex contracts and consequently will no longer be considered applicable. Therefore, it will not be appropriate to carry forward accrued revenue in relation to percentage of completion accounting on these contracts.

Mobilisation costs

Costs of mobilising new contracts will have to meet different criteria under IFRS 15 in order to be classified as a cost of fulfilling a contract and capitalised. This change is likely to materially reduce both: (i) the amount of costs capitalised on long-term complex contracts that were previously accounted for under the percentage of completion method; and (ii) the amount of costs that have been capitalised previously as mobilisation costs.

Contract profit profile

Where significant transformation costs and/or mobilisation costs that cannot be capitalised under the fulfilment costs definition outlined in IFRS 15 are incurred, it is likely that impacted customer contracts will record a lower profit in the early stages (as such costs will be taken to the income statement as they are incurred) and higher profit as the contract matures.

Under the transition rules, IFRS 15 can be applied either on a fully retrospective basis in accordance with IAS 8, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of initial application. The Group will assess and consider both options as part of the project feasibility study.

Estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2017, with the exception of the classification of the Property Management business as a discontinued operation as at 30 September 2017 and the associated impairment of the goodwill.

Going concern and principal risks and uncertainties

The Directors acknowledge the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued in September 2014. The Directors have considered principal risks and uncertainties affecting the Group which, in the Directors' view, are unchanged from those described on pages 30 to 36 of the Group's 2017 Annual Report and Accounts.

The Directors have considered the Group's financial position with reference to latest forecasts and the actual performance for the half-year period. 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 £251.8m of US Private Placement debt expiring in December 2017, December 2019, December 2022 and December 2024.

The Group benefits from a committed multi-currency revolving credit facility of £275.0m, which will mature in July 2021. Together with the US Private Placements, this gives the Group total committed funding of £526.8m, of which £258.6m was undrawn at 30 September 2017.

The Group's US Private Placements and bank debt contain certain financial covenants. The primary ratios are net debt to EBITDA and EBITDA to net finance costs. These covenants are tested on a rolling 12-month basis as at the March and September reporting dates. At 30 September 2017, both covenant tests were passed. The Group is forecasting to remain within its banking covenants over the next twelve months and has stress-tested these calculations for reasonable possible adverse variances in trading and cash performance.

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. Prior period restatements

Following the appointment of the new executive management team in December 2016, an Accounting Review process was launched in January 2017 to provide confidence that all relevant accounting standards were appropriately reflected in the Group's financial reporting. The review work identified a number of prior year errors that, due to their materiality, required the restatement of the results for the year ended 31 March 2016, as well as the consolidated balance sheet positions as at 31 March 2016, and at 31 March 2015. These prior year restatements were reflected in the Group's Annual Report and Accounts for the year ended 31 March 2017. For the purposes of these condensed consolidated financial statements, comparative information for the six months ended 30 September 2016 has been restated for the effect of prior period adjustments and to reflect those findings from the Accounting Review process. These restatements relate to the following areas:

Impairment of Healthcare goodwill

Following the Board's decision to withdraw from the domiciliary healthcare market, the carrying value of goodwill for the Healthcare cash-generating unit (CGU) was fully impaired as at 30 September 2016. The correction of errors in the goodwill impairment model resulted in Healthcare goodwill being impaired by £26m in the year ended 31 March 2016 and the write-off for the six months ended 30 September 2016 has therefore been restated by this amount. The Healthcare business has been restated as a discontinued operation for the six months ended 30 September 2016.

Intangible asset write-off

Errors arising from the incorrect application of accounting policies during the impairment testing of other intangible assets resulted in the carrying value of capitalised software costs being overstated in prior years. A £2.3m write-off of the asset was recorded as at 31 March 2016 which is also reflected at 30 September 2016. In addition, a balance of £1.1m was credited to intangible assets at 30 September 2016 with a corresponding charge to the income statement reflecting a correction following an inappropriate assessment of the useful life of an asset.

Under-accrual of costs

A number of under-accruals, or under-provisions, of various categories of costs including employee bonuses, insurance provisions and contract related provisions have been identified in relation to prior years. These costs were written off to the income statement in the relevant periods with £13.8m reflected as prior year adjustments and a £2.3m net credit recognised in the income statement for the six months ended 30 September 2016, including a £1.4m charge in relation to discontinued operations, all stated before tax.

Overstatement of trade receivables and accrued income

Certain revenue recognition polices relating to the inclusion of disputed items in project revenues, the deferral in recognition of commercial claims and the recognition of profit margins on accrued income balances were not applied correctly at 31 March 2016 and 30 September 2016, resulting in an overstatement of trade receivables and accrued income of £33.0m at 30 September 2016 and a £14.5m charge recognised in the income statement for the six months ended 30 September 2017, including a £9.1m charge in relation to discontinued operations, all stated before tax.

Summary

A summary of the combined impact of the prior year adjustments on the condensed consolidated income statement for the six months ended 30 September 2016 and the condensed consolidated balance sheet as at 30 September 2016 is presented below. There was no impact on the condensed consolidated statement of cash flows for the six months ended 30 September 2016 which required disclosure.

Condensed consolidated income statement for the six months ended 30 September 2016

	As previously reported £m	Dis-continued operations £m	Cont-inuing operations £m	Impair-ment of Healthcare goodwill £m	Intangible asset write-off £m	Under-accrual of costs £m	Over-statement of trade receivables and accrued income £m	Cost of sales/admin expenses reclass £m	Restated £m
Continuing operations									
Revenue	1,093.6	(165.0)	**928.6**	–	–	0.5	(6.5)	–	**922.6**
Gross profit	142.3	(35.3)	**107.0**	–	–	(0.9)	(6.0)	6.2	**106.3**
Operating profit/(loss) before other items	35.4	0.9	**36.3**	–	(1.1)	3.7	(5.4)	(1.6)	**31.9**
(Loss)/profit before tax	(100.4)	120.6	**20.2**	–	(1.1)	3.7	(5.4)	(1.6)	**15.8**
Tax	(1.9)	(2.4)	**(4.3)**	–	0.2	(0.7)	1.0	0.3	**(3.5)**
(Loss)/profit after tax	(102.3)	118.2	**15.9**	–	(0.9)	3.0	(4.4)	(1.3)	**12.3**
(Loss)/profit from discontinued operations[1]	–	(118.2)	**(118.2)**	26.0	–	(1.0)	(7.2)	1.3	**(99.1)**
(Loss)/profit for the period	(102.3)	–	**(102.3)**	26.0	(0.9)	2.0	(11.6)	–	**(86.8)**

Note 1: Under-accrual of costs, over-statement of trade receivables and accrued income, and cost of sales/administrative expenses reclass in relation to discontinued operations are stated net of tax amounting to a £0.4m credit, £1.9m credit, and £0.3m charge, respectively.

Condensed consolidated balance sheet as at 30 September 2016

	As reported £m	Intangible asset write off £m	Under accrual of costs £m	Over-statement of trade receivables and accrued income £m	Restated £m
Non-current assets					
Goodwill	**359.0**	–	–	–	**359.0**
Other intangible assets	**62.4**	(3.4)	–	–	**59.0**
Property, plant and equipment	**40.4**	–	–	–	**40.4**
Interest in joint ventures and associates	**0.3**	–	–	–	**0.3**
Derivative financial instruments	**30.9**	–	–	–	**30.9**
Trade and other receivables	**83.9**	–	–	(4.3)	**79.6**
Deferred tax assets	**18.4**	0.5	–	–	**18.9**
Total non-current assets	**595.3**	(2.9)	–	(4.3)	**588.1**
Current assets					
Inventories	**9.2**	–	–	–	**9.2**
Trade and other receivables	**473.6**	–	–	(28.7)	**444.9**
Current tax assets	**–**	–	(1.6)	6.8	**5.2**
Cash and cash equivalents	**62.5**	–	–	–	**62.5**
Total current assets	**545.3**	–	(1.6)	(21.9)	**521.8**
Total assets	**1,140.6**	(2.9)	(1.6)	(26.2)	**1,109.9**
Current liabilities					
Trade and other payables	**(495.2)**	–	(0.8)	–	**(496.0)**
Current tax liabilities	**(3.9)**	–	3.9	–	**–**
Financing liabilities	**(1.6)**	–	–	–	**(1.6)**
Provisions	**(0.9)**	–	(10.7)	–	**(11.6)**
Total current liabilities	**(501.6)**	–	(7.6)	–	**(509.2)**
Net current assets/(liabilities)	**43.7**	–	(9.2)	(21.9)	**12.6**
Non-current liabilities					
Trade and other payables	**(3.0)**	–	–	–	**(3.0)**
Financing liabilities	**(323.5)**	–	–	–	**(323.5)**
Provisions	**(0.4)**	–	–	–	**(0.4)**
Retirement benefit liabilities	**(85.0)**	–	–	–	**(85.0)**
Deferred tax liabilities	**(1.8)**	–	–	0.3	**(1.5)**
Total non-current liabilities	**(413.7)**	–	–	0.3	**(413.4)**
Total liabilities	**(915.3)**	–	(7.6)	0.3	**(922.6)**
Net assets	**225.3**	(2.9)	(9.2)	(25.9)	**187.3**
Total equity	**225.3**	(2.9)	(9.2)	(25.9)	**187.3**

3. Business and geographical segments

The Group manages its business on a service division basis. At 1 April 2017, the Property Management division was combined into a Public Services division along with Care & Custody (Health) and Care & Custody, which were previously included within the Healthcare and Facilities Management divisions respectively. The Facilities Management division was split out into Cleaning & Environmental Services, Security, Catering, Engineering Services and Professional Services & Connected Workspace. At 30 September 2017, the results of the Property Management business previously included within the Public Services segment, have been classified as discontinued operations (further details are provided in Note 5) and comparative information for the six months ended 30 September 2016 has been restated.

	Six months ended 30 September 2017 (unaudited)				Six months ended 30 September 2016 (restated)[1] (unaudited)			
	Revenue £m	**Operating profit/(loss) before other items[2] £m**	**Operating profit/(loss) margin before other items[2] %**	**Profit/(loss) before tax £m**	Revenue £m	Operating profit/(loss) before other items[2] £m	Operating profit/(loss) margin before other items[2] %	Profit/(loss) before tax £m
Cleaning & Environmental Services	**197.2**	**9.4**	**4.8**	**9.2**	196.7	5.0	2.5	4.7
Security	**213.7**	**11.8**	**5.5**	**12.5**	194.4	10.6	5.5	11.2
Catering	**72.7**	**2.9**	**4.0**	**2.8**	71.1	3.6	5.1	3.5
Engineering Services	**404.3**	**15.1**	**3.7**	**11.9**	391.2	14.5	3.7	10.4
Professional Services & Connected Workspace	**43.0**	**(0.5)**	**(1.2)**	**(0.3)**	46.8	4.0	8.5	4.1
Care & Custody	**28.8**	**1.5**	**5.2**	**1.6**	22.4	1.4	6.3	1.5
Corporate overheads	**–**	**(7.6)**	**–**	**(13.8)**	–	(7.2)	–	(11.6)
Other items[3] (Note 4)	**–**	**–**	**–**	**(17.8)**	–	–	–	(8.0)
Continuing operations	**959.7**	**32.6**	**3.4**	**6.1**	922.6	31.9	3.5	15.8
Healthcare	**–**	**–**	**–**	**–**	34.6	(4.2)	(12.1)	(4.2)
Property Management[4]	**120.5**	**(0.7)**	**(0.6)**	**(0.4)**	130.4	(5.6)	(4.3)	(5.2)
Other items[3] (Note 4)	**–**	**–**	**–**	**(10.3)**	–	–	–	(94.1)
Discontinued operations	**120.5**	**(0.7)**	**(0.6)**	**(10.7)**	165.0	(9.8)	(5.9)	(103.5)
Total	**1,080.2**	**31.9**	**3.0**	**(4.6)**	1,087.6	22.1	2.0	(87.7)

Notes:
1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.
2 Other items are as described in Note 4.
3 Other items are presented before tax and can be analysed by business segment as follows: Cleaning & Environmental Services £0.5m (2016: £0.6m), Security £0.3m (2016: £0.1m), Catering £nil (2016: £nil), Engineering Services £4.9m (2016: £5.3m), Professional Services & Connected Workspace £0.3m (2016: £0.2m), Care & Custody £nil (2016: £nil) and Corporate overheads £11.8m (2016: £1.8m). Other items in respect of discontinued operations comprise amounts in respect of Property Management of £10.3m (2016: £1.1m) and Healthcare £nil (2016: £93.0m).
4 At 30 September 2017, the results of the Property Management business previously included within the Public Services segment, have been classified as discontinued operations. Further details are provided in Note 5.

No single customer accounted for more than 10% of external revenue in the six months ended 30 September 2017 or 2016.

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 ended 30 September 2017 (unaudited)				Six months ended 30 September 2016 (restated)[1] (unaudited)			
	Revenue £m	**Operating profit before other items[2] £m**	**Operating profit margin before other items[2] %**	**Profit/(loss) before tax £m**	Revenue £m	Operating profit before other items[2] £m	Operating profit margin before other items[2] %	Profit/(loss) before tax £m
United Kingdom	**1,025.5**	**30.8**	**3.0**	**(6.8)**	1,042.9	21.3	2.0	(88.3)
Other countries	**54.7**	**1.1**	**2.0**	**2.2**	44.7	0.8	1.8	0.6
Total	**1,080.2**	**31.9**	**3.0**	**(4.6)**	1,087.6	22.1	2.0	(87.7)

Notes:
1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.
2 Other items are as described in Note 4.

Revenue and operating profit exclude other items which are analysed in Note 4 and are all incurred in the United Kingdom.

4. Other items

The Group separately reports the impairment of goodwill, the write-off and amortisation of acquisition related intangible assets, the results of disposals, restructure costs, acquisition costs and other exceptional items and their related tax effect as other items.

	Six months ended 30 September 2017 (unaudited)				
Continuing operations	Impairment of goodwill £m	Restructure costs £m	Acquisition related items £m	Other exceptional items £m	Total £m
Administrative expenses	–	**(12.9)**	**(1.8)**	**(3.1)**	**(17.8)**
Other items before tax	–	**(12.9)**	**(1.8)**	**(3.1)**	**(17.8)**
Tax	–	**2.6**	**0.3**	**0.6**	**3.5**
Other items after tax	–	**(10.3)**	**(1.5)**	**(2.5)**	**(14.3)**
Discontinued operations					
Loss from discontinued operations net of tax	**(10.0)**	–	–	**(0.3)**	**(10.3)**
Total	**(10.0)**	**(10.3)**	**(1.5)**	**(2.8)**	**(24.6)**

	Six months ended 30 September 2016 (restated)[1] (unaudited)				
Continuing operations	Impairment of goodwill £m	Impairment of intangible assets £m	Restructure costs £m	Acquisition related items £m	Total £m
Administrative expenses	–	–	(5.1)	(2.9)	(8.0)
Other items before tax	–	–	(5.1)	(2.9)	(8.0)
Tax	–	–	1.0	0.5	1.5
Other items after tax	–	–	(4.1)	(2.4)	(6.5)
Discontinued operations					
Loss from discontinued operations net of tax[2]	(81.1)	(8.2)	(0.7)	(1.7)	(91.7)
Total	(81.1)	(8.2)	(4.8)	(4.1)	(98.2)

Notes:

1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.

2 Impairment of intangible assets of £8.2m is shown net of tax amounting to £1.9m. Restructure costs of £0.7m are shown net of tax amounting to £0.2m. Acquisition related items of £1.7m are shown net of tax amounting to £0.3m.

Impairment of goodwill and intangible assets

The net assets of the Property Management business have been classified as held for sale at 30 September 2017 and the goodwill allocated to the CGU has been reclassified to assets held for sale as part of the disposal group. Management has assessed the recoverability of the disposal group and recognised an impairment charge of £10.0m. See Note 5 for further details.

Following the Board's decision to withdraw from the domiciliary healthcare market in the prior period, the remaining restated carrying value of goodwill for the Healthcare CGU was fully impaired. In addition, £8.2m net of £1.9m tax was written-off the value of Healthcare intangible assets.

Restructure costs

The restructure costs included in other items relate to one-off costs of organisational change associated with the Group's cost efficiency and change programmes. These one-off incremental expenses are analysed below:

	Six months ended 30 September 2017 (unaudited) £m	Six months ended 30 September 2016 (restated)[1] (unaudited) £m
Redundancy payments	**(1.3)**	(4.1)
Cost of change team	**(1.6)**	(1.0)
Expenditure and provisions in respect of property closure costs	**(0.7)**	(0.9)
Expenditure in respect of transformation projects[2]	**(9.3)**	–
Restructure costs	**(12.9)**	(6.0)
Taxation	**2.6**	1.2
Restructure costs net of taxation	**(10.3)**	(4.8)

Notes:

1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.

2 In the six months ended 30 September 2017, £8.9m of professional fees and £0.4m of dual running costs associated with IT systems were incurred.

Acquisition related items

Acquisition related items comprises a £1.8m (2016: £4.3m) amortisation charge for acquisition related intangibles. In the period to 30 September 2016, the balance includes an accrual of contingent consideration required to be treated as remuneration of £0.5m and acquisition costs of £0.1m.

Other exceptional items

The loss of two contracts in the six months ended 30 September 2017 resulted in a one-off non-cash write-off of £6.6m offset by the expected receipt of termination payments amounting to £2.0m. In addition, as a result of a contract extension, a non-cash credit of £1.5m was recorded in the six months ended 30 September 2017 to reinstate a previously written off contract related asset.

Costs of £0.3m were incurred relating to the disposal of the Property Management business.

5. Discontinued operations and assets held for sale

Following a strategic review of the operations of the Group, the Property Management business has been classified as a discontinued operation as at 30 September 2017 and comparative information has been restated. The results of the Property Management business were previously reported in the Public Services segment.

On 28 February 2017, the Group completed the sale of the Healthcare division following the Board's decision to withdraw from the domiciliary healthcare market. As a result of the disposal, the results of the Healthcare business have been classified as discontinued operations and comparative information for the six months ended 30 September 2016 has been restated.

The results of all discontinued operations are presented below:

	Six months ended 30 September 2017 (unaudited) £m	Six months ended 30 September 2016 (unaudited) £m
Revenue	**120.5**	165.0
Cost of sales	**(91.4)**	(128.2)
Gross profit	**29.1**	36.8
Administrative expenses	**(30.1)**	(46.9)
Share of profit from joint ventures and associates	**0.3**	0.3
Operating loss before other items	**(0.7)**	(9.8)
Other items	**(10.3)**	(94.1)
Operating loss	**(11.0)**	(103.9)
Net finance income	**0.3**	0.4
Loss before tax	**(10.7)**	(103.5)
Tax	**0.1**	4.4
Loss from discontinued operations for the period	**(10.6)**	(99.1)

	Six months ended 30 September 2017 (unaudited) £m	Six months ended 30 September 2016 (unaudited) £m
Total comprehensive expense for the period from discontinued operations	**(10.6)**	(99.1)

Cash flows from discontinued operations included in the condensed consolidated statement of cash flows are as follows:

	Six months ended 30 September 2017 (unaudited) £m	Six months ended 30 September 2016 (unaudited) £m
Net cash outflows from operating activities (after tax)	**(14.4)**	(9.8)
Net cash inflows from investing activities	**0.6**	0.2
Net cash inflows/(outflows) from financing activities	**0.8**	(13.5)
Decrease in cash and cash equivalents	**(13.0)**	(23.1)

The net assets of the Property Management business classified as held for sale at the end of the period were as follows:

	30 September 2017 (unaudited) £m
Non-current assets	
Goodwill[1]	**60.2**
Other intangible assets	**3.5**
Property, plant and equipment	**0.6**
Interest in joint ventures and associates	**0.3**
Trade and other receivables	**0.1**
Deferred tax assets	**0.4**
Total non-current assets	**65.1**
Current assets	
Inventories	**0.5**
Trade and other receivables	**55.7**
Current tax assets	**2.7**
Cash and cash equivalents	**17.9**
Total current assets	**76.8**
Total assets held for sale	**141.9**
Current liabilities	
Trade and other payables	**48.2**
Current tax liabilities	**0.1**
Provisions	**5.1**
Total current liabilities	**53.4**
Net current assets held for sale	**23.4**
Total liabilities held for sale	**53.4**
Net assets held for sale	**88.5**

Note:
1 Following the classification of the Property Management business as held for sale at 30 September 2017, goodwill allocated to the disposal group has been impaired by £10.0m. Refer to Note 4 for details.

6. Tax

The income tax charge for the six months ended 30 September 2017 is calculated based upon the effective tax rates expected to apply to the Group for the full year. The rate of tax on profits (both continuing and discontinued) before other items is 18.7% (2016 (restated): 20.8%). The effective rate of tax on earnings before other items 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 12.5% (2016 (restated): 3.8%). The rate for 2016 is reflective of a significantly lower rate of tax relief on other items arising in the period, principally the impairment of goodwill and write-off of acquisition related intangible assets. The effective rate of tax on statutory profits is (19.6)% (2016 (restated): 1.0%). The rates for both 2017 and 2016 reflect the lower rate of tax relief on other items relative to statutory profits for the period.

7. Dividends

The interim dividend for the year ended 31 March 2017 of 4.0p per share was declared on 21 November 2016 and paid on 1 February 2017. There was no final dividend for the year ended 31 March 2017. The interim dividend for the year ending 31 March 2018 of 1.33p per share (not recognised as a liability at 30 September 2017) will be paid on 7 February 2018 to shareholders on the register on 22 December 2017. The Company has sufficient distributable reserves to pay the interim dividend.

8. Earnings per share

Basic and diluted earnings per share have been calculated in accordance with IAS 33 *Earnings per Share*. The calculation of the basic and diluted EPS is based on the following data:

From continuing operations	**Six months ended 30 September 2017 (unaudited) £m**	Six months ended 30 September 2016 (restated)[1] (unaudited) £m
Net profit before other items attributable to equity holders of the parent	**18.5**	18.1
Other items net of tax[2]	**(14.3)**	(6.5)
Net profit attributable to equity holders of the parent	**4.2**	11.6

From continuing and discontinued operations	**Six months ended 30 September 2017 (unaudited) £m**	Six months ended 30 September 2016 (restated)[1] (unaudited) £m
Net profit before other items attributable to equity holders of the parent	**18.2**	10.7
Other items net of tax[2]	**(24.6)**	(98.2)
Net profit/(loss) attributable to equity holders of the parent	**(6.4)**	(87.5)

Number of shares	**Six months ended 30 September 2017 million**	Six months ended 30 September 2016 million
Weighted average number of ordinary shares for the purpose of basic EPS	**355.6**	348.7
Effect of dilutive potential ordinary shares: share options	**2.8**	3.6
Weighted average number of ordinary shares for the purpose of diluted EPS	**358.4**	352.3

	Six months ended 30 September 2017 (unaudited) p	Six months ended 30 September 2016 (restated)[1] (unaudited) p
From continuing operations:		
Basic earnings before other items[2] per share	**5.2**	5.2
Basic earnings per share	**1.2**	3.3
Diluted earnings before other items[2] per share	**5.2**	5.1
Diluted earnings per share	**1.2**	3.3
From continuing and discontinued operations:		
Basic earnings before other items[2] per share	**5.1**	3.1
Basic loss per share	**(1.8)**	(25.1)
Diluted earnings before other items[2] per share	**5.1**	3.0
Diluted loss per share[3]	**(1.8)**	(25.1)

Notes:
1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.
2 Other items are as described in Note 4.
3 There is no dilutive effect of potential ordinary shares as there is a basic loss per share.

The weighted average number of ordinary shares in issue during the period excludes those accounted for in the own shares reserve which were purchased in the market and are held in Treasury or by the Employee Benefit Trust to satisfy options under the Group's LTIP and SIP share option schemes. The own shares reserve represents the cost of 14.0m (March 2017: 15.2m) shares in Mitie Group plc, with a weighted average of 14.4m shares during the period (September 2016: 17.2m).

9. Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. Goodwill has been allocated to CGUs, which align with the business segments, as this is how goodwill is monitored by the Group internally.

	£m
Cost	
At 1 October 2016 (unaudited)	466.1
Disposal of Healthcare business	(107.1)
Impact of foreign exchange	(0.1)
At 31 March 2017 (audited)	358.9
Reclassified to assets held for sale	(85.2)
Impact of foreign exchange	0.2
At 30 September 2017 (unaudited)	**273.9**
Accumulated impairment losses	
At 1 October 2016 (unaudited)	107.1
Disposal of Healthcare business	(107.1)
Impairment of Property Management goodwill	15.0
At 31 March 2017 (audited)	15.0
Reclassified to assets held for sale	(15.0)
At 30 September 2017 (unaudited)	**–**
Carrying amount	
At 30 September 2017 (unaudited)	**273.9**
At 31 March 2017 (audited)	343.9
At 30 September 2016 (unaudited)	359.0

Goodwill impairment testing

IAS 34 requires a review of goodwill for indicators of impairment as part of preparing the condensed consolidated financial statements. The Group's policy is to test goodwill at least annually for impairment or more frequently if there are indicators that goodwill may be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on forecast inflation. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. There were no indicators of impairment in the continuing operations of the Group as at 30 September 2017. Following the classification of the Property Management business as held for sale, a goodwill impairment charge of £10.0m was recognised (see Note 4 for further details).

10. Trade and other receivables

	30 September 2017 (unaudited) £m	30 September 2016 (restated)[1] (unaudited) £m	31 March 2017 (audited) £m
Amounts receivable for the sale of services	**137.1**	194.6	201.8
Provision for doubtful debts	**(6.5)**	(14.8)	(16.2)
Trade receivables	**130.6**	179.8	185.6
Amounts recoverable on construction contracts	**–**	0.3	0.1
Mobilisation costs (Note 10b)	**16.1**	30.1	21.0
Accrued income [2]	**197.8**	261.8	178.1
Prepayments [3]	**31.3**	37.9	22.7
Other debtors	**15.5**	14.6	23.8
Total	**391.3**	524.5	431.3
Included in current assets	**349.8**	444.9	381.0
Included in non-current assets [4]	**41.5**	79.6	50.3
Total	**391.3**	524.5	431.3

Notes:

1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of 30 September 2016.
2 Accrued income includes costs incurred for project and reactive works in the Engineering Services division where income will be recognised on completion.
3 Prepayments include costs incurred for fixed price services where income will be recognised over the contract period.
4 Non-current trade and other receivables comprise accrued income on long-term complex contracts of £32.8m (March 2017: £40.8m) and mobilisation costs of £8.7m (March 2017: £9.5m) which are further analysed in Notes 10a and 10b respectively.

At 30 September 2017, the Group utilised £103.2m of invoice discounting facilities (March 2017: £110.7m). The Directors consider that the carrying amount of trade and other receivables approximates their fair value. The average credit period taken on sales of services was 22 days (March 2017: 27 days).

10a. Accrued income on long-term complex contracts

	30 September 2017 (unaudited) £m	30 September 2016 (restated)[1] (unaudited) £m	31 March 2017 (audited) £m
Opening balance	**50.2**	70.6	70.6
Amounts recognised in the income statement	**(9.3)**	1.9	(20.4)
Closing balance	**40.9**	72.5	50.2
Included in current assets	**8.1**	10.8	9.4
Included in non-current assets	**32.8**	61.7	40.8
Total	**40.9**	72.5	50.2

Note:
1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of 30 September 2016.

£15.9m of accrued income on long-term complex contracts is attributable to transition costs (March 2017: £21.2m).

The accrued income on long-term complex contracts balance at the end of each subsequent financial year is projected to be:

	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m
30 September 2017	**36.6**	**28.9**	**20.6**	**12.4**	**5.3**	**–**
31 March 2017	40.8	27.8	16.9	8.8	3.2	–

Note:
1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of 30 September 2016.

10b. Mobilisation costs

	30 September 2017 (unaudited) £m	30 September 2016 (unaudited) £m	31 March 2017 (audited) £m
Opening balance	**21.0**	28.6	28.6
Reclassification to assets held for sale	**(3.9)**	–	–
Additions	**2.3**	7.3	12.4
Amounts recognised in the income statement	**(3.3)**	(5.8)	(20.0)
Closing balance	**16.1**	30.1	21.0
Included in current assets	**7.4**	12.2	11.5
Included in non-current assets	**8.7**	17.9	9.5
Total	**16.1**	30.1	21.0

Under IFRS 15, mobilisation costs will be replaced by fulfilment costs. The criteria for capitalising costs as a fulfilment cost will be focused on the individual task being performed. The potential impact of this is being reviewed as part of the overall IFRS 15 review project.

11. Acquisitions and disposals

Current year acquisitions – purchase of non-controlling interests
On 6 July 2017, Mitie Group plc entered into a revised agreement with the employee minority shareholders to purchase their remaining 49% shareholdings in Source Eight Limited (Source 8) for a maximum consideration of £9.1m in cash and shares. The acquisition was completed on 19 July 2017 and as a result, Mitie owned 100% of the issued share capital of Source 8 at 30 September 2017.

The consideration for the 49% interest in Source 8 amounted to a maximum consideration of £9.1m of which £3.0m was paid in cash on completion and £1.0m was satisfied by the allotment of 358,680 new 2.5p ordinary shares at an issue price of 278.8 pence per share. The remaining £5.1m was satisfied by the allotment of 1,838,028 new 2.5p ordinary shares at an issue price of 278.8 pence per share which are subject to transfer restrictions based on certain employment service parameters and therefore are being accounted for as share-based payments in accordance with IFRS 2.

Prior year disposal of the Healthcare business
Following the Board's decision to withdraw from the domiciliary healthcare market, the sale of the Healthcare division completed on 28 February 2017. The disposal resulted in the control of Enara Group Limited (Enara) and Complete Care Holdings Limited (Complete Care) passing to Apposite Capital LLP (Apposite) for £2. In addition, the Group agreed to contribute £9.5m towards the trading losses of the business and the turnaround plan. The Group paid £5.4m of the contribution to Apposite on 3 April 2017 and the remaining £4.1m was paid on 1 July 2017. The loss on disposal of the Healthcare division recognised at the date of disposal was £30.4m.

Prior year acquisitions - purchase of non-controlling interests
On 24 August 2016, the Group purchased employee minority shareholdings in three Mitie Model businesses: Mitie Business Services UK Limited (MBSUKL), Mitie Technical Facilities Management Limited (MTFML), and Mitie Care and Custody Limited (MCCL) in accordance with the respective articles of association and shareholders' agreements of those companies.

The total maximum consideration for all three purchases amounted to £16.1m. This was satisfied with £1.4m in cash and as to the remaining £14.7m by the issue of 6,015,255 new ordinary shares of 2.5p each in Mitie, valued at 244.38 pence per share. This was the average of the closing middle market price for the five banking days immediately preceding 26 July 2016. Earlier in the year ended 31 March 2017, Mitie purchased its own shares in the market to offset this share issue. The purchased shares were cancelled following their acquisition.

As a result of these acquisitions Mitie owns 100% of the issued share capital of MBSUKL and MTFML, and 93.14% of the issued share capital of MCCL. The shareholdings purchased, primarily held by certain of the employees and senior management of the relevant subsidiary companies, are detailed below:

- **MBSUKL** – 27.29% of the issued share capital, comprising 116,000 B ordinary shares of £0.01 each, for a consideration of £0.8m. The consideration was satisfied by £0.1m in cash and £0.7m by the issue of 275,428 new Mitie shares;
- **MTFML** – 8.93% of the issued share capital, comprising 952,000 B ordinary shares of £0.01 each, for a consideration of £12.1m. The consideration was satisfied by £1.0m in cash and £11.1m by the issue of 4,563,029 new Mitie shares; and
- **MCCL** – 27.42% of the issued share capital, comprising 170,022 B ordinary shares of £0.01 each, for a consideration of £3.2m. The consideration was satisfied by £0.3m in cash and £2.9m by the issue of 1,176,798 new Mitie shares.

12. Analysis of net debt

	30 September 2017 (unaudited) £m	30 September 2016 (unaudited) £m	31 March 2017 (audited) £m
Cash and cash equivalents	**81.7**	62.5	129.1
Bank loans	**(14.8)**	(35.4)	(15.3)
Private placement notes	**(280.1)**	(286.6)	(294.0)
Derivative financial instruments hedging private placement notes	**24.4**	30.9	35.8
Net debt before obligations under finance leases	**(188.8)**	(228.6)	(144.4)
Obligations under finance leases	**(1.7)**	(3.1)	(2.8)
Net debt continuing operations	**(190.5)**	(231.7)	(147.2)
Cash and cash equivalents – assets held for sale	**17.9**	–	–
Total net debt	**(172.6)**	(231.7)	(147.2)

Included in long-term financing liabilities			
Bank loans	**(14.8)**	(35.4)	–
Private placement notes	**(208.6)**	(286.6)	–
Obligations under finance leases – due after 12 months	**(0.7)**	(1.5)	(1.3)
Long-term financing liabilities	**(224.1)**	(323.5)	(1.3)

Subsequent to 31 March 2017, on 7 June 2017, the Group's lenders agreed to an amendment to the covenant calculation definitions. In accordance with the requirements of IAS 1, it was necessary to classify the drawn amounts of the funding arrangements as at 31 March 2017 as current rather than non-current liabilities.

13. Financial instruments

The Group's principal financial assets are cash and cash equivalents, trade receivables and derivative financial instruments. With the exception of derivative financial instruments, all financial assets are classified as loans and receivables. The Group's principal financial liabilities are trade payables, financing liabilities and deferred contingent consideration. With the exception of derivative financial instruments and deferred contingent consideration, all financial liabilities are held at amortised cost.

Derivative financial instruments are measured initially at fair value at the date the contract is entered into and are subsequently remeasured to their fair value through the income statement unless they are designated as hedges for which hedge accounting can be applied.

Deferred contingent consideration is measured at the Directors' best estimate of the likely future obligation 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.

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.

The Directors consider that the derivative financial instruments fall into Level 2 and that deferred contingent consideration falls into Level 3.

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

Assets	30 September 2017 (unaudited) £m	30 September 2016 (unaudited) £m	31 March 2017 (audited) £m
Cross-currency interest rate swaps designated as cash flow hedges	**18.5**	23.5	27.0
Cross-currency interest rate swaps designated as fair value hedges	**5.9**	7.4	8.8
Derivative financial instruments hedging private placement notes[1]	**24.4**	30.9	35.8

Note:
1 £12.9m (March 2017: £nil, September 2016: £30.9m) of derivative financial instruments hedging private placement notes is included in non-current assets.

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.

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

	Deferred contingent consideration £m
At 1 October 2016	0.4
Movement	(0.1)
At 31 March 2017	0.3
Movement	(0.3)
At 30 September 2017	–

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

14. Provisions

	Legal costs[2] £m	Healthcare provision[3] £m	Deferred contingent consideration £m	Restructuring provision £m	Insurance reserve[4] £m	Onerous leases £m	Contract costs[5] £m	Total £m
At 1 October 2016 (restated)[1] (unaudited)	0.8	–	0.4	–	7.0	–	3.8	**12.0**
Amounts recognised in the income statement	1.2	6.0	–	–	5.8	0.1	2.1	**15.2**
Amounts recognised through reserves	–	–	(0.1)	–	–	–	–	**(0.1)**
Utilised within the captive insurance subsidiary	–	–	–	–	(0.1)	–	–	**(0.1)**
Utilised in the period	–	–	–	–	(6.1)	–	–	**(6.1)**
Reclassified from accruals	–	–	–	–	5.9	–	–	**5.9**
At 31 March 2017 (audited)	2.0	6.0	0.3	–	12.5	0.1	5.9	**26.8**
Reclassified to liabilities held for sale	(0.3)	–	–	–	(0.8)	–	(0.2)	**(1.3)**
Amounts recognised in the income statement	(0.7)	–	–	0.5	1.3	–	(1.5)	**(0.4)**
Amounts recognised through reserves	–	–	(0.3)	–	–	–	–	**(0.3)**
Utilised in the period	–	(1.0)	–	–	(2.1)	–	(2.0)	**(5.1)**
Reclassified from accruals	–	–	–	–	0.1	–	–	**0.1**
Reclassified between categories	–	–	–	–	0.6	–	(0.6)	**–**
At 30 September 2017 (unaudited)	**1.0**	**5.0**	**–**	**0.5**	**11.6**	**0.1**	**1.6**	**19.8**
Included in current liabilities	1.0	5.0	–	0.5	5.2	0.1	1.6	**13.4**
Included in non-current liabilities	–	–	–	–	6.4	–	–	**6.4**
At 30 September 2017 (unaudited)	**1.0**	**5.0**	**–**	**0.5**	**11.6**	**0.1**	**1.6**	**19.8**

Notes:
1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of 30 September 2016.
2 The legal costs provision relates to professional fees payable and the potential cost of settlement of outstanding claims against the Group.
3 The Healthcare provision relates to the anticipated costs of separation of the Healthcare business from the Group.
4 The insurance reserve provides for the self-insured element of fleet and liability claims that will typically settle over three to five years. This includes a provision for claims that are expected but have not yet been reported.
5 Contract cost provisions relate to various obligations arising in the ordinary course of providing services in line with commercial contracts that may require settlement largely over periods up to two years.

15. Retirement benefit schemes

The Group has a number of pension arrangements for employees:

a) Defined contribution schemes for the majority of employees; and

b) Defined benefit schemes which include:

- A Group scheme (closed to new members in 2006), and
- Other smaller schemes in respect of certain employees who joined the Group under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

The following tables relate to the defined benefit schemes.

Amounts recognised in financial statements

The amounts included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes are as follows:

	30 September 2017 (unaudited)			30 September 2016 (unaudited)			31 March 2017 (audited)		
	Group scheme £m	**Other schemes £m**	**Total £m**	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	**178.7**	**11.7**	**190.4**	172.3	10.8	183.1	177.8	11.3	189.1
Present value of defined benefit obligations	**(240.8)**	**(14.5)**	**(255.3)**	(253.5)	(14.6)	(268.1)	(248.5)	(14.8)	(263.3)
Net pension liability	**(62.1)**	**(2.8)**	**(64.9)**	(81.2)	(3.8)	(85.0)	(70.7)	(3.5)	(74.2)

All figures above are shown before deferred tax.

Reconciliation of Group balance sheet

Movements in the present value of defined benefit obligations in the period in respect of both the Group and other schemes were as follows:

	Group scheme £m	**Other schemes £m**	**Total £m**
At 1 April 2017 (audited)	248.5	14.8	263.3
Current service cost	**1.2**	**0.3**	**1.5**
Interest cost	**3.3**	**0.2**	**3.5**
Actuarial gains on liabilities arising from changes in financial assumptions	**(9.7)**	**(0.7)**	**(10.4)**
Actuarial losses on liabilities arising from experience	**1.1**	–	**1.1**
Benefits paid	**(3.6)**	**(0.1)**	**(3.7)**
At 30 September 2017 (unaudited)	**240.8**	**14.5**	**255.3**

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

	Group scheme £m	**Other schemes £m**	**Total £m**
At 1 April 2017 (audited)	177.8	11.3	189.1
Interest income	**2.2**	**0.2**	**2.4**
Actuarial gains	**2.1**	**0.2**	**2.3**
Contributions from the sponsoring companies	**0.8**	**0.1**	**0.9**
Expenses paid	**(0.6)**	–	**(0.6)**
Benefits paid	**(3.6)**	**(0.1)**	**(3.7)**
At 30 September 2017 (unaudited)	**178.7**	**11.7**	**190.4**

Principal accounting assumptions at balance sheet dates

	Group scheme			**Other schemes**		
	30 September 2017 %	30 September 2016 %	31 March 2017 %	**30 September 2017 %**	30 September 2016 %	31 March 2017 %
Key assumptions used for IAS 19 valuation:						
Discount rate	**2.70**	2.40	2.65	**2.70**	2.40	2.65
Expected rate of pensionable pay increases	**1.85**	1.80	2.00	**3.25**	3.20	3.40
Retail price inflation	**3.25**	3.20	3.40	**3.25**	3.20	3.40
Consumer price inflation	**2.25**	2.20	2.40	**2.25**	2.20	2.40
Future pension increases	**3.25**	3.20	3.40	**3.25**	3.20	3.40

Sensitivity of defined benefit obligation to key assumptions

The sensitivity of the defined benefit obligation for the Group scheme to changes in the principal assumptions is shown in the table below:

	Impact on defined benefit obligations (unaudited)		
	Change in assumption	Increase/(decrease) in obligations	Increase/(decrease) in obligations
		%	£m
Increase in discount rate	0.1%	(2.1)	(5.1)
Increase in salary growth	0.1%	0.4	1.0
Increase in RPI inflation*	0.1%	1.6	3.9
Increase in CPI inflation (excluding pay)	0.1%	0.5	1.2
Increase in life expectancy	1 year	4.0	9.6

* Including other inflation-linked assumptions (CPI inflation, pension increases, salary growth)

The duration, or average term to payment for the benefits due, weighted by liability, is around 22 years (22 years at 31 March 2017) for the Group scheme.

16. Contingent liabilities

The Company and various of its subsidiaries are, from time to time, party to contractual disputes that arise in the ordinary course of business. Specifically, there is an ongoing contractual dispute with a client of Mitie's Property Management business which is potentially of a material nature (although formal legal proceedings have not been commenced). Discussions are ongoing between the Company and the counterparty, to determine both liability and potential quantum. The Directors do not anticipate that the outcome of this dispute will have a material adverse effect on the Group's financial position, other than as provided for in the accounts. In appropriate cases, a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions (which may be subject to potentially material revision from time to time) will result in an accurate prediction, due to the uncertainty of the actual costs and liabilities that may be incurred. The Directors will continue to monitor events as matters progress.

In addition, the Company and its subsidiaries have provided guarantees and indemnities in respect of performance, issued by financial institutions on its behalf, amounting to £21.8m (March 2017: £23.8m) in the ordinary course of business. These are not expected to result in any material financial loss.

The Group participates in several industry multi-employer defined benefit schemes. These multi-employer schemes have historically not been able to calculate the Group's share of net liabilities and the Group funds the schemes through paying employer pension contributions. In the event that a multi-employer scheme is able to calculate the Group's share of net pension liability, then this liability would then be recognised in the Group's financial statements. Where the Group (or subsidiary of the Group) exits such schemes, pension legislation may require the Group to fund the Group's share of the total amount of net liabilities with a one-off cash payment (a Section 75 debt).

There is currently a specific National Minimum Wage enquiry being undertaken by HM Government in relation to three individuals in one division of Mitie. Based on the outcome of this enquiry, there is an uncertainty as to whether further enquiries could be initiated over a wider population across the Group. At this stage, due to the nature and complexity of assessing compliance, it is not possible to estimate the potential economic exposure. In common with other UK businesses with a large number of employees operating near the minimum wage, the Group is at risk of potential deficiency in respect of current and past employees. As part of a wider HR transformation project, the Directors are reviewing HR processes and systems to mitigate this risk.

On 29 August 2017, the Company announced that the Financial Conduct Authority (FCA) had informed the Company that the FCA had commenced an investigation in connection with the timeliness of a profit warning announced by the Company on 19 September 2016 and the manner of preparation and content of the Company's financial information, position and results for the period ended 31 March 2016. The investigation is in its early stages and the Company continues to fully cooperate with the FCA.

17. 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.

Within discontinued operations, the Group derived £0.3m (September 2016: £0.1m) of revenue from contracts with joint ventures and associated undertakings. At 30 September 2017 trade and other receivables of £0.3m (included within assets held for sale) were outstanding (March 2017: £nil) and there were no loans to joint ventures and associates (March 2017: £nil).

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company, as K Fraser and J Telling were senior managers of the Group and were also two of the trustees of the Foundation during the period. During the period, the Group made donations of £nil (September 2016: £9,000) and gifts in kind of £163,000 (September 2016: £135,000) to the Foundation. At the end of the period £23,000 (March 2017: £nil) was due to the Foundation and the Foundation had £nil (March 2017: £nil) held within creditors as an amount accrued to Mitie Group plc.

The Group has a related party relationship with Aspire Achieve Advance Limited (3aaa) which is not a member of the Group. 3aaa provides the Group with services pertaining to the delivery of apprenticeships in England and D Mapp was the Non-Executive Chairman of Mitie Group plc and also a director of 3aaa during the period. During the period, 3aaa provided services of £12,000 (September 2016: £nil) to the Group. At the end of the period, £nil (March 2017: £nil) was owing to 3aaa.

In the Annual Report and Accounts for the year ended 31 March 2017, the Company noted that, as a consequence of the prior year adjustments to the accounts for the year ended 31 March 2016, the Remuneration Committee would determine what rights might be available to recover the bonuses and other awards made to each of Ruby McGregor-Smith and Suzanne Baxter in respect of the year ended 31 March 2016. The Company believes it is entitled to recover the same. The matter remains unresolved.

Other than as disclosed above, no 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. The Group's key management personnel are the Directors and Non-Executive Directors whose remuneration is disclosed in the audited section of the Directors' remuneration report of the Company's annual report and accounts.

18. Events after the reporting period

On 20 October 2017, Mitie Group plc acquired all minority shareholder interests in the remaining Mitie Model entities, being Mitie Care and Custody Limited (MCCL), Mitie Events & Leisure Services Limited (MELSL), Mitie Facilities Management Limited (Ireland)(MFML), Mitie Catering Services Limited (MCSL) and Mitie Waste & Environmental Services Limited (MWESL). The aggregate consideration for the acquisition of the remaining minority shareholdings was satisfied by the allotment of 2,396,381 new ordinary shares of 2.5p each in Mitie at an issue price of 266.336p per share. 1,139,697 of these new shares have been allotted on the condition that the relevant individual shareholder remains in Mitie's employment until October 2019. As a result of these acquisitions the Group owns 100% of the share capital of each of MCCL, MELSL, MFML, MCSL and MWESL.

Appendix – Alternative Performance Measures (APMs)

The Group presents various APMs as the Directors believe that these are useful for users of the financial statements in helping to provide a balanced view of, and relevant information on, the Group's financial performance. These APMs are measures which disclose the adjusted performance of the Group excluding specific items which are regarded as non-recurring. The Group separately reports acquisition costs, the amortisation of acquisition related intangible assets, exceptional items and other specific items in the income statement which, in the Directors' judgement, need to be disclosed separately (see Note 4) by virtue of their nature, size and incidence in order for users of the financial statements to obtain a proper understanding of the financial information and the underlying performance of the business.

APMs presented	**Six months ended 30 September 2017 Continuing £m**	**Six months ended 30 September 2017 Discontinued £m**	**Six months ended 30 September 2017 Total £m**	Six months ended 30 September 2016 (restated)[1] Continuing £m	Six months ended 30 September 2016 (restated)[1] Discontinued £m	Six months ended 30 September 2016 (restated)[1] Total £m
Revenue						
Reported revenue	**959.7**	**120.5**	**1,080.2**	922.6	165.0	1,087.6
Other items	**–**	**–**	**–**	–	–	–
Before other items	**959.7**	**120.5**	**1,080.2**	922.6	165.0	1,087.6
One-offs:						
Accrued income, debtors, prepayments included in trade and other receivables	**–**	**–**	**–**	1.1	–	1.1
Adjusted revenue	**959.7**	**120.5**	**1,080.2**	923.7	165.0	1,088.7
Operating profit						
Reported operating profit/(loss)	**14.8**	**(11.0)**	**3.8**	23.9	(103.9)	(80.0)
Other items	**17.8**	**10.3**	**28.1**	8.0	94.1	102.1
Before other items	**32.6**	**(0.7)**	**31.9**	31.9	(9.8)	22.1
One-offs:						
Accrued income, debtors, prepayments included in trade & other receivables	**–**	**–**	**–**	1.1	11.5	12.6
Impairment of mobilisation asset	**–**	**–**	**–**	(3.0)	(0.1)	(3.1)
Other provisions and accruals	**–**	**–**	**–**	0.2	1.0	1.2
Other one-off items	**–**	**–**	**–**	0.6	–	0.6
Adjusted operating profit/(loss)	**32.6**	**(0.7)**	**31.9**	30.8	2.6	33.4

The total adjustments presented above impact business segments as follows:

Adjustments to revenue – continuing operations	**Six months ended 30 September 2017 £m**	Six months ended 30 September 2016 (restated)[1] £m
Cleaning and Environmental Services	**–**	2.6
Engineering Services	**–**	(1.5)
Total adjustments	**–**	1.1

Adjustments to operating profit – continuing operations	**Six months ended 30 September 2017 £m**	Six months ended 30 September 2016 (restated)[1] £m
Cleaning and Environmental Services	**–**	3.7
Security	**–**	(0.9)
Catering	**–**	(0.4)
Engineering Services	**–**	(2.0)
Corporate overheads	**–**	(1.5)
Total adjustments	**–**	(1.1)

Note:

1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.

Adjusted earnings per share is as follows:

	Six months ended 30 September 2017			Six months ended 30 September 2016 (restated)[1]		
	Before other items £m	Other items[2] £m	Total £m	Before other items £m	Other items[2] £m	Total £m
Continuing operations						
Reported earnings attributable to equity holders of the parent	**18.5**	**(14.3)**	**4.2**	18.1	(6.5)	11.6
One-offs (after tax)	**-**	**-**	**-**	(0.9)	-	(0.9)
Adjusted earnings attributable to equity holders of the parent	**18.5**	**(14.3)**	**4.2**	17.2	(6.5)	10.7
	p	**p**	**p**	p	p	p
Reported earnings per share	**5.2**	**(4.0)**	**1.2**	5.2	(1.9)	3.3
One-offs per share	**-**	**-**	**-**	(0.3)	-	(0.3)
Adjusted earnings per share	**5.2**	**(4.0)**	**1.2**	4.9	(1.9)	3.0

Note:
1 See Note 2 for an explanation and analysis of the prior period restatements included above in respect of the six months ended 30 September 2016.
2 Other items are as described in Note 4.