21 November 2019

Mitie Group plc

Half-yearly results for the six months ended 30 September 2019

Mitie Group plc ("Mitie" or "the Group") (LSE: MTO), the UK's leading facilities management and professional services company, today announces its financial and operational results for the six months ended 30 September 2019 ("H1 19/20").

Group results, £m	Six months ended 30 September		
Continuing operations	2019	2018	*Change, %*
Revenue	**1,078.0**	971.6	*11.0*
Organic revenue[1]	**989.7**	971.6	*1.9*
Operating profit before other items	**33.0**	31.3	*5.4*
Operating profit margin before other items	***3.1%***	*3.2%*	*(0.1)ppt*
Other items	**(10.3)**	(11.8)	
Finance costs	**(8.1)**	(7.5)	*8.0*
Profit before tax	**14.6**	12.0	*21.7*
Basic earnings per share before other items, p	**5.5**	5.2	*5.8*
Dividend per share, p	**1.33**	1.33	-
Cash used in continuing and discontinued operations	**(33.5)**	(13.4)	
	H1 19/20	FY 18/19	H1 18/19
Period-end net debt (pre-IFRS 16)	**148.1**	140.7	186.7
Average daily net debt (pre-IFRS 16)	**263.3**	302.0	317.4
Period-end net debt (post-IFRS 16)	**235.9**	n/a	n/a

[1] Organic revenue is revenue from continuing operations excluding the impact from the acquisition of Vision Security Group (VSG) within Business Services.

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

"Our strategy remains to focus on our core businesses and our strategic accounts, where our investment in technology distinguishes our offer and improves customer service and margins. During the last six months, we have seen modest organic revenue growth with a higher level of extensions and significant new wins, including our largest Integrated Facilities Management (IFM) account win for several years and our largest IFM account extension.

"Revenue growth of 11% was driven primarily by the contribution from Vision Security Group, acquired last year, and organic growth in strategic accounts. Growth in operating profit before other items, while positive on the back of contribution from VSG and the Detention & Escorting Services contract, was held back by lower renewal margins.

"The Catering disposal to our strategic partner CH&CO has strengthened our balance sheet and sharpened our focus on those business lines where we can secure a leading market position, underpinned by technology. Although still early days, we can see the success of this approach in our Security business where we continue to win market share."

Highlights

- **Revenue** from continuing operations **up 11%** driven by the VSG acquisition and continued growth in strategic accounts (4%)
- **Operating profit before other items** from continuing operations **up 5%** due to improved contributions from the Detention & Escorting Services contract and VSG, partly offset by lower renewal margins in certain contracts
- **Secured order book**[1] **up 1%** at £4.1bn since FY 18/19
- **Leverage 1.5x net debt/EBITDA** (on pre-IFRS 16 frozen GAAP covenant basis) with period-end net debt of £148.1m (FY 18/19: £140.7m)
- **Average daily net debt reduced** by £54.1m versus H1 18/19 (pre-IFRS 16)
- **Project Forte**, the two-year transformation programme of our engineering business, has mobilised successfully and is tracking to plan, with confidence around the gross benefits of £30m
- **Strategic focus**: Mitie **Catering** sold to CH&CO, our strategic partner
- **Management's expectations** for full-year operating profit before other items, adjusted for the sale of Mitie Catering, remain **in line with previous guidance**
- **Interim dividend** maintained at 1.33p, in line with policy

[1] The reported order book includes only secured fixed-term contracted work and excludes variable work.

Mitie will be holding an analyst presentation today with Phil Bentley, CEO, and Paul Woolf, CFO, at 09:30am GMT. A live video webcast of the presentation will be available to view online at www.mitie.com/investors at 09:30am GMT. A recorded webcast of the presentation and a copy of the accompanying slides will also be available on the website later in the day.

Capital Markets Day

The event will be held on 10 December 2019 8:30am – 1:00pm for institutional investors and analysts with live webcast available to view at www.mitie.com/investors. Please contact Megan Reilly to register your attendance at megan.reilly@mitie.com.

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About Mitie

Founded in 1987, Mitie is the UK's leading **facilities management** and **professional services** company. It offers a range of services including **Technical Services** (Engineering Services, Energy, Water and Real Estate Services), **Business Services** (Security, Cleaning and Office Services) and **Specialist Services** (Care & Custody, Landscapes and Waste Management).

Mitie employs 48,900 people across the country, looking after a large, diverse, blue-chip customer base, from banks and retailers, to hospitals, schools and critical government strategic assets. It takes care of its customers' people and buildings, by delivering the basics brilliantly and by deploying advanced technology. It is pioneering the Connected Workspace, using smart analytics to provide valuable insight and deliver efficiencies to create outstanding work environments for customers.

Find out more at www.mitie.com.

Legal disclaimer

This announcement may contain certain forward-looking statements, beliefs or opinions, including statements with respect to Mitie's business, financial condition and results of operations. These forward-looking statements can be identified by the use of words such as 'anticipate', 'expect', 'estimate', 'intend', 'will', 'may', 'project', 'plan', 'target' 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 2019 and reflect the Directors' beliefs and expectations. These statements, by their nature, involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements 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 or regulation, 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 inside information.

HALF-YEARLY FINANCIAL REPORT

Strategic overview

Results: in H1 19/20, **revenue** from continuing operations increased by 11.0% to £1,078.0m against H1 18/19, mainly due to the contribution from the acquisition of VSG and a continued strong performance in the top strategic accounts. **Operating profit** from continuing operations before other items increased 5.4% to £33.0m with positive contributions from the Detention & Escorting Services contract and VSG, partly offset by lower renewal margins in certain contracts.

Simplification: we have continued with our drive to simplify Mitie by focusing on our core businesses and core customers, where technology can differentiate our offer.

Our Security and Cleaning divisions have been consolidated under a single 'Business Services' management team. These businesses provide workplace services related to the upkeep and security of buildings and, with 40,000 employees, require tight workforce management. There are good opportunities to sell bundled services more efficiently to our clients and – with shared operating platforms – we anticipate further opex savings. The newly created 'Technical Services' division now incorporates both engineering maintenance and projects related to the physical upkeep of buildings, as well as 'smart building' management services including occupier services and water and energy management. Care & Custody, Waste and Landscapes have been consolidated into a single 'Specialist Services' division – these are higher growth opportunities with margins above the Group's average.

In H1 19/20 we sold Mitie Catering to our strategic partner, CH&CO, which will continue to provide best-in-class catering services to our Integrated Facilities Management (IFM) clients.

Strategy: we have successfully completed Phase I of Mitie's transformation, which included Project Helix, portfolio rationalisation, move to Strategic Account Management (SAM) and significant progress on strengthening the balance sheet. We are now in Phase II, which will focus on delivering accelerated growth in shareholder returns through:

- Market leadership in Technical Services and Business Services, and margin protection in Specialist Services;
- Strategic Account Management to yield faster growth from distinctive technology;
- Further cost efficiencies to meet margin ambitions;
- Cementing cultural transformation under the 'Mitie Way'; and
- Continued deleveraging.

A commitment to our people: in H1 19/20 Mitie joined the Living Wage Foundation as a Recognised Service Provider. We are committed to raising the pay of our people, and now we always provide a Real Living Wage bid to clients. All staff directly employed in Mitie locations are paid at least the Living Wage. We are proud to have been recognised as one of Britain's 'Most Inclusive' employers, for the second year running.

Sales: in H1 19/20, we secured an extension through to the end of 2024 with Lloyds Banking Group, our largest IFM customer. The extension represents a step change from a traditional input-based service model, to an output-based model, whereby payments received by Mitie are determined by the outcomes delivered (i.e. payment-by-results). This ensures that the interests of both Mitie and Lloyds Banking Group are completely aligned. The extended contract is expected to generate revenues of approximately £170m per annum – albeit at a lower margin at the start as the new contract is re-mobilised – and falls within the Technical Services and Business Services divisions. This renewal was one of several which have been made at lower margins as we reset contracts for future growth, in line with guidance provided to the market in June 2019.

We also won a significant number of new contracts including with the Bank of England, HMRC and a major London airport in Business Services. We secured significant IFM contracts with a pharmaceutical company, a multinational automobile manufacturer and a new five-year IFM contract with Toyota Motor Manufacturing UK. We also renewed or extended a number of contracts with existing clients, including a substantial IFM contract with Essex County Council. The average term of contracts is increasing, we are being more selective in our bids, and retention rates are strong across the Group, enabling us to replace revenue billed from the secured order book which thus rose by 1% to £4.1bn since FY 18/19.

Disappointingly, we were unsuccessful in two recent Care & Custody bids which would have added significant revenue growth in excess of our current guidance. However, we remain in one other large bid and are developing new proposals for custody in the community for immigration services. We were appointed as a supplier on the Prison Operator Services framework, adding £1.5bn of potential opportunities to our pipeline.

Project Forte: we are now six months into the two-year 'Project Forte' engineering workflow transformation programme, which is progressing as planned. Over 90% of all relevant processes have been mapped and are now being coded. Data validation of assets under management, client contract details, engineer skill sets, and vendor master data are more than 50% complete. The Technical Services benefits have been validated, with over 200,000 engineer hours of productivity improvements grounded, together with deployment centres, supply chain savings and revenue leakage elimination. 'Go live' for this complex project is December 2020.

The expected cost of implementing Project Forte is c.£30m of opex and capex split 60/40, respectively. Opex spend in FY 19/20 is expected to be c.£10m with capex at c.£5m with the balance of the spend falling into FY 20/21.

We have confidence in delivering overall gross benefits of c.£30m (£25m for Technical Services and £5m for Group-wide automation and organisational consolidation). The next six months will be the foundation stage with benefits starting to come through in the second year of Project Forte with a full-run rate of net benefits of c.£10-15m anticipated to be achieved at the end of FY 21/22.

Project Helix is being wound down and will conclude before the end of FY 19/20. We expect costs of c.£3m for the full year (£2.0m in H1 19/20) to finish off a number of in-flight programmes.

Dividend

For H1 19/20, the Board has declared a dividend of 1.33p in line with last year and our stated policy of paying one third of the previous year's total dividend as an interim dividend.

Interim dividend dates:

Ex-dividend date: 19 December 2019

Record date: 20 December 2019

DRIP Election date: 10 January 2020

Payment date: 4 February 2020

Outlook

Mitie is now half-way through its five-year transformation. We have made steady progress, particularly in strengthening our balance sheet and simplifying our business model. Project Helix delivered savings that were required for reinvestment into customer service, capabilities and technology.

However, there is no doubt that we continue to operate in a challenging industry of rising labour costs and margin pressures. In addition, there is short-term economic and political uncertainty across our markets. The way forward is to secure market leadership through outstanding service and technology innovation, allied with lowest cost to serve.

Project Forte, focus on Strategic Account Management and integration of VSG and Cleaning into Business Services will move the Group into a phase of margin improvement as further efficiency savings drop to the bottom line. This gives us the confidence to maintain our guidance of 4.5%-5.5% operating profit margin before other items by FY 22/23.

For FY 19/20 we expect organic revenue growth to be broadly in line with H1 19/20. Whilst we have seen good account wins in H1 19/20 which have now mobilised, or we are close to mobilising, revenue growth will be held back by the broader economic uncertainty which will impact our variable works and projects business. We expect mid-single digits growth for operating profit before other items, with lower net debt as operating cash flow in H2 19/20 is expected to be positive driven by working capital improvements.

For FY 20/21 we expect growth in revenue to be in line with growth in FY 19/20 and operating profit before other items to grow at mid-single digits.

Financial review

Alternative Performance Measures

The Group presents the majority of its financial analysis as the results of continuing operations before other items as the Directors believe this is more useful for users of the financial statements in providing a balanced view of, and relevant information on, the Group's financial performance. Accordingly, the Group separately reports the impairment of goodwill, the cost of restructuring programmes, acquisition and disposal costs (including the impairment and amortisation of acquisition related intangible assets), gain or loss on business disposals and other exceptional items as 'other items'.

New accounting standards

IFRS 16

IFRS 16 'Leases' became effective for the Group from 1 April 2019 and replaces the requirements of IAS 17 'Leases'. The Group has adopted IFRS 16 using the modified retrospective approach under which the cumulative effect of adoption is recognised through reserves, with comparatives continuing to be reported under IAS 17.

An asset representing the Group's right as a lessee to use a leased item, and a liability for the associated future lease payments, have been recognised for all leases, subject to limited exemptions for short-term leases and low-value lease assets. The cost of leases has been recognised in the consolidated income statement split between depreciation of the lease asset and a finance charge on the lease liability. This is similar to the accounting for finance leases under IAS 17, but different to the accounting for operating leases (under which no lease asset or lease liability was recognised, and operating lease rentals were charged to the consolidated income statement on a straight-line basis).

As a result of adopting the new accounting standard for the six months ended 30 September 2019, the Group's profit before tax has reduced by £1.1m, and operating profit has increased by £0.4m. The reduction in profit before tax is the net impact of £1.5m of additional finance charges and £11.2m of additional depreciation, replacing £11.6m of operating lease rental charges. Finance charges under IFRS 16 are front-loaded in the early part of the lease term and when using the modified retrospective approach to adoption, this resulted in the overall cost of leases being greater than operating lease rental charges would have been under IAS 17. This impact will unwind over the next few years as the remaining term of the leases in the portfolio becomes more balanced.

Net debt increased by £87.5m at 1 April 2019 as a result of the recording of the additional lease liabilities on the balance sheet. This was largely offset within net assets by an increase of £86.2m in right-of-use assets recorded in property, plant and equipment.

Group financial overview

The results for H1 19/20 reflect steady progress in the Group's transformation programme as we grew revenue and profits, and further strengthened the balance sheet.

All divisions grew revenues, and overall operating profit before other items was up:

Financial summary

Continuing operations (£m)	H1 19/20	H1 18/19	*Change, £m*	*Change, %*
Revenue	**1,078.0**	971.6	*106.4*	*11.0*
Operating profit before other items	**33.0**	31.3	*1.7*	*5.4*
Other items	**(10.3)**	(11.8)	*1.5*	
Operating profit	**22.7**	19.5	*3.2*	*16.4*

Reported revenue from continuing operations of £1,078.0m represented an increase of 11% (£106.4m) on the same period last year. Operating profit before other items from continuing operations improved by 5.4% to £33.0m (H1 18/19: £31.3m). After factoring in a charge for other items from continuing operations of £10.3m (H1 18/19: £11.8m), operating profit improved by 16.4% (£3.2m) to £22.7m (H1 18/19: £19.5m).

Divisional breakdown of financial performance

Revenue

Continuing operations (£m)	H1 19/20	H1 18/19	*Change, £m*	*Change, %*
Technical Services	470.6	464.9	*5.7*	*1.2*
Business Services	490.7	405.5	*85.2*	*21.0*
Specialist Services	116.7	101.2	*15.5*	*15.3*
Total	**1,078.0**	**971.6**	***106.4***	***11.0***

Technical Services' revenues were up 1.2% at £470.6m (H1 18/19: £464.9m) as a result of good performance across the strategic accounts, offset by managed exits from certain continental European contracts. Revenues in Business Services grew by 21% to £490.7m (H1 18/19: £405.5m) following the VSG acquisition in H2 18/19 and underlying growth in Security, offset by a weaker performance in Cleaning. Specialist Services revenues improved by 15.3% to £116.7m (H1 18/19: £101.2m) as a result of contract wins in Care & Custody and Waste.

Operating profit before other items

Continuing operations (£m)	H1 19/20	H1 18/19	*Change, £m*	*Change, %*
Technical Services	25.8	25.3	*0.5*	*2.0*
Business Services	16.9	18.3	*(1.4)*	*(7.7)*
Specialist Services	10.7	5.8	*4.9*	*84.5*
Corporate centre	(20.4)	(18.1)	*(2.3)*	*12.7*
Total	**33.0**	**31.3**	***1.7***	***5.4***

Operating profit before other items for Technical Services grew 2.0% to £25.8m (H1 18/19: £25.3m). Business Services operating profit before other items decreased by 7.7% to £16.9m (H1 18/19: £18.3m) following several large contractual renewals at initially lower margins. Operating profit before other items for Specialist Services grew by 84.5% to £10.7m (H1 18/19: £5.8m), largely as a result of expensing mobilisation costs in H1 18/19 in Care & Custody and improved contract performance. Corporate centre costs increased by £2.3m (12.7%) to £20.4m (H1 18/19: £18.1m) as a result of increased investment in technology and strategic account management.

Other items

Continuing operations (£m)	H1 19/20
Project Forte	(4.0)
Project Helix	(2.0)
Acquisition and disposal related costs	(0.8)
Amortisation of intangible assets	(1.2)
Other	(2.3)
Total other items before tax	**(10.3)**
Tax credit on other items	1.7
Other items after tax	**(8.6)**

Other items from continuing operations before tax were £10.3m. The largest component of the charge is Project Forte, the Group's new transformation programme.

Project Helix costs relate to finalising various outsourcing and transformation activities across a number of functions including IS, HR and Procurement. Helix is winding down and is expected to complete in H2 19/20. Acquisition and disposal costs include a net credit relating to the acquisition and integration of VSG. Amortisation of £1.2m is for intangible assets acquired by Mitie, and the remaining £2.3m includes other restructuring costs related to various projects across the Group designed to simplify Mitie, including the rationalisation of the property portfolio.

The tax credit on these other items was £1.7m.

Tax contribution

Profit before other items and tax of £24.9m from continuing operations (H1 18/19: £23.8m) resulted in a tax charge of £5.2m (H1 18/19: £4.9m), representing an effective tax rate of 20.9% (H1 18/19: 20.6%). Including other items, the taxation charge for continuing operations was £3.5m (H1 18/19: £3.0m).

The Group paid corporation tax of £3.3m in the period (H1 18/19: £6.3m tax refund).

Discontinued operations

During the period, Mitie sold its Catering business to CH&CO, with the sale completing on 6 September 2019. As a result, the business is classified as a discontinued operation as at 30 September 2019.

Discontinued operations contributed a profit after tax before other items of £2.1m (H1 18/19: £4.3m). Other items after tax from discontinued operations were a credit of £49.5m (H1 18/19: £12.4m) and include the £50.7m net gain on disposal of the Catering business.

After other items, profit from discontinued operations increased to £51.6m (H1 18/19: £16.7m).

Balance sheet

£m	H1 19/20 Post-IFRS 16	FY 18/19[1]	H1 18/19[1]
Goodwill and intangible assets	331.1	344.5	326.7
Property, plant and equipment	108.2	29.0	28.6
Working capital balances	(126.1)	(216.9)	(176.8)
Net debt	(235.9)	(140.7)	(186.7)
Retirement benefit liabilities	(73.7)	(63.8)	(47.5)
Deferred tax	34.2	35.8	32.1
Held for sale	-	-	21.7
Other net assets/(liabilities)	0.9	(0.3)	2.1
Total net assets/(liabilities)	**38.7**	**(12.4)**	**0.2**

[1] H1 18/19 and FY 18/19 stated pre-IFRS 16.

Overall the Group reported positive net assets of £38.7m at 30 September 2019 (an increase of £51.1m compared to FY 18/19) as a result of the gain on disposal of the Catering business and the increase in profit after tax from continuing operations in the period.

Goodwill and intangible assets of £331.1m (FY 18/19: £344.5m) were held on the balance sheet at 30 September 2019. The decrease is explained by the reduction in goodwill following the disposal of the Catering business.

Both property plant and equipment and net debt have increased following the adoption of IFRS 16. Property plant and equipment has increased by £79.2m to £108.2m (FY 18/19: £29.0m), which includes the opening IFRS 16 adjustment of £86.2m partially reduced by additional depreciation on the lease assets. Net debt has increased by £95.2m to £235.9m from £140.7m at FY 18/19, which includes an underlying increase of £7.4m and the opening £87.5m adjustment for IFRS 16 lease liabilities.

Retirement benefit liabilities have risen £9.9m to £73.7m (FY 18/19: £63.8m) primarily due to the continuing decrease in the discount rate. Assets held for sale have decreased following completion of the disposal of the Social Housing business in H2 18/19.

Cash flow and net debt

The cash flow commentary below describes the reported cash flow, which is stated post-IFRS 16 for H1 19/20 and pre-IFRS 16 for H1 18/19. IFRS 16 does not impact overall net cashflow but it does impact some of the line item comparatives.

The Group continued to strengthen its balance sheet during the six months ended 30 September 2019, assisted by the disposal of the Catering business.

Overall operating cash inflow before movements in working capital was £48.6m (H1 18/19: £20.6m), including defined benefit pension contributions of £3.0m (H1 18/19: £2.6m). Cash used in operations was £33.5m (H1 18/19: £13.4m) after a working capital outflow of £82.1m (H1 18/19: £34.0m).

Working capital

The working capital outflow of £82.1m includes a £51m outflow as a result of strategic decisions taken to further normalise the balance sheet and the impact of M&A. The trading working capital outflow was £31m.

Strategic decisions which impacted working capital include a further reduction in invoice discounting of £11m at the same time as reducing the level of customer prepayments (shown as deferred income) by £8m. These actions reflect the Group's continuing focus on strengthening the balance sheet by reducing off balance sheet financing and moderating short-term working capital timing differences. In addition, there was a £32m outflow relating to M&A activity. This included a timing difference on the settlement of VSG transition payments from FY 18/19, a structural reduction in payables as a result of the sale of the Catering business and the settlement of disposal costs relating to the discontinued Social Housing business. The overall impact of these strategic decisions resulted in a £51m outflow.

The trading working capital movement of £31m includes £21m of seasonal movements, mainly in payables, which are expected to unwind in H2 19/20. Receivables were broadly flat, excluding the negative impact from the reduction in invoice discounting. However, receivables also include a £10m negative impact from an increase in project works on one of our largest strategic accounts, which are contractually billed later than the ongoing fixed work. Importantly, the underlying receivables position has therefore maintained the positive progress made in H2 18/19.

Other movements

After paying interest of £7.7m (H1 18/19: £6.4m) and corporation tax of £3.3m (H1 18/19: £6.3m refund), the net cash used in operating activities was £44.5m (H1 18/19: £13.5m). This includes a £10.5m benefit to the reported cash flows under IFRS 16 as a result of the capital element of operating lease rentals being reported as financing cash flows.

Capital expenditure increased by £3.7m to £11.2m (H1 18/19: £7.5m) as a result of technology investments and project wins. The largest element of capital expenditure for H1 19/20 was software development, which included expansion of the data lake, operating system improvements and ERP upgrades. In addition, the nature of some of the recent project wins resulted in an increase in the value of assets acquired. The remaining costs were primarily related to property and equipment.

The business generated £65.4m from the proceeds of disposals net of acquisitions (H1 18/19: £38.6m). Dividends of £9.6m were paid in the period (H1 18/19: £9.8m).

Net debt

Overall this resulted in an increase in net debt since 31 March 2019, excluding the impact of IFRS 16, of £7.4m to £148.1m (FY 18/19: £140.7m). However, under IFRS 16 an additional £87.8m of lease liabilities are included in net debt, leading to an increase in reported net debt of £95.2m to £235.9m.

Whilst pre-IFRS 16 period end net debt has remained relatively stable since 31 March 2019, we have made strong progress in reducing our average daily net debt. Average daily net debt pre-IFRS 16 for the six months ended 30 September 2019 decreased by £54.1m to £263.3m (H1 18/19: £317.4m). This includes average M&A net proceeds of £30m in the six months to 30 September 2019 and offsetting measures to reduce off-balance sheet financing (paying our suppliers faster and reducing invoice discounting).

Period-end Total Financial Obligations (TFO) have decreased over the last 12 months by £27m to £387m (H1 18/19: £414m) as a result of the reduction in off-balance sheet financing and decrease in pre-IFRS 16 net debt, partly offset by an increase in the pension deficit of £26.2m. TFO includes: net debt, invoice discounting, supply chain finance, operating leases and the pension deficit. We are targeting a TFO leverage ratio (TFO / EBITDA) of 2.0x in the medium term as the Group continues to deleverage.

Prompt payment regulations

New requirements linked to the Payment Practices and Performance Regulations (PPPR), which came into force in September 2019, state that bidders for Government contracts worth over £5m per annum must demonstrate through their PPPR returns that they have paid at least 95% of supplier invoices within 60 days of receiving them. This impacts two Mitie legal entities, which actively bid for large Government contracts. These entities are in full compliance with the Government contracting requirements for the six months ended 30 September 2019, reporting that over 97% of invoices were paid within 60 days (88% in H2 18/19).

Liquidity and covenants

As at 30 September 2019, the Group had £466.5m of committed funding arrangements (H1 18/19: £466.5m). The £275m multi-currency Revolving Credit Facility (RCF) matures in July 2021. The £191.5m of US Private Placement notes are spread over three maturities: December 2019 £40.0m; December 2022 £121.5m; and December 2024 £30.0m. The December 2019 maturity of £40.0m is expected to be funded through existing facilities.

Mitie's two key covenant ratios are leverage (ratio of net debt to covenant EBITDA to be no more than 3 times) and interest cover (ratio of covenant EBITDA to net finance costs to be no less than 4 times). As at 30 September 2019, the Group was operating comfortably within these ratios at 1.5x for leverage and 8.7x for interest cover.

The principal financial covenant ratios (leverage and interest cover) for the committed funding arrangements are tested every six months on a rolling 12-month basis (R12M). Following an amendment agreed on 29 March 2019, all covenant calculations are now calculated on an IFRS 15 basis, but they exclude the impact of IFRS 16. The H1 19/20 covenant calculations below are based on a measurement period from 1 October 2018 to 30 September 2019.

£m		H1 19/20 (R12M)	FY 18/19 (R12M)
Operating profit before other items		**91.7**	**92.2**
Add: depreciation & amortisation		31.7	20.8
Headline EBITDA		**123.4**	**113.0**
Deduct: covenant adjustments		(7.7)	(7.1)
IFRS 16 EBITDA adjustment		(11.6)	-
Consolidated EBITDA	**(a)**	**104.1**	**105.9**
Full-year effect of acquisitions & disposals		(5.4)	(2.3)
Adjusted consolidated EBITDA	**(b)**	**98.7**	**103.6**
Net finance costs		14.6	13.8
Less: covenant adjustments		(1.2)	(1.7)
IFRS 16 finance costs adjustment		(1.5)	-
Consolidated net finance costs	**(c)**	**11.9**	**12.1**
Interest cover (ratio of (a) to (c) must exceed 4.0x)		**8.7x**	**8.8x**
Net debt		235.9	140.7
Impact of hedge accounting & upfront fees		(0.4)	(3.0)
IFRS 16 net debt adjustment		(87.8)	-
Consolidated total net borrowings	**(d)**	**147.7**	**137.7**
Leverage (ratio of (d) to (b) must not exceed 3.0x)		**1.50x**	**1.33x**

Retirement benefit schemes

The net defined benefit pension liability at 30 September 2019 was £73.7m (FY 18/19: £63.8m). The increase in the deficit is principally due to a 60bps decrease in the discount rate driven by reductions in corporate bond rates.

The latest valuation of the Mitie Group scheme as at 31 March 2017, indicated an actuarial deficit of £74.0m (31 March 2014: £6.0m deficit), largely due to a fall in discount rates since 2014. The Group has agreed a deficit recovery plan with the Trustee for further payments in instalments totalling £62.4m until 31 March 2025.

In addition, the Group participates in four industry multi-employer defined benefit pension schemes. The Group is exposed to Section 75 employer debts in respect of two of these schemes. These liabilities crystallise when the Group ceases to have any active employees in the schemes. The Group received a Section 75 demand in respect of the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Plumbing Scheme) for £20.0m in H2 18/19 and this has been provided for in full.

Divisional operating review

Unless otherwise stated, all commentary refers to results from continuing operations before other items.

Technical Services

£m	H1 19/20	H1 18/19	*Change, %*
Revenue	**470.6**	464.9	*1.2*
Maintenance	371.8	361.5	*2.8*
Engineering Projects	86.8	81.3	*6.8*
International	12.0	22.1	*(45.7)*
Operating profit before other items	**25.8**	25.3	*2.0*
Operating profit margin before other items, %	**5.5**	*5.4*	*0.1ppt*

The Technical Services division comprises Maintenance (including elements of the former Professional Services division: the energy and water management businesses, Occupier Services and Connected Workspace), Engineering Projects and International. The majority of divisional revenue is derived from maintenance and project works at customer sites.

Technical Services reported revenue of £470.6m, an increase of 1.2% (H1 18/19: £464.9m), mainly due to good growth in the strategic accounts partially offset by the planned exit from two loss-making operations in International. Revenue in the Maintenance business grew 2.8%. Engineering Projects reported good revenue growth of 6.8% due to increased activity in the strategic accounts despite a general slowdown in variable and project works given the broader uncertain economic environment, in particular in Roofing.

Operating profit before other items increased 2.0% to £25.8m (H1 18/19: £25.3m) with a good performance across the majority of strategic accounts partly offset by lower renewal margins in certain key accounts. Connected Workspace is now an integral part of our digital transformation offer to customers as we look to embed the technology in our strategic accounts.

Technical Services extended a number of contracts, including a £15m five-year contract to provide engineering services to NHS Blood & Transplant that builds on Mitie's 15-year partnership with the organisation, and a five-year extension to a contract with a furniture retailer. Technical Services will also be the major beneficiary of a sizeable new IFM contract win with a pharmaceutical company.

Business Services

£m	H1 19/20	H1 18/19	*Change, %*
Revenue	**490.7**	405.5	*21.0*
Security	283.8	189.5	*49.8*
Cleaning	169.6	178.7	*(5.1)*
Office Services	37.3	37.3	-
Operating profit before other items	**16.9**	18.3	*(7.7)*
Operating profit margin, %	**3.4**	*4.5*	*(1.1)ppt*

The Business Services division comprises Security, Cleaning (including Healthcare, our NHS Trusts broad FM business) and Office Services (Document Management, Vetting and Front of House). Security is principally manned guarding and technology-backed monitoring solutions and Fire & Security systems installations.

Business Services grew revenues by 21.0% to £490.7m (H1 18/19: £405.5m). Security grew strongly due largely to the impact from the acquisition of VSG. Excluding VSG, Security grew its revenues by 3.2% through a combination of new wins and growth in its strategic accounts. Cleaning revenue declined by 5.1% due to prior year losses and a scope reduction in a large strategic account.

Operating profit before other items was down 7.7% to £16.9m (H1 18/19: £18.3m) with growth in the top Security strategic accounts, and a positive contribution from VSG and Document Management, offset by lower renewal margins, particularly in Cleaning. Encouragingly we now have examples of large contracts, which were historically break-even or loss-making, that are now making a positive contribution following contract re-negotiation. The Cleaning and Healthcare businesses are now being integrated with Security, which will enable platforms, processes and tighter contractual management practices to be shared.

In July 2019, the Group acquired Global Aware International Group, a small security technology provider, whose market-leading technology will support Mitie's ambition to be the leading technology-enabled and intelligence-led security services provider in the UK.

Business Services secured several new contracts and extensions during the reporting period. Security won and extended contracts with a number of UK supermarket retailers, leading with our superior technology-based risk management offer; we also secured a two-year contract extension with London City Airport. Other wins included an integrated energy company and two contracts off the Crown Commercial Services (CCS) Framework – a three-plus-two-year manned guarding contract with the Bank of England and a five-year technology-led contract with HMRC, its first nationwide security services contract under one national provider.

Document Management won a significant five-year contract with Addleshaw Goddard, a corporate law firm, to digitalise document management services. This win further solidifies Mitie Document Management's position in the legal and professional services sector.

Cleaning won contracts with an NHS Trust and a major London airport, alongside a five-year contract extension worth £4.4m with Historic Environment Scotland building on its nine-year partnership with the organisation.

Specialist Services

Specialist Services comprises Care & Custody, together with the Waste business from the former Professional Services division and the Landscapes business previously included in the Cleaning & Environmental Services division. These are businesses where margins are generally higher than in our two larger core divisions and faster growth is possible, albeit from a lower base.

£m	**H1 19/20**	**H1 18/19**	***Change, %***
Revenue	**116.7**	101.2	*15.3*
Operating profit before other items	**10.7**	5.8	*84.5*
Operating profit margin, %	**9.2**	*5.7*	*3.5ppt*

Care & Custody

£m	**H1 19/20**	**H1 18/19**	***Change, %***
Revenue	**55.5**	52.4	*5.9*
Operating profit before other items	**4.1**	-	*nm*
Operating profit margin, %	**7.4**	-	*nm*

Care & Custody's revenues increased to £55.5m (H1 18/19: £52.4m) as a result of a full six months' impact from the Detention & Escorting Services contract. Operating profit before other items grew to £4.1m (H1 18/19: £nil) due to a stronger performance from the Detention & Escorting Services contract as it enters its second year, and the impact of expensing a net £3.3m of mobilisation costs related to the contract in H1 18/19. Campsfield IRC was demobilised in H1 19/20, with the contract having expired in early 2019.

In July 2019, Care & Custody was appointed to the Prison Operator Services framework. The appointment supports Mitie's strategy to broaden the range of essential services it delivers to government and other public sector bodies and builds on its ongoing delivery of custodial services to the UK Government.

There were no significant contract wins in H1 19/20, as we were unsuccessful in dislodging incumbents in two major opportunities.

Waste

£m	**H1 19/20**	**H1 18/19**	***Change, %***
Revenue	**39.8**	27.5	*44.7*
Operating profit before other items	**3.8**	3.5	*8.6*
Operating profit margin, %	***9.5***	*12.7*	*(3.2)ppt*

Revenue in Waste grew 44.7% to £39.8m (H1 18/19: £27.5m) driven primarily by a full six months' impact from the NHS (Improvement) clinical waste contract, which was mobilised in October 2018. Operating profit before other items increased by 8.6% to £3.8m (H1 18/19: £3.5m) with the benefit of the NHS contract partially offset by increases in working capital provisions.

Waste won new business with a multinational engineering services provider and an NHS Trust among a number of other contract wins.

Landscapes

£m	**H1 19/20**	**H1 18/19**	***Change, %***
Revenue	**21.4**	21.3	*0.5*
Operating profit before other items	**2.8**	2.3	*21.7*
Operating profit margin, %	***13.1***	*10.8*	*2.3ppt*

Landscapes revenue was flat at £21.4m (H1 18/19: £21.3m) while operating profit before other items was up 21.7% to £2.8m (H1 18/19: £2.3m) due to reduced bad debt provisions following improved recoveries.

As we enter the important winter gritting season, our order intake is in line with expectations, with a materially stronger second half forecast.

Landscapes secured contracts with a leading discount retailer and a commercial real estate services firm, and extended most of the existing contracts that came up for renewal during the reporting period.

Discontinued operations

Catering

£m	H1 19/20	H1 18/19	*Change, %*
Revenue	**60.5**	69.3	*nm*
Operating profit before other items	**2.8**	4.7	*nm*
Operating profit margin, %	***4.6***	*6.8*	*nm*

In August 2019, we announced the sale of our catering and hospitality business, which comprises Gather & Gather and Creativevents, to CH&CO for a consideration of up to £85 million, with £73m payable in cash at completion and further deferred consideration payable within 12 months of completion and four years of completion subject to the achievement of certain performance milestones. The deal completed on 6 September 2019. Mitie and CH&CO entered into a strategic partnership ensuring that the "Gather & Gather" catering offer remains exclusive to Mitie's clients as its only IFM sector partner.

For the five months up to disposal, Catering reported revenues of £60.5m (H1 18/19: £69.3m) and operating profit before other items of £2.8m (H1 18/19: £4.7m).

Corporate overheads

Corporate overheads represent the costs of running the Group and include costs for the commercial, financial, marketing, legal and HR teams. Corporate overhead costs have increased 12.7% to £20.4m (H1 18/19: £18.1m). The increase primarily relates to improving our systems infrastructure, Strategic Account Management costs, procurement investment and management incentives. Systems investment areas include data hosting costs and infrastructure to underpin our new permanent recruitment platform.

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. The principal risks and uncertainties and our plans to mitigate them have been outlined on pages 40 to 46 of the Group's Annual Report and Accounts 2019. We continue to work on enhancing our mitigation plans.

A summary of those risks, which have not changed significantly since 31 March 2019, is as follows:

1. *Political and economic uncertainty in the UK may adversely affect our customers' approach to outsourcing decisions and our ability to plan and invest. The lack of clarity of the timing and impact of Brexit adds further uncertainty.* As the vast majority of Mitie's client base is within the UK, we are particularly exposed to uncertainties in the UK's political and economic landscape. A major aspect of this uncertainty continues to be the ongoing negotiations for the UK to leave the European Union (Brexit) and, more recently, the upcoming General Election. This may result in changes to the regulatory framework, as well as restrictions in the supply of labour and materials, and potentially reduced capital commitments by our clients.
2. *Mitie has historically operated using complex manual processes and an organisational model with a high and misaligned cost base, rather than leveraging technology. If we do not address these issues, we might be unable to execute client contracts efficiently, resulting in sub-optimal customer experiences and erosion of sustained profitable growth.* Mitie's business and organisational model has evolved with a large number of unnecessary complexities, including multiple and inconsistent processes, isolated IT systems, and unclear organisational and reporting structures. These complexities have required a disproportionately high cost base in order

to maintain them. However, major investments in improving HR and Finance processes, as well as Project Forte are expected to mitigate these risks. In addition, under the leadership of our Chief Transformation and Technology Officer, new resources have been added to form our Quality Improvement Council (QIC).

3. *Failure of critical infrastructure, including through a cyber-attack, could affect client delivery operations and cause critical delays in internal processes.* The reliability and effectiveness of our technology is vitally important to ensure that we can meet our contract obligations, deliver improvements in operational processes, generate meaningful management information and help deliver value for our clients. In many cases clients rely upon us to look after their critical data and infrastructure. We are continuing to invest in technology to simplify our business, as well as improving resilience and security to protect against systems failure or a cyber-attack. In H1 19/20, we have been subject to numerous cyber/malware attacks, all of which have been contained by our sophisticated detection and firewall systems.

4. *Inability to maintain access to and renew suitable sources of funding due to a perceived risk in both our business and the sector as a whole, may impact our ability to maintain profitable business performance.* In order to be able to meet our financial commitments, we need to have access to a number of affordable sources of finance. Our core debt facilities include a revolving credit facility and private placement loan notes. We need to have sufficient liquidity to be able to pay suppliers and staff, whilst also investing in the business and ensuring that we have enough options for profitable growth. Work has commenced with our lenders to renew our facilities.

5. *Failure to comply with applicable laws and regulations may lead to fines, prosecution and damage to our reputation.* Our business is subject to a wide range of laws and regulations. Given the nature of our business, these include, amongst others, health & safety, employment, anti-bribery and corruption and statutory wage requirements. Failure to comply with applicable laws and regulations could result in prosecution and/or significant fines, and, from a reputational perspective, could damage our relationships with clients and our ability to win work.

6. *A loss of market share through competitors improving their offering and price, and potentially targeting some of our key contracts, or from new entrants deploying new business models, could have a significant impact on our revenue and profit.* In the recent past, many companies in our sector have experienced financial and operational difficulties, and as a result there has been a strong focus on strategy, costs, investments and business structure. For those organisations that have successfully addressed their issues there may be opportunities to increase market share through more competitive or innovative offerings, which may impact our ability to retain current clients and win future business. Additionally, there is also the possibility of a new entrant disrupting the market by deploying a new low-cost business model for FM, potentially through a technology platform, which would challenge the structure and approach of the existing organisations, including Mitie. This could also potentially significantly erode our market share and decrease new opportunities.

7. *Failure to maintain appropriately high standards in health, safety and environmental management may result in harm to employees, client staff or members of the public, and consequential fines and reputational damage.* As a company we are committed to maintaining the highest levels of health, safety and environmental standards. The services we deliver could potentially present an increased risk of a health and safety incident involving our employees, client staff or even members of the public. Our activities also carry a risk of damage to the environment. It is essential that we manage these risks in a highly diligent and effective manner.

8. *A high-profile incident or accident occurring at an FM client site, or a location operated by our Care & Custody business, as a result of negligent staff actions, inconsistent vetting or ineffective training and communications for staff, could have a significant impact on our reputation and current and future contracts.* We deliver services to clients at a number of important and high-profile sites across the country. These include locations with substantial historical and cultural significance and high level of scrutiny by governmental bodies, media organisations and the general public. If a major incident occurred at one of these sites, whether through the negligent or deliberate act of Mitie employees, it could attract a large amount of publicity and have a highly negative impact on our reputation. It would also be likely to limit our chances of winning future contracts and potentially retaining current clients.
9. *Ineffective processes and controls to manage our data and customers' data may result in a major data breach leading to fines, remediation costs and reputational damage.* One of the most important assets we have is the data we hold, which includes information concerning our business operations, employees, clients, suppliers and others. This information is vital to enable us to run our business efficiently and profitably. We need to maintain adequate controls to mitigate risks associated with loss or theft of data which would damage our reputation with clients and potentially expose us to significant fines from regulators.
10. *Inability to recruit, retain and reward suitably talented employees, as well as failure to implement appropriate development plans, simple consistent processes across the business and a One Mitie approach, could negatively impact our operational and financial performance.* It is important for the success of our business that we continue to recruit, develop, motivate and retain talented individuals. If we are unable to do so there would be an adverse impact on the profitable and successful delivery of our contracts, and we would be limited in our ability to win future opportunities and grow the business.
11. *Negative sentiment towards the outsourcing sector could lead to fewer opportunities, including reduced IFM volumes, and challenges to our business model and profit growth.* In the past two years, the activities and results of a number of companies operating in our sector have generated significant negative publicity, which potentially affects Mitie's reputation and raises concerns with current and future clients. The viability of outsourced facilities management companies to deliver operational performance to sufficiently high standards, whilst also managing costs appropriately, has been the subject of much scrutiny.
12. *If we do not ensure that we produce bids for contracts which are competitive, financially viable and have a balanced approach to risk, and/or fail to deliver on our contract obligations, we may damage our client relationships, which may lead to cancellation of contracts resulting in financial losses.* In order to deliver consistent and profitable growth, it is important that we continue to bid for and secure contracts at acceptable margins. It is also essential that we successfully mobilise and deliver our contracts. In order to achieve this, we must monitor and control costs, deliver on the contract obligations and meet client expectations. If we are unable to deliver the services as agreed in our contracts, it could negatively impact our customer relationships and reputation and lead to legal disputes and termination of contracts.

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 as required by rules 4.2.7 and 4.2.8 of the Disclosure Guidance and Transparency Rules, includes a fair review of:
    - important events during the six months ended 30 September 2019 and their impact on the condensed consolidated financial statements;
    - a description of the principal risks and uncertainties for the second half of the year; and
    - related parties' transactions and changes therein.

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

20 November 2019

INDEPENDENT REVIEW REPORT TO MITIE GROUP PLC

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 2019 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 20.

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.

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 2019 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.

Use of our report

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 Guidance 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.

BDO LLP

Chartered Accountants

55 Baker Street, London, W1U 7EU

20 November 2019

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 2019

		30 September 2019 (unaudited)			30 September 2018[1,2] (unaudited)		
	Notes	Before other items £m	Other items[3] £m	Total £m	Before other items £m	Other items[3] £m	Total £m
Continuing operations							
Revenue	2	**1,078.0**	**–**	**1,078.0**	971.6	–	971.6
Cost of sales		**(936.7)**	**–**	**(936.7)**	(842.3)	–	(842.3)
Gross profit		**141.3**	**–**	**141.3**	129.3	–	129.3
Administrative expenses		**(108.3)**	**(10.3)**	**(118.6)**	(98.0)	(11.8)	(109.8)
Operating profit/(loss)	2	**33.0**	**(10.3)**	**22.7**	31.3	(11.8)	19.5
Finance costs[4]		**(8.1)**	**–**	**(8.1)**	(7.5)	–	(7.5)
Profit/(loss) before tax		**24.9**	**(10.3)**	**14.6**	23.8	(11.8)	12.0
Tax	5	**(5.2)**	**1.7**	**(3.5)**	(4.9)	1.9	(3.0)
Profit/(loss) from continuing operations after tax		**19.7**	**(8.6)**	**11.1**	18.9	(9.9)	9.0
Discontinued operations							
Profit from discontinued operations	4	**2.1**	**49.5**	**51.6**	4.3	12.4	16.7
Profit for the period attributable to owners of the parent		**21.8**	**40.9**	**62.7**	23.2	2.5	25.7
Earnings per share (EPS) attributable to owners of the parent							
From continuing operations:							
Basic	7	**5.5p**		**3.1p**	5.2p		2.5p
Diluted	7	**5.3p**		**3.0p**	5.2p		2.5p
From continuing and discontinued operations:							
Basic	7	**6.0p**		**17.4p**	6.4p		7.1p
Diluted	7	**5.9p**		**17.0p**	6.4p		7.1p

Notes:

1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
2. Re-presented to classify the Catering business as discontinued operations. See Note 4.
3. Other items are as described in Note 3.
4. Finance costs for the six months ended 30 September 2019 include £1.5m of additional finance charges in relation to the adoption of IFRS 16.

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2019

	Notes	30 September 2019 (unaudited) £m	30 September 2018[1] (unaudited) £m
Profit for the period		**62.7**	25.7
Items that will not be reclassified subsequently to profit or loss in subsequent periods			
Re-measurement of net defined benefit pension liability	17	**(11.5)**	8.7
Income tax credit/(charge) relating to items not reclassified		**1.9**	(1.5)
		(9.6)	7.2
Items that may be reclassified subsequently to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**0.4**	–
Gains on hedge of a net investment taken to equity		**0.1**	–
Net gains on cash flow hedges arising during the period		**2.7**	0.7
Income tax charge relating to items that may be reclassified		**(0.4)**	(0.1)
		2.8	0.6
Other comprehensive (expense)/income for the period		**(6.8)**	7.8
Total comprehensive income for the period attributable to owners of the parent		**55.9**	33.5

Note:
1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.

Condensed consolidated balance sheet
As at 30 September 2019

	Notes	30 September 2019 (unaudited) £m	31 March 2019[1] (audited) £m	30 September 2018[1] (unaudited) £m
Non-current assets				
Goodwill	8	**278.9**	293.8	293.9
Other intangible assets		**52.2**	50.7	32.8
Property, plant and equipment[2]		**108.2**	29.0	28.6
Derivative financial instruments	14	**25.8**	16.4	13.9
Contract assets and other receivables	9, 10	**7.1**	4.5	3.4
Deferred tax assets		**36.9**	38.7	32.8
Total non-current assets		**509.1**	433.1	405.4
Current assets				
Inventories		**3.2**	5.6	4.8
Trade and other receivables	9	**436.3**	435.2	405.7
Contract assets	10	**1.5**	1.6	1.8
Derivative financial instruments	14	**0.3**	–	–
Current tax assets		**0.9**	–	2.1
Cash and cash equivalents		**96.4**	108.4	67.7
Total current assets		**538.6**	550.8	482.1
Assets held for sale		**–**	–	50.8
Total assets		**1,047.7**	983.9	938.3
Current liabilities				
Trade and other payables	11	**(451.2)**	(533.9)	(470.6)
Deferred income		**(48.0)**	(54.9)	(55.9)
Current tax liabilities		**–**	(0.3)	–
Financing liabilities[3]	13	**(60.3)**	(40.7)	(0.5)
Provisions	12	**(46.5)**	(50.6)	(34.4)
Total current liabilities		**(606.0)**	(680.4)	(561.4)
Net current liabilities		**(67.4)**	(129.6)	(79.3)
Non-current liabilities				
Trade and other payables	11	**(0.3)**	–	–
Deferred income		**(17.7)**	(18.4)	(20.7)
Financing liabilities[3]	13	**(298.1)**	(224.8)	(267.8)
Provisions	12	**(10.5)**	(6.0)	(10.9)
Retirement benefit liabilities	17	**(73.7)**	(63.8)	(47.5)
Deferred tax liabilities		**(2.7)**	(2.9)	(0.7)
Total non-current liabilities		**(403.0)**	(315.9)	(347.6)
Liabilities held for sale		**–**	–	(29.1)
Total liabilities		**(1,009.0)**	(996.3)	(938.1)
Net assets/(liabilities)		**38.7**	(12.4)	0.2

Notes:
1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
2. Property, plant and equipment at 30 September 2019 includes £84.2m of additional right-of-use assets recognised under IFRS 16.
3. Financing liabilities at 30 September 2019 include £19.9m of additional current lease liabilities and £67.9m of additional non-current lease liabilities recognised under IFRS 16.

Condensed consolidated balance sheet continued
As at 30 September 2019

	30 September 2019 (unaudited) £m	31 March 2019[1] (audited) £m	30 September 2018[1] (unaudited) £m
Equity			
Share capital	**9.3**	9.3	9.3
Share premium account	**130.6**	130.6	130.6
Merger reserve	**104.2**	104.2	104.2
Own shares reserve	**(38.0)**	(38.1)	(43.2)
Other reserves	**14.5**	10.3	13.8
Hedging and translation reserve	**(2.8)**	(5.6)	(6.6)
Retained losses	**(179.1)**	(223.1)	(207.9)
Equity attributable to owners of the parent	**38.7**	(12.4)	0.2

Note:

1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.

Condensed consolidated statement of changes in equity
For the six months ended 30 September 2019

	Share capital £m	Share premium account £m	Merger reserve £m	Own shares reserve £m	Other reserves[1] £m	Hedging and translation reserve £m	Retained (losses)/ earnings £m	**Total equity[2] £m**
At 1 April 2018 (audited)	9.3	130.6	104.2	(43.4)	11.3	(7.3)	(230.8)	**(26.1)**
Profit for the period	–	–	–	–	–	–	25.7	**25.7**
Other comprehensive income	–	–	–	–	–	0.7	7.1	**7.8**
Total comprehensive income	–	–	–	–	–	0.7	32.8	**33.5**
Dividends paid	–	–	–	–	–	–	(9.8)	**(9.8)**
Share-based payments	–	–	–	0.2	2.5	–	(0.1)	**2.6**
At 30 September 2018 (unaudited)	9.3	130.6	104.2	(43.2)	13.8	(6.6)	(207.9)	**0.2**
Profit for the period	–	–	–	–	–	–	5.2	**5.2**
Other comprehensive (expense)/income	–	–	–	–	–	1.0	(18.6)	**(17.6)**
Total comprehensive income	–	–	–	–	–	1.0	(13.4)	**(12.4)**
Dividends paid	–	–	–	–	–	–	(4.6)	**(4.6)**
Share-based payments	–	–	–	5.1	(3.5)	–	1.0	**2.6**
Other movements	–	–	–	–	–	–	1.8	**1.8**
At 1 April 2019 (audited)	9.3	130.6	104.2	(38.1)	10.3	(5.6)	(223.1)	**(12.4)**
Profit for the period	–	–	–	–	–	–	62.7	**62.7**
Other comprehensive (expense)/income	–	–	–	–	–	2.8	(9.6)	**(6.8)**
Total comprehensive income	–	–	–	–	–	2.8	53.1	**55.9**
Dividends paid	–	–	–	–	–	–	(9.6)	**(9.6)**
Share-based payments	–	–	–	0.1	4.2	–	0.5	**4.8**
At 30 September 2019 (unaudited)	9.3	130.6	104.2	(38.0)	14.5	(2.8)	(179.1)	**38.7**

Notes:

1. Other reserves include the share-based payments reserve, the revaluation reserve and the capital redemption reserve.
2. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option which has resulted in no impact on the Group's opening equity. Under this option, the comparative information is not restated. See Note 1.

Condensed consolidated statement of cash flows
For the six months ended 30 September 2019

	Notes	30 September 2019 (unaudited) £m	30 September 2018[1] (unaudited) £m
Continuing operations – operating profit before other items[4]	2	**33.0**	31.3
Continuing operations – other items[4]	3	**(10.3)**	(11.8)
Discontinued operations – operating profit after other items[4]	4	**53.9**	14.9
Adjustments for:			
Share-based payments expense		**4.8**	3.6
Defined benefit pension costs	17	**0.6**	0.8
Defined benefit pension contributions	17	**(3.0)**	(2.6)
Acquisition costs		**0.1**	0.2
Depreciation of property, plant and equipment[3]		**16.4**	6.2
Amortisation of intangible assets		**5.8**	5.3
Amortisation of contract assets	10	**0.7**	0.3
Share of profit of joint ventures and associates		**–**	(0.3)
Impairment of intangible assets		**0.1**	–
Loss on disposal of property, plant and equipment		**–**	0.2
Gain on disposal of subsidiaries	4	**(51.6)**	(27.5)
Other		**(1.9)**	–
Operating cash flows before movements in working capital[2]		**48.6**	20.6
Decrease in inventories		**0.3**	0.5
Increase in receivables		**(13.3)**	(60.5)
Increase in contract assets		**(0.1)**	(3.3)
(Decrease)/increase in deferred income		**(7.7)**	12.8
(Decrease)/increase in payables		**(62.0)**	2.7
Increase in provisions		**0.7**	13.8
Cash used in operations		**(33.5)**	(13.4)
Income taxes (paid)/received		**(3.3)**	6.3
Interest paid[2]		**(7.7)**	(6.4)
Net cash used in operating activities		**(44.5)**	(13.5)
Investing activities			
Acquisition of subsidiaries, net of cash acquired	16	**(0.9)**	–
Acquisition costs		**(0.1)**	(0.2)
Disposal of subsidiaries, net of cash disposed[5]	4	**66.4**	38.8
Dividends received from joint ventures and associates		**–**	0.8
Purchase of property, plant and equipment		**(3.8)**	(3.1)
Purchase of other intangible assets		**(7.5)**	(4.5)
Disposal of property, plant and equipment		**0.1**	0.1
Net cash generated from investing activities		**54.2**	31.9

Notes:

1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
2. Operating cash inflows before movements in working capital for the six months ended 30 September 2019 are £11.6m higher due to the adoption of IFRS 16. Interest paid for the six months ended 30 September 2019 is £1.5m higher due to the adoption of IFRS 16. Cash outflows in respect of the capital element of lease rental payments for the six months ended 30 September 2019 are £10.1m higher due to the adoption of IFRS 16.
3. Additional depreciation on the Group's right-of-use assets due to the adoption of IFRS 16 amounted to £11.2m for the six months ended 30 September 2019.
4. Re-presented to classify the Catering business as discontinued operations. See Note 4.
5. Disposal of subsidiaries for the six months ended 30 September 2019, is net of cash disposed of £4.5m and transaction costs paid in the period for Catering and Social Housing disposals of £0.4m and £1.4m respectively.

Condensed consolidated statement of cash flows continued
For the six months ended 30 September 2019

	Notes	30 September 2019 (unaudited) £m	30 September 2018[1] (unaudited) £m
Financing activities			
Capital element of lease rental payments[2]		**(10.5)**	(0.9)
Repayments of bank loans		**(2.0)**	–
Equity dividends paid	6	**(9.6)**	(9.8)
Net cash used in financing activities		**(22.1)**	(10.7)
Net (decrease)/increase in cash and cash equivalents		**(12.4)**	7.7
Net cash and cash equivalents at beginning of the period		**108.4**	59.8
Effect of foreign exchange rate changes		**0.4**	0.2
Net cash and cash equivalents at end of the period		**96.4**	67.7

Note:

1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
2. Operating cash inflows before movements in working capital for the six months ended 30 September 2019 are £11.6m higher due to the adoption of IFRS16. Interest paid for the six months ended 30 September 2019 is £1.5m higher due to the adoption of IFRS 16. Cash outflows in respect of the capital element of lease rental payments for the six months ended 30 September 2019 are £10.1m higher due to the adoption of IFRS 16.

The above statement of condensed consolidated cash flows includes cash flows from both continuing and discontinued operations. Further details of the cash flows relating to discontinued operations are shown in Note 4.

Reconciliation of net cash flow to movements in net debt	Notes	30 September 2019 (unaudited) £m	30 September 2018[1] (unaudited) £m
Cash drivers			
Net (decrease)/increase in cash and cash equivalents		**(12.4)**	7.7
Repayments of bank loans		**2.0**	–
Capital element of lease rental payments		**10.5**	0.9
Non-cash drivers			
Non-cash movement in bank loans		**(0.3)**	(0.5)
Non-cash movement in private placement notes and associated hedges		**2.7**	(0.3)
Non-cash movement in lease liabilities		**(10.3)**	(1.2)
Effect of foreign exchange rate changes		**0.1**	0.2
(Increase)/decrease in net debt during the period		**(7.7)**	6.8
Opening net debt as reported at 31 March		**(140.7)**	(193.5)
IFRS 16 opening net debt adjustment[1]		**(87.5)**	–
Opening net debt		**(228.2)**	(193.5)
Closing net debt	15	**(235.9)**	(186.7)

Note:

1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 (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 2019.

The financial information presented for the six months ended 30 September 2019 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 2019 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's report on those accounts was unqualified, there were no matters to which the auditor drew attention by way of emphasis, and it 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 20 November 2019.

Going concern

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 are described on pages 14 to 16.

The Group currently operates well within the financial covenants associated with its committed funding lines. These include £191.5m (being the repayment amount after taking account of the associated hedging instruments) of US Private Placement debt maturing in December 2019 (£40.0m), December 2022 (£121.5m) and December 2024 (£30.0m). The Group also 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 £466.5m, of which £223.6m was undrawn at 30 September 2019.

The Group's US Private Placement and bank debt contain certain financial covenants. The key ratios are net debt to covenant EBITDA and covenant EBITDA to net finance costs. These covenants are tested on a rolling 12-month basis as at the September and March reporting dates. At 30 September 2019, 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.

Supported by the liquidity provided by committed banking facilities, notwithstanding the Group is in a net current liability position, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group has continued to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

Discontinued operations

On 6 September 2019, the Group completed the sale of the Catering business comprising Mitie Catering Services Limited and the catering business assets of Mitie Facilities Management Limited in Ireland, together trading under the name Gather & Gather, along with the entire issued share capital of Creativevents Limited. The Catering business previously formed a separate major line of business of the Group. As a result of the disposal, the results of the Catering business have been classified as discontinued operations and comparative information has been re-presented.

On 30 September 2018, the Group completed the sale of Mitie Pest Control Limited (Pest Control) which previously formed a separate major line of business of the Group as part of the Cleaning & Environmental Services division. As a result of the disposal, the results of the Pest Control business have been classified as discontinued operations.

On 19 November 2018, the Group entered into an agreement to sell Mitie Property Management Limited and MPS Housing Limited, together the Social Housing business, which previously formed a separate major line of business of the Group as part of the Property Management division. As a result of the disposal which was completed on 30 November 2018, the results of the Social Housing business have been classified as discontinued operations. The remaining roofing and painting activities of the former Property Management division have been integrated into the Technical Services division.

Accounting standards that are newly effective in the current year

With the exception of the adoption of IFRS 16 which is discussed below, none of the new standards and amendments that are effective for the first time this year have had a material effect on the Group.

IFRS 16 'Leases' became effective for the Group from 1 April 2019 and replaces the requirements of IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases - Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The Group applied IFRS 16 using the modified retrospective method with no impact on the Group's opening equity. This transition option does not require the restatement of prior period financial information.

On adoption of IFRS 16, the Group immediately recognised additional right-of-use assets of £86.2m representing its right to use the underlying assets and associated lease liabilities of £87.5m representing its obligation to make lease payments on all leases within the scope of the standard. At 30 September 2019, right-of-use assets and lease liabilities amounted to £85.1m and £88.8m respectively. Details of the changes in the Group's accounting policy and impact of the adoption of IFRS 16 are detailed below.

Other than as stated above, the accounting policies and methods of calculation adopted in the preparation of these Group 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 2019, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board and as adopted by the EU.

Accounting standards that are not yet mandatory and have not been applied by the Group

None of the new standards and amendments that are not yet effective are expected to have a material effect on the Group.

Adoption of IFRS 16

The Group adopted IFRS 16 with a date of initial application of 1 April 2019 using the modified retrospective approach whereby the right-of-use asset on transition equalled the lease liability, before the reclassification and adjustment of associated balance sheet items. The comparative information for the six months ended 30 September 2018 and for the year ended 31 March 2019 has not been restated and continues to be reported under IAS 17.

The Group applied the following practical expedients available on transition to IFRS 16, to leases previously classified as operating leases:

- grandfathered the definition of a lease on transition and applied IFRS 16 only to those contracts that were previously identified as containing a lease. Contracts previously identified as not containing leases under IAS 17 and IFRIC 4 were not reassessed;
- relied on the Group's previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review;
- not to recognise right-of-use assets and liabilities for leases of low value or for which the lease term ends within 12 months of the date of initial application, on a lease-by-lease basis; and
- a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term in a similar class of underlying asset).

The Group changed its accounting policies and updated its internal processes and controls relating to leasing. The new definition of a lease has been applied to contracts entered into from 1 April 2019.

Lease accounting policy

The Group has taken the exemption under IFRS 16 to exclude the impact of low-value leases and leases that are short-term in nature (defined as leases with a term of 12 months or less). Costs on these leases are recognised on a straight-line basis as an operating expense within the income statement. All other leases are accounted for in accordance with this policy.

The Group has various lease arrangements for properties (e.g. office buildings and storage facilities), vehicles, and other equipment including IT equipment and machinery. At inception of a lease contract, the Group assesses whether the contract conveys the right to control the use of an identified asset for a certain period of time and whether it obtains substantially all the economic benefits from the use of that asset, in exchange for consideration. The Group recognises a lease liability and a corresponding right-of-use asset with respect to all lease arrangements in which it is a lessee.

A right-of-use asset is capitalised on the balance sheet at cost which comprises the present value of future lease payments determined at the inception of the lease adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred in addition to an estimate of costs to remove or restore the underlying asset. Where a lease incentive is receivable, the amount is offset against the right-of-use asset at inception. Right-of-use assets are depreciated using the straight-line method over the shorter of estimated life of the asset or the lease term and are assessed in accordance with IAS 36 'Impairment of Assets' to determine whether the asset is impaired and to account for any loss.

The lease liability is initially measured at the present value of lease payments as outlined above and is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Lease payments comprise fixed lease rental payments only with the exception of property, which also includes the associated fixed service charge. Lease liabilities are classified between current and non-current on the balance sheet.

The key estimate applied by management relates to the assessment of incremental borrowing rate adopted by the Group to discount the future lease rentals to present value in order to measure the lease liabilities at 01 April 2019. The weighted average rate applied by the Group at transition was 3.5%.

The impact on the Group's opening balance sheet at 1 April 2019 as a result of the adoption of IFRS 16 was as follows:

	£m
Net liabilities at 31 March 2019	**(12.4)**
Reclassification of existing property restoration assets from property, plant and equipment	**(0.6)**
Reclassification of rental prepayments	**(0.6)**
Right-of-use assets recognised[1]	**86.2**
Reclassification of accruals	**4.4**
Lease liabilities recognised	**(87.5)**
Adjustment to dilapidations provision as a result of adopting the Group's incremental borrowing rate	**(1.9)**
Net liabilities at 1 April 2019	**(12.4)**

Note:

1. The right-of-use assets recognised at 1 April 2019 are included within property plant and equipment.

Applying the Group's incremental borrowing rate to discount the operating lease commitments reported at 31 March 2019 gives a liability of £66.0m. This differs from the lease liabilities of £87.5m recognised at 1 April 2019 as a result of the following adjustments:

	£m
Operating lease commitments at 31 March 2019	**72.0**
Discount using the incremental borrowing rate at 1 April 2019	**(6.0)**
Discounted operating lease commitments	**66.0**
Recognition exemption for short-term and low-value leases	**(1.5)**
Reclassification of accruals	**2.1**
Reassessment of lease terms including extension and termination options reasonably certain to be exercised	**20.9**
Lease liabilities recognised at 1 April 2019	**87.5**

The key judgement applied by management in the adoption of IFRS 16 relates to the assessment of the likelihood that lease contract extension and termination options will be exercised. This resulted in an additional £20.9m being recognised in lease liabilities at 1 April 2019 when compared with operating lease commitments reported at 31 March 2019 as illustrated in the table above.

2. Business segment information

The Group manages its business on a service division basis. At 30 September 2019, the Group has three strategic divisions which are its reportable segments and the information, as reported, is consistent with information presented to the Board. Revenue, operating profit before other items and operating profit margin before other items are the primary measures of performance that are reported to and reviewed by the Board.

The information presented for the six months ended 30 September 2018 has been re-presented to reflect changes in management reporting, implemented in the six months ended 30 September 2019. Mitie has reorganised its divisional structure into three segments: Technical Services, Business Services and Specialist Services. Technical Services comprises Engineering Services and the technical services related to the physical assets of buildings and building management presented within Professional Services in prior periods. Specialist Services comprises Care & Custody, and the Waste and Landscapes businesses previously presented within Professional Services and Cleaning & Environmental Services respectively. Business Services comprises Security, and the previously presented Cleaning & Environmental Services excluding the Landscapes business which is now disclosed within Specialist Services.

Segment assets have not been disclosed as they are not regularly reviewed by the Board.

Income statement information

	Six months ended 30 September 2019 (unaudited)			Six months ended 30 September 2018[1,3] (unaudited)		
	Revenue £m	**Operating profit/(loss) before other items[2] £m**	**Operating margin before other items[2] %**	Revenue £m	Operating profit/(loss) before other items[2] £m	Operating margin before other items[2] %
Technical Services	**470.6**	**25.8**	***5.5***	464.9	25.3	*5.4*
Business Services	**490.7**	**16.9**	***3.4***	405.5	18.3	*4.5*
Specialist Services	**116.7**	**10.7**	***9.2***	101.2	5.8	*5.7*
Corporate centre	**–**	**(20.4)**	**–**	–	(18.1)	–
Total from continuing operations	**1,078.0**	**33.0**	***3.1***	971.6	31.3	*3.2*
Catering	**60.5**	**2.8**	***4.6***	69.3	4.7	*6.8*
Pest Control	**–**	**–**	**–**	11.9	2.4	*20.2*
Social Housing	**–**	**–**	**–**	69.0	(2.1)	*(3.0)*
Total from discontinued operations	**60.5**	**2.8**	***4.6***	150.2	5.0	*3.3*
Total	**1,138.5**	**35.8**	***3.1***	1,121.8	36.3	*3.2*

Notes:

1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
2. Other items are as described in Note 3.
3. Re-presented to classify the Catering business as discontinued operations. See Note 4. In addition, certain administrative expenses previously allocated to Catering, Pest Control and Social Housing, which have been retained within the Group, have been reclassified to continuing operations.
4. No single customer accounted for more than 10% of external revenue in the six months ended 30 September 2019 or in the comparative period.

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

	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018[1] (unaudited) £m
Operating profit before other items	**33.0**	31.3
Other items[2]	**(10.3)**	(11.8)
Net finance costs	**(8.1)**	(7.5)
Total from continuing operations	**14.6**	12.0
Operating profit before other items	**2.8**	5.0
Other items[2]	**51.1**	9.9
Net finance costs	**(0.2)**	–
Total from discontinued operations	**53.7**	14.9
Profit before tax	**68.3**	26.9

Notes:
1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
2. Other items are as described in Note 3.

Geographical segments

	Six months ended 30 September 2019 (unaudited)			Six months ended 30 September 2018[1] (unaudited)		
	Revenue £m	**Operating profit/(loss) before other items[2] £m**	**Operating margin before other items[2] %**	Revenue £m	Operating profit/(loss) before other items[2] £m	Operating margin before other items[2] %
United Kingdom	**1,047.2**	**32.8**	***3.1***	925.9	32.4	3.5
Other countries	**30.8**	**0.2**	***0.8***	45.7	(1.1)	(2.5)
Continuing operations	**1,078.0**	**33.0**	***3.1***	971.6	31.3	3.2
United Kingdom	**50.6**	**2.1**	***4.1***	140.3	4.3	3.0
Other countries	**9.9**	**0.7**	***7.4***	9.9	0.7	7.4
Discontinued operations	**60.5**	**2.8**	***4.6***	150.2	5.0	3.3
Total	**1,138.5**	**35.8**	***3.1***	1,121.8	36.3	3.2

Notes:
1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
2. Other items are as described in Note 3.

Supplementary information

	Six months ended 30 September 2019 (unaudited)				Six months ended 30 September 2018[1] (unaudited)			
	Depreciation of property, plant and equipment[2] £m	**Amortisation of intangible assets £m**	**Amortisation of contract assets £m**	**Other items[3] £m**	Depreciation of property, plant and equipment £m	Amortisation of intangible assets £m	Amortisation of contract assets £m	Other items[3] £m
Technical Services	**5.4**	**0.3**	**0.4**	**2.9**	0.5	0.6	0.1	1.8
Business Services	**4.5**	**0.7**	**–**	**(0.9)**	2.4	0.8	–	1.5
Specialist Services	**2.9**	**–**	**0.3**	**–**	0.6	0.1	0.2	0.5
Corporate centre	**3.2**	**4.8**	**–**	**8.3**	1.8	3.8	–	8.0
Continuing operations	**16.0**	**5.8**	**0.7**	**10.3**	5.3	5.3	0.3	11.8
Catering	**0.4**	**–**	**–**	**(52.0)**	0.6	–	–	0.1
Healthcare	**–**	**–**	**–**	**(0.3)**	–	–	–	–
Pest Control	**–**	**–**	**–**	**0.2**	0.2	–	–	(27.5)
Social Housing	**–**	**–**	**–**	**1.0**	0.1	–	–	17.5
Discontinued operations	**0.4**	**–**	**–**	**(51.1)**	0.9	5.3	–	(9.9)
Total	**16.4**	**5.8**	**0.7**	**(40.8)**	6.2	5.3	0.3	1.9

Notes:
1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
2. Additional depreciation on the Group's right-of-use assets due to the adoption of IFRS 16 amounted to £11.2m for the six months ended 30 September 2019.
3. Other items are as described in Note 3.

Disaggregated revenue

The Group disaggregates revenue from contracts with customers by sector (government and non-government) and by contract duration (contracts with a duration from inception of less than two years, and contracts with a duration from inception of more than two years). The Group believes this best depicts how the nature, timing and amount of revenue and cash flows are affected by economic factors. The following table includes a reconciliation of disaggregated revenue with the Group's reportable segments.

	Six months ended 30 September 2019 (unaudited)					
			Sector[1]	Contract duration for timing of revenue recognition		
	Government £m	Non-government £m	Total £m	Less than 2 years £m	More than 2 years £m	Total £m
Technical Services	**152.2**	**318.4**	**470.6**	**90.5**	**380.1**	**470.6**
Business Services	**94.9**	**395.8**	**490.7**	**90.1**	**400.6**	**490.7**
Specialist Services	**73.1**	**43.6**	**116.7**	**12.6**	**104.1**	**116.7**
Continuing operations	**320.2**	**757.8**	**1,078.0**	**193.2**	**884.8**	**1,078.0**
Catering	**3.4**	**57.1**	**60.5**	**8.2**	**52.3**	**60.5**
Discontinued operations	**3.4**	**57.1**	**60.5**	**8.2**	**52.3**	**60.5**
Total	**323.6**	**814.9**	**1,138.5**	**201.4**	**937.1**	**1,138.5**

Note:

1. Sector is defined by the end customer on any contract e.g. if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.

	Six months ended 30 September 2018 (unaudited)					
			Sector[1]	Contract duration for timing of revenue recognition		
	Government £m	Non-government £m	Total £m	Less than 2 years £m	More than 2 years £m	Total £m
Technical Services	163.8	301.1	464.9	119.1	345.8	464.9
Business Services	95.9	309.6	405.5	76.6	328.9	405.5
Specialist Services	60.0	41.2	101.2	1.4	99.8	101.2
Continuing operations	319.7	651.9	971.6	197.1	774.5	971.6
Catering	2.0	67.3	69.3	8.4	60.9	69.3
Pest Control	3.5	8.4	11.9	–	11.9	11.9
Social Housing	69.0	–	69.0	35.9	33.1	69.0
Discontinued operations	74.5	75.7	150.2	44.3	105.9	150.2
Total	394.2	727.6	1,121.8	241.4	880.4	1,121.8

Note:

1. Sector is defined by the end customer on any contract e.g. if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.

3. Other items

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

The Group separately reports the impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal costs, the gain or loss on business disposals, the cost of restructuring programmes and other exceptional items as other items, together with their related tax effect:

	Six months ended 30 September 2019 (unaudited)				
Continuing operations	Restructure costs £m	Acquisition & disposal related costs £m	Gain on disposal £m	Other exceptional items £m	Total £m
Other items within administrative expenses before tax	**(7.2)**	**(2.0)**	**–**	**(1.1)**	**(10.3)**
Tax	**1.3**	**0.2**	**–**	**0.2**	**1.7**
Other items after tax	**(5.9)**	**(1.8)**	**–**	**(0.9)**	**(8.6)**
Discontinued operations					
Other items before tax	**–**	**(0.5)**	**51.6**	**–**	**51.1**
Tax	**–**	**–**	**(1.6)**	**–**	**(1.6)**
Other items after tax	**–**	**(0.5)**	**50.0**	**–**	**49.5**
Total Group					
Other items before tax	**(7.2)**	**(2.5)**	**51.6**	**(1.1)**	**40.8**
Tax	**1.3**	**0.2**	**(1.6)**	**0.2**	**0.1**
Other items after tax	**(5.9)**	**(2.3)**	**50.0**	**(0.9)**	**40.9**

	Six months ended 30 September 2018 (unaudited)				
Continuing operations	Restructure costs £m	Acquisition & disposal related costs £m	Gain on disposal £m	Other exceptional items £m	Total £m
Other items within administrative expenses before tax	(8.3)	(2.7)	–	(0.8)	(11.8)
Tax	1.5	0.1	–	0.3	1.9
Other items after tax	(6.8)	(2.6)	–	(0.5)	(9.9)
Discontinued operations					
Other items before tax	(0.6)	–	27.5	(17.0)	9.9
Tax	0.1	–	(0.9)	3.3	2.5
Other items after tax	(0.5)	–	26.6	(13.7)	12.4
Total Group					
Other items before tax	(8.9)	(2.7)	27.5	(17.8)	(1.9)
Tax	1.6	0.1	(0.9)	3.6	4.4
Other items after tax	(7.3)	(2.6)	26.6	(14.2)	2.5

Restructure costs

Restructure costs relate to the costs associated with implementing the Group transformation programme, which includes Project Helix and Project Forte.

The costs are analysed below:

	Six months ended 30 September 2019 (unaudited)			Six months ended 30 September 2018 (unaudited)		
	Continuing operations £m	Discontinued operations £m	Total[1] £m	Continuing operations £m	Discontinued operations £m	Total[1] £m
Group transformation programme:						
Project Helix[1]	**(2.0)**	–	**(2.0)**	(8.1)	–	(8.1)
Project Forte[2]	**(4.0)**	–	**(4.0)**	–	–	–
Other transformation projects[3]	**(1.2)**	–	**(1.2)**	(0.2)	(0.6)	(0.8)
Restructuring costs	**(7.2)**	–	**(7.2)**	(8.3)	(0.6)	(8.9)
Taxation	**1.3**	–	**1.3**	1.5	0.1	1.6
Restructuring costs net of taxation	**(5.9)**	–	**(5.9)**	(6.8)	(0.5)	(7.3)

Notes:

1. The Group is undertaking a major transformation programme involving the restructuring of operations to reposition the business for its next phase of growth. Project Helix was a three-year programme launched in 2017, focused on establishing a shared service centre model for key back office functions, including offshoring the majority of Finance and IT, and centralising HR following the standardisation of systems.
2. Project Forte is a two-year programme which was launched in 2019, primarily focused on re-engineering the Technical Services business to modernise the technology infrastructure. It will improve both the customer experience and the efficiency of the internal operations. Project Forte will also drive further Group-wide organisational consolidation, automation of processes and further offshoring of back office activities.
3. Other transformation projects focus on the remaining areas of the business, which are being aligned to the new operating model, including restructuring the property portfolio and simplifying the management structure.

The costs associated with the Group transformation programme include redundancy costs of £1.7m (2018: £3.2m), of which £0.5m (2018:£nil) relates to accelerated share based payment charges, external consultancy costs of £0.8m (2018: £nil) and fixed-term staff costs of £3.5m (2018: £4.7m) to manage and implement the changes.

Acquisition and disposal related costs

Acquisition and disposal related costs from continuing operations include £1.6m (2018: £0.2m) of integration costs and a £2.3m credit (2018: £nil) arising on the release of a liability associated with the Vision Security Group (VSG) business that was acquired on 26 October 2018, the amortisation charge for acquisition related intangibles of £1.2m (2018: £0.6m), the charge for restricted shares issued of £0.8m (2018: £1.9m), acquisition costs of £0.1m (2018: £nil) for the Global Aware International Group business that was acquired on 31 July 2019 and costs associated with other transaction related projects of £0.6m (2018: £nil).

Acquisition and disposal related costs from discontinued operations include costs related to the disposal of the Catering business of £0.3m (2018: £nil) and costs related to the disposal of the Social Housing business of £0.2m (2018: £nil).

Gain on disposal

On 6 September 2019, the Group completed the sale of the Catering business. See Note 4 for further details.

On 30 September 2018, the Group completed the sale of Mitie Pest Control Limited. See Note 4 for further details.

Other exceptional items

Other exceptional items included in operating profit are analysed below:

	Six months ended 30 September 2019 (unaudited)			Six months ended 30 September 2018 (unaudited)		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m
Regulatory investigation[1]	**(0.5)**	**–**	**(0.5)**	(0.8)	–	(0.8)
IFRS 16/15/9 adoption and implementation projects[2]	**(0.6)**	**–**	**(0.6)**	(0.4)	–	(0.4)
Costs incurred and provision for settlement of contractual disputes[3]	**–**	**–**	**–**	–	(17.0)	(17.0)
Gain on closure of Mitie Reinsurance[4]	**–**	**–**	**–**	0.4	–	0.4
Other exceptional items	**(1.1)**	**–**	**(1.1)**	(0.8)	(17.0)	(17.8)
Taxation	**0.2**	**–**	**0.2**	0.3	3.3	3.6
Other exceptional items net of taxation	**(0.9)**	**–**	**(0.9)**	(0.5)	(13.7)	(14.2)

Notes:

1. Legal and professional costs of £0.5m (2018: £0.8m) have been incurred in respect of the closed FRC and FCA investigations, and the Company's own investigations into the same matters. Further details of these investigations are set out in the 2019 Annual Report and Accounts.
2. Professional fees and fixed-term contract staff costs of £0.6m (2018: £0.4m) have been incurred in relation to the projects required to adopt IFRS 16 'Leases', IFRS 15 'Revenue from contracts with customers', and IFRS 9 'Financial Instruments'.
3. Estimated costs for rectification works and legal advice relating to certain property maintenance contracts, for which the Group retained liability following the disposal of the Social Housing business. There was a £nil charge for the six months ended 30 September 2019 (2018: £17.0m).
4. During the year ended 31 March 2019 the Group liquidated its captive insurance company, Mitie Reinsurance Company Limited, resulting in a net income of £0.4m in the six months ended 30 September 2018 after settling all outstanding liabilities. There were no associated charges or credits in the current period.

4. Discontinued operations and disposal of subsidiaries

On 6 September 2019, the Group completed the sale of Mitie Catering Services Limited, Creativevents Limited and the catering trade and assets in Ireland (together, the Catering business). The results of the Catering business have been classified as discontinued operations at 30 September 2019 and comparative information has been re-presented. The Group recognised a net gain on disposal of £50.7m in relation to Catering, which together with transaction costs of £0.2m and £0.8m in relation to the Pest Control and Social Housing disposals respectively and £0.3m of indemnity provision release in relation to Healthcare, has been reported in profit from discontinued operations and recognised in other items (see Note 3).

On 30 September 2018, the Group completed the sale of Mitie Pest Control Limited (Pest Control) for cash consideration of £40.0m before tax and transaction costs. The results of the Pest Control business were classified as discontinued operations at 30 September 2018. The Group recognised a net gain on disposal of £26.6m for the six months ended 30 September 2018, reported in profit from discontinued operations and recognised in other items (see Note 3).

On 19 November 2018, the Company signed an agreement for the sale of Mitie Property Management Limited and MPS Housing Limited (together, the Social Housing business) and this transaction was subsequently completed on 30 November 2018. The results of the Social Housing business were classified as discontinued operations at 30 September 2018. As the assets and liabilities of the Social Housing business were considered a disposal group at 30 September 2018, they were consequently presented separately from other assets and liabilities. The Group has retained liability, and made provisions where appropriate, for certain legacy contracts of the Social Housing business so these were not included within liabilities held for sale.

The results of these discontinued operations are detailed below.

Income statement of discontinued operations

	Six months ended 30 September 2019 (unaudited)		
	Social Housing £m	**Catering £m**	**Total £m**
Revenue	–	**60.5**	**60.5**
Cost of sales	–	**(54.7)**	**(54.7)**
Gross profit	–	**5.8**	**5.8**
Administrative expenses	–	**(3.0)**	**(3.0)**
Operating profit before other items	–	**2.8**	**2.8**
Other items[1]	**(0.2)**	**(0.3)**	**(0.5)**
Net finance cost	–	**(0.2)**	**(0.2)**
Profit/(loss) before tax	**(0.2)**	**2.3**	**2.1**
Tax	–	**(0.5)**	**(0.5)**
Profit/(loss) from discontinued operations[1]	**(0.2)**	**1.8**	**1.6**

Note:

1. Other items are as described in Note 3. Excluding other items charge after tax of £0.5m, profit from discontinued operations for the six months ended 30 September 2019 was £2.1m.

	Six months ended 30 September 2018 (unaudited)			
	Catering[1] £m	Pest Control[1] £m	Social Housing[1] £m	Total £m
Revenue	69.3	11.9	69.0	150.2
Cost of sales	(61.0)	(7.1)	(60.1)	(128.2)
Gross profit	8.3	4.8	8.9	22.0
Administrative expenses[1]	(3.6)	(2.4)	(11.3)	(17.3)
Share of profit of joint ventures and associates	–	–	0.3	0.3
Operating profit/(loss) before other items	4.7	2.4	(2.1)	5.0
Other items[2]	(0.1)	–	(17.5)	(17.6)
Net finance cost	(0.1)	0.1	–	–
(Loss)/profit before tax	4.5	2.5	(19.6)	(12.6)
Tax[1]	(0.9)	(0.3)	3.9	2.7
(Loss)/profit from discontinued operations[2]	3.6	2.2	(15.7)	(9.9)

Notes:

1. Certain administrative expenses previously allocated to Catering, Pest Control and Social Housing, which have been retained within the Group, have been reclassified to continuing operations.
2. Other items are as described in Note 3. Excluding other items charge after tax of £14.2m, profit from discontinued operations for the six months ended 30 September 2018 was £4.3m.

Gain/(loss) on disposal of discontinued operations

					Six months ended 30 September 2019 (unaudited)	Six months ended 30 September 2018 (unaudited)
	Catering £m	**Pest Control £m**	**Social Housing £m**	**Healthcare £m**	**Total £m**	Pest Control £m
Total consideration[1]	**76.0**	–	–	–	**76.0**	38.4
Net assets disposed[2]	**(20.4)**	–	–	–	**(20.4)**	(8.6)
Supplier provision	**(1.3)**	–	–	–	**(1.3)**	–
Release of indemnity provision	–	–	–	**0.3**	**0.3**	–
Transaction costs	**(2.0)**	**(0.2)**	**(0.8)**	–	**(3.0)**	(2.3)
Total gain/(loss) on disposal before tax	**52.3**	**(0.2)**	**(0.8)**	**0.3**	**51.6**	27.5
Taxation	**(1.6)**	–	–	–	**(1.6)**	(0.9)
Net gain/(loss) on disposal of discontinued operations	**50.7**	**(0.2)**	**(0.8)**	**0.3**	**50.0**	26.6

Notes:

1. Total consideration includes £72.7m of cash consideration and £3.3m of contingent consideration (2018: £38.4m cash consideration).
2. Net assets disposed include goodwill of £15.7m (2018: £3.3m) and cash balances of £4.5m (2018: £1.2m).

Profit and total comprehensive income for the period from discontinued operations

	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m
Profit/(loss) for the period from discontinued operations[1]	**1.6**	(9.9)
Gain on disposal of discontinued operations reported as other items	**50.0**	26.6
Profit and total comprehensive income for the period from discontinued operations	**51.6**	16.7

Notes:

1. Includes £0.5m charge after tax related to other items for the six months ending 30 September 2019 (2018: £14.2m charge).

Cash flows from discontinued operations

	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m
Net cash used in operating activities	**(3.3)**	(1.8)
Net cash generated from investing activities	**66.2**	38.3
Net cash used in financing activities	**(0.6)**	(0.7)
Increase in cash and cash equivalents	**62.3**	35.8

Earnings per share from discontinued operations

	Six months ended 30 September 2019 (unaudited) p	Six months ended 30 September 2018 (unaudited) p
Basic earnings per share before other items[1]	**0.6**	1.2
Basic earnings per share	**14.3**	4.6
Diluted earnings per share before other items[1]	**0.6**	1.2
Diluted earnings per share	**14.0**	4.6

Note:

1. Other items are as described in Note 3.

5. Tax

The income tax charge for the six months ended 30 September 2019 is calculated based upon the effective tax rates expected to apply to the Group for the full year. The rate of tax on profits before other items from continuing operations is 20.9% (2018: 20.6%). The rate of tax on profits (on both continuing and discontinued operations) before other items is 20.7% (2018: 19.4%). The effective rate of tax on earnings before other items is principally influenced by recurring non-tax deductible expenses and the impact of the reduction in the UK corporation tax rate on temporary differences. The Group expects its sustainable effective tax rate to be slightly above the UK statutory rate.

6. Dividends

In respect of the year ended 31 March 2019, an interim dividend of 1.33p was paid on 12 February 2019 and a final dividend of 2.67p per share was paid on 9 August 2019.

In respect of the year ending 31 March 2020, an interim dividend of 1.33p per share will be paid on 4 February 2020 to shareholders on the register on 20 December 2019. This interim dividend has not been recognised as a liability at 30 September 2019.

7. 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 2019 (unaudited) £m	Six months ended 30 September 2018[1] (unaudited) £m
Profit before other items net of tax attributable to owners of the parent	**19.7**	18.9
Other items net of tax[2]	**(8.6)**	(9.9)
Profit attributable to owners of the parent	**11.1**	9.0

From continuing and discontinued operations	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018[1] (unaudited) £m
Profit before other items net of tax attributable to owners of the parent	**21.8**	23.2
Other items net of tax[2]	**40.9**	2.5
Profit attributable to owners of the parent	**62.7**	25.7

Number of shares	Six months ended 30 September 2019 (unaudited) million	Six months ended 30 September 2018 (unaudited) million
Weighted average number of ordinary shares for the purpose of basic EPS	**361.0**	360.8
Effect of dilutive potential ordinary shares	**7.5**	1.1
Weighted average number of ordinary shares for the purpose of diluted EPS	**368.5**	361.9

	Six months ended 30 September 2019 (unaudited) p	Six months ended 30 September 2018[1] (unaudited) p
From continuing operations:		
Basic earnings per share before other items[2]	**5.5**	5.2
Basic earnings per share	**3.1**	2.5
Diluted earnings per share before other items[2]	**5.3**	5.2
Diluted earnings per share	**3.0**	2.5
From continuing and discontinued operations:		
Basic earnings per share before other items[2]	**6.0**	6.4
Basic earnings per share	**17.4**	7.1
Diluted earnings per share before other items[2]	**5.9**	6.4
Diluted earnings per share	**17.0**	7.1

Notes:

1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
2. Other items are as described in Note 3.

The weighted average number of ordinary shares in issue during the year excludes those accounted for in the own shares reserve.

The dilutive potential ordinary shares relate to instruments that could potentially dilute basic earnings per share in the future, such as share options.

8. Goodwill

The Group's carrying amount for goodwill was £278.9m at 30 September 2019 and £293.8m at 1 April 2019.

Acquisition of Global Aware International Group

On 31 July 2019, the Group acquired Global Aware International Group Limited. The goodwill arising on acquisition was £0.8m. See Note 16.

Disposal of Catering

On 6 September 2019, the Group completed the sale of the Catering business and the associated goodwill of £15.7m has been included in the net assets disposed. See Note 4.

Goodwill impairment testing

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 cash-generating units (CGUs) are determined from value in use calculations. The key assumptions applied in 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 further impairment of goodwill as at 30 September 2019.

9. Trade and other receivables

	30 September 2019 (unaudited) £m	31 March 2019 (audited) £m	30 September 2018 (unaudited) £m
Trade receivables	**198.3**	233.6	186.5
Accrued income	**176.3**	132.6	156.6
Prepayments	**31.4**	27.1	23.4
Other receivables	**33.6**	41.9	39.2
Total	**439.6**	435.2	405.7
Included in current assets	**436.3**	435.2	405.7
Included in non-current assets	**3.3**	–	–
Total	**439.6**	435.2	405.7

Trade receivables at 30 September 2019 represent 27 days credit on sales (March 2019: 29 days; September 2018: 28 days).

The Group makes use of a non-recourse customer invoice discounting facility under which certain trade receivable balances are sold to the Group's relationship banks. As these trade receivables are sold without recourse, the Group has derecognised them, and so they are not included within trade receivables. The Group has reduced the amount of invoice discounting from £75.8m as at 30 September 2018 to £73.2m as at 31 March 2019 and to £62.3m as at 30 September 2019.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

10. Contract assets

	Pre-contract costs £m	Contract fulfilment costs £m	**Total £m**
At 1 April 2018 (audited)	–	2.2	**2.2**
Additions	2.2	1.1	**3.3**
Amortised in the period	–	(0.3)	**(0.3)**
At 30 September 2018 (unaudited)	2.2	3.0	**5.2**
Additions	–	1.4	**1.4**
Amortised in the period	–	(0.5)	**(0.5)**
At 31 March 2019 (audited)	2.2	3.9	**6.1**
Additions	0.1	–	**0.1**
Disposal of subsidiaries	–	(0.2)	**(0.2)**
Amortised in the period	(0.4)	(0.3)	**(0.7)**
At 30 September 2019 (unaudited)	1.9	3.4	**5.3**
Included in current assets	0.8	0.7	**1.5**
Included in non-current assets	1.1	2.7	**3.8**
Total	1.9	3.4	**5.3**

Contract assets are amortised on a straight-line basis over the contract life which is consistent with the transfer of services to the customer to which the asset relates. Management has determined that no impairment of contract assets is required as at 30 September 2019.

11. Trade and other payables

	30 September 2019 (unaudited) £m	31 March 2019 (audited) £m	30 September 2018 (unaudited) £m
Trade payables	**139.5**	160.3	200.0
Other taxes and social security	**74.8**	97.1	65.7
Other payables	**25.4**	45.6	7.2
Accruals	**211.8**	230.9	197.7
Total	**451.5**	533.9	470.6
Included in current liabilities[1]	**451.2**	533.9	470.6
Included in non-current liabilities[1]	**0.3**	–	–
Total	**451.5**	533.9	470.6

Note:

1. Deferred contingent consideration of £0.5m was recognised in other payables at 30 September 2019 arising on the acquisition of Global Aware International Group Limited. Subject to business performance, a maximum contingent consideration of £1.5m may become payable to the seller of the business in the future. £0.2m and £0.3m were included in current and non-current liabilities respectively. See Note 16 for further details.

Trade payables at 30 September 2019 represent 50 days credit on trade purchases (March 2019: 50 days; September 2018: 65 days).

Included within the Group's trade payables balance is £14.9m (March 2019: £20.0m; September 2018: £24.4m) relating to payments due to UK suppliers which make use of bank provided supply chain finance arrangements. During the six months ended 30 September 2019 these arrangements were used by c.200 suppliers, with a maximum facility available of £50.0m. The Group settles these amounts in accordance with each supplier's agreed payment terms.

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

12. Provisions

	Legal costs £m	Acquisition and disposal of subsidiaries £m	Restructuring £m	Insurance reserve £m	Contract specific costs £m	Pension £m	Dilapidations £m	**Total £m**
At 1 April 2018 (audited)	4.1	4.9	1.2	15.3	2.4	–	3.6	**31.5**
Amounts recognised in the income statement	0.1	–	–	1.6	17.2	–	–	**18.9**
Utilised within captive insurance subsidiary	–	–	–	(0.1)	–	–	–	**(0.1)**
Unwinding of discount	–	–	–	–	–	–	0.1	**0.1**
Utilised in the period	(2.0)	–	(1.2)	(1.6)	(0.2)	–	(0.1)	**(5.1)**
Reclassification	–	–	–	0.6	(0.6)	–	–	**–**
At 30 September 2018 (unaudited)	2.2	4.9	–	15.8	18.8	–	3.6	**45.3**
Amounts recognised in the income statement	0.1	0.6	–	0.9	(5.7)	20.0	–	**15.9**
Utilised in the period	(2.0)	(0.2)	–	(1.7)	(0.4)	–	(0.3)	**(4.6)**
At 31 March 2019 (audited)	0.3	5.3	–	15.0	12.7	20.0	3.3	**56.6**
Impact of change in accounting policy[1]	–	–	–	–	–	–	1.9	**1.9**
Adjusted balance at 1 April 2019	0.3	5.3	–	15.0	12.7	20.0	5.2	**58.5**
Amounts recognised in the income statement	–	1.0	–	1.0	–	–	–	**2.0**
Unwinding of discount	–	–	–	–	–	–	0.1	**0.1**
Utilised in the period	–	(0.7)	–	(2.2)	(0.4)	–	(0.3)	**(3.6)**
At 30 September 2019 (unaudited)	0.3	5.6	–	13.8	12.3	20.0	5.0	**57.0**
Included in current liabilities	0.3	5.6	–	7.8	12.3	20.0	0.5	**46.5**
Included in non-current liabilities	–	–	–	6.0	–	–	4.5	**10.5**
Total	0.3	5.6	–	13.8	12.3	20.0	5.0	**57.0**

Note:

1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.

The provisions balance includes the following items:

The legal costs provision relates to professional fees payable and the potential cost of settlement of outstanding claims against the Group.

The acquisition and disposal of subsidiaries provision relates to indemnities provided following the disposal by the Group of the Healthcare and Social Housing businesses. The amounts recognised in the income statement represent a £0.3m release in respect of Healthcare net of a £1.3m charge in respect of a supplier provision for Catering (see Note 4). The amount utilised was in respect of Social Housing.

The restructuring provision related to costs of organisational change associated with the Group's Project Helix transformation programme including the transition costs associated with the outsourcing of certain back-office transactional processes.

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.

The contract specific cost provisions relate to various obligations arising in the ordinary course of providing services in line with commercial contracts. The £12.3m provision at 30 September 2019 includes £11.7m estimated costs of rectification works associated with certain property maintenance contracts of the now discontinued Social Housing business.

The pension provision relates to the Section 75 employer debt liabilities of Robert Prettie & Co Limited as a result of that company's participation in the Plumbing Scheme. See Note 18.

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

Contingent asset

The Directors are working to ensure that, through a combination of insurance claims and recourse to suppliers, a proportion of the £16.1m costs incurred in respect of rectification works for the Social Housing property maintenance contracts, including the £11.7m recorded in provisions above, are recovered. The amount and timing of any recoveries is yet to be determined.

13. Financing liabilities

	30 September 2019 (unaudited) £m	31 March 2019 (audited) £m	30 September 2018 (unaudited) £m
Bank loans – under committed facilities	**50.7**	52.1	54.8
Private placement notes	**218.9**	211.9	211.9
Lease liabilities[1]	**88.8**	1.5	1.6
Total	**358.4**	265.5	268.3
Included in current liabilities	**60.3**	40.7	0.5
Included in non-current liabilities	**298.1**	224.8	267.8
Total	**358.4**	265.5	268.3

Note:

1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option resulting in the inclusion of an additional £87.8m lease liabilities at 30 September 2019. Under this option, the comparative information is not restated. See Note 1.

The £275.0m bank facility and the private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements. The final maturity dates of all facilities remained unchanged. The Group was in compliance with these covenants as at 30 September 2019 and hence all amounts are classified in line with repayment dates.

At 30 September 2019, the Group had available £223.6m (March 2019: £221.9m; September 2018: £219.1m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facilities have an expiry date of July 2021. The loans carry interest rates which are currently determined at 0.8% over the applicable LIBOR.

14. Financial instruments

The Group's principal financial assets are cash and cash equivalents, trade receivables, contingent consideration receivable and derivative financial instruments. The derivative financial instruments are designated as cash flow hedges and contingent consideration receivable is designated as 'fair value through profit and loss' (FVTPL). All other financial assets are held and measured at amortised cost.

The Group's principal financial liabilities are trade and other payables, contingent consideration payable and financing liabilities. Except for contingent consideration payable which is designated as FVTPL, all other financial liabilities are held and measured at amortised cost.

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 carrying value of contingent consideration receivable at 30 September 2019 was £3.3m (2018: £nil) and the carrying value of contingent consideration payable at 30 September 2019 was £0.5m (2018: £nil). The Directors consider that the Group's contingent consideration receivables and contingent consideration payables fall into Level 3.

Derivative financial instruments

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

	Assets 30 September 2019 (unaudited) £m	Assets 31 March 2019 (audited) £m	Assets 30 September 2018 (unaudited) £m
Derivative financial instruments hedging private placement notes[1]	**26.1**	16.4	13.9
Total	**26.1**	16.4	13.9
Included in current assets	**0.3**	–	–
Included in non-current assets	**25.8**	16.4	13.9
Total	**26.1**	16.4	13.9

Note:

1. Derivative financial instruments hedging private placement notes comprise cross-currency interest rate swaps designated as cash flow hedges.

The Directors consider that the Group's derivative financial instruments fall into Level 2. Fair values of these instruments are calculated based on a discounted cash flow analysis using appropriate market information for the duration of the instruments. All contracts are gross settled.

There were no transfers between levels during the period.

15. Analysis of net debt

	30 September 2019 (unaudited) £m	31 March 2019 (audited) £m	30 September 2018 (unaudited) £m
Cash and cash equivalents	**96.4**	108.4	67.7
Bank loans (Note 13)	**(50.7)**	(52.1)	(54.8)
Private placement notes (Note 13)	**(218.9)**	(211.9)	(211.9)
Derivative financial instruments hedging private placement notes (Note 14)	**26.1**	16.4	13.9
Net debt before lease liabilities	**(147.1)**	(139.2)	(185.1)
Lease liabilities[1]	**(88.8)**	(1.5)	(1.6)
Net debt	**(235.9)**	(140.7)	(186.7)

Note:

1. The Group has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option resulting in the inclusion of an additional £87.8m lease liabilities at 30 September 2019. Under this option, the comparative information is not restated. See Note 1.

Net debt excludes amounts in respect of customer invoice discounting referred to in Note 9 and amounts in respect of supply chain financing referred to in Note 11.

16. Acquisitions

Current period acquisitions – purchase of Global Aware International Group Limited

On 31 July 2019, the Group acquired a 100% shareholding in Global Aware International Group Limited (GAIG). GAIG is a leading provider of niche intelligent software and security solutions. This move accelerates the growth of Mitie's premium technology-enabled and intelligence-led security solutions and bolsters the Group's credentials in providing connected security services.

Initial consideration of £1.4m was paid in cash at completion and funded through Mitie's own cash resources. Subject to business performance, a maximum contingent consideration of £1.5m may become payable to the seller of the business in the future. The fair value of the contingent consideration at 30 September 2019 was £0.5m and is included in other payables. See Note 11.

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

	Book value £m	Fair value adjustments £m	Provisional fair value £m
Customer relationships	–	0.5	**0.5**
Trade and other receivables	0.5	–	**0.5**
Cash and cash equivalents	0.5	–	**0.5**
Trade and other payables	(0.3)	–	**(0.3)**
Current tax liabilities	(0.1)	–	**(0.1)**
Net identifiable assets acquired	0.6	0.5	**1.1**
Goodwill			**0.8**
Consideration			**1.9**

The Group concluded that the value of the internally generated software and the customer relationships to drive renewal of the contracts held by GAIG was an intangible asset. This has been valued at £0.5m at acquisition and has been recorded as a non-current acquisition related intangible asset under the caption 'Customer relationships'. The asset will amortise to the income statement through other items on a straight-line basis over a period of 10 years.

GAIG contributed £0.1m to revenue and profit before tax for the period from 1 August 2019 to 30 September 2019. If the acquisition had occurred on 1 April 2019, consolidated revenue and profit before tax for the six months ended 30 September 2019 would have been £0.3m and £0.1m higher than the amounts reported in the income statement. Acquisition costs of £0.1m have been recorded in administrative expenses and recorded as other items in the income statement and in operating cash flows in the consolidated statement of cash flows.

Outflow of cash to acquire subsidiaries, net of cash acquired is as follows:

	30 September 2019 (unaudited) £m
Cash consideration	**1.4**
Less: cash balance acquired	**(0.5)**
Net outflow of cash – investing activities	**0.9**

Prior period acquisitions – purchase of Vision Security Group

On 26 October 2018, the Group acquired a 100% shareholding in Vision Security Group Limited (VSG). VSG is a leading security services provider offering integrated security systems, manned guarding and key holding services, with a team of approximately 6,000 employees servicing more than 1,400 guarding locations and over 5,000 systems locations across the UK and Ireland.

Consideration of £12.7m (on a debt free, cash free basis) was paid in cash at completion, and funded through Mitie's own cash resources. £4.5m of the cash consideration paid is expected to be returned following agreement of the completion accounts with the seller of the business. The Group recorded a bargain purchase gain of £8.8m in the consolidated income statement within other items during the year ended 31 March 2019. This represented the excess of the assessment of the fair values of the net identifiable assets acquired of £17.0m over the consideration of £8.2m.

17. Retirement benefit schemes

The Group has a number of pension arrangements for employees:

- Defined contribution schemes for the majority of its employees; and
- Defined benefit schemes which include a group scheme and other smaller schemes.

The Group operates a number of defined contribution pension schemes for qualifying employees. The Group has a defined benefit pension scheme called the Mitie Group plc Pension Scheme (Group scheme) where Mitie Group plc is the principal employer. The Group participates in a number of other defined benefit schemes (Other schemes) in respect of certain employees who joined the Group under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) or through the acquisition of subsidiary companies.

During the six months ended 30 September 2019, the Group made a total contribution to the defined contribution schemes of £4.0m (2018: £4.0m) and contributions to the auto-enrolment scheme of £7.5m (2018: £4.3m), which are included in the income statement charge.

Defined benefit schemes

Amounts recorded in the statement of comprehensive income are as follows:

	30 September 2019 (unaudited)			30 September 2018 (unaudited)		
	Group scheme £m	**Other schemes £m**	**Total £m**	Group scheme £m	Other schemes £m	Total £m
Actuarial losses arising due to changes in financial assumptions	**(25.5)**	**(1.4)**	**(26.9)**	5.8	0.2	6.0
Actuarial gains arising from experience	**1.4**	**–**	**1.4**	–	–	–
Actuarial gains on assets	**13.2**	**0.8**	**14.0**	2.4	0.3	2.7
	(10.9)	**(0.6)**	**(11.5)**	8.2	0.5	8.7

The amounts included in the consolidated balance sheet in respect of the Group's defined benefit retirement benefit schemes were as follows:

	30 September 2019 (unaudited)			31 March 2019 (audited)			30 September 2018 (unaudited)		
	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	**205.9**	**14.1**	**220.0**	190.5	13.1	203.6	183.6	12.7	196.3
Present value of defined benefit obligations	**(276.6)**	**(17.1)**	**(293.7)**	(251.9)	(15.5)	(267.4)	(229.4)	(14.4)	(243.8)
Net pension liability	**(70.7)**	**(3.0)**	**(73.7)**	(61.4)	(2.4)	(63.8)	(45.8)	(1.7)	(47.5)

All figures above are shown before deferred tax.

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

	Group scheme £m	Other schemes £m	Total £m
At 1 April 2019 (audited)	**251.9**	**15.5**	**267.4**
Current service cost	**0.2**	**0.1**	**0.3**
Interest cost	**3.0**	**0.2**	**3.2**
Actuarial losses arising due to changes in financial assumptions	**25.5**	**1.4**	**26.9**
Actuarial gains arising from experience	**(1.4)**	**–**	**(1.4)**
Benefits paid	**(2.6)**	**(0.1)**	**(2.7)**
At 30 September 2019 (unaudited)	**276.6**	**17.1**	**293.7**

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

	Group scheme £m	Other schemes £m	Total £m
At 1 April 2019 (audited)	**190.5**	**13.1**	**203.6**
Interest income	**2.3**	**0.1**	**2.4**
Actuarial gains on assets	**13.2**	**0.8**	**14.0**
Contributions from the sponsoring companies	**2.8**	**0.2**	**3.0**
Expenses paid	**(0.3)**	**–**	**(0.3)**
Benefits paid	**(2.6)**	**(0.1)**	**(2.7)**
At 30 September 2019 (unaudited)	**205.9**	**14.1**	**220.0**

Principal accounting assumptions:

	Group scheme			Other schemes		
	30 September 2019 %	31 March 2019 %	30 September 2018 %	**30 September 2019 %**	31 March 2019 %	30 September 2018 %
Key assumptions used for IAS 19 valuation:						
Discount rate	**1.8**	2.4	2.8	**1.8**	2.4	2.8
Expected rate of pensionable pay increases	**3.0**	3.2	3.2	**3.0**	3.2	3.2
Retail price inflation	**3.0**	3.2	3.2	**3.0**	3.2	3.2
Consumer price inflation	**2.0**	2.2	2.2	**2.0**	2.2	2.2
Future pension increases	**3.0**	3.2	3.2	**3.0**	3.2	3.2

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

	Impact on defined benefit obligations		
	Change in assumption	Increase/(decrease) in obligations	Increase/(decrease) in obligations £m
Increase in discount rate	0.1%	(2.1)%	(6.0)
Increase in RPI inflation*	0.1%	1.5%	4.5
Increase in CPI inflation (excluding pay)	0.1%	0.7%	2.1
Increase in life expectancy	1 year	4.4%	13.0

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

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date.

Some of the above changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the Group scheme holds a proportion of its assets in UK corporate bonds. A fall in the discount rate as a result of lower UK corporate bond yields would lead to an increase in the value of these assets, thus mitigating the increase in the defined benefit obligation to some extent.

18. Contingent liabilities

Contractual disputes, guarantees and indemnities

The Company and various of its subsidiaries are, from time to time, party to contractual disputes that arise in the ordinary course of business. The Directors do not anticipate that the outcome of any of these disputes will have a material adverse effect on the Group's financial position, other than as already provided for in the financial statements. In appropriate cases, a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions (which may be subject to potentially material revision from time to time) will result in an accurate prediction, due to the uncertainty of the actual costs and liabilities that may be incurred. The 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 £23.4m (March 2019: £23.0m; September 2018: £17.0m) in the ordinary course of business. These are not expected to result in any material financial loss.

Multi-employer pension schemes

The Group participates in several industry multi-employer defined benefit schemes, including the Plumbing & Mechanical Services (UK) Industry Pension Scheme (Plumbing Scheme). The total contributions to these schemes for the financial year ending 31 March 2020 are anticipated to be £0.1m.

When the Group (or a subsidiary of the Group) exits such schemes (typically by ceasing to have any active employees in the scheme), 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 under the Pensions Act 1995).

On 23 April 2019 the trustee of the Plumbing Scheme issued a Section 75 debt estimate to Robert Prettie & Co Limited for the amount of £20.0m. The Group has continued to hold the provision that was recorded in the year ended 31 March 2019. The Group is validating the accuracy of the Section 75 debt estimate and once validated intends to seek the approval of the trustee for the payment of the debt over a number of years. See Note 12.

The Group continues to have an exposure to Section 75 debts in respect of the participation of Mitie Property Services (UK) Limited in the Plumbing Scheme, which has been estimated at £2.4m by the trustee, however no event has occurred to trigger this debt.

Employment claims

The Company and its subsidiaries are, from time to time, party to employment disputes, claims, and other potential liabilities which arise in the ordinary course of business. The Directors do not anticipate that any of the current matters will give rise to settlements, either individually or in aggregate, which will have a material adverse effect on the Group's financial position.

19. Related party transactions

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

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company. During the six months ended 30 September 2019, the Group made donations and gifts in kind of £0.2m (2018: £0.2m) to the Foundation.

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 Company's preferred supplier for delivering apprenticeships to its employees was Aspire Achieve Advance Ltd (3aaa), a company whose chairman was also Mitie Group plc's Non-Executive Chairman. The Company pays into a government mandated Apprenticeship Levy Fund, and 3aaa withdrew from that fund to provide the apprenticeship training. On 11 October 2018, the directors of 3aaa presented a petition to the Court for the compulsory winding up of the company. This petition was accepted by the Court and the Official Receiver was appointed as liquidator on 24 October 2018. During the six months ended 30 September 2019, 3aaa did not withdraw (2018: £0.7m withdrawn) from the fund in respect of training provided or to be provided.

During the six months ended 30 September 2019, the Group generated revenue of £0.1m (2018: £0.1m) relating to Informa plc, a company whose chairman is also Mitie Group plc's Non-Executive Chairman.

20. Events after the reporting period

There are no material post balance sheet events that require adjustment or disclosure in the condensed consolidated financial statements.

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.

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

Performance before other items

The Group adjusts the statutory income statement for other items which, in the Directors' judgement, need to be disclosed separately 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.

These other items include the impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal costs, the gain or loss on business disposals, the cost of restructuring programmes and other exceptional items.

Further details of these other items are provided in Note 3.

Operating profit from operations		Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m
Operating profit from continuing operations	Statutory measure	**22.7**	19.5
Adjust for: restructure costs	Note 3	**7.2**	8.3
Adjust for: acquisition and disposal related costs	Note 3	**2.0**	2.7
Adjust for: other exceptional items	Note 3	**1.1**	0.8
Operating profit before other items from continuing operations	Performance measures	**33.0**	31.3
Operating profit from discontinued operations[1]		**53.9**	14.9
Adjust for: restructure costs	Note 3	**–**	0.6
Adjust for: acquisition and disposal related costs	Note 3	**0.5**	–
Adjust for: gain on disposal	Note 3	**(51.6)**	(27.5)
Adjust for: other exceptional items	Note 3	**–**	17.0
Operating profit before other items from discontinued operations	Performance measures	**2.8**	5.0
Operating profit before other items - Group	Performance measures	**35.8**	36.3

Note:

1. Operating profit from discontinued operations comprises the profit before net finance cost and tax of £2.3m (2018: £12.6m loss) and the gain on disposal before tax of £51.6m (2018: £27.5m). See Note 4.

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

	Six months ended 30 September 2019 £m			Six months ended 30 September 2018 £m		
Operating profit/(loss) from operations	**Reported results**	**Adjust for: Other items (Note 3)**	**Performance measures**	Reported results	Adjust for: Other items (Note 3)	Performance measures
Segment						
Technical Services	**22.9**	**2.9**	**25.8**	23.5	1.8	25.3
Business Services	**17.8**	**(0.9)**	**16.9**	16.8	1.5	18.3
Specialist Services	**10.7**	**–**	**10.7**	5.3	0.5	5.8
Corporate centre	**(28.7)**	**8.3**	**(20.4)**	(26.1)	8.0	(18.1)
Total from continuing operations	**22.7**	**10.3**	**33.0**	19.5	11.8	31.3
Catering	**54.8**	**(52.0)**	**2.8**	4.6	0.1	4.7
Healthcare	**0.3**	**(0.3)**	**–**	–	–	–
Pest Control	**(0.2)**	**0.2**	**–**	29.9	(27.5)	2.4
Social Housing	**(1.0)**	**1.0**	**–**	(19.6)	17.5	(2.1)
Total from discontinued operations	**53.9**	**(51.1)**	**2.8**	14.9	(9.9)	5.0
Total - Group	**76.6**	**(40.8)**	**35.8**	34.4	1.9	36.3

Appendix – Alternative Performance Measures (APMs)

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

Earnings per share		Six months ended 30 September 2019 p	Six months ended 30 September 2018 p
Statutory basic earnings per share	Statutory measures	**17.4**	7.1
Adjust for: earnings per share from discontinued operations		**(14.3)**	(4.6)
Statutory basic earnings per share from continuing operations		**3.1**	2.5
Adjust for: other items per share from continuing operations		**2.4**	2.7
Basic earnings per share before other items from continuing operations	Performance measures	**5.5**	5.2

Organic revenue

The Group adjusts revenue from continuing operations for the impact of acquisitions to show organic revenue in order for users of the financial statements to obtain a proper understanding of the underlying movements in these business measures.

		Six months ended 30 September 2019 £m			Six months ended 30 September 2018 £m
Revenue from continuing operations		**Reported revenue**	**Adjust for: acquisition of subsidiaries[1]**	**Performance measures**	Reported revenue
Segment					
Technical Services	Note 2	**470.6**	**–**	**470.6**	464.9
Business Services	Note 2	**490.7**	**(88.3)**	**402.4**	405.5
Specialist Services	Note 2	**116.7**	**–**	**116.7**	101.2
Total for continuing operations		**1,078.0**	**(88.3)**	**989.7**	971.6

Note:

1. Comprises revenue of £88.2m and £0.1m in relation to the acquisitions of VSG and GAIG respectively.

Net debt

The Group includes the carrying value of its derivative financial instruments in its reported net debt measure as this carrying value represents the fair value of cross-currency interest rate swaps on the US$ private placement notes which form part of the Group's financing liabilities. The Group has excluded the financial impact of adopting IFRS 16 from its performance net debt measure.

The table below shows the reconciliation of reported net debt to the performance net debt measure.

Net debt		30 September 2019 £m	31 March 2019 £m	30 September 2018 £m
Cash and cash equivalents		**96.4**	108.4	67.7
Financing liabilities	Note 13	**(358.4)**	(265.5)	(268.3)
Derivative financial instruments hedging private placement notes	Note 14	**26.1**	16.4	13.9
Net debt	Reported measures	**(235.9)**	(140.7)	(186.7)
Adjust for: IFRS 16 impact on lease liabilities	Note 13	**87.8**	–	–
Net debt	Performance measures	**(148.1)**	(140.7)	(186.7)

The Group also uses an average net debt measure as this reflects its financing requirements throughout the period. The Group calculates its average net debt based on the daily closing figures, including its foreign currency bank loans translated at the closing exchange rate for the previous month end. The average net debt includes the fair value of the derivative financial instruments which are used to hedge the US$ private placement notes and excludes the impact of IFRS 16 on lease liabilities. This measure shows average net debt of £263.3m for the six months ended 30 September 2019, compared with £317.4m for the six months ended 30 September 2018.