

Half-yearly financial report for the six months to 30 September 2008

A strong start to the year

	2008	2007	Growth
	£m	£m	%
Revenue	760.7	682.1	11.5
Operating profit before amortisation	38.6	34.4	12.2
Profit before tax and other items*	37.6	33.5	12.2

	2008	2007	Growth
	p	p	%
Basic earnings per share before other items*	8.3	7.1	16.9
Basic earnings per share before amortisation	8.1	7.0	15.7
Basic earnings per share	7.9	6.8	16.2
Dividend per share	3.3	2.8	17.9

* Other items represent non-cash charges associated with acquisitions, being the amortisation of intangible assets of £1.0m (2007: £0.9m) and non-cash finance charges of £0.4m (2007: £0.4m)

Highlights

- Strong revenue growth of 11.5% to £760.7m; organic growth of 10.0%
- Operating profit before amortisation up 12.2% to £38.6m
- Margins maintained at 5.1%
- 100.2% of EBITDA converted to cash on a rolling 12 month basis
- Strong balance sheet - low net debt at £12.6m
- Basic EPS up 16.2% to 7.9p
- Dividend up 17.9% to 3.3p
- 94% of current year and 57% of 2009/10 forecast revenue secured

Ruby McGregor-Smith, Chief Executive of MITIE Group PLC, commented:

"MITIE has delivered another set of strong results and has extended its track record of growth. We have a strong balance sheet, are highly cash generative and have low gearing. This will enable us to continue to take advantage of value creating opportunities and to grow our business in the future.

The current unparalleled uncertainty within the economy has an impact on all businesses, but our key markets remain attractive as customers develop their risk management and operational strategies and consider new ways of outsourcing that can provide them with the environmental and cost benefits that legislative, economic and cultural drivers are demanding."

David Revis, Investor Relations Manager

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MITIE will be presenting its half-yearly results for the period ending 30 September 2008, starting at 0930hrs on Monday 24 November 2008 at UBS Investment Bank, Seventh Floor, 1 Finsbury Avenue, London, EC2M 2PP.

A live webcast of MITIE's results presentation will be available online at www.mitie.co.uk. A copy of the slides will be available to download from the webcast interface as well as from the MITIE website later in the day.

High resolution images are available for the media to download free of charge from www.vismedia.co.uk.

About MITIE

We're the strategic outsourcing and asset management company

What does that mean? Providing everything from strategic consultancy, to facilities and project management, to world-class delivery on the ground.

We work with our clients in three ways:

- Strategy and consultancy;
- Facilities and project management; and
- Service delivery.

In other words, we **think**, we **manage**, and we **deliver**.

Think: strategy and consultancy

Our experience provides extraordinary insights into every aspect of asset and infrastructure management, which our consultancy service applies to create clever, forward-thinking strategies that will keep clients ahead of the game.

Carbon management, sustainability, energy, cost reduction, risk, change management and shared services are just some of the areas where we can help give real competitive edge.

Manage: facilities and project management

If there's one thing we're great at – it's managing, whether that's people or resources, time or money.

Practical expertise, wide public and private sector experience, and outstanding risk management means that we can plan, organise, and run an entire project or property portfolio, leaving customers free to focus on managing their core business.

Our integrated approach also means our focus is on what clients really need. That means lower costs, joined-up thinking, and excellent levels of service, every time.

Deliver: service delivery

When it comes to buildings, and anything that's in or around them, we are experts – doing everything from installing equipment, to fabric maintenance, to front and back of house services.

Put simply, we make buildings, and their facilities, smarter, greener, safer, and better run.

Overview of performance

MITIE has a 21-year track record of profitable growth and our resilient business model positions us well to ensure that we succeed in the current economic conditions. Our business is underpinned by a large number of long-term contracts, and no single customer accounts for more than 5% of our revenues. This well diversified customer base, with a good balance between the public (40%) and the private (60%) sectors, and our broad service portfolio, provides great stability. In addition, we have a low market share of less than 5% in our overall market and this presents us with significant growth opportunities.

MITIE has evolved throughout its history and is still changing to meet the strategic and service delivery demands of our clients. Our structure allows us to respond rapidly to movements in the market, making sure that we always provide the tailored services that are required by our clients.

Over the past year we have made investments in our facilities management and energy teams, both areas that have significant opportunities for growth. These teams have been recruited with the specific skills and proven track record to create, manage and deliver consulting led solutions to tackle our clients' asset and infrastructure challenges. Our client offering is unique because we support our consultancy and strategic advice with robust project and facilities management and a complete service delivery capability.

Our balance sheet strength also provides us with opportunities to work in partnership with our clients to create financial solutions that provide benefits for our clients, and generate longer term contracts covering a broad range of services for MITIE.

These exciting developments will contribute to our sustainable growth by securing long-term contracts that increase earnings visibility and add to our order book.

MITIE's well diversified resilient business model, together with our passionate and dedicated people, sets us apart and will provide us with the stability we need to develop our ambitious plans to grow both organically and through acquisition.

Financial performance

MITIE, the strategic outsourcing and asset management company, has made good progress in the six months to 30 September 2008. We have seen strong growth across the business with revenue increasing by 11.5% to £760.7m (2007: £682.1m) and organic growth at 10.0% (2007: 12.5%). Work won in the period has added to our order book and a very pleasing 94% (2007: 94%) of our forecast revenue for the year is now secured.

Operating profit before amortisation rose by 12.2% to £38.6m (2007: £34.4m), all of which was organic. Profit before tax was up by 12.4% to £36.2m (2007: £32.2m), and our basic earnings per share before other items (non-cash charges associated with acquisitions, being the amortisation of intangible assets and non-cash finance charges) grew by 16.9% to 8.3p (2007: 7.1p). Operating profit margins were maintained at 5.1% (2007: 5.1%), within our target margin range of 5.0 - 6.0%.

The Board has declared an interim dividend of 3.3p per share (2007: 2.8p) which represents an increase of 17.9% from last year. This dividend will be paid on 5 February 2009 to shareholders on the register on 9 January 2009.

Balance sheet

MITIE is supported by a strong balance sheet with low gearing, well priced committed funding lines to January 2012 which are largely unutilised and well funded pension scheme obligations. Net debt before loan notes and finance leases at 30 September 2008 was £4.6m (2007: £8.5m), whilst total net debt stood at £12.6m (2007: £23.5m).

We have a strong focus on cash and low levels of capital expenditure. We focus on the management of our working capital and cash flow using a rolling 12 month measure of the conversion of earnings before interest, tax, depreciation and amortisation to cash (cash conversion) as an indicator of the efficiency of our cash management activities. In the 12 month period to 30 September 2008, our rate of cash conversion was strong at 100.2% (2007: 100.4%). Over the six month period to 30 September 2008, cash conversion was 85.2% (2007: 62.0%).

Our balance sheet gives us particular strength and strategic flexibility in the current market and our access to funds leaves us well placed to take advantage of value creating acquisition opportunities should they arise.

Key performance indicators

We monitor our business performance by employing a range of key performance indicators (KPIs) that we use to ensure that our focus remains on sustainable, profitable growth.

We have summarised our half-yearly financial performance in the context of our financial KPIs in the table below:

	Target	2008	2007
EBITA margin	5.0 - 6.0%	5.1%	5.1%
Cash conversion	Convert over 90.0% of Group EBITDA to cash	100.2%	100.4%
Capital expenditure	Maintain below 2.0% of revenue	1.1%	1.3%
Dividend growth	Maintain in line with underlying earnings at 2.5 times cover	17.9%	16.7%

EBITA margin - Our earnings before interest, tax and amortisation (EBITA) margin provides us with a good indicator of the profitability of our business. MITIE's EBITA margin for the first half of the year has been maintained at 5.1% (2007: 5.1%), reflecting stability in our underlying profitability. Operating profit margins before amortisation in Facilities Services were 5.5% (2007: 5.9%), in Property Services were 5.9% (2007: 5.3%) and in Engineering Services were 2.9% (2007: 2.8%).

Cash conversion - The efficiency with which we manage the conversion of earnings before interest, tax, depreciation and amortisation (EBITDA) to cash is an important indicator for our business. MITIE is built on a sound understanding of the importance of cash and working capital management. That ethos remains critical to our business and is particularly important in the current climate where our ability to manage our working capital, credit exposures and access to funds becomes increasingly important. The periodic cash flow within MITIE fluctuates and we monitor average annualised rates of the conversion of profits to cash. In the 12 months to 30 September 2008, our cash conversion remained strong and we converted 100.2% (2007: 100.4%) of our EBITDA to cash. Cash conversion for the six months to 30 September 2008 was 85.2% (2007: 62.0%).

Capital expenditure - Our strength lies in the management of people and in the provision of suitable assets to support their work, but our business is not capital intensive. We monitor and control capital expenditure, and target growth and acquisitions in areas that do not require substantial capital investment. We have met our target of keeping our capital expenditure below 2.0% of revenue with capital expenditure levels at 1.1% (2007: 1.3%) of revenue during the first half of the year.

Dividend growth - It is important that we target a progressive dividend policy that provides an appropriate return to shareholders and grows in line with the underlying earnings of the Group. Dividend cover is calculated by reference to our underlying, cash-based earnings which we measure using our basic EPS before amortisation of intangibles, imputed interest charges relating to acquisitions and material non-recurring charges.

Our dividend policy is to maintain dividend growth at least in line with the underlying profit growth of the business after adjusting for amortisation and at a cover ratio of 2.5 times adjusted earnings. The Board has declared an interim dividend of 3.3p per share (2007: 2.8p) which represents an increase of 17.9% compared to the prior period interim dividend and is in line with our target cover ratio.

Market conditions and strategic opportunities

We believe that current economic conditions represent an opportunity for MITIE in terms of our ability to contribute to the changing agendas and challenges experienced by our clients, but recognise, and are actively managing, the pressures that uncertain times may present for our own business.

Our Facilities Services business has a focus on the provision of core services to our clients and their estates. Over the last six months, we have seen changing activity in our existing and potential client base, with customers increasingly outsourcing services to help reduce their costs and exposure to risk. Our ability to work together with clients through multi-service, facilities management (FM) and through-life asset management contracts, consolidating their supply chains and internal management structures, helps them create savings and efficiencies. It's a trend we expect to continue, with commercial pressures making MITIE an attractive partner, particularly for some of our larger clients.

We see significant potential in the FM market. Contract penetration remains low and there is a limited number of service providers with the scale and capability of MITIE that are able to deliver full scope FM contracts. In order to take full advantage of the opportunities within this market area, we have invested in our FM capabilities, reshaping the business to provide enhanced strategic leadership that will complement our proven service delivery capability in this area.

We are also pursuing long-term partnership and framework opportunities in our Property and Engineering Services divisions, reducing dependency on one-off work and increasing the visibility of our earnings through the development of our order book. This strategy is supporting both divisions well. In Property Services, whilst work in the new-build housing market has slowed, we have experienced strong growth in social housing and other areas of that business and have a healthy order book with high quality clients.

In our Engineering Services division, we are seeing an increased convergence of client decisions relating to the through-life management of their assets and estates. This new style of working, driven by a desire for carbon and cost efficiency, is supporting the move towards longer term contracts. These new arrangements comprise the provision of technical assets through Engineering Services, supported by longer term maintenance arrangements through our Engineering Maintenance business. This trend represents a significant opportunity for MITIE and we are seeing more collaboration between these two areas of our business as a result.

The current economic and environmental climate is putting increasing pressure on businesses to maximise their energy efficiency, whilst minimising their carbon footprint. Everyone, from end users to property investment managers, is looking to address their environmental performance and energy usage and we have positioned our business to take advantage of these changing requirements with a new energy-focused business. MITIE Energy provides a national end-to-end offering, ranging from environmental and energy consultancy to the installation and management of energy efficient assets, lending an innovative and strategic approach that is tailored to each client's objectives.

Segmental review

We are organised into three operating divisions supported by a central team. Our three divisions of Facilities, Property and Engineering Services are structured to mirror the way that the majority of customers buy their services. However, there is a growing convergence between the divisions and our teams are increasingly working together as customers begin to procure more strategically, increasing the size, scope and effectiveness of their outsourcing contracts. With our unrivalled range of expertise, we are able to offer customers a comprehensive range of integrated outsourcing and asset management services working with our clients in three different ways:

- thinking - strategy and consultancy;
- managing - facilities and project management; and
- delivering - service delivery.

The way that we work is tailored to meet the individual needs of our clients. Across our divisions, we provide our comprehensive range of services through the structures of single, multi-service and facilities management (FM) contracts.

The first half of the year has seen our teams secure new work which has added to our order book and means that 94% of our forecast revenue for the year is now secured.

The performance highlights of each of our divisions are set out below:

Facilities Services

	2008	2007	
	£m	£m	%
Revenue	452.5	381.4	18.6
EBITA	24.9	22.5	10.7
Margin	5.5%	5.9%	(0.4)pps

Our Facilities Services division delivers facilities consultancy, management and service expertise to our customers.

In the first six months of the year, revenue in our Facilities Services division grew by 18.6% to £452.5m (2007: £381.4m). Profit before interest, tax and amortisation was up by 10.7% to £24.9m (2007: £22.5m) with operating profit margins before amortisation at 5.5% (2007: 5.9%), reflecting an increased investment in our FM business development capability. Organic revenue growth was 17.1% and the integration of the Catering Partnership business, which was acquired in March 2008, was successfully initiated in the period.

As outlined in our Annual Report, we recognise five business lines within Facilities Services: Cleaning and Environmental Services which encompasses our cleaning, landscaping and pest control businesses with revenue for the period of £143.7m (2007: £126.2m); Facilities Management which comprises our managed services, business services and PFI businesses which had revenue of £78.5m (2007: £62.1m); Security with revenue of £130.8m (2007: £130.4m); Engineering Maintenance with revenue of £82.5m (2007: £52.9m); and Catering with revenue of £17.0m (2007: £9.8m).

As our businesses work together, and we are seeing further development of our multi-service and FM offerings, the boundaries between our business lines are becoming increasingly blurred. As the result of this, we will not be publishing the revenue attributable to each individual service line in the future.

Our market place is still experiencing consolidation with some large blue chip corporate and government bodies looking to rationalise their supplier base but not wanting to move to a full FM solution. One of MITIE's greatest strengths is our ability to add additional service lines to existing contracts as we prove our commitment and passion in delivering a world-class service through multi-service contracts. Two examples of this in the first half of the year are in our relationships with Standard Life and BAA.

Within the **finance and professional sector**, we have been steadily extending the scope of our relationship with Standard Life plc. MITIE was already working with Standard Life, providing them with engineering and interior fit-out services on several of their new developments around the country. In turn, this led to MITIE

securing a three-year cleaning contract last year. In June 2008, we developed our relationship by securing our largest ever catering contract to provide Standard Life with staff restaurants, café bars, delis, retail shops, hospitality and fine dining in a three-year contract. This success has been built on the back of expanding the scale and capability of our catering business through the acquisition of Catering Partnership in March 2008 which now allows MITIE to bid competitively for significantly larger catering contracts.

We have been pleased to see the successful development of our relationship with BAA in the first half of the year. Within the **transport sector**, our specialist transport cleaning business has expanded the scope and scale of our work throughout BAA's estate. At Heathrow, we have added to our cleaning, waste management, pest control and passive fire protection services in Terminal 5 by securing a cleaning contract at Terminal 1 and Passengers with Restricted Mobility (PRM) contracts at Terminals 1, 2 and 4. At Gatwick, we have secured a cleaning contract for the North and South terminals, whilst at Stansted we have been awarded a new contract for PRM services. This brings the total amount of services provided to BAA to an annualised value in excess of £29m. Building on our success within the BAA estate, we have also secured a new cleaning contract at Glasgow Prestwick airport.

In other areas of the transport sector, we have secured a five-year contract with FirstGroup valued at £26.0m over five years to provide support services to their bus division. MITIE will be cleaning, moving and refuelling all of FirstGroup's buses as well as cleaning their premises and workshops in the London and Berkshire areas.

Within the **government sector**, we are the largest provider of facilities management services to PFI schools in the UK and our success continues after having recently signed a 31-year contract to deliver total facilities management to three new PFI schools in Kent. MITIE will be working for Land Securities Trillium who is leading a consortium of partners in a £600m deal to completely rebuild or substantially refurbish the first ten secondary schools in Kent's extensive BSF programme. This initial contract award for MITIE is valued in excess of £40m, and, with a further eight PFI schemes likely to be added to the contract, it is expected that the overall contract value will increase substantially over the term. MITIE has the exclusive rights to deliver facilities management to the schools, which will include the overall management and helpdesk, engineering and building fabric maintenance, security and all soft services comprising caretaking, cleaning, catering and grounds maintenance. This is the first award as part of a substantial bidding programme for MITIE within the BSF market. MITIE is currently selected bidder on Newham Building Schools for the Future programme and is short listed for a further two similar contracts.

In the **science and technology sector**, we have secured a new integrated FM contract with Syngenta, a world-leading agribusiness, following a tender process which aimed to consolidate their supply chain and improve the management of their international research centre estate near Bracknell. The three-year contract includes maintenance, helpdesk, cleaning, landscaping, waste, mailroom and reprographics services.

In the **retail sector**, we secured a new FM contract with Hallmark Cards valued at £3.6m over three years where we will provide an integrated service package consisting of catering, hospitality, vending, cleaning, office and postal services as well as FM support.

In the **healthcare sector**, we have retained our cleaning contract with Hull and East Yorkshire NHS Trust, one of the largest NHS trusts in the country, for a further two years. We have also expanded our relationship with Great Ormond Street Hospital, adding to the cleaning service that MITIE already delivers, by securing a contract to provide a new café and event services within the hospital's roof garden, bringing the total annual value of the multi-service contract to more than £3.9m per annum.

Property Services

	2008	2007	
	£m	£m	%
Revenue	160.6	141.7	13.3
EBITA	9.4	7.5	25.3
Margin	5.9%	5.3%	0.6pps

Our Property Services division provides property maintenance and project management services including a complete range of repair, refurbishment, redecoration and fit-out expertise for both the private and public sector with a focus on social housing.

The first half of the year saw Property Services' revenue grow by 13.3% to £160.6m (2007: £141.7m) while profit before interest, tax and amortisation was up by 25.3% to £9.4m (2007: £7.5m). Operating profit margins before amortisation strengthened to 5.9% (2007: 5.3%) as the result of a change in business mix during the period. Organic revenue growth was 10.2% and the integration of the DW Tilley roofing business, which was acquired in March 2008, was successfully initiated in the period.

Our work within the social housing and government sector is a large focus within the division as we now offer a complete property management service, being able to plan, manage, fit-out, maintain and refurbish.

In the **government sector**, we secured a £9.0m, three-year contract with Walsall Council to deliver all day-to-day and emergency repairs as well as planned maintenance to civic buildings across the borough. The contract will involve working at about 800 properties in Walsall including schools, leisure centres, libraries, museums and other council-owned buildings, and will see us engaging the local supply chain from the outset.

In the **social housing sector**, we successfully achieved a contract extension from Thurrock Council to paint an additional 2,600 properties in Essex as well as a five-year Decent Homes contract with Bracknell Forest Homes which has a total value of £17.5m. This newly-formed not-for-profit housing association manages 5,600 of the local council's properties and the contract will involve us fitting new kitchens and bathrooms in half of these homes as well as carrying out electrical work.

Other successes in the sector include: a five-year painting contract with Gloucester City Homes valued at £3.0m, which will involve painting the outside of all 4,700 of the organisation's homes as well as communal areas in a number of buildings; and a framework contract to deliver Decent Homes works to Liverpool Mutual Homes where MITIE is one of eight partners who will be allowed to bid for £350m of improvement works over the next four years.

We have also entered into a five-year, £12.5m Decent Homes agreement with Knightstone Housing Association. We will be replacing kitchens, bathrooms, windows, doors and central heating in approximately 3,000 Knightstone homes across the South and West of England.

Following the success of our interior fit-out project for Scottish Widows Investment Partnership at 22 Hanover Square in the **finance and professional sector**, where we were awarded both an Association of Interior Specialists (AIS) award for quality and a Westminster Considerate Contractors award, we have secured a further £2.0m refurbishment project at 24 Hanover Square for the same client. We are upgrading the building's infrastructure and refurbishing all seven floors of the building, which involves installing new power, data and a variable refrigerant flow (VRF) heating and cooling system, updating the core areas with new lavatories and installing a new lift as well as carrying out decoration and floor finishes throughout. All these works are being carefully undertaken under the watchful eye of the local heritage team to ensure that the building's unique character is maintained.

We have had a strong six months in our interior fit-out business which included securing a £3.0m interior fit-out contract with FirstRand Bank, which will see us fitting out their newly-consolidated London office. This will involve transforming 27,000 sq ft of the building, which includes creating a new client reception area, as well as fitting out meeting, conference and break-out areas, and forming a high-end dealing area.

Engineering Services

	2008	2007	
	£m	£m	%
Revenue	147.6	159.0	(7.2)
EBITA	4.3	4.4	(2.3)
Margin	2.9%	2.8%	0.1pps

Our Engineering Services division provides energy, technology and infrastructure, and building services mechanical and electrical engineering expertise to a wide range of customers around the UK.

As expected, revenue in the first half of the year fell to £147.6m, a reduction of 7.2% over the prior year first half performance of £159.0m, resulting from changes in the phasing of project work year on year. Profit before interest, tax and amortisation was £4.3m (2007: £4.4m) and operating profit margins before amortisation improved marginally to 2.9% (2007: 2.8%) as the business continued its transition to longer term framework contracts and enhanced its focus on energy, technology and infrastructure.

We have had a successful start to the year in the **healthcare sector** and have just won further work as principal contractor at Great Ormond Street Hospital (GOSH) as part of the ongoing £300m hospital re-development programme. Our project, to replace chillers and associated pipe work builds on the relationship that we have with GOSH, has a value of £2.4m and is the fifth engineering project secured by MITIE at the hospital. We have also secured two exciting projects with a combined value of £2.8m at Guy's and St Thomas' Hospitals in London. These contracts require us to update and improve energy provision efficiency at both hospitals by replacing existing systems with combined heat & power (CHP) units.

In the **government sector**, we are working in partnership with GB Building Solutions under the Advantage consortium on their new-build £65m Extra Care Home PFI project with Cheshire County Council. The £11.0m contract includes the design, supply and installation of mechanical, electrical, public health, security and life-safety systems and features work on communal facilities such as a hairdresser, gymnasium, shops and restaurants. The scheme will achieve a 'Very Good' Building Research Establishment Environmental Assessment Method (BREEAM) rating.

Building on our success in the **science and technology sector**, we have secured a project with Digital Realty Trust (DRT), a world-leader in the provision of data centre space. The contract is to fit-out and install a new data centre, including all fabric and engineering works. This state of the art data centre, based in High Wycombe, will be a key data centre in DRT's UK portfolio. With a value of approximately £10m, the project covers 2,000 m² of technical space and is supported by the highest levels of resilience on all power and cooling systems. The facility will be provided by DRT to clients within the data storage and financial services industry.

We have successfully demonstrated our expertise in the management of energy with EDF in the **utilities sector**. MITIE has established a strategic partnership with EDF Energy, one of the UK's largest energy companies, to undertake the installation of renewable technologies in the household market. We will be working with EDF on the installation and development of renewable energy solutions to help their five million customers make their homes more energy efficient and more affordable to heat under the Government-set Carbon Emission Reduction Target (CERT) funding scheme.

Our partnership with leading wind turbine designers quietrevolution continues to develop, with an order pipeline of 60 wind turbines and installations now taking place on a weekly basis. We have also recently installed a 6kw Proven Energy wind turbine for River Cottage, champions of the local, seasonal food philosophy, in Devon. This installation will produce circa 13,000 kWh of clean renewable energy on an annual basis to the River Cottage HQ that will be both utilised on site and exported to the grid reducing both the electricity bills and carbon footprint of this company.

Acquisitions

Although we have not made any external acquisitions in the first half of the year, we continue to seek the right acquisition targets to add value to MITIE. Our strong cash flow and access to committed banking facilities gives us significant financial flexibility to take advantage of any acquisition opportunities that may arise.

In August, we acquired the minority shareholdings of seven of our subsidiary companies: MITIE Catering Services Limited; MITIE Interiors Limited; MITIE Managed Services (South-West & Wales) Limited; MITIE McCartney Fire Protection Limited; MITIE Property Services (Eastern) Limited; MITIE Services (Retail) Limited and MITIE Technology & Infrastructure Limited.

The total maximum consideration for all seven purchases amounted to £13.3m, being satisfied as to £0.9m in cash and £10.0m by the issue of 4.6m new ordinary shares of 2.5p each in MITIE, valued at 218.75p per share, being the closing market price per MITIE share on 14 August 2008. The new MITIE shares were issued on 28 August 2008. The balance of £2.4m of the consideration is deferred and will be paid in new MITIE shares by 30 September 2010 subject to the attainment of specified profit targets by the relevant companies in the financial years to 31 March 2010.

We also purchased certain minority shareholdings of three MITIE subsidiary companies for cash consideration: MITIE Document Solutions Limited, MITIE Air Conditioning (Midlands) Limited and MITIE Air Conditioning (London) Limited.

In addition, we settled deferred consideration totalling £0.5m in respect of the acquisition last year of part of the minority shareholdings in MITIE Technology & Infrastructure Limited which was satisfied by the issue of 0.2m new MITIE shares.

People + passion

MITIE's people are our most important assets and our ability to attract and retain the best people in our industry is key to us. We continue to provide equity opportunities and a range of other innovative incentivisation methods along with a comprehensive range of specialist training to ensure that we have the most passionate, motivated and skilled workforce in the sector.

In September, we announced the first winner of our inaugural MITIE Stars award competition. This competition is the demonstration of our commitment to recognise and reward the excellence of our employees and the development of our incentivisation methods which support our objective to attract and retain the best and most passionate people in the sector.

Board Changes

As announced on 19 May 2008, several changes to our Board became effective from the conclusion of the Annual General Meeting that took place on 31 July 2008:

- David Ord retired as Chairman and as a Director;
- Cullum McAlpine retired as a Director, Senior Independent Non-Executive Director and Chairman of the Audit Committee;
- Roger Matthews was appointed as Chairman of the Group and as Chairman of the Nomination Committee; and
- David Jenkins was appointed as Chairman of the Audit Committee and as Senior Independent Non-Executive Director and stepped down as the Chairman of the Nomination Committee.

Statement of principal risks and uncertainties

We have an established risk management and corporate governance framework for identifying, evaluating and managing significant risks faced by MITIE. We recognise that risks and uncertainties offer the potential for both upside and downside changes within our business and therefore employ internal and external specialists to manage and assess our risk profile, and regularly review our system of internal control to ensure that risks are appropriately identified and addressed.

We recognise the impact that current economic conditions may have on MITIE, our markets and our clients and are actively managing the resultant upside and downside risks that these present.

Our principal risks and uncertainties for the second six months of the financial year remain the same as detailed on pages 46 and 47 in MITIE's 2008 Annual Report, a copy of which is available on our website at www.mitie.co.uk. We have summarised and updated the risks as appropriate below:

Health, safety and environment – The range of activities that we undertake carries with it a broad spectrum of health, safety and environmental risks with the potential to impact a number of stakeholder groups including our employees, the public and our clients. The health and safety of our employees and supply chain at work is of the utmost importance for the Group.

New business – As our business develops, we will increasingly tender for larger and more complex contracts creating new or larger scale risks as well as the opportunity for enhanced returns. We are conscious of the risk profile, including credit risk and the management of subcontractors, which attaches to the new work we undertake and assess this as part of our contract acceptance and day-to-day management activities.

Loss of major contracts – MITIE has a number of major contracts which although not individually material by value to the Group are important in supporting our future growth. We adopt a key account management strategy for these contracts which includes, where appropriate, Director-level client relationships, and we monitor closely key client relations, helping to reduce the risk of losing any of these contracts. We have an active policy of monitoring and managing our exposure to our major clients.

Reputational risk – MITIE operates in business sectors that present the risk of reputational damage through operational failings. MITIE addresses this risk through the use of robust and well established operational procedures to ensure compliance with regulatory and legal requirements and with contractual obligations.

Liquidity and credit risk – Maintaining sufficient liquidity is essential for ensuring that we can meet our strategic targets and manage our day-to-day commitments. We have low gearing, with net debt at 30 September 2008 of £12.6m, strong conversion of operating profit to cash and access to long-term, committed banking facilities of £230m which are renewable in January 2012, and further overdraft facilities of £40m. At 30 September 2008, £245m of our combined committed banking and overdraft facilities were unutilised. In addition, we actively review our exposure to credit risk and counter party risk, and have sourced our committed facilities equally from HSBC, Barclays, Lloyds TSB and Royal Bank of Scotland.

Acquisitions – We continue to seek acquisitions that complement our existing business and acknowledge the risks surrounding the appropriate assessment and pricing of potential acquisitions and around the integration of any acquired business.

Infrastructure and systems – MITIE is dependent upon the successful implementation and ongoing operation of information technology infrastructure and related systems. MITIE's infrastructure is regularly reviewed by the Board to ensure it is appropriate to the operations performed and that it enables employees to deliver services to its clients successfully. In our Annual Report, we reported on our ongoing investment in a new SAP based finance and HR system that is being implemented in phases across MITIE to improve further our IT infrastructure and management information. We are pleased to report that the phased rollout of our new system began on time and on budget in August, with our facilities management business being the first part of MITIE to benefit from the improved functionality of this new integrated system.

Employee skills shortages – MITIE is a people business and our success relies on our ability to recruit and retain the best talent throughout the organisation.

Pensions – The responsible management of pension risk is critical for our business; for the maintenance of our balance sheet and for the successful bidding of new work. We manage our exposure to pension scheme liabilities through the use of specialist in-house and external advisers and through established procedures to ensure compliance with current regulations. At 30 September 2008, we had a net pension scheme surplus in respect of our defined benefit pension obligations of £1.7m.

Outlook

MITIE has delivered another set of strong results and has extended its track record of growth. We have a strong balance sheet, are highly cash generative and have low gearing. This will enable us to continue to take advantage of value creating opportunities and to grow our business in the future.

The current unparalleled uncertainty within the economy has an impact on all businesses, but our key markets remain attractive as customers develop their risk management and operational strategies and consider new ways of outsourcing that can provide them with the environmental and cost benefits that legislative, economic and cultural drivers are demanding.

Statement of Directors' responsibilities

The Directors of MITIE Group PLC confirm that, to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair view of the information required by rules 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules. The names and functions of the Directors of MITIE Group PLC are as listed in the Group's Annual Report for 2008 (available on the Group's website www.mitie.co.uk and as described above) with the exception of David Ord and Cullum McAlpine who retired from the Board on 31 July 2008.

By order of the Board

Ruby McGregor-Smith

Chief Executive

MITIE Group PLC

24 November 2008

Condensed consolidated income statement

For the six months to 30 September 2008

	Notes	30 September 2008 (unaudited)			30 September 2007 (unaudited)		
		Before other items* £m	Other items* £m	Total £m	Before other items* £m	Other items* £m	Total £m
Continuing operations							
Revenue	2	760.7	–	760.7	682.1	–	682.1
Cost of sales		(624.4)	–	(624.4)	(557.3)	–	(557.3)
Gross profit		136.3	–	136.3	124.8	–	124.8
Other administrative expenses		(97.7)	–	(97.7)	(90.4)	–	(90.4)
Amortisation of intangible assets		–	(1.0)	(1.0)	–	(0.9)	(0.9)
Total administrative expenses		(97.7)	(1.0)	(98.7)	(90.4)	(0.9)	(91.3)
Operating profit	2	38.6	(1.0)	37.6	34.4	(0.9)	33.5
Investment revenue		0.5	–	0.5	0.7	–	0.7
Other finance costs		(1.5)	–	(1.5)	(1.6)	–	(1.6)
Unwinding of discount on deferred contingent consideration		–	(0.4)	(0.4)	–	(0.4)	(0.4)
Total finance costs		(1.5)	(0.4)	(1.9)	(1.6)	(0.4)	(2.0)
Profit before tax		37.6	(1.4)	36.2	33.5	(1.3)	32.2
Tax	4	(10.6)	0.3	(10.3)	(10.1)	0.3	(9.8)
Profit for the period		27.0	(1.1)	25.9	23.4	(1.0)	22.4
Attributable to:							
Equity holders of the parent		26.1	(1.1)	25.0	22.2	(1.0)	21.2
Minority interests		0.9	–	0.9	1.2	–	1.2
		27.0	(1.1)	25.9	23.4	(1.0)	22.4
Earnings per share (EPS)							
– basic	5	8.3p	(0.4)p	7.9p	7.1p	(0.3)p	6.8p
– diluted	5	8.1p	(0.3)p	7.8p	7.0p	(0.3)p	6.7p

* Other items are non-cash acquisition related items, being amortisation of intangible assets and unwinding of discount on deferred contingent consideration. Comparatives for the six months to 30 September 2007 have been re-presented accordingly.

	31 March 2008 (audited)			
	Notes	Before other items* £m	Other items* £m	Total £m
Continuing operations				
Revenue	2	1,407.2	–	1,407.2
Cost of sales		(1,145.2)	–	(1,145.2)
Gross profit		262.0	–	262.0
Other administrative expenses		(189.8)	–	(189.8)
Amortisation of intangible assets		–	(1.9)	(1.9)
Total administrative expenses		(189.8)	(1.9)	(191.7)
Operating profit	2	72.2	(1.9)	70.3
Investment revenue		1.2	–	1.2
Other finance costs		(2.8)	–	(2.8)
Unwinding of discount on deferred contingent consideration		–	(0.8)	(0.8)
Total finance costs		(2.8)	(0.8)	(3.6)
Profit before tax		70.6	(2.7)	67.9
Tax	4	(21.4)	0.8	(20.6)
Profit for the year		49.2	(1.9)	47.3
Attributable to:				
Equity holders of the parent		46.9	(1.9)	45.0
Minority interests		2.3	–	2.3
		49.2	(1.9)	47.3
Earnings per share (EPS)				
– basic	5	14.9p	(0.6)p	14.3p
– diluted	5	14.7p	(0.6)p	14.1p

* Other items are non-cash acquisition related items, being amortisation of intangible assets and unwinding of discount on deferred contingent consideration.

Condensed consolidated statement of recognised income and expense

For the six months to 30 September 2008

	30 September		Year to 31 March 2008 (audited) £m
	2008 (unaudited) £m	2007 (unaudited) £m	
Actuarial (losses)/gains on defined benefit pension schemes	(7.3)	–	6.8
Tax credit/(charge) on actuarial movement taken directly to equity	2.0	–	(2.0)
Net (expense)/income on defined benefit pension schemes recognised directly in equity	(5.3)	–	4.8
Profit for the period	25.9	22.4	47.3
Total recognised income and expense for the financial period	20.6	22.4	52.1
Attributable to:			
Equity holders of the parent	19.7	21.2	49.8
Minority interests	0.9	1.2	2.3

Condensed consolidated balance sheet

At 30 September 2008

	Notes	30 September		31 March
		2008 (unaudited) £m	2007 (unaudited) £m	2008 (audited) £m
Non-current assets				
Goodwill		204.5	179.8	203.3
Other intangible assets		21.7	14.4	16.9
Property, plant and equipment		44.3	41.8	45.2
Deferred tax assets		6.0	7.0	6.6
Retirement benefit surplus		4.2	2.1	9.9
Total non-current assets		280.7	245.1	281.9
Current assets				
Inventories		3.9	10.8	2.4
Trade and other receivables		313.5	309.3	314.4
Cash and cash equivalents		20.4	13.2	42.6
Total current assets		337.8	333.3	359.4
Total assets		618.5	578.4	641.3
Current liabilities				
Trade and other payables		(282.6)	(279.7)	(289.6)
Financing liabilities		(31.0)	(33.2)	(54.5)
Provisions		(3.3)	(1.1)	(2.0)
Current tax liabilities		(12.2)	(10.1)	(10.7)
Total current liabilities		(329.1)	(324.1)	(356.8)
Net current assets		8.7	9.2	2.6
Non-current liabilities				
Financing liabilities		(2.0)	(3.5)	(3.7)
Provisions		(21.1)	(25.7)	(27.2)
Retirement benefit obligation		(2.5)	(0.4)	(2.4)
Deferred tax liabilities		(4.1)	(3.9)	(6.2)
Total non-current liabilities		(29.7)	(33.5)	(39.5)
Total liabilities		(358.8)	(357.6)	(396.3)
Net assets	2	259.7	220.8	245.0
Equity				
Share capital	10	8.0	7.9	7.9
Share premium account	9	23.0	17.5	19.0
Merger reserve		67.2	60.4	60.4
Share-based payments reserve		3.4	2.1	2.9
Own shares reserve		(5.2)	(2.0)	(2.0)
Other reserves		0.2	0.2	0.2
Retained earnings		153.2	124.0	143.7
Equity attributable to equity holders of the parent		249.8	210.1	232.1
Minority interests		9.9	10.7	12.9
Total equity		259.7	220.8	245.0

Condensed consolidated cash flow statement

For the six months to 30 September 2008

	Notes	30 September		31 March
		2008 (unaudited) £m	2007 (unaudited) £m	2008 (audited) £m
Net cash from operating activities	6	29.0	16.4	58.1
Investing activities				
Interest received		0.6	0.7	1.1
Purchase of property, plant and equipment		(7.6)	(7.4)	(17.8)
Purchase of subsidiary undertakings		(1.3)	(11.7)	(26.9)
Purchase of other intangible assets		(5.7)	(3.6)	(6.6)
Disposals of property, plant and equipment		1.5	2.9	4.6
Net cash outflow from investing activities		(12.5)	(19.1)	(45.6)
Financing activities				
Repayments of obligations under finance leases		(0.7)	(0.6)	(1.4)
Proceeds on issue of share capital		0.5	0.8	3.5
Repayments of loan notes on purchase of subsidiary undertakings		–	(1.0)	(8.0)
Bank loans (repaid)/raised		(25.0)	–	30.0
Purchase of own shares		(3.2)	(2.0)	(2.0)
Equity dividends paid		(10.1)	(8.4)	(17.3)
Minority dividends paid		(0.2)	(0.2)	(0.3)
Net cash (outflow)/inflow from financing		(38.7)	(11.4)	4.5
Net (decrease)/increase in cash and cash equivalents		(22.2)	(14.1)	17.0
Net cash and cash equivalents at beginning of the period		42.6	25.6	25.6
Net cash and cash equivalents at end of the period		20.4	11.5	42.6
Net cash and cash equivalents comprise:				
Cash at bank		20.4	13.2	42.6
Overdraft		–	(1.7)	–
		20.4	11.5	42.6

	Notes	30 September		31 March
		2008 (unaudited) £m	2007 (unaudited) £m	2008 (audited) £m
Reconciliation of net cash flow to movement in net debt				
Net (decrease)/increase in cash and cash equivalents		(22.2)	(14.1)	17.0
Bank loans repaid/(raised)		25.0	–	(30.0)
Repayments of loan notes on purchase of subsidiary undertakings		–	1.0	8.0
Issue of loan notes on acquisition of subsidiary undertakings		–	(1.6)	(1.6)
Decrease/(increase) in finance leases		0.2	(0.7)	(0.9)
Decrease/(increase) in net debt during the period		3.0	(15.4)	(7.5)
Opening net debt		(15.6)	(8.1)	(8.1)
Closing net debt	8	(12.6)	(23.5)	(15.6)

Notes to the condensed consolidated financial statements

At 30 September 2008

1. Basis of preparation

The condensed financial statements for the six months to 30 September 2008 have been prepared on the basis of the accounting policies set out in the Group's latest annual financial statements for the year ended 31 March 2008. These accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted for use in the European Union. The condensed financial statements for the six months to 30 September 2008 have been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The condensed consolidated financial statements are unaudited and have not been subject to review. They do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual financial statements as at 31 March 2008.

The financial information presented for the year ended 31 March 2008 does not represent full statutory accounts within the meaning of Section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

2. Segmental analysis

	Six months to 30 September 2008				Six months to 30 September 2007			
	Revenue £m	Profit before interest, tax and amortisation £m	Margin %	Profit before tax £m	Revenue £m	Profit before interest, tax and amortisation £m	Margin %	Profit before tax £m
Facilities Services	452.5	24.9	5.5	22.4	381.4	22.5	5.9	20.3
Property Services	160.6	9.4	5.9	9.5	141.7	7.5	5.3	7.1
Engineering Services	147.6	4.3	2.9	4.3	159.0	4.4	2.8	4.8
Total	760.7	38.6	5.1	36.2	682.1	34.4	5.1	32.2

	Year to 31 March 2008			
	Revenue £m	Profit before interest, tax and amortisation £m	Margin %	Profit before tax £m
Facilities Services	820.4	48.9	6.0	44.6
Property Services	285.7	15.0	5.3	14.6
Engineering Services	301.1	8.3	2.8	8.7
Total	1,407.2	72.2	5.1	67.9

2. Segmental analysis continued

	30 September 2008				30 September 2007			
	Facilities Services £m	Property Services £m	Engineering Services £m	Total £m	Facilities Services £m	Property Services £m	Engineering Services £m	Total £m
Assets by segment								
Goodwill and other intangible assets	159.9	48.3	18.0	226.2	142.1	35.5	16.6	194.2
Divisional assets	224.3	106.5	89.9	420.7	216.3	91.6	109.8	417.7
	384.2	154.8	107.9	646.9	358.4	127.1	126.4	611.9
Unallocated assets				(28.4) ⁽ⁱ⁾				(33.5) ⁽ⁱ⁾
Total assets				618.5				578.4
Liabilities by segment								
Divisional liabilities	(157.8)	(82.8)	(75.0)	(315.6)	(143.3)	(73.9)	(92.9)	(310.1)
Unallocated liabilities				(43.2) ⁽ⁱ⁾				(47.5) ⁽ⁱ⁾
Total liabilities				(358.8)				(357.6)
Total net assets				259.7				220.8
Capital expenditure								
Tangible assets	6.1	1.3	0.7	8.1	6.5	1.2	1.0	8.7
Depreciation charge	5.4	1.8	0.9	8.1	4.5	1.5	0.8	6.8
Intangible assets	8.1	(1.7)	0.6	7.0	2.3	30.0	4.5	36.8
Intangible amortisation	0.9	0.1	–	1.0	0.8	0.1	–	0.9

	31 March 2008			
	Facilities Services £m	Property Services £m	Engineering Services £m	Total £m
Assets by segment				
Goodwill and other intangible assets	152.7	50.1	17.4	220.2
Divisional assets	250.8	107.2	95.0	453.0
	403.5	157.3	112.4	673.2
Unallocated assets				(31.9) ⁽ⁱ⁾
Total assets				641.3
Liabilities by segment				
Divisional liabilities	(162.8)	(81.7)	(75.8)	(320.3)
Unallocated liabilities				(76.0) ⁽ⁱ⁾
Total liabilities				(396.3)
Total net assets				245.0
Capital expenditure				
Tangible assets	14.4	3.4	2.2	20.0
Depreciation charge	9.6	3.1	1.7	14.4
Intangible assets	13.8	44.7	5.3	63.8
Intangible amortisation	1.7	0.2	–	1.9

(i) Relates to interdivisional funding.

3. Dividends

The proposed interim dividend of 3.3p (2007: 2.8p) per share (not recognised as a liability at 30 September 2008) will be paid on 5 February 2009 to shareholders on the register on 9 January 2009.

The dividend disclosed in the cash flow statement represents the final ordinary dividend of 3.2p (2007: 2.7p) per share as proposed in the 31 March 2008 financial statements and approved at the Group's AGM (not recognised as a liability at 31 March 2008).

4. Taxation

Income tax on profit before other items for the six months ended 30 September 2008 is based on an effective rate of 28.2% (2007: 30.2%), which has been calculated by reference to the projected charge for the full year. Income tax on profit before tax is 28.4% (2007: 30.4%).

5. Earnings per share

Basic and diluted earnings per share have been calculated in accordance with IAS 33 'Earnings Per Share'.

The calculation of the basic and diluted EPS is based on the following data:

	Six months to 30 September		Year to
	2008 million	2007 million	31 March 2008 million
Number of shares			
Weighted average number of Ordinary shares for the purpose of basic EPS	316.2	313.2	314.3
Effect of dilutive potential Ordinary shares: share options	4.1	4.5	4.9
Weighted average number of Ordinary shares for the purpose of diluted EPS	320.3	317.7	319.2

The weighted average number of Ordinary shares in issue during the period excludes those held by the MITIE Group PLC Employee Benefit Trust (see Note 10).

6. Notes to the cash flow statement

	Six months to 30 September		Year to
	2008 (unaudited) £m	2007 (unaudited) £m	31 March 2008 (audited) £m
Reconciliation of operating profit to net cash from operating activities			
Operating profit	37.6	33.5	70.3
Adjustments for:			
Share-based payment expense	1.0	0.6	1.5
Pension charge	0.9	0.8	2.1
Pension contributions	(2.2)	(2.4)	(4.7)
Depreciation of property, plant and equipment	8.1	6.8	14.4
Amortisation of intangible assets	1.0	0.9	1.9
Gain on disposal of property, plant and equipment	(0.6)	(1.0)	(1.7)
Operating cash flows before movements in working capital	45.8	39.2	83.8
(Increase)/decrease in inventories	(1.5)	2.0	10.1
Decrease/(increase) in receivables	0.9	(35.3)	(36.9)
(Decrease)/increase in payables	(7.0)	17.0	21.5
Increase/(decrease) in provisions	1.6	2.8	(0.3)
Cash generated by operations	39.8	25.7	78.2
Income taxes paid	(9.0)	(8.0)	(17.6)
Interest paid	(1.8)	(1.3)	(2.5)
Net cash from operating activities	29.0	16.4	58.1

7. Acquisition of minority interests

	MITIE Interiors Ltd £m	MITIE Services (Retail) Ltd £m	MITIE Catering Services Ltd £m	MITIE Property Services (Eastern) Ltd £m	Other companies £m	Total £m
Minority interests	1.4	0.7	0.6	0.4	0.5	3.6
Goodwill	4.2	2.6	1.2	0.6	1.1	9.7
Total purchase consideration	5.6	3.3	1.8	1.0	1.6	13.3
Shares issued – MITIE Group PLC	3.2	3.0	1.5	0.9	1.4	10.0
Deferred contingent consideration	2.2	–	–	0.1	0.1	2.4
Cash consideration	0.2	0.3	0.3	–	0.1	0.9
Total purchase consideration	5.6	3.3	1.8	1.0	1.6	13.3

During the period, £0.5m of deferred contingent consideration in respect of the purchase last year of part of the minority shareholdings in MITIE Technology & Infrastructure Limited was settled by the issue of new MITIE shares. In addition, £8.7m of deferred contingent consideration has been released through goodwill.

8. Analysis of net debt

	30 September		31 March
	2008 £m	2007 £m	2008 £m
Cash and cash equivalents	20.4	13.2	42.6
Overdraft	–	(1.7)	–
Net cash and cash equivalents	20.4	11.5	42.6
Bank loans	(25.0)	(20.0)	(50.0)
Net debt before loan notes and obligations under finance leases	(4.6)	(8.5)	(7.4)
Loan notes	(4.7)	(11.7)	(4.7)
Obligations under finance leases	(3.3)	(3.3)	(3.5)
Net debt	(12.6)	(23.5)	(15.6)

9. Share capital

	Number million	£m
Ordinary shares of 2.5p		
Authorised		
At 30 September 2007 and at 30 September 2008	500.0	12.5
Allotted and fully paid		
At 1 April 2008	316.8	7.9
Issued for acquisitions	4.8	0.1
Issued under share option schemes	0.3	–
At 30 September 2008	321.9	8.0
At 1 April 2007	312.5	7.8
Issued for acquisitions	2.3	0.1
Issued under share option schemes	0.7	–
At 30 September 2007	315.5	7.9

During the period 4.8m (2007: 2.3m) Ordinary shares of 2.5p were allotted in respect of acquiring minority interests at a mid-market price of 218.8p (2007: 237.2p) giving rise to share premium of £3.6m (2007: £nil) and a merger reserve of £6.8m (2007: £5.5m).

During the period 0.3m (2007: 0.7m) Ordinary shares of 2.5p were allotted in respect of share option schemes at a price between 95p and 220p (2007: 58p and 191p) giving rise to share premium of £0.4m (2007: £0.9m).

10. Reserves

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 April 2008	7.9	19.0	60.4	2.9	(2.0)	0.2	143.7	232.1
Shares issued and net premium arising in respect of acquisitions	0.1	3.6	6.8	–	–	–	–	10.5
Shares issued and net premium in connection with exercise of share options	–	0.4	–	–	–	–	–	0.4
Profit for the period attributable to equity holders of the parent	–	–	–	–	–	–	25.0	25.0
Dividends paid	–	–	–	–	–	–	(10.1)	(10.1)
Purchase of own shares by Employee Benefit Trust	–	–	–	–	(3.2)	–	–	(3.2)
Share-based payments	–	–	–	0.5	–	–	0.5	1.0
Tax charge on items taken directly to equity	–	–	–	–	–	–	(0.6)	(0.6)
Net actuarial loss on defined benefit pension schemes	–	–	–	–	–	–	(7.3)	(7.3)
Tax credit on actuarial loss taken directly to equity	–	–	–	–	–	–	2.0	2.0
Net expense on defined benefit pension schemes recognised directly in equity in the period	–	–	–	–	–	–	(5.3)	(5.3)
Balance at 30 September 2008	8.0	23.0	67.2	3.4	(5.2)	0.2	153.2	249.8

The Own shares reserve represents the cost of 2.2m shares in MITIE Group PLC purchased in the market and held by the MITIE Group PLC Employee Benefit Trust to satisfy options under the Group's share option schemes.

10. Reserves continued

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 April 2007	7.8	16.6	54.9	1.9	–	0.3	110.2	191.7
Shares issued and net premium arising in respect of acquisitions	0.1	–	5.5	–	–	–	–	5.6
Shares issued and net premium in connection with exercise of share options	–	0.9	–	–	–	(0.1)	–	0.8
Profit for the period attributable to equity holders of the parent	–	–	–	–	–	–	21.2	21.2
Dividends paid	–	–	–	–	–	–	(8.4)	(8.4)
Purchase of own shares by Employee Benefit Trust	–	–	–	–	(2.0)	–	–	(2.0)
Share-based payments	–	–	–	0.2	–	–	0.4	0.6
Tax credit on items taken directly to equity	–	–	–	–	–	–	0.6	0.6
Net actuarial loss on defined benefit pension schemes	–	–	–	–	–	–	–	–
Tax credit on actuarial loss taken directly to equity	–	–	–	–	–	–	–	–
Net expense on defined benefit pension schemes recognised directly in equity in the period	–	–	–	–	–	–	–	–
Balance at 30 September 2007	7.9	17.5	60.4	2.1	(2.0)	0.2	124.0	210.1

The Own shares reserve represents the cost of 0.8m shares in MITIE Group PLC purchased in the market and held by the MITIE Group PLC Employee Benefit Trust to satisfy options under the Group's share option schemes.

11. Contingent Liabilities

The Company is party with other Group companies to cross guarantees of each other's bank loans, commitments and overdrafts of £270m (2007: £190m).

The Company and various of its subsidiaries are, from time to time, party to legal proceedings and claims that are in the ordinary course of business. The Directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect on the Group's financial position.

Contingent consideration relating to acquisitions has been accrued at the Directors' best estimate of the likely future obligation of £14.5m. The actual amounts payable may vary up to a maximum of £32.5m dependent upon the results of the acquired businesses.

In addition, the Group and its subsidiaries have provided guarantees and indemnities in respect of performance, issued by financial institutions on its behalf, amounting to £46.6m (2007: £7.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

12. 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.

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.

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