22 November 2018

Mitie Group plc

Half-yearly results for the six months ended 30 September 2018

'Improving prospects for growth'

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 2018 ("H1 18/19"). All numbers in this announcement are reported on an IFRS 15 basis.

Highlights

- **Revenue** from continuing operations **up 4.0%** to £1,040.9m (H1 17/18: £1,001.1m)
- **Operating profit** from continuing operations before other items **down £1.7m** to £38.4m (H1 17/18: £40.1m) reflecting **significant mobilisation costs**
- Operating profit from continuing operations up 1.1% to £26.5m (H1 17/18: £26.2m)
- **Project Helix cost savings and cost of change** progressing as planned
- **Leverage <2x net debt/EBITDA** with period-end net debt improved to £186.7m (FY 17/18: £193.5m)
- **Strategic focus progressing**: **Pest Control** sold for £40m in H1 18/19, **Social Housing** business sale agreed for up to £35m in cash and earnout and **VSG Security** acquired for £14m in H2 18/19
- **Management's expectations** for full-year performance, adjusted for recent transactions, **in line with guidance**
- **Secured order book** declined **by £255m** to £3.9bn **but significant increase in pipeline**
- **Interim dividend** maintained at 1.33p, in line with policy

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

"We continue our strategic focus on our core businesses and core clients. We are enhancing service delivery and margin by reducing our cost base, investing in customer services and deploying the distinctive technology our clients increasingly demand from their 'Connected Workspace'.

"We are making steady progress on all fronts. With recent disposals and acquisitions, we have begun the process of sharpening our focus on those business lines where we can secure a leading market position, underpinned by technology. This approach is already gaining traction.

"Our industry remains competitive and challenging, but with the actions we are taking, we see improving prospects for growth ahead of us."

Group results, £m	Six months ended 30 September		
Continuing operations	**2018**	**2017**	***Change, %***
Revenue	**1,040.9**	1,001.1	*4.0*
Operating profit/(loss) before other items	**38.4**	40.1	*(4.2)*
Operating profit/(loss)	**26.5**	26.2	*1.1*
Operating cash flow	**(13.4)**	(15.1)	*11.3*
Net debt at period end (vs FY 17/18 year-end)	**(186.7)**	(193.5)	*3.5*
Average net debt (vs FY 17/18)	**(317.4)**	(286.1)	*(10.9)*
Basic earnings per share, p	**4.1**	3.8	*7.9*
Dividend per share, p	**1.33**	1.33	*no change*
Order book (vs FY 17/18 year-end)	**3,931**	4,186	*(6.1)*

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.

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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 specialist services, including Engineering Services, Security, Professional Services, Cleaning and Environmental Services, Care and Custody, and Catering.

Mitie employs 54,000 people across the country, looking after a large, diverse, blue-chip customer base, from banks and retailers, to hospitals, schools and government offices. 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 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 21 November 2018 and reflect the Mitie 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

Overview

Results

Revenue from continuing operations for the six months ended 30 September 2018 was £1,040.9m, up 4.0% on the comparable period in the previous year. Strong growth in Security, Cleaning & Environmental Services and Care & Custody divisions, and good momentum from our top integrated accounts, all contributed to the top-line growth.

Operating profit from continuing operations before other items decreased 4.2% to £38.4m. We delivered strong performances across Engineering Services, Security and Professional Services due to good momentum across our top integrated accounts, higher levels of project work, and improved operating efficiencies. The Cleaning & Environmental Services division's operating profit margin was impacted by an adverse contract mix change in the prior year, highlighted at FY 17/18 results; while profitability of the Catering division declined in line with revenue. Care & Custody incurred mobilisation-related costs of net £3.3m. Excluding these costs, the underlying profitability of the Care & Custody division more than doubled.

The blended **operating profit margin** before other items for continuing operations was down from 4.0% in H1 17/18 to 3.7% in H1 18/19, mainly due to the contract mix change in Cleaning & Environmental Services, higher charges for staff incentives, and the mobilisation costs in Care & Custody.

Project Helix remains on track to deliver c.£40m of cumulative in-year benefits and c.£50m of run-rate benefits by the end of FY 19/20. Cost of change is in line with plan. We remain confident in achieving our medium-term target of 4.5%-5.5% operating profit margin as more Project Helix benefits are delivered to the bottom line – rather than being reinvested – and as our portfolio of contracts shifts to higher margin, technology-led services.

Sales: Whilst we won new contracts across our businesses, renewed or extended a significant number of contracts, and renegotiated terms with a number of large customers, we were also more disciplined in our bidding process. In H1 18/19, we did not fully replace revenue billed from the order book and, consequently, the secured order book declined by £255m to £3.9bn. In terms of wins and extensions, we extended our contract with Vodafone for a further two years, commencing from 1 April 2020, to provide FM services across c.1,250 properties. We also won an FM contract with Yorkshire Building Society and extended a Security contract with a major UK retailer into multiple service lines and more locations. Security grew its order book on the back of several contract wins, including a major furniture retailer, and a high retention rate, whereas all other divisions experienced the unwinding of multi-year large contracts and reported lower order books as at 30 September 2018. However, we now have a much larger pipeline reflecting our inclusion on the Government's procurement framework and our Connected Workspace customer proposition. We have recently won large contracts in retail, real estate, automotive and healthcare sectors.

Strategy: As we embark on our strategy of focusing on our core businesses, we completed the sale of Mitie Pest Control Limited ("Pest Control") to Rentokil Initial plc for a consideration of £40 million in cash.

Post the reporting period, we completed the acquisition of Vision Security Group Limited ("VSG") from Compass Group PLC on 26 October 2018 for a consideration of £14 million which was paid in cash. The acquisition of VSG further strengthens the position of Mitie's Security division as the leading provider of integrated and risk-based security services in the UK.

On 19 November 2018, we signed an agreement to sell our Social Housing business to Mears Group plc ("Mears") for a consideration of £22.5 million in cash plus an earnout of up to £12.5 million. The transaction will allow us to focus on our core businesses and core clients.

These transactions result in an improvement in leverage, but dilute margins in the short term. We expect margins to improve as we increase the profitability of VSG through cost synergies.

To enhance our medium-term growth we continue to invest in customer service, our core capabilities, and in technology. In addition, we have reinstated certain staff incentive schemes which were not awarded in prior years. We anticipate this level of spend to continue for the remainder of the year.

Transforming MITIE

We are making steady progress in the transformation of Mitie and are starting to see positive impact from the changes and investments we have been making. Technology, especially in our core businesses, plays an increasingly important part in differentiating our service delivery and improving margins. Over the last six months:

- we have invested in customer service in many of our top 40 accounts and have seen an improved cross-selling performance. We are expecting our Net Promoter Score to continue to improve;
- we have concluded the Finance and IT back office outsourcing to reduce costs (Project Helix) and we have improved our leverage through the sale of the Pest Control business;
- we have launched HR SAP SuccessFactors and new Learning & Development functionality across the Group. With our vision of "The exceptional, every day", improved face-to-face communications, the launch of new pan-Mitie values, and a new reward and recognition scheme, we are confident of improving employee engagement; and
- we have launched a new marketing campaign for the Connected Workspace and are expanding our Remote Operations Centre in Bracknell. We are rolling out Artificial Intelligence-driven chatbots into our service centres and are piloting new customer facing Apps, focusing on driving efficiency in building usage and in real time management information fed from data held in our data lake.

Project Helix

Project Helix is delivering to plan in its second year of implementation. We remain on track to achieve c.£40m of cumulative in-year cost savings, with direct costs associated with Project Helix in FY 18/19 expected to be c.£15m, in line with our initial guidance.

We remain confident of delivering the main cost saving programmes within the original three-year timeframe, reducing Group operating costs on an annualised basis by c.£50m by the end of FY 19/20. These savings are allowing us to make significant investments to enhance our capabilities, develop our technology-led offering, and improve our customer service.

We have made progress in the following areas:

- within our HR Transformation programme, we have implemented SAP SuccessFactors across Mitie employees. This is the first time that Mitie has a standard solution for managing all its employees, with savings coming from more on-line self-service, and controlling staff benefits and recruitment costs;
- we have completed the Group-wide outsourcing of IT Support to a third-party provider in order to drive improved service both internally and externally, and to simplify the Group's IT structure;
- we are simplifying and rationalising the technology estate, introducing a standardised service and approach. Our IT Services infrastructure now leverages either the latest cloud providers or Vodafone's Private Cloud Hosting to take advantage of the latest technological developments;
- Phase 1 of the Finance Transformation outsourcing is largely complete with finance transactional processing undertaken by Genpact in India. Phase 2 of the transformation is to improve and streamline Mitie's underlying operational processes, thereby improving our working capital management; and
- the first phase of the technology-led workflow transformation in Engineering Services has been the successful design and ongoing roll-out of our first Artificial Intelligence-driven chatbot in our Service Centre. This will automate our customers' initial point of interaction with Mitie when

reporting a job and enable us to rationalise our service centres. Phase 2 of this programme is in test and includes a tool to automate job scheduling and deployment. Finally Phase 3 – an upgrade to the underlying case management and billing system, combined with a move to a standardised SAP accounting platform – will commence in FY 19/20.

Dividend

For the first six months of the year, the Board has declared a dividend of 1.33p – one third of last year's total dividend of 4.0p – in line with our stated policy. We expect to hold the dividend flat at least until the completion of the transformation programme when we will review the policy.

FCA investigation update

On 26 June 2018, the Financial Conduct Authority advised that it had discontinued its investigation into the timeliness of a profit warning announced by the Company on 19 September 2016 and the manner of preparation and content of the Company's financial information, position and results for the period ended 31 March 2016. This follows a similar announcement from the Financial Reporting Council in the prior financial year.

Outlook

The outsourcing industry is under much scrutiny and it is important that we make clear the value that we bring through our expertise, focus and scale. Pressures will continue from clients who expect more, for less, particularly as labour costs rise. This requires a ruthless focus on great execution and ensuring our offer is distinctive and underpinned with technology.

We expect to report modest top-line growth this year and we remain confident in achieving our medium-term target of margin improvement to around 4.5%-5.5% in the future.

Operating review

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

Engineering Services

£m	H1 18/19	H1 17/18	*Change, %*
Revenue	**427.7**	435.8	*(1.9)*
Operating profit before other items	**27.4**	22.9	*19.7*
Operating profit margin, %	***6.4***	*5.3*	*1.1ppt*

Mitie Engineering Services delivers technical and building maintenance services and specialist services in heating, cooling, lighting, water treatment, and building controls. The division comprises core engineering services, project works, roofing, and painting. Our Social Housing business, which was formerly in Engineering Services, is now being treated as a discontinued operation following the agreement on 19 November 2018 to sell it.

The Engineering Services division reported revenue from continuing operations of £427.7m, a decline of 1.9% on the comparable period (H1 17/18: £435.8m), mainly due to the impact of contracts lost during the preceding year and the proactive exiting of certain low margin contracts. Despite the small overall decline in revenues, the top 50 Engineering Services contracts are delivering solid growth in volumes and profitability largely offsetting contracts lost in the preceding year. Project work volumes continue to grow.

Operating profit for continuing operations before other items was up at £27.4m (H1 17/18: £22.9m). This uplift was due to a strong performance from projects and other work in our largest accounts, exiting low

margin contracts, and cost savings from the transformation programme. These improvements more than offset the impact of contracts lost in the preceding year and incremental investments into improved service levels.

We have extended a number of contracts, including a significant one with NHS Property Services. We have won new business as part of FM contracts with a major UK retailer, a major infrastructure company, and Vodafone. We also won several single service contracts. Since 30 September 2018, we have won a new contract with construction firm Willmott Dixon to provide mechanical and electrical services for Bournemouth University amongst other wins and extensions.

Phase 1 of our technology-led workflow transformation of Engineering Services is progressing to plan. The scheduling and deployment system roll-out (Phase 2), together with the new case management and billing application (Phase 3), have been re-phased to minimise any impact on service delivery. This will mean that certain costs and benefits (mainly working capital benefits rather than cost savings) will be delayed to future periods.

Security

£m	**H1 18/19**	**H1 17/18**	***Change, %***
Revenue	**226.2**	213.9	*5.8*
Operating profit before other items	**14.3**	12.1	*18.2*
Operating profit margin, %	***6.3***	*5.7*	*0.6ppt*

The Security division comprises Security Management, Front of House, Document Management, and the employee vetting business, Procius.

Security division revenues grew by 5.8% to £226.2m (H1 17/18: £213.9m). Security continued to perform well across all its businesses following new sales wins and good growth in project and variable works. Operating profit before other items was up 18.2% to £14.3m (H1 17/18: £12.1m) on the back of new contract wins and improved efficiency. Outside the manned guarding and technology-led security business, good performances from Document Management, Front of House and Vetting are contributing to the overall profit growth while technology-driven accounts now make up 12.5% of the business and 23% of the division's profitability.

The secured order book grew with the unwinding of contracts more than offset by significant contract wins and successful retenders. We won a three-year contract with a multinational retail group and extended a contract with Springfields for a further three years, which together are worth £5m per annum. We also retained contracts in 95% of cases, including two contract extensions for travel clients – Strathclyde Partnership for Transport (a further five years) and Eurostar (for two years) – which together are worth £12m per annum. Since 30 September 2018, we have successfully extended a contract with Belfast City Airport.

On 8 October 2018, we announced that we had agreed to acquire VSG from Compass Group PLC, for a consideration of £14 million (on a debt free, cash free basis) which was paid in cash at completion on 26 October 2018, subject to any adjustment for final completion accounts, and funded through Mitie's own cash resources.

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.

The acquisition of VSG further strengthens the position of Mitie's Security division as the leading provider of integrated and risk-based security services in the UK. In particular, the combination will offer opportunities to accelerate the growth of Mitie's premium technology-enabled and intelligence-led security solutions.

Professional Services

£m	H1 18/19	H1 17/18	*Change, %*
Revenue	**64.7**	63.3	*2.2*
Operating profit before other items	**2.8**	2.0	*40.0*
Operating profit margin, %	***4.3***	*3.2*	*1.1ppt*

Professional Services is Mitie's consultancy services division, which includes Connected Workspace solutions, International, Sustainability, Waste Management and Real Estate Consultancy.

Professional Services revenues were up at £64.7m (H1 17/18: £63.3m), with growth in Waste Management, Connected Workspace and Risk Consultancy partly offset by lower revenues in Real Estate Consultancy and the International business due to active portfolio management within the latter business units. Operating profit before other items increased by 40% to £2.8m (H1 17/18: £2.0m) due to the re-balancing of the portfolio towards higher margin activities, lower volumes of internally focused work, and improved efficiency following various restructuring initiatives.

Professional Services continues to win consultancy and project management work. As part of its International offering, Mitie secured a facilities management and property services contract with Ahlsell to manage and maintain all its stores in Norway. Since 30 September 2018, the Waste Management business won the first phase of a significant contract with NHS Improvement, which was mobilised in October 2018.

Over the last six months, Connected Workspace has been gaining further traction in the market. We won two major new contracts and are now running 18 programmes with Mitie's top customers. Over 10,000 sensors have been deployed, covering a total floor area of just under one million square feet. Where possible, Connected Workspace technology is being embedded in our FM offering to expand our range of services and to improve delivery efficiency; an example of which is our recently extended Vodafone contract. We have also launched a broad marketing campaign to raise awareness and interest in our Connected Workspace offering.

Cleaning & Environmental Services

£m	H1 18/19	H1 17/18	*Change, %*
Revenue	**200.6**	186.7	*7.4*
Operating profit before other items	**6.2**	9.5	*(34.7)*
Operating profit margin, %	***3.1***	*5.1*	*(2.0ppt)*

Within the Cleaning & Environmental Services division we offer commercial and technical cleaning, as well as specialist services such as landscaping and healthcare services. The Pest Control business, which was formerly in this division, is now being treated as a discontinued operation.

Cleaning & Environmental Services revenues for continuing operations grew strongly by 7.4% to £200.6m (H1 17/18: £186.7m) driven by the impact of prior year contract wins. However, operating profit for continuing operations before other items is down 34.7% to £6.2m (H1 17/18: £9.5m) due to unfavourable contract mix versus last year partly offset by savings from Project Helix. Landscaping and healthcare services continue to deliver stable performance at the revenue and operating profit levels.

Within the order book we extended our services with Epsom & St Helier University Hospital NHS Trust for Cleaning and an existing landscaping contract with Whitbread for another three years.

Cleaning Services Transformation is progressing to plan and is expected to deliver a simplified and more efficient operating model, through reduced duplication and improved processes.

Care & Custody

£m	H1 18/19	H1 17/18	Change, %
Revenue	**52.4**	28.7	*82.6*
Operating profit before other items	**–**	1.5	*(100.0)*
Operating profit margin, %	**–**	*5.2*	*(5.2ppt)*

The Care & Custody division provides a range of services to vulnerable adults in secure environments, including managing Immigration Removal Centres (IRC) on behalf of the Home Office, as well as Forensic Medical Examiner and custody support services for police forces across England and Wales.

In December 2017, Care & Custody won a 10-year Detention & Escorting Services contract with the Home Office to provide immigration services. The division is now responsible for escorting immigration detainees within the UK, management of short-term holding facilities, and escorting detainees back to their country of origin. The mobilisation of the contract, which commenced in May 2018, is progressing to plan.

Care & Custody's revenues almost doubled to £52.4m (H1 17/18: £28.7m) as a result of the Detention & Escorting Services contract and good underlying growth from existing contracts. Operating profit before other items was £nil (H1 17/18: £1.5m) due to expensing a net £3.3m of mobilisation costs for the Detention & Escorting Services contract. These have been billed and settled by the client and will be released from deferred income over the term of the contract. Excluding these one-off mobilisation costs, the underlying trading profitability of the division improved significantly in H1 18/19 versus H1 17/18 on the back of a larger contract portfolio.

There were no significant wins in H1 18/19, but since 30 September 2018 we have won an Electronic Monitoring Services contract in Northern Ireland. This opportunity is an entry point into Electronic Monitoring within the Criminal Justice System in other parts of the UK and we are also able to leverage Mitie Security's MiTec facility in Belfast.

On 9 November, the Home Office announced that Campsfield IRC, which is managed by Mitie, will be closing and, accordingly, the current contract will not be re-tendered upon its expiry, which is scheduled to occur in the first quarter of FY 19/20.

Catering

£m	H1 18/19	H1 17/18	Change, %
Revenue	**69.3**	72.7	*(4.7)*
Operating profit before other items	**2.9**	3.1	*(6.5)*
Operating profit margin, %	***4.2***	*4.3*	*(0.1ppt)*

The Catering division comprises Gather & Gather, our workplace catering brand; and Creativevents, our specialist indoor and outdoor event catering business.

Gather & Gather delivered broadly flat revenues and slightly better operating profit conversion against H1 17/18 through improved labour and cost control in our operational sites. The overall Catering division is behind year-on-year due to weaker performance across external events and venues.

Catering secured significant new clients during the period, including Dropbox and Ford Motor Company. We have been successful in securing an excellent opportunity to roll out a new café concept across some of Primark's UK & Ireland retail estate. The division also won Yorkshire Building Society and a major UK retailer as customers as part of new or expanded integrated FM contracts.

Discontinued operations

Pest Control

£m	**H1 18/19**	**H1 17/18**	***Change, %***
Revenue	**11.9**	11.0	*8.2*
Operating profit before other items	**2.0**	0.7	*185.7*
Operating profit margin, %	***16.8***	*6.4*	*10.4ppt*

On 30 September 2018, Mitie completed the sale of the entire issued share capital of Mitie Pest Control Limited to Rentokil Initial plc for a consideration of £40 million in cash (on a debt free, cash free basis).

Mitie separately entered into a preferred supplier partnership with Rentokil Initial plc, covering a range of services (including pest services) to be provided as part of integrated facilities management offerings to Mitie's wide range of customers.

Pest Control revenues grew by 8.2% to £11.9m (H1 17/18: £11.0m) and its operating profit before other items increased by 185.7% to £2.0m (H1 17/18: £0.7m).

Social Housing

£m	**H1 18/19**	**H1 17/18**	***Change, %***
Revenue	**69.0**	75.9	*(9.1)*
Operating (loss)/profit before other items	**(4.1)**	0.4	*nm*
Operating (loss)/profit margin, %	***(5.9)***	*0.5*	*(6.4ppt)*

On 19 November 2018, the Group signed an agreement with Mears Group plc for the sale of the Social Housing business for a consideration of up to £35m. The Social Housing business was previously part of the Property Management division together with Roofing and Painting. Roofing and Painting now sit within the Group's Engineering Services division.

The deal will be structured as a sale of the entire issued share capital of Mitie Property Management Limited and MPS Housing Limited (the latter being a newly incorporated subsidiary of Mitie which has acquired the assets and undertaking of Mitie Property Services (UK) Limited (MPSUK)). The deal remains conditional only on the completion of a TUPE consultation process with affected employees of MPSUK.

The consideration comprises an initial payment of £22.5m, payable in cash at completion, subject to a completion accounts adjustment mechanism. There is further deferred consideration of up to £12.5m, payable in cash over a period of two years post completion, subject to the achievement of certain performance milestones.

In H1 18/19 the Social Housing business reported revenues of £69.0m (H1 17/18: £75.9m) and operating loss before other items of £4.1m (H1 17/18: £0.4m profit). The underlying profit after adjusting for Group central service recharges, the cost of rectification works and the loss in respect of a now terminated contract was £1.8m (H1 17/18: £2.6m).

Corporate overheads

Corporate overheads represent the costs of running the Group and include costs for the Commercial, Financial, Marketing, Legal and HR teams. Corporate overheads have increased as we continue to invest in the foundations to deliver "The exceptional, every day"; leadership in the Connected Workspace; and accelerated growth. These investments include our new flagship head office at The Shard and our Bracknell Innovation Centre, which are being used as customer showcases. Corporate overheads increased by 38.2% to £15.2m (H1 17/18: £11.0m).

Financial review

£m	H1 18/19	H1 17/18	Change, %
Continuing operations			
Revenue	**1,040.9**	1,001.1	*4.0*
Cost of sales	**(903.3)**	(874.7)	*(3.3)*
Gross profit	**137.6**	126.4	*8.9*
Gross margin	***13.2***	*12.6*	*0.6ppt*
Administrative expenses	**(99.2)**	(86.3)	*(14.9)*
Operating profit before other items	**38.4**	40.1	*(4.2)*
Operating profit margin, %	***3.7***	*4.0*	*(0.3ppt)*
Other items	**(11.9)**	(13.9)	
Operating profit	**26.5**	26.2	*1.1*
Finance costs	**(7.5)**	(8.5)	*11.8*
Profit before tax	**19.0**	17.7	*7.3*
Tax	**(4.1)**	(3.3)	*(24.2)*
Profit after tax from continuing operations	**14.9**	14.4	*3.5*
Profit/(loss) after tax from discontinued operations	**10.8**	(11.6)	
Profit after tax for the period	**25.7**	2.8	

Operating profit

Operating profit from continuing operations before other items decreased by £1.7m to £38.4m (H1 17/18: £40.1m). Within operating profit, certain costs (totalling c.£6m) have been reallocated from cost of sales to administrative expenses compared to the prior period. If the prior period had been adjusted, gross margin would have been flat at 13.2% and administrative expenses would have increased by 7% compared to the reported 14.9%. Operating profit, including other items, increased by £0.3m to £26.5m (H1 17/18: £26.2m) as a result of lower other items in H1 18/19.

Other items

Other items from continuing operations before tax resulted in a charge of £11.9m (H1 17/18: £13.9m). Of this £8.4m related to restructuring costs, £2.7m to acquisition and disposal costs, and £0.8m to other exceptional items. The associated tax credit was £1.9m (H1 17/18: £2.5m) resulting in other items from continuing operations after tax of £10.0m (H1 17/18: £11.4m).

Restructuring costs of £8.4m predominantly relate to the cost of the Helix transformation activities and include £2.7m for redundancy costs, £5.1m in respect of Project Helix transformation projects, including dual running costs as part of the offshoring of transactional finance activities, and £0.5m for the cost of change team.

Acquisition and disposal related costs of £2.7m include a £1.9m charge relating to the issue of restricted shares, and £0.6m for the amortisation of acquisition related intangible assets.

Other exceptional items of £0.8m relate to the now closed FRC investigation.

Other items after tax from discontinued operations were a credit of £12.5m (H1 17/18: £12.7m charge). This includes the £26.6m net gain on disposal of Pest Control. Also included are a provision of £17.0m relating to estimated costs of rectification works associated with certain Social Housing maintenance contracts.

Finance costs

Net finance costs decreased by £1.0m to £7.5m (H1 17/18: £8.5m) as the prior period included covenant waiver fees, which did not repeat in the current period, and following the repayment of £60m US Private Placement notes in December 2017.

Taxation

The Group manages both direct and indirect taxes to ensure that it pays the appropriate amount of tax in each country whilst respecting the applicable tax legislation, where appropriate utilising any legislative reliefs available. The tax strategy is reviewed regularly and is endorsed by the Board.

Profit before other items and tax of £30.9m from continuing operations resulted in a tax charge of £6.0m, representing an effective tax rate of 19.4%. Including other items, the taxation charge for continuing operations was £4.1m (H1 17/18: £3.3m).

During the first half the Group received a net tax refund of £6.3m as a consequence of the losses incurred in FY 16/17.

Discontinued operations

The financial statements for the six months ended 30 September 2018 have been presented to show the operations for the Pest Control and the Social Housing businesses as being discontinued. Full details are included in Note 4.

On 30 September 2018, the Group completed the sale of Pest Control for a consideration of £40m before tax and transaction costs. Pest Control reported profits before other items and tax of £2.0m in H1 18/19 (H1 17/18: £0.7m). The Group realised a net gain on disposal of £26.6m, recognised in other items. The reported profit after tax for the Pest Control business was £28.2m (H1 17/18: £0.6m).

On 19 November 2018, the Group signed an agreement for the sale of the Social Housing business. Therefore, at 30 September 2018, the results of the Social Housing business, which previously formed part of the Property Management division, were classified as discontinued operations. In H1 18/19 the Social Housing business reported a loss before other items, finance income and tax of £4.1m (H1 17/18: £0.4m profit). This £4.1m operating loss includes £3.0m cost of rectification works, a £1.4m loss in respect of a contract which has now been terminated, and £1.5m of recharges in respect of Group central services. Including other items, Social Housing reported a loss after tax of £17.4m (H1 17/18: £12.2m loss).

The remaining operations of the Property Management division, which include a roofing and a painting business, have been combined with the Engineering Services division with comparative information restated.

The total profit after tax from discontinued operations was £10.8m (H1 17/18: £11.6m loss).

Earnings per share

Basic earnings per share from continuing operations before other items were 6.9p (H1 17/18: 7.0p) and including other items were 4.1p (H1 17/18: 3.8p). Basic earnings per share, including discontinued operations and other items, were 7.1p (H1 17/18: 0.5p).

Cash flow

The operating cash inflow before movements in working capital was £20.6m (H1 17/18: £39.9m). This excludes the proceeds from the disposal of Pest Control, but it is after charging £16.7m of provisions related to the now discontinued Social Housing business.

Movements in working capital resulted in a cash outflow of £34.0m (H1 17/18: £55.0m). Income taxes received were £6.3m (H1 17/18: £12.5m) following a tax refund in connection with the losses recorded in FY 16/17. Interest paid of £6.4m was slightly lower than the prior year (H1 17/18: £6.7m). These movements resulted in a net cash outflow from operating activities of £13.5m (H1 17/18: £9.3m).

There was a net cash inflow from investing activities of £31.9m (H1 17/18: £18.2m outflow) following net cash receipts from the disposal of Pest Control of £38.8m, being partially offset by net capital expenditure of £7.5m (H1 17/18: £9.1m).

Dividends of £9.8m (H1 17/18: £nil) were paid in H1 18/19, relating to the second interim dividend of 2.67p for the year ended 31 March 2018.

Overall, this resulted in a decrease in the Group's net debt of £6.8m (H1 17/18: £25.4m increase) to £186.7m (FY 17/18: £193.5m).

Working capital

During H1 18/19 movements in the Group's working capital position resulted in a cash outflow of £34.0m (H1 17/18: £55.0m), predominantly due to an increase in receivables. The finance transaction offshoring has led to some temporary disruption in billing, collections and the payment processes. Action has already been taken to reverse this and drive longer-term improvements to the overall processes. Separately, we reduced Supply Chain Finance by £21m as we improved payments terms for some of our suppliers, as part of our balance sheet normalisation. The complex mobilisation of two large contracts also contributed to a short-term increase in receivables.

Trade creditor days were 65 days (FY 17/18: 59 days, H1 17/18: 64 days). Trade debtor days were 28 days (FY 17/18: 28 days, H1 17/18: 22 days).

Net debt

The Group's net debt decreased by £6.8m to £186.7m as at 30 September 2018 (FY 17/18: £193.5m). The drivers of the net cash inflow are explained above in the cash flow section.

Average net debt of £317.4m was £31.3m higher than the prior year (FY 17/18: £286.1m), of which £20m can be attributed to the lower average use of invoice discounting. In addition, we reduced average supplier payment days.

Banking facilities and covenants

The Group had £466.5m of committed funding arrangements as at 30 September 2018 (FY 17/18: £466.5m), compared to closing net debt of £186.7m (FY 17/18: £193.5m) and average net debt of £317.4m (FY 17/18: £286.1m). 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.

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). At 30 September 2018, we were operating comfortably within these ratios at 1.99x for leverage and 7.3x for interest cover.

Mitie's policy is to consistently maintain adequate headroom within its committed facilities. In addition to its committed funding, the Group utilises ancillary facilities, including invoice discounting of £75.8m (FY 17/18: £76.3m). The Group's trade creditors include amounts due to UK suppliers which make use of supply chain finance arranged by Mitie of £24.4m (FY 17/18: £45.1m).

Goodwill

Total goodwill held on the balance sheet at 30 September 2018 was broadly unchanged compared to FY 17/18. However, the figure stated on the Goodwill line of the balance sheet declined by £15.7m to £293.9m (FY17/18: £309.6m) as a result of the disposal of the Pest Control business and the reclassification of £12.5m of Social Housing goodwill to assets held for sale.

The Group has performed an assessment to identify indicators of impairment relating to goodwill allocated to cash-generating units (CGUs), including a review of the year-to-date trading performance. The result of the assessment did not identify any indicators which suggested that further impairment was required.

Retirement benefit schemes

The Group's total net defined benefit pension liability decreased by £9.3m in H1 18/19 to £47.5m (FY 17/18: £56.8m). The reduction in the deficit can be attributed to deficit payments in H1 18/19 of £2.1m; and a 20bps increase in the discount rate due to increases in corporate bond rates since 31 March 2018.

Key factors affecting our business, principal risks and uncertainties

There are a number of potential risk factors and uncertainties that could impact the financial performance of the Group and its future success. These risks and our plans to mitigate them have been outlined in the Group's Annual Report and Accounts 2018. Since the publication of the report, the Group has been carrying out a detailed assessment of the potential impact of Brexit.

Mitigating the impact of Brexit

The Group's activities are predominantly UK-based, with less than 6% of revenue from continuing activities being derived from services delivered outside the UK. The Group is currently carrying out a detailed assessment, both internally and with its supply chain partners, of the potential impact of Brexit upon the short- and medium-term activities of, and prospects for, the business. This assessment encompasses all aspects of the Group's operations including availability of labour, supply chain, tariffs, taxation, and treasury operations.

Beyond the general economic uncertainty resulting from the UK exit from the European Union; the Group has identified two specific risks for which mitigation plans are being deployed:

- Continued availability of labour – the Group's expectation is that transitional rules which maintain the employment status of existing EU nationals will limit the immediate impacts with the proposed "Settled Status" process providing greater stability. We are constantly monitoring the situation and although it is too early at this stage to determine fully the impact on our ability to employ and retain existing and new EU nationals, we are putting measures in place to attract talent from alternative labour pools. To mitigate the longer-term risk the Group has improved its recruitment tools and processes to provide access to a broader number of recruiters and therefore a wider labour pool. It is also increasing its investment in apprenticeships.
- Supply chain disruption – the Group is working with its key suppliers to ensure continued availability of supply should any import disruptions impact finished products or the raw materials for products the Group purchases from UK-based manufacturers. For a small number of critical items the Group is assessing the need for increased short-term stockholding, the impact of which is not expected to be material to the Group's reported results.

We will report in the full-year 18/19 results a detailed impact analysis and any plans required to mitigate any potential business disruption.

The risks that could impact the financial performance of the Group and its future success and our plans to mitigate them are outlined in further detail on pages 50 to 56 of the Group's Annual Report and Accounts for the year ended 31 March 2018. A summary of those risks, which have not changed significantly since 31 March 2018, is as follows:

1. *Ineffective bidding for contracts and poor mobilisation and delivery processes, resulting in onerous contract terms, financial loss and damage to our customer relationships.* It is critical to our business model that we are able to develop competitive and profitable bids, and mobilise and deliver on a variety of contracts which are often over long periods and highly complex. In order to do this, we need to have a compelling and differentiated market offering and balance the cost and margin pressures that are an important factor in our industry. Failure to do so would impact our ability to retain clients and secure new contracts, with a detrimental effect on our financial performance.
2. *Uncertainties in the economic, political and regulatory landscape which may have a negative impact on the demand for our services and our access to resources*. The performance of our business may be affected by general economic conditions and other financial and political factors outside its control. A downturn in the economic cycle usually results in decreased project work and discretionary spend by customers, which can lead to a fall in our financial performance. Mitie drives

most of its revenue from a client base in the UK, with limited exposure to the wider global economy. We continue to monitor the results of negotiations resulting from the decision of the UK to exit the European Union, commonly referred to as 'Brexit'. This may result in changes to the regulatory framework in which we operate and could place restrictions on the mobility of individuals and hence availability of resources.

3. *Poor sentiment towards the outsourcing sector could lead to fewer opportunities, increased scrutiny and an adverse effect on our reputation*. Mitie's reputation may be affected by the activities and results of other companies operating in our sector, as well as any negative publicity for our business. If we are unable to demonstrate our ability to deliver the obligations in our existing contracts and financial performance in line with market expectations, we may be unable to retain existing clients or secure new contracts.
4. *Failure to deliver our transformation programme leading to lower benefits than anticipated, higher costs and weaknesses in operational processes*. The changes being introduced are vital to the future success of the business, and failure to adequately manage the programme of work, identify and manage interdependencies, develop appropriate solutions and implement the changes and ensure they are sustainable, could severely limit the pace at which these changes are delivered. Additionally, the investment required to implement the projects needs to be closely monitored, to ensure we deliver the expected operational and financial benefits and savings in overheads.
5. *Failure to maintain appropriate controls in and availability of critical IT systems leading to major contract delivery issues*. Technology is becoming increasingly critical to the success of our business in meeting customers' expectations. This is particularly important where we are responsible for looking after data and critical infrastructure on their behalf, and any failure could not only impact our ability to operate, but also the customers' business.
6. *Inadequate controls over confidential and customer data and/or failure to comply with data protection legislation could lead to reduced confidence in our abilities to protect data and fines from regulators*. The secure processing, maintenance and transmission of sensitive and confidential data is achieved through the integrity, confidentiality and availability of our systems. Appropriately applied information security helps to ensure business continuity and minimise disruption by preventing or minimising the impact of security breaches. Failure to do this would raise questions about how we handle information with care, reduce confidence in our abilities and potentially expose us to significant fines from regulators.
7. *Failure to adhere to sufficiently high standards in health, safety and environmental management resulting in harm to our employees, fines and damage to our reputation.* The nature of the services we perform for our clients means that there is potential for our employees, our partners and members of the public to be exposed to health and safety risks, and for environmental damage. It is essential that we maintain very high health, safety and environmental (HS&E) standards to manage these risks. Failure to do so could lead to significant harm to individuals and the environment and result in prosecution, action by regulators, fines and substantial damage to our reputation.
8. *Inability of our business to attract and retain sufficient talented resources with a resultant detrimental effect on our operational and financial performance*. To achieve our objectives and operate successfully we must attract, develop, motivate and retain talented individuals. If we fail to maintain a skilful workforce there will be an adverse impact on our operational and financial performance, and customer satisfaction.
9. *Inability to maintain access to sources of funding due to concerns over our financial strength could have a significant impact on our performance and client relationships*. It is important that we maintain a range of suitable sources of finance, including banking facilities, private placements and supply chain funding, in order to maintain a strong liquidity position. Failure to do so would restrict our ability to grow either organically or through acquisition and affect our ability to meet our financial commitments.

10. *Failure of a significant counterparty (e.g. supplier, banker) to deliver contractual requirements resulting in financial penalties and reputational damage*. Poor performance or failure of one of these counterparties could have a significant impact on our operational and financial performance and damage our reputation and client relationships.
11. *Non-compliance with emerging legal and regulatory frameworks leading to fines, prosecutions and damage to our reputation*. Failure to comply with applicable legal and regulatory frameworks may result in significant fines, prosecutions, debarment from public sector contracts and revocation of licences, as well as damage to our reputation.

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 2018 and their impact on the condensed Group 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

21 November 2018

INDEPENDENT REVIEW REPORT TO MITIE GROUP PLC

For the six months ended 30 September 2018

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 2018 which comprise 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 21.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

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

Our responsibility

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

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure 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.

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 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP

Chartered Accountants and Statutory Auditor

London

21 November 2018

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 2018

	Notes	**30 September 2018 (unaudited)**			30 September 2017 (restated)[1,2] (unaudited)		
		Before other items £m	**Other items[3] £m**	**Total £m**	Before other items £m	Other items[3] £m	Total £m
Continuing operations							
Revenue	2	**1,040.9**	**–**	**1,040.9**	1,001.1	–	1,001.1
Cost of sales		**(903.3)**	**–**	**(903.3)**	(874.7)	–	(874.7)
Gross profit		**137.6**	**–**	**137.6**	126.4	–	126.4
Administrative expenses		**(99.2)**	**(11.9)**	**(111.1)**	(86.3)	(13.9)	(100.2)
Operating profit/(loss)	2	**38.4**	**(11.9)**	**26.5**	40.1	(13.9)	26.2
Finance costs		**(7.5)**	**–**	**(7.5)**	(8.5)	–	(8.5)
Profit/(loss) before tax		**30.9**	**(11.9)**	**19.0**	31.6	(13.9)	17.7
Tax	5	**(6.0)**	**1.9**	**(4.1)**	(5.8)	2.5	(3.3)
Profit/(loss) from continuing operations after tax		**24.9**	**(10.0)**	**14.9**	25.8	(11.4)	14.4
Discontinued operations							
Profit/(loss) from discontinued operations	4	**(1.7)**	**12.5**	**10.8**	1.1	(12.7)	(11.6)
Profit/(loss) for the period		**23.2**	**2.5**	**25.7**	26.9	(24.1)	2.8
Attributable to:							
Equity holders of the parent		**23.2**	**2.5**	**25.7**	26.0	(24.1)	1.9
Non-controlling interests		**–**	**–**	**–**	0.9	–	0.9
		23.2	**2.5**	**25.7**	26.9	(24.1)	2.8
Earnings per share (EPS) attributable to equity shareholders of the parent							
From continuing operations:							
Basic	7	**6.9p**		**4.1p**	7.0p		3.8p
Diluted	7	**6.9p**		**4.1p**	6.9p		3.8p
From continuing and discontinued operations:							
Basic	7	**6.4p**		**7.1p**	7.3p		0.5p
Diluted	7	**6.4p**		**7.1p**	7.3p		0.5p

Notes:
1. The Group has restated the income statement for the six months ended 30 September 2017 as per Note 1.
2. The Group has adopted IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to opening retained earnings at the date of initial application. Under this option, the comparative information is not restated.
3. Other items are as described in Note 3.

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2018

	Notes	**30 September 2018 (unaudited) £m**	30 September 2017 (restated)[1,2] (unaudited) £m
Profit for the period		**25.7**	2.8
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of net defined benefit pension liability	19	**8.7**	11.6
Income tax charge relating to items not reclassified		**(1.5)**	(1.9)
		7.2	9.7
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**–**	0.1
Net gains on cash flow hedges arising during the year		**0.7**	2.5
Income tax credit relating to items that may be reclassified		**(0.1)**	(0.4)
		0.6	2.2
Other comprehensive income for the financial year		**7.8**	11.9
Total comprehensive income for the financial year		**33.5**	14.7
Attributable to:			
Equity holders of the parent		**33.5**	13.8
Non-controlling interests		**–**	0.9

Notes:
1. The Group has restated the income statement for the six months ended 30 September 2017 as per Note 1.
2. The Group has adopted IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to opening retained earnings at the date of initial application. Under this option, the comparative information is not restated.

Condensed consolidated balance sheet
As at 30 September 2018

	Notes	**30 September 2018 (unaudited) £m**	30 September 2017 (restated)[1,2] (unaudited) £m	31 March 2018 (audited) £m
Non-current assets				
Goodwill	8	**293.9**	334.1	309.6
Other intangible assets		**32.8**	51.3	38.3
Property, plant and equipment		**28.6**	28.9	33.6
Interest in joint ventures and associates		**–**	0.3	0.8
Derivative financial instruments	14	**13.9**	12.9	6.1
Contract assets	10	**3.4**	0.7	1.8
Deferred tax assets		**32.8**	41.6	36.7
Total non-current assets		**405.4**	469.8	426.9
Current assets				
Inventories		**4.8**	6.6	6.9
Trade and other receivables	9	**405.7**	374.6	386.0
Contract assets	10	**1.8**	0.2	0.4
Derivative financial instruments	14	**–**	11.5	–
Current tax assets		**2.1**	–	6.3
Cash and cash equivalents		**67.7**	99.6	59.8
Total current assets		**482.1**	492.5	459.4
Assets held for sale	4	**50.8**	–	–
Total assets		**938.3**	962.3	886.3
Current liabilities				
Trade and other payables	11	**(470.6)**	(501.2)	(496.8)
Deferred income	12	**(55.9)**	(54.3)	(46.2)
Current tax liabilities		**–**	(0.2)	–
Financing liabilities	13	**(0.5)**	(72.5)	(0.8)
Provisions	16	**(34.4)**	(18.5)	(25.2)
Total current liabilities		**(561.4)**	(646.7)	(569.0)
Net current liabilities		**(79.3)**	(154.2)	(109.6)
Non-current liabilities				
Deferred income	12	**(20.7)**	(19.8)	(18.8)
Financing liabilities	13	**(267.8)**	(224.1)	(258.6)
Provisions	16	**(10.9)**	(6.4)	(6.3)
Retirement benefit liabilities	19	**(47.5)**	(64.9)	(56.8)
Deferred tax liabilities		**(0.7)**	(0.8)	(0.8)
Total non-current liabilities		**(347.6)**	(316.0)	(341.3)
Liabilities held for sale	4	**(29.1)**	–	–
Total liabilities		**(938.1)**	(962.7)	(910.3)
Net assets/(liabilities)		**0.2**	(0.4)	(24.0)

Notes:
1. The Group has restated the balance sheet as at 30 September 2017 as per Note 1.
2. The Group has adopted IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to opening retained earnings at the date of initial application. Under this option, the comparative information is not restated.

	30 September 2018 (unaudited) £m	30 September 2017 (restated)[1,2] (unaudited) £m	31 March 2018 (audited) £m
Equity			
Share capital	**9.3**	9.2	9.3
Share premium account	**130.6**	130.6	130.6
Merger reserve	**104.2**	97.8	104.2
Own shares reserve	**(43.2)**	(43.2)	(43.4)
Other reserves	**13.8**	9.2	11.3
Hedging and translation reserve	**(6.6)**	(5.5)	(7.3)
Retained losses	**(207.9)**	(201.0)	(228.7)
Equity attributable to equity holders of the parent	**0.2**	(2.9)	(24.0)
Non-controlling interests	**–**	2.5	–
Total equity	**0.2**	(0.4)	(24.0)

Notes:
1. The Group has restated the income statement and balance sheet for the six months ended 30 September 2017 as per Note 1.
2. The Group has adopted IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to opening retained earnings at the date of initial application. Under this option, the comparative information is not restated.

Condensed consolidated statement of changes in equity
For the six months ended 30 September 2018

	Share capital £m	Share premium account £m	Merger reserve £m	Own shares reserve £m	Other reserves[1] £m	Hedging and translation reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
At 31 March 2017 (audited)	9.2	130.6	91.8	(42.2)	10.3	(8.0)	(104.2)	**87.5**	2.3	**89.8**
Balance at 1 April 2017	9.2	130.6	91.8	(42.2)	10.3	(8.0)	(104.2)	**87.5**	2.3	**89.8**
Impact of change in accounting policy[2]	–	–	–	–	–	–	(108.2)	**(108.2)**	–	**(108.2)**
Adjusted balance at 1 April 2017 (audited)	9.2	130.6	91.8	(42.2)	10.3	(8.0)	(212.4)	**(20.7)**	2.3	**(18.4)**
Profit for the period[2]	–	–	–	–	–	–	1.9	**1.9**	0.9	**2.8**
Other comprehensive income	–	–	–	–	–	2.5	9.4	**11.9**	–	**11.9**
Total comprehensive income	–	–	–	–	–	2.5	11.3	**13.8**	0.9	**14.7**
Share-based payments	–	–	–	4.1	(1.1)	–	(0.2)	**2.8**	–	**2.8**
Acquisitions and other movements in non-controlling interests	–	–	6.0	(5.1)	–	–	0.3	**1.2**	(0.7)	**0.5**
At 30 September 2017 (unaudited)	9.2	130.6	97.8	(43.2)	9.2	(5.5)	(201.0)	**(2.9)**	2.5	**(0.4)**
Loss for the period	–	–	–	–	–	–	(29.0)	**(29.0)**	0.2	**(28.8)**
Other comprehensive (expense)/income	–	–	–	–	–	(1.8)	6.9	**5.1**	–	**5.1**
Total comprehensive (expense)/ income	–	–	–	–	–	(1.8)	(22.1)	**(23.9)**	0.2	**(23.7)**
Dividends paid	–	–	–	–	–	–	(4.8)	**(4.8)**	–	**(4.8)**
Share-based payments	–	–	–	2.8	2.1	–	0.5	**5.4**	–	**5.4**
Acquisitions and other movements in non-controlling interests	0.1	–	6.4	(3.0)	–	–	(1.3)	**2.2**	(2.7)	**(0.5)**
At 31 March 2018 (audited)	9.3	130.6	104.2	(43.4)	11.3	(7.3)	(228.7)	**(24.0)**	–	**(24.0)**
Balance at 1 April 2018	9.3	130.6	104.2	(43.4)	11.3	(7.3)	(228.7)	**(24.0)**	–	**(24.0)**
Impact of change in accounting policy[3]	–	–	–	–	–	–	(2.1)	**(2.1)**	–	**(2.1)**
Adjusted balance at 1 April 2018 (unaudited)	9.3	130.6	104.2	(43.4)	11.3	(7.3)	(230.8)	**(26.1)**	–	**(26.1)**
Profit for the period	–	–	–	–	–	–	25.7	**25.7**	–	**25.7**
Other comprehensive income	–	–	–	–	–	0.7	7.1	**7.8**	–	**7.8**
Total comprehensive income	–	–	–	–	–	0.7	32.8	**33.5**	–	**33.5**
Dividends paid	–	–	–	–	–	–	(9.8)	**(9.8)**	–	**(9.8)**
Share-based payments	–	–	–	0.2	2.5	–	(0.1)	**2.6**	–	**2.6**
At 30 September 2018 (unaudited)	9.3	130.6	104.2	(43.2)	13.8	(6.6)	(207.9)	**0.2**	–	**0.2**

Notes:
1. Other reserves include the share-based payments reserve, the revaluation reserve and the capital redemption reserve.
2. The Group has restated the income statement and balance sheet for the six months ended 30 September 2017 as per Note 1.
3. The Group has adopted IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to opening retained earnings at the date of initial application. Under this option, the comparative information is not restated.

Condensed consolidated statement of cash flows
For the six months ended 30 September 2018

		Notes	**30 September 2018 (unaudited) £m**	30 September 2017 (restated)[1] (unaudited) £m
Operating profit/(loss)	– continuing operations		**26.5**	26.2
	– discontinued operations	4	**7.9**	(12.2)
Adjustments for:				
Share-based payments expense			**3.6**	0.7
Defined benefit pension costs		19	**0.8**	2.1
Defined benefit pension contributions		19	**(2.6)**	(0.9)
Acquisition costs			**0.2**	–
Depreciation of property, plant and equipment			**6.2**	6.2
Amortisation of intangible assets			**5.3**	7.9
Amortisation of contract assets		10	**0.3**	–
Share of profit of joint ventures and associates			**(0.3)**	(0.3)
Impairment of goodwill		3	**–**	10.0
Loss/(gain) on disposal of property, plant and equipment			**0.2**	(0.3)
Gain on disposal of subsidiaries		4	**(27.5)**	–
Other non-cash operating items			**–**	0.5
Operating cash flows before movements in working capital			**20.6**	39.9
Decrease in inventories			**0.5**	0.2
Increase in receivables			**(60.5)**	(39.7)
Increase in contract assets			**(3.3)**	(0.9)
Increase/(decrease) in deferred income			**12.8**	(3.6)
Increase/(decrease) in payables			**2.7**	(6.2)
Increase/(decrease) in provisions			**13.8**	(4.8)
Cash (used in)/generated by operations			**(13.4)**	(15.1)
Income taxes received			**6.3**	12.5
Interest paid			**(6.4)**	(6.7)
Net cash outflow from operating activities			**(13.5)**	(9.3)
Investing activities				
Dividends received from joint ventures and associates			**0.8**	0.6
Interest received			**–**	0.1
Purchase of property, plant and equipment			**(3.1)**	(4.0)
Purchase of other intangible assets			**(4.5)**	(6.4)
Acquisition costs			**(0.2)**	–
Disposal of property, plant and equipment			**0.1**	1.3
Disposal of subsidiaries, including cash disposed			**38.8**	(9.8)
Net cash inflow/(outflow) from investing activities			**31.9**	(18.2)

Note:
1. The Group has restated the income statement and balance sheet for the six months ended 30 September 2017 as per Note 1.

	Notes	30 September 2018 (unaudited) £m	30 September 2017 (restated)[1] (unaudited) £m
Financing activities			
Repayment of obligations under finance leases		**(0.9)**	(1.1)
Bank loans repaid		**–**	(0.6)
Proceeds from re-issue of treasury shares		**–**	3.2
Purchase of non-controlling interests		**–**	(3.0)
Equity dividends paid	6	**(9.8)**	–
Other financing items		**–**	(0.6)
Net cash outflow from financing activities		**(10.7)**	(2.1)
Net increase/(decrease) in cash and cash equivalents		**7.7**	(29.6)
Net cash and cash equivalents at beginning of the period		**59.8**	129.1
Effect of foreign exchange rate changes		**0.2**	0.1
Net cash and cash equivalents at end of the period		**67.7**	99.6

The above statement of 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 2018 (unaudited) £m	30 September 2017 (restated)[1] (unaudited) £m
Cash drivers			
Net (decrease)/increase in cash and cash equivalents		**7.7**	(29.6)
Decrease in bank loans		**–**	0.5
Repayment of obligations under finance leases		**0.9**	1.1
Non-cash drivers			
Non-cash movement in bank loans		**(0.5)**	–
Non-cash movement in private placement notes and associated hedges		**(0.3)**	2.5
Non-cash movement in finance leases		**(1.2)**	–
Effect of other foreign exchange rate changes		**0.2**	0.1
Decrease/(increase) in net debt during the year		**6.8**	(25.4)
Opening net debt		**(193.5)**	(147.2)
Closing net debt	15	**(186.7)**	(172.6)

Note:
1. The Group has restated the income statement and balance sheet for the six months ended 30 September 2017 as per Note 1.

1. Basis of preparation and significant accounting policies

Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 September 2018 (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 2018.

The financial information presented for the six months ended 30 September 2018 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 2018 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 qualified on the basis that the financial statements did not include a third balance sheet as at 31 March 2016 as a result of the correction of a prior period error. There were no other matters to which the auditor drew attention by way of emphasis in the auditor's report 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 21 November 2018.

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 13 to 15.

The Group currently operates well within the financial covenants associated with its committed funding lines. These include £191.5m of US Private Placement debt maturing in December 2019, December 2022 and December 2024 and a committed multi-currency revolving credit facility of £275.0m, which will mature in July 2021. These facilities give the Group total committed funding of £466.5m, of which £219.1m was undrawn at 30 September 2018.

The key ratios in these financial covenants 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 March and September reporting dates. At 30 September 2018, 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, whilst 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 continues to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

Prior period restatements

Correction of prior period error

As disclosed in the 2018 accounts, the prior year comparatives for the year ended 31 March 2017 were restated due to an accounting error in respect of an under accrual of costs with a corresponding increase in accrued income and revenue. There was no impact on the reported loss for the year ended 31 March 2017. The error was identified and corrected after the publication of the 2017 interim results and therefore, the consequential impact on the prior period financial statements for the six months ended 30 September 2017 has been considered and management has determined that an increase in accruals and accrued income of £13.6m within the balance sheet and an increase in revenue and cost of sales of £5.4m within the income statement are required from the previously reported position. In addition, there has been a grossing up of £7.7m affecting other debtors and creditors at 30 September 2017.

Adoption of IFRS 15

The Group early adopted IFRS 15 'Revenue with contracts with customers' with a date of initial application of 1 April 2017. The decision to adopt IFRS 15 early was taken after the publication of the 2017 interim results with the impact included within the financial statements for the year ended 31 March 2018. The consequential restatements of the income statement for the six months ended 30 September 2017 and the balance sheet as at 30 September 2017 are detailed in this Note.

1. Basis of preparation and significant accounting policies continued

Discontinued operations

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 and comparative information has been restated.

The Property Management division was previously classified as a discontinued operation in the six months ended 30 September 2017, but there was no active sale process at year end and hence it was not classified as a discontinued operation in the financial statements for the year ended 31 March 2018.

At 30 September 2018, the results of the Social Housing business, which previously formed a separate major line of business of the Group as part of the Property Management division, were classified as discontinued operations and comparative information has been restated. The remaining roofing and painting activities of the former Property Management division have been integrated into the Engineering Services division.

Accounting standards that are newly effective in the current year

With the exception of the adoption of IFRS 9 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 9 'Financial instruments' became effective for the Group starting 1 April 2018 and replaces the requirements of IAS 39 'Financial instruments: recognition and measurement'. The main changes introduced by the new standard are new classification and measurement requirements for certain financial assets, a new Expected Credit Loss (ECL) model for the impairment of financial assets, revisions to the hedge accounting model, and amendments to disclosures. The Group elected, from 1 April 2018, to continue to apply the hedge accounting guidance in IAS 39 'Financial instruments: recognition and measurement'.

With respect to loss allowances for trade receivables, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The Group, from 1 April 2018, will measure loss allowances for trade receivables and accrued income at an amount equal to lifetime expected credit losses using both quantitative and qualitative information and analysis based on the Group's historical experience, and forward-looking information. The Group has determined that the transition to IFRS 9 results in an additional loss allowance for trade receivables and accrued income as at 1 April 2018 of £2.5m and gives rise to a deferred tax credit of £0.4m. The additional loss allowance has been applied as an adjustment to opening retained earnings at 1 April 2018 and therefore, the prior period comparative information is not restated.

Other than as stated above, the accounting policies and methods of calculation adopted in the preparation of these 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 2018, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted by the EU.

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

With the exception of IFRS 16 which is discussed below, none of the new standards and amendments that are not yet effective are expected to have a material effect on the Group.

IFRS 16 'Leases' will be effective for the Group starting 1 April 2019 and will replace the current requirements of IAS 17 'Leases'. An asset for the right to use the leased item and a liability for future lease payments will be recognised for all leases, subject to limited exemptions for short-term leases and low-value lease assets. The costs of leases will be recognised in the income statement split between depreciation of the lease asset and a finance charge on the lease liability. This is similar to the existing accounting for finance leases, but substantively different to the existing accounting for operating leases under which no lease asset or lease liability is recognised and rentals payable are charged to the income statement on a straight-line basis. The Group is continuing its assessment of the impact that the application of the standard will have on the Group's financial statements. It remains too early to fully determine the impact on the Group's financial statements as this will be influenced by the composition of the lease portfolio and the relevant discount rates at the date of adoption. Details of future commitments under the Group's current operating leases are set out on page 183 in Note 35 of the 2018 accounts. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

1. Basis of preparation and significant accounting policies continued

Adoption of IFRS 15

The Group decided to early adopt IFRS 15 'Revenue from contracts with customers', with a date of initial application of 1 April 2017. As a result, the Group changed its accounting policies and updated its internal processes and controls relating to revenue recognition.

The Group applied IFRS 15 using the cumulative method by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 April 2017, calculated only for those contracts that were not completed as at 1 April 2017. The comparative information for the six months ended 30 September 2017 has been restated to reflect the adoption of IFRS 15.

The following table details the impact on net assets as at 1 April 2017, and on the revenue and profit/(loss) for the period recognised for the six months ended 30 September 2017, as a result of the adoption of IFRS 15:

	Net assets £m	Revenue £m	Profit/(loss) for the period £m
Balances without adoption of IFRS 15 from continuing operations	89.8	998.7	6.1
IFRS 15 adjustments:			
A – POC accounting	(50.2)	4.1	9.2
B – Mobilisation assets	(24.9)	–	1.1
C – Design and development and other upfront fees	(30.1)	2.5	2.3
D – Contract assets	–	–	–
E – Work in progress	(26.5)	(4.6)	(2.8)
F – Contracted discounts including extension discounts	(1.5)	0.4	0.4
G – Tax	25.0	–	(1.9)
Total from continuing operations	(18.4)	1,001.1	14.4
Balances without adoption of IFRS 15 from discontinued operations	–	86.9	(11.6)
IFRS 15 adjustments	–	–	–
Total from discontinued operations	–	86.9	(11.6)
As reported total	(18.4)	1,088.0	2.8

Adjustment A – POC accounting

IFRS 15 introduces the concept of performance obligations which are the contractual promises by an entity to transfer goods or services to a customer. Under IFRS 15, revenue is recognised on a contract specific basis and in line with the satisfaction of performance obligations. This is a change from the Group's previous accounting policy and the use of a percentage of completion model to measure the proportion of contract costs incurred for work performed to date compared to the total estimated contract costs. Percentage of completion accounting does not provide an appropriate representation of the satisfaction of performance obligations on these long-term complex contracts and consequently, is no longer applied.

The impact of this is a decrease in reserves of £50.2m to derecognise the percentage of completion asset held as accrued income on long-term complex contracts at 1 April 2017 and a £9.2m credit to the profit for the six months ended 30 September 2017 comprising £4.1m to reverse the unwind of the asset movement, and £5.1m to reverse a percentage of completion asset write-off included within other items. The reversal of the asset write-off follows the net impact of a write-off of £6.6m in relation to the loss of two contracts which was offset by a £1.5m credit to reinstate a previously written off asset. These balances, which were presented in Other Items, would not have been recognised under IFRS 15 as percentage of completion accounting would not have been applied.

Adjustment B – Mobilisation assets

IFRS 15 specifies that certain costs to fulfil a contract are to be capitalised as contract assets if relevant criteria are met. The Group has determined that the existing mobilisation asset, whilst appropriate under the previous accounting standard, does not meet the more stringent criteria under IFRS 15.

The Group has therefore derecognised the asset (including £3.9m recognised in prepayments within trade and other receivables) as at 1 April 2017, leading to a decrease in reserves of £24.9m.

The adjustment to the profit for the six months ended 30 September 2017 is a credit of £1.1m to reverse additions and write back amortisation on the mobilisation balance written off.

1. Basis of preparation and significant accounting policies continued

Adjustment C – Design and development and other upfront fees

On certain contracts, the Group receives upfront, non-refundable payments from the customer to cover significant costs incurred by the Group during the initial phase of the contract. Under IFRS 15, costs incurred from these transition and mobilisation activities, which are more than administrative in nature, are assessed to determine whether they form a separate performance obligation. Where such costs do not form a separate performance obligation under the contract, any upfront payments received from the customer are allocated to the performance obligations of the contract, deferred and recognised over the life of the other services.

The Group has determined that £30.1m of revenue previously recognised should be presented as deferred income at 1 April 2017 leading to a decrease in reserves by the same amount. The adjustment to the profit for the six months ended 30 September 2017 is a £2.3m credit following the rephasing of upfront payments.

Following the adoption of IFRS 15, the Group has presented deferred income from contracts with customers separately on the balance sheet. The balance of deferred income as at 30 September 2017 amounting to £74.1m has been reclassified as a result.

Adjustment D – Contract assets

IFRS 15 specifies that certain costs to fulfil a contract are to be capitalised as contract assets if relevant criteria are met. The Group capitalised a balance of £0.9m during the six months ended 30 September 2017 that would otherwise have been recorded in other intangible assets. This amount related to resources to allow it to deliver services under its contracts for which control had passed to the customer on installation. This amount has been recognised on the balance sheet as an addition to contract assets under IFRS 15 and there is no impact to the profit for the six months ended 30 September 2017.

Adjustment E – Work in progress

Under IFRS 15, revenue is only recognised when control has passed to a customer and it can be reliably measured. Income which was previously recognised under IAS 11 and IAS 18 has been remeasured against the more stringent criteria in IFRS 15, resulting in an amount being derecognised where it cannot be reliably measured.

The Group has therefore derecognised the asset held on its balance sheet within accrued income leading to a reduction in reserves of £26.5m at 1 April 2017. The impact to the profit for the six months ended 30 September 2017 is a debit of £2.8m.

Adjustment F – Contracted discounts including extension discounts

Where a contract provides the option for a customer to obtain an extension period at a significant discount, this may lead to a separate performance obligation where a material right exists. If a separate performance obligation exists then there would be an allocation of the transaction price from the original contract through the option period. A balance is therefore adjusted in reserves and recognised in deferred income with the unwind recognised over the extension period (or immediately if the option expires).

The Group has recorded a reduction of £1.5m in reserves at 1 April 2017 to reflect the customer's future option to a significant discount with the balance recognised in deferred income. This will be unwound as future services are delivered. The impact to the profit for the six months ended 30 September 2017 is a credit of £0.4m.

Adjustment G – Tax

Due to the changes in the pattern and timing of revenue recognition under IFRS 15, an additional deferred income liability is recognised on the balance sheet from 1 April 2017, via a charge to the opening balance of equity at 1 April 2017. Further, certain assets previously held in accrued income and recognised through the income statement in earlier periods have been derecognised from 1 April 2017, again via a charge to the opening balance of equity at 1 April 2017.

A tax deduction is available at 1 April 2017 for the one-off transitional adjustments recognised in opening equity. This tax deduction gives rise to tax losses at 1 April 2017, creating a deductible temporary difference for which a deferred tax asset of £25.0m is recognised at 1 April 2017, leading to an increase in reserves by the same amount. The tax impact of the IFRS 15 adjustments on the profit for the six months ended 30 September 2017 is a charge of £1.9m, of which £1.0m arises on the adjustment to other items.

1. Basis of preparation and significant accounting policies continued

The following disclosures show the impact of the adoption of IFRS 15 on the Group's primary financial statements.

Consolidated income statement
For the six months ended 30 September 2017

	30 September 2017 without IFRS 15 (restated)[1] (unaudited) £m	IFRS 15 adjustments £m							30 September 2017 with IFRS 15 (restated)[1] (unaudited) £m
		A	B	C	D	E	F	G	
Continuing operations									
Revenue	998.7	4.1	–	2.5	–	(4.6)	0.4	–	**1,001.1**
Cost of sales	(876.9)	–	0.4	–	–	1.8	–	–	**(874.7)**
Administrative expenses	(86.8)	–	0.7	(0.2)	–	–	–	–	**(86.3)**
Operating profit/(loss) before other items	35.0	4.1	1.1	2.3	–	(2.8)	0.4	–	**40.1**
Other items	(19.0)	5.1	–	–	–	–	–	–	**(13.9)**
Operating profit/(loss) after other items	16.0	9.2	1.1	2.3	–	(2.8)	0.4	–	**26.2**
Finance costs	(8.5)	–	–	–	–	–	–	–	**(8.5)**
Tax	(1.4)	–	–	–	–	–	–	(1.9)	**(3.3)**
Continuing operations	6.1	9.2	1.1	2.3	–	(2.8)	0.4	(1.9)	**14.4**
Discontinued operations	(11.6)	–	–	–	–	–	–	–	**(11.6)**
(Loss)/profit for the period	(5.5)	9.2	1.1	2.3	–	(2.8)	0.4	(1.9)	**2.8**

Note:
1. The Group has restated the income statement for the six months ended 30 September 2017 as per Note 1.

Consolidated balance sheet
As at 30 September 2017

	30 September 2017 without IFRS 15 (restated)[1] (unaudited) £m	IFRS 15 adjustments £m							30 September 2017 with IFRS 15 (restated)[1] (unaudited) £m
		A	B	C	D	E	F	G	
Non-current assets									
Goodwill	334.1	–	–	–	–	–	–	–	**334.1**
Other intangible assets	52.2	–	–	–	(0.9)	–	–	–	**51.3**
Property, plant and equipment	28.9	–	–	–	–	–	–	–	**28.9**
Interest in joint venture	0.3	–	–	–	–	–	–	–	**0.3**
Derivative financial instruments	12.9	–	–	–	–	–	–	–	**12.9**
Trade and other receivables	41.6	(32.8)	(8.8)	–	–	–	–	–	**–**
Contract assets	–	–	–	–	0.7	–	–	–	**0.7**
Deferred tax assets	19.5	–	–	–	–	–	–	22.1	**41.6**
Total non-current assets	489.5	(32.8)	(8.8)	–	(0.2)	–	–	22.1	**469.8**
Current assets									
Inventories	6.6	–	–	–	–	–	–	–	**6.6**
Trade and other receivables	426.8	(8.2)	(14.8)	0.1	–	(29.3)	–	–	**374.6**
Contract assets	–	–	–	–	0.2	–	–	–	**0.2**
Derivative financial instruments	11.5	–	–	–	–	–	–	–	**11.5**
Cash and cash equivalents	99.6	–	–	–	–	–	–	–	**99.6**
Total current assets	544.5	(8.2)	(14.8)	0.1	0.2	(29.3)	–	–	**492.5**
Total assets	1,034.0	(41.0)	(23.6)	0.1	–	(29.3)	–	22.1	**962.3**

Note:
1. The Group has restated the balance sheet as at 30 September 2017 as per Note 1.

1. Basis of preparation and significant accounting policies continued

Consolidated balance sheet
As at 30 September 2017

	30 September 2017 without IFRS 15 (restated)[1] (unaudited) £m	IFRS 15 adjustments £m							**30 September 2017 with IFRS 15 (restated)[1] (unaudited) £m**
		A	B	C	D	E	F	G	
Current liabilities									
Trade and other payables	(546.1)	–	–	46.0	–	–	(1.1)	–	**(501.2)**
Deferred income	–	–	–	(54.3)	–	–	–	–	**(54.3)**
Current tax liabilities	(1.2)	–	–	–	–	–	–	1.0	**(0.2)**
Financing liabilities	(72.5)	–	–	–	–	–	–	–	**(72.5)**
Provisions	(18.5)	–	(0.2)	0.2	–	–	–	–	**(18.5)**
Total current liabilities	(638.3)	–	(0.2)	(8.1)	–	–	(1.1)	1.0	**(646.7)**
Net current liabilities	(93.8)	(8.2)	(15.0)	(8.0)	0.2	(29.3)	(1.1)	1.0	**(154.2)**
Non-current liabilities									
Deferred income	–	–	–	(19.8)	–	–	–	–	**(19.8)**
Financing liabilities	(224.1)	–	–	–	–	–	–	–	**(224.1)**
Provisions	(6.4)	–	–	–	–	–	–	–	**(6.4)**
Retirement benefit liabilities	(64.9)	–	–	–	–	–	–	–	**(64.9)**
Deferred tax liabilities	(0.8)	–	–	–	–	–	–	–	**(0.8)**
Total non-current liabilities	(296.2)	–	–	(19.8)	–	–	–	–	**(316.0)**
Total liabilities	(934.5)	–	(0.2)	(27.9)	–	–	(1.1)	1.0	**(962.7)**
Net (liabilities)/assets	99.5	(41.0)	(23.8)	(27.8)	–	(29.3)	(1.1)	23.1	**(0.4)**

Note:
1. The Group has restated the balance sheet as at 30 September 2017 as per Note 1.

2. Business segment information

The Group manages its business on a service line basis. At 30 September 2018, the Group had the following six 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, which is the Group's chief operating decision maker.

The information presented for the six months ended 30 September 2017 has been restated to reflect changes in management reporting, implemented in 2018, of certain business unit activities transferring between Engineering Services, Professional Services and Corporate Centre, the integration into Engineering Services of the roofing and painting activities which previously formed part of Property Management, and the classification of Pest Control and Social Housing as discontinued operations.

	Six months ended 30 September 2018 (unaudited)			Six months ended 30 September 2017 (restated)[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] %
Engineering Services	**427.7**	**27.4**	***6.4***	435.8	22.9	*5.3*
Security	**226.2**	**14.3**	***6.3***	213.9	12.1	*5.7*
Professional Services	**64.7**	**2.8**	***4.3***	63.3	2.0	*3.2*
Cleaning & Environmental Services	**200.6**	**6.2**	***3.1***	186.7	9.5	*5.1*
Care & Custody	**52.4**	**–**	**–**	28.7	1.5	*5.2*
Catering	**69.3**	**2.9**	***4.2***	72.7	3.1	*4.3*
Corporate Centre	**–**	**(15.2)**	**–**	–	(11.0)	–
Continuing operations	**1,040.9**	**38.4**	***3.7***	1,001.1	40.1	*4.0*
Pest Control	**11.9**	**2.0**	***16.8***	11.0	0.7	*6.4*
Social Housing	**69.0**	**(4.1)**	***(5.9)***	75.9	0.4	*0.5*
Discontinued operations	**80.9**	**(2.1)**	***(2.6)***	86.9	1.1	*1.3*
Total	**1,121.8**	**36.3**	***3.2***	1,088.0	41.2	*3.8*

Notes:

1. The Group has restated the income statement for the six months ended 30 September 2017 as per Note 1.
2. Other items are as described in Note 3.
3. No single customer accounted for more than 10% of external revenue in the six months ended 30 September 2018 or 2017.

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

	Six months ended 30 September 2018 (unaudited) £m	Six months ended 30 September 2017 (restated)[1] (unaudited) £m
Operating profit before other items from continuing operations	**38.4**	40.1
Other items[2]	**(11.9)**	(13.9)
Finance costs	**(7.5)**	(8.5)
Continuing operations	**19.0**	17.7
Operating profit before other items from discontinued operations	**(2.1)**	1.1
Other items[2]	**10.0**	(13.3)
Finance income	**–**	0.1
Discontinued operations	**7.9**	(12.1)
Profit before tax	**26.9**	5.6

Notes:

1. The Group has restated the income statement for the six months ended 30 September 2017 as per Note 1.
2. Other items are as described in Note 3.

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

2. Business segment information continued

Geographical segments

	Six months ended 30 September 2018 (unaudited)			Six months ended 30 September 2017 (restated)[1] (unaudited)		
	Revenue £m	**Operating profit/(loss) before other items[2] £m**	**Operating margin before other items[2] %**	Revenue £m	Operating profit before other items[2] £m	Operating margin before other items[2] %
United Kingdom	**985.3**	**38.8**	***3.9***	946.4	39.0	*4.1*
Other countries	**55.6**	**(0.4)**	***(0.7)***	54.7	1.1	*2.0*
Continuing operations	**1,040.9**	**38.4**	***3.7***	1,001.1	40.1	*4.0*
United Kingdom	**80.9**	**(2.1)**	***(2.6)***	86.9	1.1	*1.3*
Other countries	**–**	**–**	**–**	–	–	–
Discontinued operations	**80.9**	**(2.1)**	***(2.6)***	86.9	1.1	*1.3*
Total	**1,121.8**	**36.3**	***3.2***	1,088.0	41.2	*3.8*

Notes:

1. The Group has restated the income statement for the six months ended 30 September 2017 as per Note 1.
2. Other items are as described in Note 3.

Supplementary information

	Six months ended 30 September 2018 (unaudited)				Six months ended 30 September 2017 (restated)[1] (unaudited)			
	Depreciation of property, plant and equipment £m	**Amortisation of intangible assets £m**	**Amortisation of contract assets £m**	**Other items[2] £m**	Depreciation of property, plant and equipment £m	Amortisation of intangible assets £m	Amortisation of contract assets £m	Other items[2] £m
Engineering Services	**0.5**	**0.4**	**–**	**1.6**	0.8	1.5	–	0.2
Security	**0.7**	**0.2**	**–**	**0.2**	0.9	0.4	–	0.2
Professional Services	**–**	**0.3**	**0.1**	**0.5**	0.2	0.4	–	2.2
Cleaning & Environmental Services	**2.2**	**0.6**	**–**	**1.4**	1.8	–	–	0.3
Care & Custody	**0.2**	**–**	**0.2**	**0.1**	0.2	–	–	–
Catering	**0.6**	**–**	**–**	**0.1**	0.7	0.1	–	–
Corporate centre	**1.7**	**3.8**	**–**	**8.0**	1.5	5.5	–	11.0
Continuing operations	**5.9**	**5.3**	**0.3**	**11.9**	6.1	7.9	–	13.9
Pest Control	**0.2**	**–**	**–**	**(27.5)**	–	–	–	–
Social Housing	**0.1**	**–**	**–**	**17.5**	0.1	–	–	13.3
Discontinued operations	**0.3**	**–**	**–**	**(10.0)**	0.1	–	–	13.3
Total	**6.2**	**5.3**	**0.3**	**1.9**	6.2	7.9	–	27.2

Notes:

1. The Group has restated the income statement for the six months ended 30 September 2017 as per Note 1.
2. Other items are as described in Note 3.

2. Business segment information continued

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 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
Engineering Services	**197.5**	**230.2**	**427.7**	**149.1**	**278.6**	**427.7**
Security	**44.2**	**182.0**	**226.2**	**16.0**	**210.2**	**226.2**
Professional Services	**7.1**	**57.6**	**64.7**	**23.1**	**41.6**	**64.7**
Cleaning & Environmental Services	**48.3**	**152.3**	**200.6**	**–**	**200.6**	**200.6**
Care & Custody	**52.4**	**–**	**52.4**	**–**	**52.4**	**52.4**
Catering	**2.0**	**67.3**	**69.3**	**8.4**	**60.9**	**69.3**
Continuing operations	**351.5**	**689.4**	**1,040.9**	**196.6**	**844.3**	**1,040.9**
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	**72.5**	**8.4**	**80.9**	**35.9**	**45.0**	**80.9**
Total	**424.0**	**697.8**	**1,121.8**	**232.5**	**889.3**	**1,121.8**

Note:

1. Sector is defined by the end customer on any contract e.g. if the Group is a sub-contractor to a construction company for the building of a public hospital, then the contract would be classified as government.

	Six months ended 30 September 2017 (restated)[1] (unaudited)					
			Sector[2]	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
Engineering Services	197.9	237.9	435.8	174.7	261.1	435.8
Security	41.8	172.1	213.9	15.2	198.7	213.9
Professional Services	6.9	56.4	63.3	14.5	48.8	63.3
Cleaning & Environmental Services	42.9	143.8	186.7	–	186.7	186.7
Care & Custody	28.7	–	28.7	–	28.7	28.7
Catering	1.9	70.8	72.7	13.9	58.8	72.7
Continuing operations	320.1	681.0	1,001.1	218.3	782.8	1,001.1
Pest Control	3.3	7.7	11.0	–	11.0	11.0
Social Housing	75.9	–	75.9	44.0	31.9	75.9
Discontinued operations	79.2	7.7	86.9	44.0	42.9	86.9
Total	399.3	688.7	1,088.0	262.3	825.7	1,088.0

Notes:

1. The Group has restated the income statement for the six months ended 30 September 2017 as per Note 1.
2. Sector is defined by the end customer on any contract e.g. if the Group is a sub-contractor to a construction company for the building of a public hospital, 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, the cost of restructuring programmes, acquisition and disposal costs, the gain or loss on business disposals, and other exceptional items and their related tax effect as Other Items:

	Six months ended 30 September 2018 (unaudited)					
Continuing operations	**Impairment of goodwill £m**	**Restructure costs £m**	**Acquisition & disposal related costs £m**	**Gain on disposal[1] £m**	**Other exceptional items £m**	**Total £m**
Administrative expenses	**–**	**(8.4)**	**(2.7)**	**–**	**(0.8)**	**(11.9)**
Other items before tax	**–**	**(8.4)**	**(2.7)**	**–**	**(0.8)**	**(11.9)**
Tax	**–**	**1.5**	**0.1**	**–**	**0.3**	**1.9**
Other items after tax	**–**	**(6.9)**	**(2.6)**	**–**	**(0.5)**	**(10.0)**
Discontinued operations						
Other items after tax	**–**	**(0.4)**	**–**	**26.6**	**(13.7)**	**12.5**
Total	**–**	**(7.3)**	**(2.6)**	**26.6**	**(14.2)**	**2.5**

	Six months ended 30 September 2017 (restated)[2] (unaudited)					
Continuing operations	Impairment of goodwill £m	Restructure costs £m	Acquisition & disposal related costs £m	Gain on disposal £m	Other exceptional items £m	Total £m
Administrative expenses	–	(13.2)	(2.7)	–	2.0	(13.9)
Other items before tax	–	(13.2)	(2.7)	–	2.0	(13.9)
Tax	–	2.6	0.3	–	(0.4)	2.5
Other items after tax	–	(10.6)	(2.4)	–	1.6	(11.4)
Discontinued operations						
Other items after tax	(10.0)	–	–	–	(2.7)	(12.7)
Total	(10.0)	(10.6)	(2.4)	–	(1.1)	(24.1)

Notes:
1. Gain on disposal of Mitie Pest Control Limited as per Note 4.
2. The Group has restated the income statement for the six months ended 30 September 2017 as per Note 1.

Impairment of goodwill

In the six months ended 30 September 2017, the goodwill allocated to Social Housing within the Property Management business CGU was impaired by £10.0m.

3. Other items continued

Restructure costs

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

These costs are analysed below:

	Six months ended 30 September 2018 (unaudited)			Six months ended 30 September 2017 (unaudited)		
	Continuing operations £m	**Discontinued operations £m**	**Total[1] £m**	Continuing operations £m	Discontinued operations £m	Total £m
Redundancy payments[2, 6]	**(2.7)**	**(0.5)**	**(3.2)**	(1.6)	–	(1.6)
Cost of change team[3]	**(0.5)**	**–**	**(0.5)**	(1.6)	–	(1.6)
Expenditure and provisions in respect of property closures[4]	**(0.1)**	**–**	**(0.1)**	(0.7)	–	(0.7)
Expenditure in respect of Project Helix transformation projects[5]	**(5.1)**	**–**	**(5.1)**	(9.3)	–	(9.3)
Restructuring costs	**(8.4)**	**(0.5)**	**(8.9)**	(13.2)	–	(13.2)
Taxation	**1.5**	**0.1**	**1.6**	2.6	–	2.6
Restructuring costs net of taxation	**(6.9)**	**(0.4)**	**(7.3)**	(10.6)	–	(10.6)

Notes:
1. Includes £8.1m in respect of the Project Helix transformation activities.
2. Costs in respect of roles made redundant as a result the Project Helix transformation and other projects to restructure the Group's activities.
3. Incremental costs of teams involved in the design and execution of Project Helix transformation projects
4. Costs in respect of property dilapidations, lease termination, and asset impairments crystallised following decisions vacate certain of the Group's properties as part of the overall Project Helix transformation.
5. Expenditure in respect of Project Helix transformation projects includes £0.5m of recruitment costs in respect of achieving the new target operating model, £1.4m related to dual running and knowledge transfer costs as part of the transfer of the transactional back-office activities to a third-party provider.
6. The comparative has been restated to include £0.3m of costs previously reported within profit from discontinued operations.

Acquisition and disposal related costs

Acquisition and disposal related costs from continuing operations include the amortisation charge for acquisition related intangibles £0.6m (2017: £1.8m), the share-based payment charge for restricted shares issued of £1.9m (2017 (restated): £0.9m) and other acquisition costs £0.2m (2017: £nil) in respect of the acquisition of Vision Security Group Limited.

3. Other items continued

Other exceptional items

Other exceptional items are analysed below:

	Six months ended 30 September 2018 (unaudited)			Six months ended 30 September 2017 (unaudited)		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m
Contract termination receipt[1]	**–**	**–**	**–**	2.0	–	2.0
Regulatory investigation[2]	**(0.8)**	**–**	**(0.8)**	–	–	–
IFRS 15 adoption project[3]	**(0.4)**	**–**	**(0.4)**	–	–	–
Costs incurred and provision for settlement of contractual disputes[4,6]	**–**	**(17.0)**	**(17.0)**	–	(3.3)	(3.3)
Gain on closure of Mitie Reinsurance[5]	**0.4**	**–**	**0.4**	–	–	–
Other exceptional items	**(0.8)**	**(17.0)**	**(17.8)**	2.0	(3.3)	(1.3)
Taxation	**0.3**	**3.3**	**3.6**	(0.4)	0.6	0.2
Other exceptional items net of taxation	**(0.5)**	**(13.7)**	**(14.2)**	1.6	(2.7)	(1.1)

Notes:

1. The loss of two major contracts in the six months ended 30 September 2017 resulted in a one-off termination receipt amounting to £2.0m. These amounts are disclosed separately due to the size of the payments received and the fact that the loss of contracts of this size is an unusual event for the Group. The non-cash write-off of £6.6m and non-cash credit of £1.5m previously reported in other items for the six months ended 30 September 2017 arose under POC accounting and have been reversed on the adoption of IFRS 15.
2. Legal and professional costs of £0.8m have been incurred in respect of the now closed FRC investigation into the Company's treatment of healthcare goodwill and accrued income in the Company's audited accounts for the year ended 31 March 2016, the closed FCA investigation in connection with the timeliness of a profit warning announced by the Company on 19 September 2016, the manner of preparation and content of the Company's financial information, position and results for the period ended 31 March 2016, and regarding the Company's own investigation into the same matters, facts and circumstances which are subject to FCA and FRC investigations.
3. Professional fees and interim staff costs of £0.4m have been incurred in respect of the project to implement IFRS 15 'Revenue from contracts with customers'.
4. The £17.0m charge for the six months ended 30 September 2018 represents the estimated costs of rectification works and legal advice associated with certain of the Group's property maintenance contracts, of which £13.7m was booked to provisions. Further details are provided in Note 18. This amount is disclosed separately due to the size of the potential cost of the rectification works and the fact that they arise from closed contracts.
5. During the period the Group liquidated its captive insurance company Mitie Reinsurance Company Limited resulting in a net income of £0.4m after settling all outstanding liabilities.
6. The £3.3m charge for the six months ended 30 September 2017 arose from the settlement of a longstanding contractual dispute for which a provision of £0.7m was made within profit from discontinued operations in the year ended 31 March 2017. Of this settlement, £2.0m was paid in cash in April 2018 and £2.0m was paid in cash during October 2018. This amount is disclosed separately due to the size of the settlement and the fact that the contract ended several years ago and so has not contributed to the results in either the current or prior year.

4. Discontinued operations and disposal of subsidiaries

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 and comparative information restated. The Group recognised a net gain on disposal of £26.6m, reported in profit from discontinued operations and recognised in Other Items (see Note 3).

On 19 November 2018, the Group signed an agreement for the sale of the Group's Social Housing business. At 30 September 2018, the results of the Social Housing business, which previously formed part of the Property Management division, were classified as discontinued operations. As the assets and liabilities of the Social Housing business were considered a disposal group at the balance sheet date, they have consequently been presented separately from other assets and liabilities. The remaining operations of Property Management have been integrated into the Engineering Services division and comparative information has been restated. The Group has retained liability, and made provisions where appropriate, for certain legacy contracts of the Social Housing business so these are not included within liabilities held for sale.

The results of these discontinued operations are detailed below.

Profit for the period from discontinued operations

	Six months ended 30 September 2018 (unaudited)		
	Pest Control £m	**Social Housing £m**	**Total £m**
Revenue	**11.9**	**69.0**	**80.9**
Cost of sales	**(7.1)**	**(60.1)**	**(67.2)**
Gross profit	**4.8**	**8.9**	**13.7**
Administrative expenses	**(2.8)**	**(13.3)**	**(16.1)**
Share of profit of joint ventures and associates	**–**	**0.3**	**0.3**
Operating profit/(loss) before other items[1]	**2.0**	**(4.1)**	**(2.1)**
Other items[3]	**27.5**	**(17.5)**	**10.0**
Profit/(loss) before tax	**29.5**	**(21.6)**	**7.9**
Tax	**(1.3)**	**4.2**	**2.9**
Profit/(loss) from discontinued operations	**28.2**	**(17.4)**	**10.8**

	Six months ended 30 September 2017 (unaudited)		
	Pest Control £m	Social Housing £m	Total £m
Revenue	11.0	75.9	86.9
Cost of sales	(8.5)	(58.4)	(66.9)
Gross profit	2.5	17.5	20.0
Administrative expenses	(1.8)	(17.4)	(19.2)
Share of profit of joint ventures and associates	–	0.3	0.3
Operating profit before other items[2]	0.7	0.4	1.1
Other items[3]	–	(13.3)	(13.3)
Profit/(loss) before tax	0.7	(12.9)	(12.2)
Finance income	–	0.1	0.1
Tax	(0.1)	0.6	0.5
Profit/(loss) from discontinued operations	0.6	(12.2)	(11.6)

Note:

1. The £4.1m operating loss before other items in Social Housing for the six months ended 30 September 2018 includes £3.0m cost of rectification works, £1.4m loss in respect of a contract which has now been terminated and £1.5m of recharges in respect of Group central services.
2. The £0.4m operating profit before other items in Social Housing for the six months ended 30 September 2017 includes an increased debt provision of £1.2m in addition to £1.0m of recharges in respect of Group central services.
3. Other items are as described in Note 3.

Total comprehensive income for the period from discontinued operations

	Six months ended 30 September 2018 (unaudited) £m	Six months ended 30 September 2017 (unaudited) £m
Total comprehensive income for the period from discontinued operations	**10.8**	(11.6)

4. Discontinued operations and disposal of subsidiaries continued

Cash flows from discontinued operations

	Six months ended 30 September 2018 (unaudited) £m	Six months ended 30 September 2017 (unaudited) £m
Net cash flows from operating activities	**(9.4)**	(15.9)
Net cash flows from investing activities	**38.5**	(0.1)
Increase/(decrease) in cash and cash equivalents	**29.1**	(16.0)

Earnings/(loss) per share from discontinued operations

	Six months ended 30 September 2018 (unaudited) p	Six months ended 30 September 2017 (unaudited) p
Basic earnings before other items per share[1]	**(0.5)**	0.3
Basic earnings per share	**3.0**	(3.3)
Diluted earnings before other items per share[1]	**(0.5)**	0.4
Diluted earnings per share	**3.0**	(3.3)

Note:

1. Other items are as described in Note 3.

Gain on disposal of discontinued operations – Pest Control

	Six months ended 30 September 2018 (unaudited) £m	Six months ended 30 September 2017 (unaudited) £m
Total consideration	**40.0**	–
Net assets disposed (including goodwill of £3.3m)	**(9.7)**	–
Transaction costs	**(2.8)**	–
Taxation	**(0.9)**	–
Net gain on disposal of discontinued operations	**26.6**	–

4. Discontinued operations and disposal of subsidiaries continued

Net assets of Social Housing classified as held for sale

	30 September 2018 (unaudited) £m
Non-current assets	
Goodwill	**12.5**
Other intangible assets	**4.6**
Property, plant and equipment	**1.0**
Interest in joint ventures and associates	**0.3**
Deferred tax assets	**0.2**
Total non-current assets	**18.6**
Current assets	
Inventories	**0.6**
Trade and other receivables	**31.1**
Current tax assets	**0.5**
Total current assets	**32.2**
Total assets held for sale	**50.8**
Current liabilities	
Trade and other payables	**(27.9)**
Deferred income	**(0.3)**
Total current liabilities	**(28.2)**
Net current assets held for sale	**4.0**
Non-current liabilities	
Deferred income	**(0.9)**
Total non-current liabilities	**(0.9)**
Total liabilities held for sale	**(29.1)**
Net assets held for sale	**21.7**

5. Tax

The income tax charge for the six months ended 30 September 2018 is calculated based upon the effective tax rates expected to apply to the Group for the full year. The rate of tax on profits (both continuing and discontinued) before other items is 19.4% (2017 (restated): 18.0%). The effective rate of tax on earnings before other items is principally influenced by tax relief for 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.

Tax relief is recognised on other items to the extent that it is considered probable that tax relief will be obtained or losses will be utilised by the Group. The effective rate of tax on other items is 231.6% (2017 (restated): 11.4%). The rate is reflective of non-taxable elements within other items arising in the period, principally for 2018 the profit on disposal of Pest Control and for 2017 the impairment of goodwill. The effective rate of tax on statutory profits is 4.5% (2017 (restated): 50.0%). The rates for both 2018 and 2017 reflect the lower rate of tax on other items relative to statutory profits for the period.

6. Dividends

An interim dividend for the year ended 31 March 2018 of 1.33p per share was declared on 20 November 2017 and paid on 7 February 2018. On 7 June 2018 the Company announced its Final Results for the year ended 31 March 2018. The announcement included a recommendation by the Board of a final dividend of 2.67p per share payable on 6 August 2018. On 28 June 2018 the Company circulated its Notice of 2018 Annual General Meeting (the "Notice"). The Notice omitted a resolution seeking shareholder approval of the final dividend. In order for the dividend to be paid to shareholders on 6 August 2018 in accordance with the previously published timetable, on 31 July 2018 the Board declared an interim dividend of 2.67p per share in place of the proposed final dividend.

The interim dividend for the year ending 31 March 2019 of 1.33p per share (not recognised as a liability at 30 September 2018) will be paid on 12 February 2019 to shareholders on the register on 21 December 2018. The Company has sufficient distributable reserves to pay the interim dividend.

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 2018 (unaudited) £m**	Six months ended 30 September 2017 (restated)[1] (unaudited) £m
Net profit before other items attributable to equity holders of the parent	**24.9**	24.9
Other items net of tax[2]	**(10.0)**	(11.4)
Net profit attributable to equity holders of the parent	**14.9**	13.5

From continuing and discontinued operations	**Six months ended 30 September 2018 (unaudited) £m**	Six months ended 30 September 2017 (restated)[1] (unaudited) £m
Net profit before other items attributable to equity holders of the parent	**23.2**	26.0
Other items net of tax[2]	**2.5**	(24.1)
Net profit attributable to equity holders of the parent	**25.7**	1.9

Number of shares	**Six months ended 30 September 2018 million**	Six months ended 30 September 2017 million
Weighted average number of ordinary shares for the purpose of basic EPS	**360.8**	355.6
Effect of dilutive potential ordinary shares: share options	**1.1**	2.8
Weighted average number of ordinary shares for the purpose of diluted EPS	**361.9**	358.4

	Six months ended 30 September 2018 (unaudited) p	Six months ended 30 September 2017 (restated)[1] (unaudited) p
From continuing operations:		
Basic earnings before other items per share[2]	**6.9**	7.0
Basic earnings per share	**4.1**	3.8
Diluted earnings before other items per share[2]	**6.9**	6.9
Diluted earnings per share	**4.1**	3.8
From continuing and discontinued operations:		
Basic earnings before other items per share[2]	**6.4**	7.3
Basic earnings per share	**7.1**	0.5
Diluted earnings before other items per share[2]	**6.4**	7.3
Diluted earnings per share	**7.1**	0.5

Notes:

1. The Group has restated the income statement for the six months ended 30 September 2017 as per 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

	£m
Cost	
At 1 October 2017 (unaudited)	359.1
Impact of foreign exchange	0.1
At 31 March 2018 (audited)	359.2
Disposal of subsidiaries	(3.3)
Reclassified to assets held for sale	(24.6)
Impact of foreign exchange	0.1
At 30 September 2018 (unaudited)	**331.4**
Accumulated impairment losses	
At 1 October 2017 (unaudited)	25.0
Impairment of property goodwill	24.6
At 31 March 2018 (audited)	49.6
Reclassified to assets held for sale	(12.1)
At 30 September 2018 (unaudited)	**37.5**
Carrying amount	
At 30 September 2018 (unaudited)	**293.9**
At 30 September 2017 (unaudited)	334.1
At 31 March 2018 (audited)	309.6

IAS 34 requires a review of goodwill for indicators of impairment as part of preparing the condensed consolidated financial statements. The Group's policy is to test goodwill at least annually for impairment or more frequently if there are indicators that goodwill may be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on forecast inflation. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. There were no indicators of further impairment of goodwill as at 30 September 2018.

9. Trade and other receivables

	30 September 2018 (unaudited) £m	30 September 2017 (restated)[1] (unaudited) £m	31 March 2018 (audited) £m
Trade receivables[2,3]	**186.5**	155.6	205.0
Accrued income[3,4]	**156.6**	165.8	131.4
Prepayments	**23.4**	30.0	21.3
Other debtors	**39.2**	23.2	28.3
Total[5]	**405.7**	374.6	386.0

Notes:

1. The Group has restated the balance sheet as at 30 September 2017 as per Note 1.
2. As in prior periods, the Group has made use of a non-recourse customer invoice discounting facility under which certain trade receivable balances are sold to the Group's relationship banks. The Group reduced the amount of invoice discounting from £103.2m as at 30 September 2017 to £76.3m as at 31 March 2018 and to £75.8m as at 30 September 2018. As these trade receivables are sold without recourse the Group has derecognised them, and so they are not included in trade receivables.
3. The balance at 30 September 2018 is stated net of the expected credit loss provision.
4. Accrued income relates to revenue recognised, but unbilled at the reporting date.
5. All balances are classified as current at the reporting date.

The average credit period taken on sales of services was 28 days (restated 30 September 2017: 22 days; 31 March 2018: 28 days).

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 October 2017 (restated)[1] (unaudited)	–	0.9	0.9
Additions	–	1.4	1.4
Amortised in the period	–	(0.1)	(0.1)
At 31 March 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**
Included in current assets	1.1	0.7	1.8
Included in non-current assets	1.1	2.3	3.4
Total contract assets	**2.2**	**3.0**	**5.2**

Note:

1. The Group has restated the balance sheet as at 30 September 2017 as per Note 1.

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 2018.

11. Trade and other payables

	30 September 2018 (unaudited) £m	30 September 2017 (restated)[1] (unaudited) £m	31 March 2018 (audited) £m
Payments received on account	**(0.7)**	(0.9)	(0.2)
Trade creditors	**(200.0)**	(210.8)	(191.3)
Other taxes and social security	**(65.7)**	(73.9)	(79.9)
Other creditors	**(6.5)**	(30.5)	(29.2)
Accruals	**(197.7)**	(185.1)	(196.2)
Total[2]	**(470.6)**	(501.2)	(496.8)

Notes:

1. The Group has restated the balance sheet as at 30 September 2017 as per Note 1.
2. All balances are classified as current at the reporting date.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 65 days (restated 30 September 2017: 64 days; 31 March 2018: 59 days).

Included within the Group's trade creditors balance is £24.4m (30 September 2017: £36.7m; 31 March 2018: £45.1m) relating to payments due to UK suppliers which make use of bank provided supply chain finance arrangements. During the six months ended 30 September 2018, these arrangements were used by c.200 suppliers, with a maximum facility available of £50m. 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. Deferred income from contracts with customers

	30 September 2018 (unaudited) £m	30 September 2017 (restated)[1] (unaudited) £m	31 March 2018 (audited) £m
Included in current liabilities	**(55.9)**	(54.3)	(46.2)
Included in non-current liabilities	**(20.7)**	(19.8)	(18.8)
Total deferred income	**(76.6)**	(74.1)	(65.0)

Note:

1. The Group has restated the balance sheet as at 30 September 2017 as per Note 1.

13. Financing liabilities

	30 September 2018 (unaudited) £m	30 September 2017 (unaudited) £m	31 March 2018 (audited) £m
Bank loans – under committed facilities	**54.8**	14.8	54.3
Private placement notes	**211.9**	280.1	203.8
Obligations under finance leases	**1.6**	1.7	1.3
Total	**268.3**	296.6	259.4
Included in current liabilities[1]	**0.5**	72.5	0.8
Included in non-current liabilities	**267.8**	224.1	258.6
Total	**268.3**	296.6	259.4

Note:

1. Included in current financing liabilities are £0.5m (March 2018: £0.8m; September 2017: £1.6m) of obligations under finance leases.

At 30 September 2018, the Group had available £219.1m (March 2018: £219.3m; September 2017: £258.6m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The loans carry interest rates which are currently determined at 1.0% over the applicable LIBOR.

The £275m multi-currency revolving credit facility and the US private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements. The Group was in compliance with these covenants as at 30 September 2018.

14. Financial instruments

Classification

The Group's principal financial assets are cash and cash equivalents, trade receivables and derivative financial instruments. With the exception of derivative financial instruments, all financial assets are classified as loans and receivables.

The Group's principal financial liabilities are trade payables and financing liabilities. All financial liabilities are held at amortised cost.

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

Financial instruments fair value disclosure

Fair value measurements are classified into three levels, depending on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from other observable inputs for the asset or liability; and
- Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data.

The Directors consider that the derivative financial instruments fall into Level 2. There were no transfers between levels during the year. All contracts are gross settled.

Derivative financial instruments

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

	30 September 2018 (unaudited) £m	30 September 2017 (unaudited) £m	31 March 2018 (audited) £m
Cross-currency interest rate swaps designated as cash flow hedges	**13.9**	18.5	6.1
Cross-currency interest rate swaps designated as fair value hedges	**–**	5.9	–
Derivative financial instruments hedging private placement notes	**13.9**	24.4	6.1
Included in current assets	**–**	11.5	–
Included in non-current assets	**13.9**	12.9	6.1
Total	**13.9**	24.4	6.1

Derivative financial instruments are measured at fair value. Fair values of derivative financial instruments are calculated based on a discounted cash flow analysis using appropriate market information for the duration of the instruments.

15. Analysis of net debt

	30 September 2018 (unaudited) £m	30 September 2017 (unaudited) £m	31 March 2018 (audited) £m
Cash and cash equivalents	**67.7**	99.6	59.8
Bank loans	**(54.8)**	(14.8)	(54.3)
Private placement notes	**(211.9)**	(280.1)	(203.8)
Derivative financial instruments hedging private placement notes	**13.9**	24.4	6.1
Net debt before obligations under finance leases	**(185.1)**	(170.9)	(192.2)
Obligations under finance leases	**(1.6)**	(1.7)	(1.3)
Net debt continuing operations[1]	**(186.7)**	(172.6)	(193.5)

Note:

1. Net debt excludes amounts in respect of Customer Invoice Discounting (referred to in Note 9), and Supply Chain Financing (referred to in Note 11).

16. Provisions

	Legal costs £m	Healthcare provision £m	Restructuring £m	Deferred contingent consideration £m	Insurance reserve £m	Contract specific costs £m	Dilapidations £m	**Total £m**
At 1 April 2017 (audited)	2.0	6.0	–	0.3	12.5	6.0	–	**26.8**
Impact of change in accounting policy	–	–	–	–	–	(0.2)	–	**(0.2)**
Amounts recognised in the income statement	3.3	–	0.5	–	1.0	(2.0)	–	**2.8**
Utilised in the period	–	(1.0)	–	(0.3)	(1.1)	(2.1)	–	**(4.5)**
At 30 September 2017 (restated)[1] (unaudited)	5.3	5.0	0.5	–	12.4	1.7	–	**24.9**
Amounts recognised in the balance sheet	–	–	–	–	–	–	3.4	**3.4**
Amounts recognised in the income statement	(0.1)	–	0.7	–	3.0	0.7	–	**4.3**
Utilised within captive insurance subsidiary	–	–	–	–	(0.1)	–	–	**(0.1)**
Unwinding of discount	–	–	–	–	–	–	0.2	**0.2**
Utilised in the period	(1.1)	(0.1)	–	–	–	–	–	**(1.2)**
At 31 March 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)	–	(1.5)	(0.2)	–	**(4.9)**
Disposal of subsidiaries	–	–	–	–	(0.1)	–	(0.1)	**(0.2)**
Reclassification	–	–	–	–	0.6	(0.6)	–	**–**
At 30 September 2018 (unaudited)	**2.2**	**4.9**	**–**	**–**	**15.8**	**18.8**	**3.6**	**45.3**
Included in current liabilities	2.2	4.9	–	–	4.9	18.8	3.6	**34.4**
Included in non-current liabilities	–	–	–	–	10.9	–	–	**10.9**
Total	**2.2**	**4.9**	**–**	**–**	**15.8**	**18.8**	**3.6**	**45.3**

Note:

1. The Group has restated the balance sheet as at 30 September 2017 as per 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 Healthcare provision relates to the indemnity provided following the disposal of the Healthcare business from the Group.
- The restructuring provision relates 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.
- Contract specific cost provisions relate to various obligations arising in the ordinary course of providing services in line with commercial contracts. The £17.2m charge for the six months ended 30 September 2018 includes the £16.7m estimated costs of rectification works associated with certain of the Group's property maintenance contracts, of which £13.7m are included within other items. Refer to Note 3 for further details. At 30 September 2018, the Group has disclosed a contingent asset for the recovery expected to be received from sub-contractors or under the Group's professional indemnity insurance policy. Refer to Note 18 for details.
- 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.

17. Acquisitions

Prior period acquisitions – purchase of non-controlling interests

On 19 July 2017, the Company purchased the minority 49% shareholding in Source Eight Limited. The consideration paid was £4.0m, satisfied with £3.0m in cash and £1.0m in unrestricted shares. A further £5.1m of shares were issued which were subject to sale restrictions related to continuing employment. Regarding shares issued, 2,196,708 ordinary shares were issued, with a nominal value of 2.5p per share in Mitie Group plc (Mitie shares) at a fair value of 278.8p, of which 1,838,028 Mitie shares were subject to sale restrictions related to continuing employment.

The above acquisition was completed based on transfer of consideration of the fair value of the shareholdings of the entity. As part of the above transaction, Mitie Group issued unrestricted and restricted shares. The restricted shares are attached with a condition that the relevant recipient continues in employment with the Group for a fixed vesting period of time. Restrictions will remain attached to the shares if the recipient leaves employment with the Group prior to completion of the vesting period of the shares.

As a result of the acquisition outlined above, Mitie Group owns 100% of the issued share capital of Source Eight Limited.

18. Contingent liabilities and contingent assets

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

In addition, the Company and its subsidiaries have provided guarantees and indemnities in respect of performance, issued by financial institutions on its behalf, amounting to £17.0m (March 2018: £21.7m; September 2017: £21.8m) in the ordinary course of business. These are not expected to result in any material financial loss.

Contract cost recovery contingent asset

During the six months ended 30 September 2018, the Group incurred costs of £2.6m, and made further provisions of £16.7m in respect of remediation and replacement works on certain of the Group's property maintenance contracts. The Group has several routes to recovery of these costs including claims against sub-contractors and a claim under the Group's professional indemnity insurance policy.

The Group is currently discussing the circumstances of the claim with the insurer through the Group's broker, and it is considered probable that the costs not recovered from sub-contractors will be covered by the Group's insurance policy. As the Group has not yet received confirmation of recoveries from sub-contractors or from the insurer, the recovery of these costs has been disclosed as a contingent asset at 30 September 2018.

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 2019 are anticipated to be £0.1m. The size and complexity of the Plumbing Scheme has meant the trustee is unable at this time to identify the assets and liabilities of the scheme which are attributable to the Group. Consequently, the Group accounts for its contributions as if they were paid to a defined contribution scheme.

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 27 March 2018, the trustee of the Plumbing Scheme provided participating employers with a summary of the draft actuarial valuation of the Plumbing Scheme as at 5 April 2017. There has been no update to the draft actuarial valuation during the period to the date of this report.

The trustee of the Plumbing Scheme has conducted an employer consultation regarding the allocation of Section 75 debts including orphan liabilities (i.e. liabilities in respect of Plumbing Scheme members whose employers or former employers are no longer members of the Plumbing Scheme or are insolvent). This is the second employer consultation carried out by the Plumbing Scheme in respect of the allocation of Section 75 debts. The trustee has stated that calculations of Section 75 debts at 5 April 2017 will be made available to all employers by 31 December 2018, and that all Section 75 debt notices for historic trigger events will be issued by 30 June 2019.

18. Contingent liabilities and contingent assets continued

Employment claims

There are currently two enquiries being carried out by HMRC in respect of the Group's compliance with the National Minimum Wage: both enquiries are at an early stage. At this time due to the nature and complexity of assessing compliance, it is not possible to estimate the potential exposure. In common with other UK businesses with a large number of employees operating near the minimum wage, the Group is at risk of potential deficiency in respect of current and past employees. Work is ongoing to enhance the Group's payroll systems and processes to reduce the risk of non-compliance in future.

In addition to specific enquiries in respect of compliance with the National Minimum Wage, 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. 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).

During the six months ended 30 September 2018, the Group paid additional contributions of £2.1m to the Group scheme, following the £3.0m paid in November 2017, in line with the schedule for payments of £11.9m by 31 March 2020 as part of the previously agreed £58.0m additional contributions by 31 March 2027. In November 2018, an additional amount of £3.8m was contributed in respect of the disposal of the Pest Control business. Further deficit reduction payments will be made in respect of the disposal of the Social Housing business.

The Group is in discussions with the Trustee to agree a new deficit repayment plan but has continued to make payments under the previous agreed one.

On 26 October 2018, the High Court handed down its judgment in the case involving the Lloyds Banking Group's defined benefit pension schemes and the rights of members to equality of treatment in relation to pension benefits. The Court's ruling has made it clear that schemes should be amended to equalise benefits for men and women in respect of guaranteed minimum pension benefits. The extent to which the judgement crystallises additional liabilities of the Group scheme is under consideration and any adjustment is expected to be recognised in the second half of 2018/19.

Amounts recognised in financial statements

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

	30 September 2018 (unaudited)			30 September 2017 (unaudited)			31 March 2018 (audited)		
	Group scheme £m	**Other schemes £m**	**Total £m**	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	**183.6**	**12.7**	**196.3**	178.7	11.7	190.4	182.3	12.1	194.4
Present value of defined benefit obligations	**(229.4)**	**(13.6)**	**(243.0)**	(240.8)	(14.5)	(255.3)	(237.1)	(13.6)	(250.7)
	(45.8)	**(0.9)**	**(46.7)**	(62.1)	(2.8)	(64.9)	(54.8)	(1.5)	(56.3)
Impact of asset ceiling	**–**	**(0.8)**	**(0.8)**	–	–	–	–	(0.5)	(0.5)
Net pension liability	**(45.8)**	**(1.7)**	**(47.5)**	(62.1)	(2.8)	(64.9)	(54.8)	(2.0)	(56.8)

All figures above are shown before deferred tax.

Of the "Other schemes", eight out of 18 have a total surplus under the accounting assumptions of £0.8m at 30 September 2018. Consistent with the approach used at 31 March 2018, the Group has chosen not to recognise any surplus on the balance sheet by including the impact of asset ceiling on the basis that the Group believes that any surplus payment is unlikely to be received on the eventual exit by the Group from any of these Local Government Pension Schemes.

19. Retirement benefit schemes continued

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

	Group scheme £m	Other schemes £m	Total £m
At 1 April 2018 (audited)	**237.1**	**13.6**	**250.7**
Current service cost	**0.2**	**0.1**	**0.3**
Interest cost	**3.0**	**0.2**	**3.2**
Actuarial gains arising due to changes in financial assumptions	**(5.8)**	**(0.2)**	**(6.0)**
Benefits paid	**(5.1)**	**(0.1)**	**(5.2)**
At 30 September 2018 (unaudited)	**229.4**	**13.6**	**243.0**

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

	Group scheme £m	Other schemes £m	Total £m
At 1 April 2018 (audited)	**182.3**	**12.1**	**194.4**
Interest income	**2.0**	**0.3**	**2.3**
Actuarial gains on assets	**2.4**	**0.3**	**2.7**
Contributions from the sponsoring companies	**2.5**	**0.1**	**2.6**
Expenses paid	**(0.5)**	**–**	**(0.5)**
Benefits paid	**(5.1)**	**(0.1)**	**(5.2)**
At 30 September 2018 (unaudited)	**183.6**	**12.7**	**196.3**

Impact of minimum funding requirement/asset ceiling:

	Group scheme £m	Other schemes £m	Total £m
At 1 April 2018 (audited)	**–**	**0.5**	**0.5**
Change in asset ceiling	**–**	**0.3**	**0.3**
At 30 September 2018 (unaudited)	**–**	**0.8**	**0.8**

Principal accounting assumptions at balance sheet dates

	Group scheme			Other schemes		
	30 September 2018 %	30 September 2017 %	31 March 2018 %	**30 September 2018 %**	30 September 2017 %	31 March 2018 %
Key assumptions used for IAS 19 valuation:						
Discount rate	**2.80**	2.70	2.60	**2.80**	2.70	2.60
Expected rate of pensionable pay increases	**3.20**	3.25	3.10	**3.20**	3.25	3.10
Retail price inflation	**3.20**	3.25	3.10	**3.20**	3.25	3.10
Consumer price inflation	**2.20**	2.25	2.10	**2.20**	2.25	2.10
Future pension increases	**3.20**	3.25	3.40	**3.20**	3.25	3.40

The duration, or average term to payment for the benefits due, weighted by liability, is around 21 years (22 years at 31 March 2018) for the Group scheme.

19. Retirement benefit schemes continued

Sensitivity of defined benefit obligations to key assumptions

		Impact on defined benefit obligations	
	Change in assumption	Increase/(decrease) in obligations %	Increase/(decrease) in obligations £m
Increase in discount rate	0.1%	(2.0)	(4.7)
Increase in RPI inflation*	0.1%	1.5	3.6
Increase in CPI inflation (excluding pay)	0.1%	0.7	1.7
Increase in salary growth	0.1%	–	–
Increase in life expectancy	1 year	3.9	9.2

* 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.

Multi-employer schemes

As a result of historic acquisition activity and staff transfers following contract wins, the Group participates in four multi-employer pension schemes. The total contributions to these schemes for the financial year ending 31 March 2019 are anticipated to be £0.1m.

For three of these schemes, the Group's share of the assets and liabilities is minimal.

The fourth scheme is the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the 'Plumbing Scheme') a funded multiemployer defined benefit scheme. The Plumbing Scheme was founded in 1975 and to date has had over 4,000 employers, with circa 400 remaining. The size and complexity of the Plumbing Scheme has meant the trustee is unable at this time to identify the assets and liabilities of the scheme which are attributable to the Group. Consequently, the Group accounts for its contributions as if they were paid to a defined contribution scheme.

The April 2014 valuation of the Plumbing Scheme indicated a surplus on a technical provisions basis of £19m, on liabilities of £1.47bn.

The Annual Member update issued by the Plumbing Scheme in October 2017 stated that an interim valuation prepared as at April 2016 indicated a deficit, however the draft triennial valuation as at 5 April 2017 continued to show a surplus on a technical provisions basis.

As set out in Note 18, the Group has a potential exposure to Section 75 employer debts in respect of the Plumbing Scheme, which has been disclosed as a contingent liability.

20. Related party transactions

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

During the six months ended 30 September 2018, the Group derived £0.3m (2017: £0.3m) of revenue from contracts with joint ventures and associated undertakings and received £0.7m (2017: £0.6m) of dividends. At 30 September 2018, trade and other receivables of £0.3m (March 2018: £0.2m) were outstanding and loans to joint ventures and associates of £nil (March 2018: £nil) were included in financing assets.

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company. During the six months ended 30 September 2018, the Group made donations and gifts in kind of £0.2m (2017: £0.2m) to the Foundation. At 30 September 2018 £nil (March 2018: £nil) was due to the Foundation and the Foundation had £nil (March 2018: £nil) held within creditors as an amount owed to Mitie Group plc.

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

The Group's key management personnel include the Executive Directors, Non-Executive Directors and the Executive Leadership team.

In the Annual Report and Accounts for the year ended 31 March 2017, the Company noted that, as a consequence of prior year adjustments to the accounts for the financial year ended 31 March 2016, the Remuneration Committee would determine what rights might be available to the Company to recover the bonus and other awards made to each of Ruby McGregor-Smith and Suzanne Baxter in respect of FY16. On 29 August 2017, the Company announced that the Financial Conduct Authority (the "FCA") had commenced an investigation into the timeliness of a profit warning announced by the Company on 19 September 2016 and the manner of preparation and content of the Company's financial information, position and results for the period ending 31 March 2016. On 27 June 2018 the Company announced that the FCA had discontinued its investigation. However, the Financial Reporting Council (the "FRC") continues, under the Accountancy Scheme, to investigate Members (i.e. persons who are regulated by the FRC, including inter alia members of the Institute of Chartered Accountants in England and Wales) formerly involved with Mitie, including Deloitte (the Company's former auditors). The Company has been advised by its external lawyers that as any claim against Ruby McGregor-Smith and Suzanne Baxter would cover the same matters, facts and circumstances which are the subject of the FRC investigation, any formal steps to recover bonuses or other awards should be deferred until after the FRC has concluded their investigation, which is expected to occur during FY19.

The Company's preferred supplier for delivering apprenticeships to its employees is Aspire Achieve Advance Ltd ("3aaa"), a company whose chairman is also Mitie Group plc's non-executive Chairman. The Company pays into a government mandated Apprenticeship Levy Fund, and 3aaa withdraw 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 2018, 3aaa withdrew £0.7m (2017: £0.2m) from the fund in respect of training provided or to be provided.

21. Events after the reporting period

Acquisition of Vision Security Group Limited

On 8 October 2018, the Group plc agreed to acquire Vision Security Group Limited (VSG), a wholly-owned subsidiary of Compass Group plc. 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.

The acquisition of VSG further strengthens the position of Mitie's Security division as one of the leading providers of integrated and risk-based security services in the UK. The combination will offer opportunities to accelerate the growth of Mitie's premium technology-enabled and intelligence-led security options.

The consideration of £14m (on a debt free, cash free basis) was paid in cash at completion on 26 October 2018, subject to any adjustment for final completion accounts, and was funded from Mitie's own cash resources. The initial accounting for the business combination is subject to finalisation of the completion accounts and the Group's assessment of the purchase price allocation.

Disposal of the Group's Social Housing business

On 19 November 2018, the Group announced that it had entered into an agreement to sell its Social Housing business to Mears Group plc, as described in Note 4.

The consideration comprises an initial payment of £22.5m, payable in cash at completion, subject to a completion accounts adjustment mechanism, and a deferred consideration of up to £12.5m, payable in cash over a period of two years post completion subject to the achievement of certain performance milestones.