19 November 2020
Mitie Group plc

Interim results for the six months to 30 September 2020
Weathering the COVID Storm: A resilient performance with much improved second quarter

Mitie Group plc ("Mitie" or "the Group") (LSE: MTO), one of the UK's leading facilities management companies, today announces its financial and operational results for the six months ended 30 September 2020 ("H1 20/21").

H1 20/21 Highlights

- **Revenue from continuing operations** of £972.4m, 9.8% lower than the prior year
- **Operating profit before other items** of £21.5m (H1 19/20: £33.0m)
- **Order book** of £4.0bn (H119/20: £4.1bn)
- **Basic earnings per share, before other items** of 1.2p, (H119/20: 2.8p[1])
- **Refinancing**: Rights issue successfully completed, raising £190m of net proceeds and refinanced £250m Revolving Credit Facility until December 2022
- **Free cash inflow[2]** of £66.3m (H119/20 outflow of £66.3m)
- **Average daily net debt** post-IFRS 16 significantly reduced to £69.3m (H1 19/20: £351.1m)
- **Closing net cash** post-IFRS 16 of £89.7m (H1 19/20 closing debt of £235.9m)
- **Interserve Facilities Management** acquisition completion expected on 30 November 2020 subject to shareholder approval. CMA approval received on 17 November 2020
- No interim dividend being declared (H1 19/20 0.69p per share)

Results for the six months to 30 September 2020

£m unless otherwise specified	**Six months to 30 September 2020** Before other items[2]	**Six months to 30 September 2020** Total	Six months to 30 September 2019 Before other items[2]	Six months to 30 September 2019 Total	*Change before other items, %*
Revenue[1]	972.4	972.4	1,078.0	1,078.0	*(9.8%)*
Operating profit[1]	21.5	9.6	33.0	22.7	*(34.8%)*
Operating profit margin[1]	*2.2%*	*1.0%*	*3.1%*	*2.1%*	*(0.9ppt)*
Profit before tax[1]	14.0	2.1	24.9	14.6	*(43.8%)*
Profit/(loss) for the period	10.7	(3.9)	21.8	62.7	*(50.9%)*
Basic earnings/(loss) per share	1.2p[1]	(0.4p)	2.8p[1,4]	9.0p[4]	*(57.1%)*
Dividend per share	-	-		0.69p[5]	
Average daily net debt (post-IFRS 16)		69.3		351.1	
Period-end net (cash)/debt (post-IFRS 16)[3]		(89.7)		235.9	
Secured order book[1]		£4.0bn		£4.1bn	

Notes:
1. From continuing operations.
2. Other items are as described in Note 3 to the condensed consolidated financial statements.
3. Note 13 to the condensed consolidated financial statements for analysis of net (cash)/debt.
4. Earnings per share for H1 19/20 have been restated for the bonus element of the rights issue.
5. Interim dividend for H1 19/20 was 1.33p; the subsequent 11 for 5 rights issue adjusts the dividend to 0.69p.

Commenting on H1 20/21 results, Phil Bentley, Group Chief Executive, said:

"Although COVID-19 continues to challenge us all, I am incredibly proud of how our business has responded and I am in awe of our 37,500 front-line heroes who have ensured we continued to deliver our exceptional customer service throughout the pandemic, keeping Britain's vital infrastructure open, supporting hospitals and food retailers and rapidly adapting to changes in customer requirements.

[1] EPS for H1 19/20 has been restated for the Rights Issue
[2] Free cash flow is defined in the Alternative Performance Measures appendix to the condensed consolidated financial statements

"Our financial performance in the first six months of the year proved more resilient than expected with a much improved second quarter. Revenue of £972m was 9.8% lower than the prior year as discretionary variable works and engineering projects significantly reduced offset partially by growth in Business Services. Operating profit of £21.5m benefitted from management action to reduce costs at the start of the crisis.

"With COVID-19 changing the way we work our industry-leading technology of remote monitoring, risk analytics, and deep cleaning has created opportunities to win some important new customers, including Marks & Spencer, Morrisons and Royal London which are included within the £500m worth of new or renewed contracts in the period.

"Strategically we continue to make good progress against our Phase 11 transformation, 'Accelerated Value Creation'. Strengthening our balance sheet with the Rights Issue and refinancing of the revolving credit facility in June placed us in a strong financial position to acquire Interserve Facilities Management. With completion of this acquisition at the end of the month – subject to shareholder approval – we can drive faster growth and greater cost synergies, despite the challenges of COVID-19."

- END -

The Chief Executive's Review. Finance Review and Operating Review follow from page 4.

Analyst Presentation and Q&A

Phil Bentley (CEO) and Andrew Peeler (CFO) will host a presentation and Q&A session today (19 November 2020) at 9.30am via Zoom. For dial in details please contact Fiona.lawrenceIR@mitie.com. A copy of the presentation will be available on the Company website in advance of the live presentation. www.mitie.com/investors.

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About Mitie

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

Mitie employs approximately 48,500 people across the country, looking after a large, diverse, blue-chip customer base, from banks and retailers, to hospitals, schools and critical government strategic assets. It takes care of its customers' people and buildings, by delivering the basics brilliantly and by deploying advanced technology. It is pioneering technology, using smart analytics to provide valuable insight and deliver efficiencies to create outstanding work environments for customers.

Find out more at **www.mitie.com**.

The business continues to execute its technology-led investment strategy and in the past six months has received the following awards:

Corporate

- Armed Forces Covenant signatory
- Best Website, UK Digital Experience Awards
- Bronze Award, Fleet Operator Recognition Scheme
- CIPS Procurement Excellence Award
- Gold Award, Defence Employer Recognition Scheme

- Inhouse Legal Team of the Year, LexisNexis Legal Awards
- Institute of Internal Communications National Awards for Best News Magazine and Best Video Animation
- IWFM COVID-19 Response Award: Keeping Good Work Going

Technology

- The UK IT Industry award or the Artificial Intelligence/ Machine Learning project of the year with Esme Chatbot
- Computing Digital Technology Leaders Award for Big Data / IoT Project of the Year
- Data Into Insight and Artificial Intelligence & Machine Learning Project of the Year, Real IT Awards
- Mitie Fire & Security Systems - Outstanding Security Installer/Integrator
- Merlin Protect 24/7 – Mitie Security - Outstanding New Security Product
- Mitie Security - Outstanding Contract Security Company
- National British Security Awards: Best use of Technology
- Verdantix Smart Building Innovation Award for Facilities Management Services

ESG

- FTSE4Good Developed Index
- Green Fleet of the Year, Business Car Awards
- 'Low Risk' ESG rating from Sustainalytics
- Most Inclusive Top 50 Company
- Most Admired Companies
- RE100, EP100 and EV100, The Climate Group
- RoSPA Gold - Royal Society for the Prevention of Accidents
- Top Employer, recognised by Top Employers' Institute

Chief Executive's strategic review

Our strategic transformation

Three years ago, Mitie set out a strategy to transform the business focused in Phase I on four strategic foundations of Customer, Technology, People and Cost. During this time the Group has been transformed through investing in customer service and in technology, by engaging with our people, reducing the Group's cost base and strengthening the balance sheet to ensure the Group is financially stable for the longer term.

Mitie has won significant customer contracts and our award-winning technology is now seen to be industry leading. There is extensive external recognition for engagement with our 48,500 people to create a 'Great Place to Work', under 'The Exceptional, Every Day' strapline.

Phase II of our transformation 'Accelerated Value Creation' builds on these foundations. Our belief is that greater scale will result in greater returns for our shareholders and our ambition is Leadership in customer experience; Leadership in the digital transformation of the industry; Leadership in ESG credentials and Leadership in margin performance, cash flow yields and value creation. And despite COVID-19, we have continued to make good progress over the last six months.

Mitie's market leadership position has led to some important contract wins – underpinned by our greater presence on Government Frameworks. New contract wins include Bravissimo, Gridserve, Magnox and Royal London as well as additional services to existing customers reflecting the role our Strategic Account Managers play in cross-selling our services.

Our technology platform is making a difference – Mozaic, Aria and Digital Workplace were key drivers in recent IFM wins due to their analytics, performance, and frictionless service. Providing Digital Workplace and Monitoring as additional services to existing customers opened up new revenue opportunities with Sainsbury's, Royal London and Thales. There are now 32 customers automatically served by 'chatbots'; 79 clients now with real time MI; and self-delivery and straight through processing in HR and Finance has advanced considerably. And we lead the industry in cyber resiliency.

Managing our costs and driving operational efficiency remains our focus – in addition to the proactive approach to cost reduction in light of the COVID-19 crisis, Mitie has continued to remove costs through the combination of Security and Cleaning, successfully integrating VSG and a programme to reduce divisional and group overheads.

Project Forte in Technical Services – creating the 'Amazon of FM' – has now fully restarted after pausing the project for 5 months. The project will now go live in December 2021, a year later than planned, in large part, due to the COVID-19 impact; the decision to extend the testing period; and the additional oversight required to ensure end-to-end integration across teams working remotely. This will incur an additional cost of £13m. Greater synergies have been identified to deliver improved net savings per annum of £20m (£35m gross) with this full run rate achieved a year later than expected in FY22/23. The investment to date totals £12m and we are expecting £3m savings in the current financial year.

Mitie is becoming recognised as an employer that cares about our people, the communities we serve and our impact on the environment. We have the best ESG rating amongst any FM provider globally. Mitie's engagement with its employees continues to improve – a milestone was achieved early in the pandemic when direct communication with all employees, whether on the front line or working from home, was achieved. Life Assurance for all employees whatever their age, an additional day's holiday for those working on the front line and a free Virtual GP Service have all been rolled out in the last six months. Mitie now has 790 electric vehicles on the road with an additional 600 on order, making extraordinary progress towards its industry-leading goal of net zero carbon by 2025.

The acquisition of Interserve Facilities Management, which is expected to complete on 30 November 2020 - subject to shareholder approval - is the next step in our strategic transformation.

COVID-19

COVID-19 has had a varying impact on each sector and on each customer that we serve. Demand from some Mitie customers has proven to be remarkably resilient, whilst others have been hit hard. Mitie has seen robustness in its fixed, repeatable work as the Group has evolved services in line with customer needs. The downturn in broader economic activity associated with COVID-19 has reduced footfall through every type of business and has reduced the level of discretionary spend. Hardest hit has been the Group's variable works and project revenues, especially in Aviation and Financial/Professional Services where Mitie has seen businesses rein in discretionary spend, as they focus on those jobs that are absolutely necessary.

Mitie established three overriding priorities to guide its response to the COVID-19 crisis: protecting the health and safety of our colleagues, customers, and the communities that we serve; ensuring we could continue to operate with minimal disruption and to deliver the essential services we provide to our customers; and, finally, preserving our financial strength.

Alongside cost reduction programmes already in place, Mitie took additional measures to reduce costs and preserve cash flow in response to the revenue reduction from COVID-19, including:

- £166m deferred payment of VAT, National Insurance and PAYE under HMRC's 'Time to Pay' initiative
- 7,196 employees were furloughed and 79% of employees have now returned to work
- Overheads have been reduced by 11% compared to H1 19/20
- Deferring capital expenditure programmes
- From April to August, the Board and Chief Executive and the Executive Leadership Team volunteered reductions in their fees and salaries of 30% and 20% respectively. All senior staff volunteered salary reductions of up to 15%
- Working capital disciplines contributed £45m to the improvement in our average net debt versus the same period last year
- No final dividend was recommended for FY 19/20 or declared for H1 20/21

Mitie has maintained strong relationships with its private and public sector customers during the first phase of the COVID-19 pandemic.

Financial performance

Mitie's financial performance in the six months to 30 September 2020 has been more resilient than expected, with an improvement in the second quarter as the easing of lockdown rules allowed many of our customers to return to some form of 'normal'. Public sector contracts have shown good resilience during this challenging period and Mitie has also seen strong performances from food retail, online retail, healthcare and pharmaceuticals customers. Cleaning and Security showed some growth against the same period last year due to new public sector contract wins and additional work for existing customers, whilst Technical Services continued to see the impact across discretionary variable works and projects.

For the six months ended 30 September 2020 revenue from continuing operations was £972m, which was 9.8% lower than the same period in the prior year (H1 19/20: £1,078m). This revenue decline includes 3.5ppts from the known loss of the MOJ contract and the reduced scope of the NHS Properties contract. Business Services revenue increased 2% with a strong performance in the second quarter attributable to an increased demand to counter COVID-19 in support of the DHSC and NHS, security, deep cleaning and our specialist cleaning service using '*Citrox Protect*'. Technical Services has seen the greatest impact from COVID-19 as discretionary variable work and demand for engineering projects has significantly reduced, with reported revenue in the first six months down 22% against the same period last year of which a third of the decline was due to the loss of the MOJ and NHS Properties contracts. Specialist Services reported revenue 10% lower than the same period last year.

Operating profit before other items from continuing operations was £21.5m, 35% lower than the same period last year (H1 19/20: £33.0m) as the loss of revenue from high margin projects and variable works had a greater impact on profit. Profit declines would have been greater had it not been for the cost saving action management took in March and April to reduce overheads, some of which are permanent savings.

Sales activity is picking up with new tenders coming back to market albeit not at pre-COVID-19 levels. During the six-month period Mitie has won or renewed contracts worth c.£500m largely in Security and Cleaning. About a quarter of this business was directly attributable to COVID-19 and included the provision of public services in support of DHSC and NHS as well as the provision of a number of related services for private sector customers to counter the impact of the pandemic and to get British business back up and running.

Cost management

During the six-month period Mitie implemented cost reduction measures to mitigate the impact of COVID-19. Short-term measures included the five months of salary reductions for senior leaders and management, managing costs with less overtime, a reduction in temporary staff hours and a reduction in equipment hire. Longer term measures include decisions to rationalise call centres and technology hubs to drive greater cost savings and efficiencies. These actions mitigated further profit declines during the period and the longer-term measures will benefit into the future.

Net debt and working capital

For the six months to 30 September 2020 average daily net debt on a post IFRS16 basis was £69.3m (£351.1m for the six months to 30 September 2019). During this period Mitie received £191.8m from the net proceeds of the Rights Issue and benefitted by £130.3m from the HMRC 'Time to Pay' tax deferral scheme.

Closing net cash on a post IFRS 16 basis as at 30 September 2020 was £89.7m (31 March 2020 net debt post IFRS 16 was £167.9m).

Social Value and Responsible Business

Since the launch in February 2020 of Plan Zero, our strategy to reach net zero carbon emissions by 2025, significant progress has already been made. Mitie delivered its target of transitioning 20% of its small van and car fleet to electric by the end of 2020, equivalent to 717 vehicles, three months early and now has over 790 electric vehicles on the road. The outstanding progress made over the last 12 months in this area was highlighted by Mitie winning Business Car's 'Green Fleet of the Year 2020'. Energy and waste surveys have been conducted in all major Mitie sites to create energy optimisation, de-carbonisation and waste reduction plans. Plan Zero goes beyond doing it ourselves and setting industry leading targets – delivering for clients is also a key part of our programme with 300,000 tonnes of carbon and £20m saved for clients in the FY 19/20.

Mitie has always recognised the importance of each and every colleague and the contribution they bring. The COVID-19 pandemic has raised awareness of the critical nature of their roles across society as a whole. Mitie's Social Value Framework underlines the commitment to all our people. 100% of employees, where Mitie sets their salary, are paid the Real Living Wage and all bids include a Real Living Wage option. We continue to support apprenticeships with 738 current apprentices who form part of the 1,216 employees who are on or have been through an apprenticeship since 2018 and we have improved senior diversity with 21.3% women on our group leadership team.

Medium term outlook

The medium-term impact of COVID-19 is as yet uncertain. Many clients will experience a slow return to office occupation, with occupancy levels expected to remain depressed for the duration of this financial year as customers implement social distancing measures and their employees and/or customers limit the use of public transport. Aviation and transport will also have a slow recovery as confidence takes time to rebuild and for all sectors, financial pressure will limit discretionary spend. Mitie's customers are likely to seek more advanced specialised work to support their buildings as and when they re-open. Public sector spend is expected to remain resilient whilst COVID-19 persists, and Mitie will continue to develop opportunities in this sector.

Our expectation is that our variable and project work will continue to be supressed as partial or full lockdown continues. However, we expect a recovery as the country moves out of COVID-19 depending upon the state of the economy and financial strength of clients and, as we have seen in the first half of this year, Mitie will continue to win new business – particularly in the public sector.

We are anticipating a longer-term structural shift as companies move to agile working and reduce their office estates. However, it is our expectation that spend per occupied building on facilities management will increase in cleaning, remote monitoring and waste and energy optimisation as companies look to lower 'total cost of ownership' of a building.

However, our pipeline for growth is strong, with opportunities to target large-scale existing Mitie customers for cross-sell opportunities, and to win new customers particularly in the public sector. The addition of Interserve Facilities Management will better balance the Enlarged Mitie across COVID-resilient sectors such as hospitals, schools, local government and defence giving us greater diversification and resilience and reducing earnings volatility.

Consistent with the trading update of 27 March 2020, due to the ongoing uncertainties of the impact of COVID-19 on the business, Mitie will not be providing guidance for the year ending 31 March 2021 at this time.

Dividend

Earlier in the year, in light of the unprecedented uncertainty due to the COVID-19 pandemic, the Company announced that the Board had concluded that all reasonable steps should be taken to preserve the financial strength of the Company and, accordingly, decided not to recommend a final dividend for FY19/20.

The Board continues to monitor the potential of future dividend payments for this financial year and, taking into consideration the interests of all stakeholders, has concluded that in light of the continuing impact of the COVID-19 pandemic it remains prudent for there not to be a resumption of dividend payments at this stage. Therefore, the Board has decided not to declare an interim dividend for H1 20/21. However, recognising the importance of dividends to all shareholders, the Board will keep under review the possibility of a resumption of dividends for FY20/21, but only in the event overall trading improves materially during the second half of the financial year.

Finance review

Overview

Alternative Performance Measures

The Group presents its key financial analysis as the results of continuing operations before other items. Management believes this is useful for users of the financial statements to provide both a balanced view of the financial statements, and relevant information on the Group's underlying financial performance. Accordingly, the Group separately reports impairment of goodwill, cost of restructuring programmes, acquisition and disposal related costs (including the impairment and amortisation of acquisition-related intangible assets), gain or loss on business disposals and other exceptional items as 'Other Items'.

Financial performance

The reported Income Statement from continuing operations is set out below:

Continuing operations, £m unless otherwise specified	**H1 20/21**	**H1 19/20**	***Change, %***
Revenue	**972.4**	1,078.0	*(9.8)*
Operating profit before other items	**21.5**	33.0	*(34.8)*
Net finance costs	**(7.5)**	(8.1)	*7.4*
Profit before tax and other items	**14.0**	24.9	*(43.8)*
Tax	**(3.3)**	(5.2)	*36.5*
Profit after tax before other items	**10.7**	19.7	*(45.7)*
Basic earnings per share before other items	**1.2p**	2.8p[1]	*(57.1)*

Note:

1 Earnings per share for the six months ended 30 September 2019 have been restated for the bonus element of the 2020 rights issue

Revenue

Reported revenue from continuing operations of £972.4m represented a decrease of 9.8% when compared to the same period last year. Whilst the business secured a number of significant new contract wins as a result of COVID-19, these wins were insufficient to mitigate the combined impact of COVID-19, and contracts lost in FY19/20. Excluding the lost contract of MOJ and reduced scope for the NHS Properties, the decline would have been 6.3%.

The most significant impact on the business from COVID-19 was in Technical Services where revenue fell 22% to £367.5m (H1 19/20: £470.6m). The largest shortfalls were in variable and project works as customers reduced discretionary spending.

Business Services revenue improved £9.3m (2%) to £500.0m as a result of additional COVID-19 works such as Nightingale Hospitals. Specialist Services revenue declined by 10% to £104.9m, where COVID-19 led to a reduction in volumes in Waste and Care & Custody.

Operating profit

Operating profit from continuing operations, before other items, declined by 34.8% to £21.5m (H1 19/20: £33.0m), resulting in a reduction in operating margin to 2.2% (H1 19/20: 3.1%). The compound effect of lost revenue from higher margin variable and project works and higher margin contracts lost in FY19/20 resulted in a 'drop through' impact on operating profit of 10.9% for the half year.

Consistent with the revenue reductions experienced, operating profit before other items declined in Technical Services to £8.9m (H1 19/20: £25.8m), primarily in the private sector. Business Services operating profit before other items increased 35% to £22.9m (H1 19/20: £16.9m) as a result of the additional COVID-19 work performed, and a significant underlying improvement in margins following the successful combination of the Cleaning and Security businesses and the turnaround programme in Cleaning. Operating profit before other items in Specialist Services fell by 11% to £9.5m (H1 19/20: £10.7m), in line with the revenue decline.

Net finance costs
Net finance costs were £7.5m for the six months to 30 September 2020, a reduction of 7.4% compared to the same period last year. The improvements in working capital outlined below, taxes deferred under HMRC's Time to Pay ('TTP') tax deferral scheme, and capital received from the rights issue resulted in lower average drawings on the Group's Revolving Credit Facility ('RCF').

Tax
Profit before other items and tax of £14.0m from continuing operations (H1 19/20: £24.9m) resulted in a tax charge of £3.3m (H1 19/20: £5.2m), representing an effective tax rate of 23.6% (H1 19/20: 20.9%). Including other items, the taxation charge for continuing operations was £3.0m (H1 19/20: £3.5m).

The Group received a corporation tax refund of £1.0m in the period (H1 19/20: £3.3m tax payment).

The Group has taken advantage of the Government support offered under the TTP scheme, allowing Mitie to defer payment of £133m of tax (PAYE and VAT) which would have been due in the period April to June 2020. Together with the £33m deferred in March 2020, the total amount deferred under TTP was £166m. £36m has been repaid in the period to 30 September 2020, with the balance to be repaid in instalments by 1 April 2021.

Earnings per share
Basic earnings per share before other items from continuing operations, decreased by 57.1% to 1.2p (H1 19/20 restated: 2.8p). This is as a result of the decline in profit before tax of 43.8% and a relative increase in the effective tax rate to 23.6%.

Other items
Other items from continuing operations are set out in the table below:

£m	H1 20/21
Project Forte	(3.3)
Property restructure	(3.6)
Interserve FM acquisition and integration related costs	(6.2)
Amortisation of acquisition related intangible assets	(1.2)
Net settlement of legal dispute	3.9
Other	(1.5)
Total other items before tax	**(11.9)**

Other items from continuing operations before tax was a charge of £11.9m. The largest component of the charge (£6.2m) relates to the costs incurred for the proposed acquisition and subsequent integration of Interserve FM.

A number of costs were incurred during the period relating to the Group's transformation programmes, including £3.3m relating to Project Forte, which is primarily focused on re-engineering the Technical Services business to modernise the technology infrastructure, and £3.6m of onerous lease costs incurred as a result of the property portfolio rationalisation..

Amortisation of £1.2m is for intangible assets acquired by Mitie, and a net £3.9m was received in settlement of a legal dispute.

Cash flow and net debt

£m	H1 20/21	H1 19/20
Operating cash inflow before working capital movements	**33.8**	48.5
Working capital movements	**58.0**	(82.1)
Operating cash inflow	**91.8**	(33.6)
Free cash inflow[3]	**66.3**	(66.3)
Closing net cash / (debt)	**89.7**	(235.9)

[3] Free cash flow is defined in the Alternative Performance Measures appendix to the condensed consolidated financial statements

Average net (debt)	**(69.3)**	(351.1)
Leverage covenant	**n/a**	1.5x
Interest cover covenant	**9.3x**	8.7x

Operating cash inflow before working capital movements is largely driven by operating profit before other items of £21.5m (H1 19/20: £33.0m) and the add back of depreciation and amortisation. Other movements include cash outflow from other items and some smaller cash flow adjustments relating to pensions and share-based payments.

Working capital

Working capital movements resulted in an inflow of £58.0m (H1 19/20: £82.1m outflow).

There was a £76m inflow in the period as a result of COVID-19, the largest element being the benefit of taxes deferred under the TTP scheme offset by timing differences between paying our staff and receiving Furlough credits. There was a further working capital outflow from the aggregate of the reduction in period end working capital management and unwind of provisions of £33m. The balance, representing an underlying improvement in working capital of around £15m was driven by improvements in the billing and cash collections processes.

Net debt

Average daily net debt of £69.3m for H1 20/21 decreased £282m in comparison to H1 19/20.

During the period £191.8m of net proceeds were received from the Rights Issue and the Group benefited from £130m of taxes deferred under the TTP scheme. Together, these two items improved average net debt by c.£184m compared to H1 19/20. The remaining £98m year on year improvement was a result of better working capital management (£45m) and net proceeds from M&A (£53m).

Closing net cash at 30 September 2020 was £89.7m (31 March 2020: net debt £167.9m).

Liquidity and covenants

As at 30 September 2020, the Group had £401.5m of committed funding arrangements. These comprised a £250m multi-currency Revolving Credit Facility maturing in December 2022, and £151.5m of US Private Placement notes spread over two maturities: December 2022 (£121.5m); and December 2024 (£30.0m).

Mitie's two key covenant ratios are calculated on a pre-IFRS 16 basis. These are leverage (ratio of consolidated total net borrowings to adjusted consolidated EBITDA to be no more than three times) and interest cover (ratio of consolidated EBITDA to consolidated net finance costs to be no less than four times). As at 30 September 2020, the Group was operating within these ratios at no leverage and 9.3x for interest cover.

The key financial covenant ratios (leverage and interest cover) for the committed funding arrangements are tested every six months on a rolling 12-month basis. The H1 20/21 covenant calculations below are based on a measurement period from 1 October 2019 to 30 September 2020. A reconciliation of the calculations is set out in the table below:

£m		**H1 20/21 (R12M)**	**H1 19/20 (R12M)**
Operating profit before other items		**74.6**	**91.7**
Add: depreciation, amortisation & impairment		43.7	31.7
Headline EBITDA		**118.3**	**123.4**
Deduct: covenant adjustments		7.2	(7.7)
IFRS 16 EBITDA adjustment		(26.2)	(11.6)
Consolidated EBITDA	**(a)**	**99.3**	**104.1**
Full-year effect of acquisitions & disposals		-	(5.4)
Adjusted consolidated EBITDA	**(b)**	**99.3**	**98.7**
Net finance costs		**15.5**	**14.6**
Less: covenant adjustments		(1.7)	(1.2)
IFRS 16 finance costs adjustment		(3.1)	(1.5)
Consolidated net finance costs	**(c)**	**10.7**	**11.9**

Interest cover (ratio of (a) to (c) must exceed 3.0x)		**9.3x**	**8.7x**
Net (cash) / debt		**(89.7)**	**235.9**
Impact of hedge accounting & upfront fees		4.3	(0.4)
IFRS 16 net debt adjustment		(92.9)	(87.8)
Consolidated total net borrowings	**(d)**	**(178.3)**	**147.7**
Leverage (ratio of (d) to (b) must not exceed 3.0x)		**n/a**	**1.50x**

Retirement benefit schemes
Retirement benefit net liabilities have increased to £62.0m since 31 March 2020 (£46.7m). The increase in the deficit is principally due to a decrease in the discount rate since 31 March 2020, reflecting a decrease in yields on high quality corporate bonds.

The latest funding valuation of the Mitie Group defined benefit scheme as at 31 March 2017, indicated an actuarial deficit of £74.0m. The Group's deficit recovery plan agreed with the trustee requires further payments in instalments until 31 March 2025 totalling £55.4m, of which £5.3m was paid in H1 20/21. The funding valuation of the pension scheme as at 31 March 2020 is underway.

Operating Review

Technical Services

Mitie's Technical Services division provides a range of key engineering, maintenance, repair and project services, energy and carbon management services and water and real estate services. A new strategy, built around Project Forte, is set to transform Technical Services into a frictionless, insight-driven, customer and people focused technology-led business.

Technical Services, £m	**H1 20/21**	**H1 19/20**	***Change,* %**
Revenue	**367.5**	**470.6**	***(21.9)***
Maintenance	303.4	374.4	*(19.0)*
Engineering Projects	56.9	86.8	*(34.4)*
International	7.2	9.4	*(23.4)*
Operating profit before other items	**8.9**	**25.8**	***(65.5)***
Operating profit margin before other items, %	2.4%	*5.5%*	*(3.1ppt)*
Order book	1,816	1,914	*(5.1)*

Performance highlights

- Worked closely with customers during the onset of COVID-19 to optimise the services provided
- Despite the impact of COVID-19, the sector focused approach has continued to deliver new customer wins and renewals rate of 98%, worth £100m including an EV forecourt with Gridserve
- First time fix up 2% from FY 19/20 despite COVID-19 and 25% higher than FY17/18
- Percentage of reactive jobs completed within contractual service level agreement up 11% on FY19/20 and backlog at c.2% of annual volumes
- Jobs completed per engineer per day have increased 13% in the last 6 months
- Net promoter score of +31

Operational performance

In H1 20/21 Technical Services won and renewed contracts worth c. £100m, including the implementation of an electric vehicle farm with Gridserve supporting new electric vehicle charging stations. With a continued focus on Energy and Connected Workspace Mitie has also secured work with Royal London Mutual Insurance, Magnox and Bravissimo as new flagship customers, embracing all of the technology on offer as Mitie deployed its award-winning solutions.

Mitie has seen increased interest around digital maintenance powered by the Connected Workspace and its Energy offering. On five key contracts where Mitie deployed the monitoring as a service in H1 20/21, Mitie has prevented c.7000 call outs / jobs going to engineers, representing 16% of the total jobs in the period for those contracts, which reduces cost, carbon footprint and minimises the onsite risk during COVID-19.

Technical Services continues to focus on operational efficiencies by making technology a core part of its operation. Our frontline engineer attrition has reduced from 20% to 10% and through Project Forte Mitie continues to make frictionless operations for our engineers and touch points to our customers a priority. Whilst some workstreams of Project Forte were delayed due to COVID-19 earlier in the year they have now restarted.

Financial performance

Technical Services reported revenue of £367.5m, a decrease of 22% (H1 19/20: £470.6m). Excluding the known contracts losses (Ministry of Justice and a portion of NHS Properties) together with strategic International exits, revenue decline was 18%. This was largely as a result of COVID-19, which has predominantly impacted Engineering Projects (34% decline) as customers delay spend in response to the economic impacts on their businesses. Our discretionary variable maintenance and repair work has also been negatively impacted (31% decline) as the lower economic activity has reduced office usage and footfall through retail and leisure facilities.

Operating profit before other items decreased 66% to £8.9m (H1 19/20: £25.8m). This is primarily due to the impact of COVID-19 on the higher margin discretionary variable works and engineering projects. Operating profit margin was 2.4% (H1 19/20: 5.5%). Technical Services was quick to respond with a reduction in overheads by 19%, overtime reductions of 75% and with 2000+ employees furloughed, 400+ redundancies and a reduction in temporary staff hours.

Business Services

The Business Services division keeps some of the UK's biggest companies and most iconic buildings across a variety of diverse sectors, (including transport and aviation, retail and distribution, government and public sector, critical national infrastructure and manufacturing), secure and clean.

Security encompasses manned guarding and technology-backed monitoring solutions, plus fire and security systems installations. Cleaning focuses on general, specialist and technical cleaning services that include clean rooms, high security environments and window cleaning and is prominent in the healthcare sector, including NHS Trusts, and broad facilities management contracts. Office Services comprises Document Management, Vetting (Procius) and Front of House.

Business Services, £m	**H1 20/21**	**H1 19/20**	***Change, %***
Revenue	**500.0**	**490.7**	***1.9***
Security	298.4	*279.6*	*6.7*
Cleaning	169.4	169.6	*(0.1)*
Office Services	32.2	41.5	*(22.4)*
Operating profit before other items	**22.9**	**16.9**	***35.5***
Operating profit margin before other items, %	*4.6%*	*3.4%*	*1.2ppt*
Order book	1,624	1,620	*0.2*

Performance highlights
- Working hard with customers to keep them safe, secure, clean and operating during the COVID-19 pandemic
- Organic revenue growth of 1.9%, with a customer retention rate of over 95% and key new wins with Marks & Spencer, Co-op and HMRC
- Operating profit growth driven by strong performance from Cleaning, due to tighter cost controls, efficiency gains from restructuring and COVID-19 revenue streams
- £300m worth of new or renewed contracts
- Net promoter score of +29

Operational performance
The integration of Mitie's Security, Cleaning and Office Services operations from mid-H1 19/20 has continued to benefit the division with a significant improvement in the Cleaning business due to the gains generated from restructuring, tighter cost control and improved margin performance with key clients. It has also addressed the customer and market demands for better use of equipment and technology, plus a drive towards workforce optimisation across back office functions. Coupled with its position as one of the UK's leading providers of technology and intelligence led risk-based security services Mitie remains well placed to support its existing client base and the public sector during this challenging time.

Business Services has also been integral to the rapid mobilisation and running of some critical DHSC and NHS locations to help support the UK's effort in the battle against COVID-19 with 3,000 new joiners recruited over the period. The division has also supported its wider client base with additional specialist deep cleans in conjunction with the use of its 'Citrox Protect' specialist cleaning product which protects surfaces from the COVID virus, installing thermal cameras to detect high body temperature, as well as additional works in the retail sector and helping mobilise and support the running of the Principality Nightingale hospital.

Mitie Security, now the UK's number one intelligence-led security business also launched its new "Global Security Operations" service. The service brings together Mitie Security's entire suite of industry-leading technology solutions offering a tech-smart and seamless way for businesses to keep their premises, people and customers safe and secure. The service delivers real-time intelligence gathered by the Global Security Operations Centre (GSOC) through a dedicated app. By connecting innovative technology with security professionals and decision makers, this 24/7 service enables an agile approach to security. This service now provides clients including Lloyds of London, Credit Suisse, National Grid and HMRC access to enhanced intelligence and specific guidance, allowing them to adapt swiftly and rapidly deploy security teams on the ground to address issues or threats.

Business Services have also been successful in more traditional service lines securing several new customer wins, including Marks & Spencer, Co-op and HMRC. As well as key extensions on several clients including B&Q, Bank of New York Mellon, DP World, London Stock Exchange, Kellogg's and Oxford Brookes University.

Financial performance
Business Services grew revenue by 1.9% to £500.0m (H1 19/20: £490.7m) as the growth in COVID-19 related revenues offset the downturn due to property closures, as well as the loss of the Ministry of Justice (MOJ) contract on 31 March 2020. Excluding the loss of the MOJ contract Business Services saw a 5% increase in revenue. Security revenue grew 6.7% due to the provision of public services in support of the DHSC and NHS and more traditional wins. Cleaning revenues were broadly flat. Office Services reported a decline in revenue of 22.4% due to exposure to the aviation sector in the Vetting (Procius) business.

Operating profit before other items was up by 35.5% to £22.9m (H1 19/20: £16.9m) due to cost savings from creating the Business Services division, cost control, improved operational performance as well as the margin enhancement from the COVID-19 specialist services. Although the Cleaning business had flat revenue it was the biggest contributor in terms of year on year growth of operating profit as most of the actions above had a material impact in Cleaning compared to Security and Office Services.

Specialist Services

Care & Custody, Landscapes and Waste Management businesses are aggregated and categorised as Specialist Services, as these fall outside the traditional FM offering of 'Hard' and 'Soft' Services. They are generally higher growth businesses with margins above the Group's average.

Specialist Services, £m	**H1 20/21**	**H1 19/20**	***Change,* %**
Revenue	**104.9**	116.7	*(10.1)*
Operating profit before other items	**9.5**	10.7	*(11.2)*
Operating profit margin before other items, %	***9.1%***	*9.2%*	*(0.1ppt)*
Order book	**556**	613	(9.3)

Care & Custody

Care & Custody provides high-quality, critical public services in immigration, criminal justice and healthcare. A range of its services are delivered to vulnerable adults in secure environments, including immigration removal centre management and detention and escorting services on behalf of the Home Office. Care & Custody also provides forensic medical examination and custody support services to police forces across England and Wales.

Care & Custody, £m	**H1 20/21**	**H1 19/20**	***Change,* %**
Revenue	**50.7**	55.5	*(8.6)*
Operating profit before other items	**3.5**	4.1	*(14.6)*
Operating profit margin before other items, %	***6.9%***	*7.4%*	*(0.5ppt)*
Order book	**486**	550	*(11.6)*

Performance highlights
• Healthy pipeline of opportunities
• Successfully mobilised three new contract wins
• Secured £47m of new contract wins and contract extensions

Through the ongoing delivery of custodial services, Care & Custody is building on Mitie's strategy to broaden the range of essential services it delivers to Government and other public sector bodies. In H1 20/21 new contracts with three police forces have been won and extensions secured to four existing police contracts.

Operational improvements have continued through the integration of Care & Custody's Workforce IT system with the detention and escorting bespoke 'MEDS' case management system. Cost reductions have been achieved as IT developments have enabled Care & Custody to reduce the number of call handlers and consolidate the Police Health Control Centre activity into a single office.

Financial performance
Care & Custody's revenue declined to £50.7m (H1 19/20: £55.5m) due to a reduction in variable escorting services activity and the closure of Campsfield IRC last year. Revenue from Police services, which has more than doubled since 2016, continues to grow. H1 20/21 contract wins more than offset client losses.

Operating profit before other items reduced to £3.5m (H1 19/20: £4.1m) due to the impact of the lower revenue being partially offset by a reduction in divisional overheads.

Waste Management

Mitie Waste is a leading national waste management business providing innovative waste reduction and treatment solutions. The business views waste as a resource: an opportunity to save money for customers, as well as benefit the environment. Mitie Waste extracts the value of redundant materials instead of relinquishing it to the waste industry, sharing the gains with customers so that waste reduction and changes in behaviour are incentivised. Mitie Waste is focused on waste prevention, reduction, reuse and recycling.

Waste, £m	**H1 20/21**	**H1 19/20**	***Change,* %**
Revenue	**33.5**	39.8	*(15.8)*
Operating profit before other items	**3.2**	3.8	*(15.8)*
Operating profit margin before other items, %	***9.6%***	*9.5%*	*0.1ppt*
Order book	**18**	27	*(33.3)*

Performance highlights
• Won contracts related to public services across the NHS and DHSC including Nightingale Hospitals
• New business from Blakemore, ITW, Cliniwaste, Royal London and Magnox
• Contract extensions with Suntory Beverage and Food, Novartis Pharmaceuticals, Home Group and Environment Agency.

New business in H1 20/21 included extension of an existing contract with a nationwide retailer. Existing NHS Clinical waste contracts have also been extended for a further 12 months.

Although the order book has decreased, the majority of work that Waste performs is variable in nature, dependent upon the quantity of waste produced and is therefore not included in the order book.

Financial performance
Revenue dropped 15.8% to £33.5m (H1 19/20: £39.8m), driven primarily by COVID-19 reducing the service requirements for a number of customers, particularly in travel and the financial and commercial sectors. Revenue has also reduced due to operational efficiencies on the NHS clinical waste contract which have been offset by the variable works awarded from COVID-19 NHS requirements and Nightingale Hospitals.

Operating profit before other items decreased by 15.8% to £3.2m (H1 19/20: £3.8m), reflecting the reduced revenue, with the impact mitigated by managing the supply chain carefully and managing overheads, through use of the Government furlough scheme and also a redundancy programme, the savings from which will benefit H2 20/21.

Landscapes

Landscapes is a top five UK provider of landscaping, focused on both horticultural and winter services. The former includes landscape maintenance, projects and improvement schemes, estates maintenance, interior plants and seasonal displays. Winter services comprise snow clearance and salt gritting. Landscapes enjoys a balanced mix of fixed and pay-as-you-go work throughout the year. This ensures a broadly stable performance, with further upside during harsh winters when gritting services are provided. Landscapes customers are primarily private sector, with a good representation across Mitie's strategic accounts.

Landscapes, £m	**H1 20/21**	**H1 19/20**	***Change,* %**
Revenue	**20.7**	21.4	*(3.3)*
Operating profit before other items	**2.8**	2.8	-
Operating profit margin before other items, %	***13.5%***	*13.1%*	*0.4ppt*
Order book	**52**	36	*44.4*

Performance highlights

- Strong retention rate of more than 93%
- Strong upsell capability for winter services and landscape projects
- New client wins in wide-ranging sectors including Aldi, Northern Trains, West Midlands Trains and PFI schools
- Retained and grew winter services contract with Amazon, to service 1.4 million m^2 of hard surfaces
- Extended winter services contract with Co-op, covering 675 sites across the UK

Despite the COVID-19 impact Landscapes' performance has held up well. Whilst revenue saw a slight decline, operating profit was at the same level as H1 20/21 due to increased cost savings.

Frontline teams continue to operate to a 'delivering the basics brilliantly' policy, and the business has invested in new equipment, vehicles and technology to deliver the best possible service. Our 'Plan Zero Greener Cities' offer operates with electric vehicles, battery powered equipment and sustainable operating methods. Our account management teams are working especially closely with customers to maximise the use of green space and complete environmental improvement schemes.

Although sales activity has slowed, and increased in competitiveness, Landscapes has secured £9.9m of new work across a range of sectors. Landscapes will be providing winter services to nearly 650 stations on behalf of Northern and West Midlands railways as part of two new long-term contracts. Landscapes has also secured a new contract to provide winter services to 300 retail stores for Aldi and will be carrying out additional grounds maintenance services for a number of 'blue light' organisations across the country.

Financial performance

Landscapes revenue declined 3.3% to £20.7m (H1 20/21: £21.4m) as property managers and leisure industries reduced the grounds maintenance services during the first COVID-19 lockdown.

Operating profit remained comparable to H1 19/20 at £2.8m as a result of cost savings, including the recovery of staff costs directly attributable to suspended sites through the furlough scheme.

Key risk factors and uncertainties affecting our business

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 were described in the Group's Annual Report and Accounts for the year ended 31 March 2020. A review and revision of the key risk factors was undertaken by the Board for the rights issue and the acquisition of Interserve Facilities Management and are included on pages 14 - 44 in the Prospectus issued on 25 June 2020, which includes risks associated with the acquisition. The risk factors were reviewed subsequently and included on pages 12 – 39 of the Circular relating to the acquisition of Interserve Facilities Management published on 4 November 2020, which again also includes risks associated with the acquisition. The risks have not changed materially since 4 November 2020.

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 2020 and their impact on the condensed consolidated financial statements;

    - a description of the principal risks and uncertainties for the second half of the year; and

    - related parties' transactions and changes therein.

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

On behalf of the Board

Phil Bentley
Chief Executive Officer
18 November 2020

INDEPENDENT REVIEW REPORT TO MITIE GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related notes 1 to 18.

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

Directors' responsibilities

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

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

Our responsibility

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

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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

BDO LLP

Chartered Accountants

London, UK

18 November 2020

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 2020

	Notes	30 September 2020 (unaudited) Before other items £m	Other items[1] £m	Total £m	30 September 2019 (unaudited) Before other items £m	Other items[1] £m	Total £m
Continuing operations							
Revenue	2	**972.4**	**–**	**972.4**	1,078.0	–	1,078.0
Cost of sales		**(859.8)**	**–**	**(859.8)**	(936.7)	–	(936.7)
Gross profit		**112.6**	**–**	**112.6**	141.3	–	141.3
Administrative expenses		**(91.1)**	**(11.9)**	**(103.0)**	(108.3)	(10.3)	(118.6)
Operating profit/(loss)	2	**21.5**	**(11.9)**	**9.6**	33.0	(10.3)	22.7
Finance income		**0.1**	**–**	**0.1**	–	–	–
Finance costs		**(7.6)**	**–**	**(7.6)**	(8.1)	–	(8.1)
Net finance costs		**(7.5)**	**–**	**(7.5)**	(8.1)	–	(8.1)
Profit/(loss) before tax		**14.0**	**(11.9)**	**2.1**	24.9	(10.3)	14.6
Tax	5	**(3.3)**	**0.3**	**(3.0)**	(5.2)	1.7	(3.5)
Profit/(loss) from continuing operations after tax		**10.7**	**(11.6)**	**(0.9)**	19.7	(8.6)	11.1
Discontinued operations							
(Loss)/profit from discontinued operations	4	**–**	**(3.0)**	**(3.0)**	2.1	49.5	51.6
Profit/(loss) for the period attributable to owners of the parent		**10.7**	**(14.6)**	**(3.9)**	21.8	40.9	62.7
Earnings/(loss) per share (EPS) attributable to owners of the parent							
From continuing operations:							
Basic[2]	7	**1.2p**		**(0.1)p**	2.8p		1.6p
Diluted[2]	7	**1.2p**		**(0.1)p**	2.8p		1.6p
Total Group:							
Basic[2]	7	**1.2p**		**(0.4)p**	3.1p		9.0p
Diluted[2]	7	**1.2p**		**(0.4)p**	3.1p		8.8p

Notes:
1. Other items are as described in Note 3.
2. Earnings per share for the six months ended 30 September 2019 have been restated for the bonus element of the 2020 rights issue. See Note 15.

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2020

	Notes	**30 September 2020 (unaudited) £m**	30 September 2019 (unaudited) £m
(Loss)/profit for the period		**(3.9)**	62.7
Items that will not be reclassified to profit or loss in subsequent periods			
Re-measurement of net defined benefit pension liability	14	**(19.7)**	(11.5)
Tax credit relating to items that will not be reclassified		**3.7**	1.9
		(16.0)	(9.6)
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**0.2**	0.4
(Loss)/gain on hedge of a net investment taken to equity		**(0.2)**	0.1
Net (losses)/gains on cash flow hedges arising during the period[1]		**(0.6)**	2.7
Tax charge relating to items that may be reclassified		**(0.1)**	(0.4)
		(0.7)	2.8
Other comprehensive expense for the period		**(16.7)**	(6.8)
Total comprehensive (expense)/income for the period attributable to owners of the parent		**(20.6)**	55.9

Notes:

1. Net losses on cash flow hedges taken to equity include fair value losses of £4.9m on derivative financial instruments used for hedging private placement notes partially offset by reclassifications related to foreign exchange gains on private placement notes of £4.3m.

Condensed consolidated balance sheet
As at 30 September 2020

	Notes	30 September 2020 (unaudited) £m	31 March 2020 (audited) £m	30 September 2019 (unaudited) £m
Non-current assets				
Goodwill		**278.9**	278.9	278.9
Other intangible assets		**50.0**	50.6	52.2
Property, plant and equipment[1]		**105.6**	110.8	108.2
Derivative financial instruments	12	**23.1**	28.0	25.8
Other receivables	8	**–**	3.3	3.3
Contract assets		**2.8**	3.2	3.8
Deferred tax assets		**34.0**	32.6	36.9
Total non-current assets		**494.4**	507.4	509.1
Current assets				
Inventories		**8.3**	4.8	3.2
Trade and other receivables	8	**368.0**	403.1	436.3
Contract assets		**1.5**	1.6	1.5
Derivative financial instruments	12	**0.2**	0.2	0.3
Current tax assets		**–**	1.1	0.9
Cash and cash equivalents		**339.6**	124.6	96.4
Total current assets		**717.6**	535.4	538.6
Total assets		**1,212.0**	1,042.8	1,047.7
Current liabilities				
Trade and other payables	9	**(525.4)**	(487.0)	(451.2)
Deferred income		**(33.5)**	(35.9)	(48.0)
Current tax liabilities		**(0.7)**	–	–
Financing liabilities	11	**(24.1)**	(24.3)	(60.3)
Provisions	10	**(36.9)**	(41.4)	(46.5)
Total current liabilities		**(620.6)**	(588.6)	(606.0)
Net current assets/(liabilities)		**97.0**	(53.2)	(67.4)
Non-current liabilities				
Trade and other payables	9	**(0.3)**	(0.3)	(0.3)
Deferred income		**(13.1)**	(15.6)	(17.7)
Financing liabilities	11	**(249.1)**	(296.4)	(298.1)
Provisions	10	**(11.0)**	(11.8)	(10.5)
Retirement benefit liabilities	14	**(62.0)**	(46.7)	(73.7)
Deferred tax liabilities		**(2.7)**	(2.9)	(2.7)
Total non-current liabilities		**(338.2)**	(373.7)	(403.0)
Total liabilities		**(958.8)**	(962.3)	(1,009.0)
Net assets		**253.2**	80.5	38.7

Notes:

1. Includes right-of-use assets of £84.9m (March 2020: £88.1m; September 2019: £85.1m) .

Condensed consolidated balance sheet continued
As at 30 September 2020

	Notes	30 September 2020 (unaudited) £m	31 March 2020 (audited) £m	30 September 2019 (unaudited) £m
Equity				
Share capital	15	**29.4**	9.3	9.3
Share premium account		**130.6**	130.6	130.6
Merger reserve	15	**270.2**	99.9	104.2
Own shares reserve		**(31.1)**	(34.2)	(38.0)
Other reserves[1]		**9.1**	9.5	14.5
Hedging and translation reserve		**(1.1)**	(0.4)	(2.8)
Retained losses		**(153.9)**	(134.2)	(179.1)
Equity attributable to owners of the parent		**253.2**	80.5	38.7

Notes:

1. Other reserves include the share-based payments reserve, the revaluation reserve and the capital redemption reserve.

Condensed consolidated statement of changes in equity
For the six months ended 30 September 2020

	Six months to 30 September 2020 (unaudited)							
	Share capital £m	Share premium account £m	Merger reserve £m	Own shares reserve £m	Other reserves[1] £m	Hedging and translation reserve £m	Retained (losses)/ earnings £m	**Total equity £m**
At 1 April 2020 (audited)	9.3	130.6	99.9	(34.2)	9.5	(0.4)	(134.2)	**80.5**
Loss for the period	–	–	–	–	–	–	(3.9)	**(3.9)**
Other comprehensive expense	–	–	–	–	–	(0.7)	(16.0)	**(16.7)**
Total comprehensive expense	–	–	–	–	–	(0.7)	(19.9)	**(20.6)**
Transactions with owners								
Issue of shares[2]	20.1	–	173.3	–	–	–	–	**193.4**
Rights issue expenses[3]	–	–	(3.0)	–	–	–	–	**(3.0)**
Share-based payments	–	–	–	3.1	(0.4)	–	0.2	**2.9**
Total Transactions with owners	20.1	–	170.3	3.1	(0.4)	–	0.2	**193.3**
At 30 September 2020	29.4	130.6	270.2	(31.1)	9.1	(1.1)	(153.9)	**253.2**

Notes:

1. Other reserves include the share-based payments reserve, the revaluation reserve and the capital redemption reserve.
2. The rights issue utilised a cash box structure and therefore qualified for merger relief under Section 612 of the Companies Act 2006, so that premium arising of £173.3m was not required to be credited to the share premium account. See Note 15.
3. Under the cash box structure, the Group received £193.4m from the rights issue, after deduction of issue costs of £7.9m. The remaining £3.0m of rights issue expenses are payable by the Group and have been charged against the merger reserve. See Note 15.

	Six months to 30 September 2019 (unaudited)							
	Share capital £m	Share premium account £m	Merger reserve £m	Own shares reserve £m	Other reserves[1] £m	Hedging and translation reserve £m	Retained (losses)/ earnings £m	**Total equity £m**
At 1 April 2019 (audited)	9.3	130.6	104.2	(38.1)	10.3	(5.6)	(223.1)	(12.4)
Profit for the period	–	–	–	–	–	–	62.7	62.7
Other comprehensive (expense)/income	–	–	–	–	–	2.8	(9.6)	(6.8)
Total comprehensive income	–	–	–	–	–	2.8	53.1	55.9
Transactions with owners								
Dividends paid	–	–	–	–	–	–	(9.6)	(9.6)
Share-based payments	–	–	–	0.1	4.2	–	0.5	4.8
Total Transactions with owners	–	–	–	0.1	4.2	–	(9.1)	(4.8)
At 30 September 2019	9.3	130.6	104.2	(38.0)	14.5	(2.8)	(179.1)	38.7

Notes:

1. Other reserves include the share-based payments reserve, the revaluation reserve and the capital redemption reserve.

Condensed consolidated statement of cash flows

For the six months ended 30 September 2020

	Notes	30 September 2020 (unaudited) £m	30 September 2019 (unaudited) £m
Continuing operations – operating profit before other items	2	**21.5**	33.0
Continuing operations – other items	3	**(11.9)**	(10.3)
Discontinued operations – operating (loss)/profit after other items	4	**(3.0)**	53.9
Adjustments for:			
Share-based payments expense		**2.9**	4.8
Defined benefit pension costs	14	**0.9**	0.6
Defined benefit pension contributions	14	**(5.9)**	(3.0)
Depreciation of property, plant and equipment		**16.2**	16.4
Amortisation of intangible assets		**5.7**	5.8
Amortisation of contract assets		**0.8**	0.7
Impairment of non-current assets		**2.9**	0.1
Loss on disposal of property, plant and equipment		**0.3**	–
Loss/(gain) on disposal of businesses	4	**3.0**	(51.6)
Other		**0.4**	(1.9)
Operating cash flows before movements in working capital		**33.8**	48.5
(Increase)/decrease in inventories		**(3.5)**	0.3
Decrease/(increase) in receivables		**36.6**	(13.3)
Increase in contract assets		**(0.4)**	(0.1)
Decrease in deferred income		**(4.9)**	(7.7)
Increase/(decrease) in payables		**35.2**	(62.0)
(Decrease)/increase in provisions		**(5.0)**	0.7
Cash generated from/(used in) operations		**91.8**	(33.6)
Income taxes received/(paid)		**1.0**	(3.3)
Interest paid		**(6.5)**	(7.7)
Net cash generated from/(used in) operating activities		**86.3**	(44.6)
Investing activities			
Acquisition of businesses, net of cash acquired		–	(0.9)
Disposal of businesses, net of cash disposed		–	66.4
Interest received		**0.2**	–
Purchase of property, plant and equipment		**(2.3)**	(3.8)
Purchase of other intangible assets		**(5.6)**	(7.5)
Disposal of property, plant and equipment		–	0.1
Net cash (used in)/generated from investing activities		**(7.7)**	54.3

Condensed consolidated statement of cash flows continued
For the six months ended 30 September 2020

	Notes	**30 September 2020 (unaudited) £m**	30 September 2019 (unaudited) £m
Financing activities			
Proceeds from issue of ordinary shares, net of issue costs		**193.4**	–
Rights issue expenses paid		**(1.6)**	–
Capital element of lease rentals paid		**(12.3)**	(10.5)
Repayment of bank loans		**(40.6)**	(2.0)
Payment of arrangement fees		**(2.8)**	–
Equity dividends paid	6	**–**	(9.6)
Net cash generated from/(used in) financing activities		**136.1**	(22.1)
Net increase/(decrease) in cash and cash equivalents		**214.7**	(12.4)
Net cash and cash equivalents at beginning of the period		**124.6**	108.4
Effect of foreign exchange rate changes		**0.3**	0.4
Net cash and cash equivalents at end of the period		**339.6**	96.4

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

Reconciliation of net cash flow to movements in net cash/(debt)	Notes	**30 September 2020 (unaudited) £m**	30 September 2019 (unaudited) £m
Cash drivers			
Net increase/(decrease) in cash and cash equivalents		**214.7**	(12.4)
Repayment of bank loans		**40.6**	2.0
Payment of arrangement fees		**2.8**	–
Capital element of lease rentals paid		**12.3**	10.5
Non-cash drivers			
Non-cash movement in bank loans		**(0.4)**	(0.3)
Non-cash movement in private placement notes and associated hedges		**(0.6)**	2.7
Non-cash movement in lease liabilities		**(12.0)**	(10.3)
Effect of foreign exchange rate changes		**0.2**	0.1
Movement in net cash/(debt)		**257.6**	(7.7)
Opening net debt		**(167.9)**	(228.2)
Closing net cash/(debt)	13	**89.7**	(235.9)

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2020 (the 'condensed consolidated financial statements') have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) 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 2020.

These condensed consolidated financial statements do not comprise 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 2020 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 independent auditor's report for the year ended 31 March 2020 was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006, however did draw attention to a material uncertainty relating to going concern. See going concern section below for the latest going concern assessment performed by the Directors.

The condensed consolidated financial statements were approved by the Board of Directors on 18 November 2020.

Going concern

The condensed consolidated financial statements for the period ended 30 September 2020 have been prepared on a going concern basis. Going concern assessments have been performed for two scenarios: (1) Mitie Group plc and its subsidiaries (the 'Group') on a standalone basis; and (2) assuming that the acquisition of Interservefm (Holdings) Limited ('Interserve Facilities Management') by Mitie Group plc (together the 'Enlarged Group'), which subject to shareholder approval at the general meeting convened for 23 November 2020, is completed before 31 March 2021. The forecasts prepared for the Group's going concern assessment are also used as part of the Enlarged Group's going concern assessment, and therefore the assumptions applied for the purposes of these two assessments are consistent.

As part of the going concern assessments, the directors of Mitie Group plc (the 'Directors') have considered modelling through to March 2022 performed using a number of different scenarios, including a base case, a Reasonable Worst Case ('RWC') downside scenario and reverse stress tests, all in the context of the COVID-19 pandemic.

The forecasts for Interserve Facilities Management, included in the forecasts for the Enlarged Group, have been subject to reviews by the Directors and external professional advisors, and, where possible, have been reviewed against actual results to assess the accuracy of forecasts. These reviews resulted in some adjustments to the forecasts for Interserve Facilities Management that were included in the forecasts for the Enlarged Group, including the base case. The Directors also considered the nature of contingent liabilities relating to Interserve Facilities Management, and the nature of the warranties and escrow arrangements in place, particularly in relation to the cyber incident.

The COVID-19 pandemic is having an impact on the Group's and Enlarged Group's business. In some instances, this has led to an increase in demand for services from areas such as supermarkets, online retailers and COVID-19 NHS Nightingale hospitals. Conversely, discretionary variable works and engineering projects have seen a significant slowdown, and many offices and retail outlets have been closed during lockdown, impacting revenues.

In undertaking the going concern assessments for both the Group and the Enlarged Group, the Directors have considered the RWC downside scenario, which takes into account the potential impact of COVID-19. The RWC downside scenario assumes that the second COVID-19 lockdown announced by the Government on 31 October 2020 ultimately results in a three month lockdown, with an impact more severe than the first COVID-19 lockdown resulting in revenue for the Group and the Enlarged Group being approximately 10% lower than that recognised in the first COVID-19 lockdown. As a result of the restrictions to date and those assumed to occur over the following months, the revenue for the Group and the Enlarged Group is assumed to decline by approximately 20% in the year to 31 March 2021, with variable works and projects being most significantly impacted. Revenue for the Group and the Enlarged Group in the year to 31 March 2022 is expected to remain approximately 10% below revenue for the year to 31 March 2020. In addition, the RWC downside scenario assumes that working capital, inclusive of bad debts, excluding the HMRC "Time to Pay" deferral, comes under pressure in the year to 31 March 2021, resulting in a net negative cash flow impact of approximately £115 million in Mitie and approximately £20 million in Interserve Facilities Management. It is assumed that this dynamic slowly reverses to normalised levels from April 2021 and into the year to 31 March 2022.

The RWC downside scenario also factors in the actions that are within the Group's and the Enlarged Group's control that would be taken in response to the revenue reduction, to mitigate the profit and cash flow impacts, including reducing the labour force to reflect revenue reduction, cost saving initiatives to reduce overheads, deferral of non-essential costs and uncommitted capital expenditure, pay reductions for the Board and many employees for a period of time, and the deferral of tax payments.

The Group's and Enlarged Group's principal debt financing arrangements are, and will be, a £250m revolving credit facility, which expires on 16 December 2022, and £151.5m of US private placement notes (being the repayment amount based on the original dollar exchange rates when issued), of which £121.5m are repayable in December 2022 and the remaining £30.0m in December 2024. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis. Bank consent, required in respect of a transaction of this nature, has already been received and Mitie currently operates within the terms of its agreements with its lenders.

If the Group's or the Enlarged Group's results were to be in line with the base case or the RWC downside scenario, it would not be in breach of its financial covenants for a period of no less than 12 months from the date of approval of these condensed consolidated financial statements.

The Directors have also completed reverse stress tests on the base case scenario, but for the Enlarged Group only. This is on the basis that the Directors already consider the RWC downside to be a remote scenario for both the Group and the Enlarged Group, and that it is likely that the acquisition of Interserve Facilities Management will complete before 31 March 2021.

The reverse stress tests for the Enlarged Group assessed the point at which the covenants, or facility headroom, would be breached, based on sensitivities to the financial measures listed below. The financial measures considered have been chosen after giving consideration to the Principal risks and uncertainties detailed in Mitie's annual report and accounts for the year ended 31 March 2020 and considered in the Viability

Statement in the same annual report. In particular, the primary financial risks related to COVID-19 are expected to impact the Enlarged Group in the following ways:

- **A further downturn in revenues:** this reflects the risks of not being able to deliver services to existing customers, or contracts being terminated or not renewed;
- **A deterioration of gross margin:** this reflects the risks of contracts being renegotiated at lower margins, or planned cost savings not being delivered;
- **Lack of planned overhead savings:** this reflects the risks of planned overhead cost savings not being delivered; and
- **Downturn in cash generation:** this reflects the risks of customers delaying payments due to liquidity constraints, or the removal of ancillary debt facilities.

As a result of completing this assessment, the Directors considered the likelihood of the reverse stress scenarios arising to be remote. In all reverse stress scenarios, the point at which the covenants were breached was beyond that already considered in the RWC, which is itself considered a remote scenario. In reaching the conclusion of remote, the Directors considered the following:

- Current trading is performing above the base case;
- The reverse stress test scenario would require a decline in revenue for the Enlarged Group of over 30% in the second half of the year to 31 March 2021 against the base case. In the year to 31 March 2022 the required revenue decline for the Enlarged Group would have to exceed 25% compared to the base case. These scenarios are considered to be remote given the high proportion of public sector and 'fixed billing' revenue;
- The RWC downside scenario for both the Group and the Enlarged Group assumes that the impact from the second COVID-19 lockdown would be more severe than the first, resulting in revenues being an additional 10% lower than experienced in the first COVID-19 lockdown, despite the Government's need to ensure national economic activity is supported through any future restrictions. Also, in that scenario it would be expected to see increased opportunities from COVID-19 testing and vaccinations, meaning that the implied revenue decline in other areas of the business is even greater than the overall additional 10% assumed in the RWC downside scenario.
- In the event that results started to trend significantly below the base case, additional mitigation actions have been identified that would be implemented, which are not factored into the reverse stress test scenarios. These include cancellation of discretionary bonuses, temporary pay cuts and reduced investments in discretionary areas of spend.

Each of the reverse stress test scenarios would result in a breach of covenants, rather than a breach of liquidity headroom.

Based on these assessments, the Directors have a reasonable expectation that the Group and the Enlarged Group have adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of these condensed consolidated financial statements. In addition, in respect of material uncertainty, the Directors consider that this is remote. The Directors note that in making an assessment over the remoteness of the COVID-19 assumptions, significant judgement has been applied.

Significant accounting policies

In preparing the condensed consolidated financial statements, the Group's accounting policies and methods of computation were the same as those that applied in the preparation of the Group's consolidated financial statements for the year ended 31 March 2020, which were prepared in accordance with IFRS as issued by the IASB and as adopted by the EU.

None of the new standards and amendments that are effective for the first time for the year ending 31 March 2021 have had a material effect on the Group.

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

The following accounting policies were not detailed in the Group's consolidated financial statements for the year ended 31 March 2020 as these did not have a material impact for the year, however, are considered significant for the six months ended 30 September 2020.

Government grants

The Group has received Government assistance income in the period as a result of the COVID-19 pandemic. Government grants are recognised where there is reasonable assurance that the grant will be received and all conditions attaching to the grant will be complied with.

Government grants that compensate the Group for expenses incurred are recognised in the income statement as a deduction against the related expense that the grant is intended to compensate, over the periods necessary to match them with the related costs.

Costs incurred on issue of equity

The Group has incurred costs in the period in relation to the 2020 rights issue. The transaction costs of an equity transaction are recorded as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Statutory and non-statutory measures of performance

As a result of the non-statutory measures of performance presented in the condensed consolidated financial statements, the accounting policy used in determining the non-statutory measures of performance is set out below which has remained unchanged in the six months ended 30 September 2020.

In the condensed consolidated financial statements, the Group has elected to provide some further disclosures and performance measures, reported as 'before other items', in order to present its financial results in a way that demonstrates the performance of continuing operations.

Other items are items of financial performance which management 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 impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal related costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items and their related tax effect as other items. Should these items be reversed, disclosure of this would also be as other items.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Group in the period and the extent to which results are influenced by material unusual and/or non-recurring items. Further detail of other items is set out in Note 3.

In addition, following the guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authorities (ESMA), the Group has included an APM appendix to the condensed consolidated financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In preparing the condensed consolidated financial statements, the critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of the Group's consolidated financial statements for the year ended 31 March 2020. However, an update has been made on the outcome of the key sources of estimation uncertainty as detailed below.

Gain/(loss) on disposal of discontinued operations

The Group has recognised a net loss on the disposal of the Catering business (refer to Note 4) of £3.3m in the six months ended 30 September 2020, which together with the net gain of £49.4m recorded at 31 March 2020 has resulted in a cumulative net gain of £46.1m. The value of the cumulative gain on the Catering disposal is subject to finalisation of the deferred consideration which requires judgement. The maximum potential undiscounted deferred consideration amount that the Group could receive is £6.0m, which is due in 2023, and is subject to the achievement of certain performance milestones. The fair value of the contingent consideration recorded at 31 March 2020 of £3.3m has been de-recognised at 30 September 2020, taking into account the expected impact of COVID-19 on the future performance of the Catering business and the likelihood of achieving the performance milestones.

Provisions and contingent liabilities

The Company and various of its subsidiaries are, from time to time, party to legal proceedings and claims that are in the ordinary course of business. Judgements are required in order to assess whether these legal proceedings and claims are probable, and the liability can be reasonably estimated, resulting in a provision or, alternatively, whether the items meet the definition of contingent liabilities.

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities judgement is applied and re-evaluated at each reporting date. The Group recognised provisions at 30 September 2020 of £47.9m (March 2020: £53.2m; September 2019: £57.0m). Further details are included in Note 10.

A provision of £8.0m (March 2020: £10.6m; September 2019: £11.7m) has been recorded for estimated costs of rectification works associated with certain property maintenance contracts of the discontinued Social Housing business. Estimations have been made in relation to the amounts of provision recognised and no further information is provided as this would prejudice the position of the Group.

Management has reviewed the adequacy of provisions for onerous contracts, in the context of the COVID-19 pandemic. Based on COVID-19 adjusted forecasts, management has concluded that no additional provisions are required as a result of the COVID-19 pandemic as at 30 September 2020.

Impairment of goodwill

Management no longer considers impairment of goodwill as a key source of estimation uncertainty and the Group's policy is to test goodwill at least annually for impairment or more frequently if there are indicators that goodwill may be impaired.

The recoverable amounts of cash-generating units (CGUs) are determined from value in use calculations. The key assumptions applied in the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on forecast inflation. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

Management has revised the Group's cash flow projections to take account of the expected impact of COVID-19 and performed a goodwill impairment test at 30 September 2020 using the medium term strategic plan to 31 March 2025, which includes the expected impact of Covid-19, which indicated sufficient headroom for all CGUs. Therefore, despite the potential impact of COVID-19, management does not consider that any reasonably foreseeable change in this source of estimation would have a material impact on the carrying value of goodwill in the Group's financial statements.

2. Business segment information

The Group manages its business on a service division basis. At 30 September 2020, the Group had five reportable segments: Technical Services, Business Services, Care & Custody, Landscapes and Waste. Care & Custody, Landscapes and Waste businesses are aggregated and categorised as Specialist Services, as these are all high growth businesses with margins above the Group's average, however each of these businesses individually meets the IFRS 8 'Operating Segments' criteria for being a separate reportable segment.

The information, as reported, is consistent with information presented to the Board, which is the Group's chief operating decision maker. 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.

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

Income statement information

	Six months ended 30 September 2020 (unaudited)			Six months ended 30 September 2019 (unaudited)		
	Revenue £m	Operating profit/(loss) before other items[1] £m	Operating margin before other items[1] %	Revenue £m	Operating profit/(loss) before other items[1] £m	Operating margin before other items[1] %
Technical Services	**367.5**	**8.9**	***2.4***	470.6	25.8	*5.5*
Business Services	**500.0**	**22.9**	***4.6***	490.7	16.9	*3.4*
Specialist Services	**104.9**	**9.5**	***9.1***	116.7	10.7	*9.2*
Care & Custody	***50.7***	***3.5***	***6.9***	*55.5*	*4.1*	*7.4*
Landscapes	***20.7***	***2.8***	***13.5***	*21.4*	*2.8*	*13.1*
Waste	***33.5***	***3.2***	***9.6***	*39.8*	*3.8*	*9.5*
Corporate centre	**–**	**(19.8)**	**–**	–	(20.4)	–
Total from continuing operations	**972.4**	**21.5**	***2.2***	1,078.0	33.0	*3.1*
Catering	**–**	**–**	**–**	60.5	2.8	*4.6*
Total from discontinued operations	**–**	**–**	**–**	60.5	2.8	*4.6*
Total	**972.4**	**21.5**	***2.2***	1,138.5	35.8	*3.1*

Notes:

1. Other items are as described in Note 3.
2. No single customer accounted for more than 10% of external revenue in the six months ended 30 September 2020 or in the comparative period.

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

	Six months ended 30 September 2020 (unaudited)			Six months ended 30 September 2019 (unaudited)		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Operating profit before other items	**21.5**	**–**	**21.5**	33.0	2.8	35.8
Other items[1]	**(11.9)**	**(3.0)**	**(14.9)**	(10.3)	51.1	40.8
Net finance costs	**(7.5)**	**–**	**(7.5)**	(8.1)	(0.2)	(8.3)
Profit/(loss) before tax	**2.1**	**(3.0)**	**(0.9)**	14.6	53.7	68.3

Notes:

1. Other items are as described in Note 3.

Disaggregated revenue

The Group disaggregates revenue from contracts with customers by sector (government and non-government) and by contract duration (contracts with a duration from inception of less than two years, and contracts with a duration from inception of more than two years). Management 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 2020 (unaudited)					
			Sector[1]	Contract duration for timing of revenue recognition		
	Government £m	Non-government £m	Total £m	Less than 2 years £m	More than 2 years £m	Total £m
Technical Services	**111.3**	**256.2**	**367.5**	**29.3**	**338.2**	**367.5**
Business Services	**115.0**	**385.0**	**500.0**	**170.2**	**329.8**	**500.0**
Specialist Services	**67.7**	**37.2**	**104.9**	**23.3**	**81.6**	**104.9**
Care & Custody	***50.6***	***0.1***	***50.7***	***1.1***	***49.6***	***50.7***
Landscapes	***5.7***	***15.0***	***20.7***	***10.0***	***10.7***	***20.7***
Waste	***11.4***	***22.1***	***33.5***	***12.2***	***21.3***	***33.5***
Continuing operations and Total	**294.0**	**678.4**	**972.4**	**222.8**	**749.6**	**972.4**

Note:

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

	Six months ended 30 September 2019 (unaudited)					
			Sector[1]	Contract duration for timing of revenue recognition		
	Government £m	Non-government £m	Total £m	Less than 2 years £m	More than 2 years £m	Total £m
Technical Services	152.2	318.4	470.6	90.5	380.1	470.6
Business Services	94.9	395.8	490.7	90.1	400.6	490.7
Specialist Services	73.1	43.6	116.7	12.6	104.1	116.7
Care & Custody	55.5	–	55.5	0.9	54.6	55.5
Landscapes	3.8	17.6	21.4	7.7	13.7	21.4
Waste	13.8	26.0	39.8	4.0	35.8	39.8
Continuing operations	320.2	757.8	1,078.0	193.2	884.8	1,078.0
Catering	3.4	57.1	60.5	8.2	52.3	60.5
Discontinued operations	3.4	57.1	60.5	8.2	52.3	60.5
Total	323.6	814.9	1,138.5	201.4	937.1	1,138.5

Note:

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

3. Other items

Other items are items of financial performance which management 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 impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal related costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items as other items, together with their related tax effect.

	Six months ended 30 September 2020 (unaudited)				
Continuing operations	Restructure costs £m	Acquisition & disposal related costs £m	Loss on disposal £m	Other exceptional items £m	Total £m
Other items within administrative expenses before tax	**(8.0)**	**(7.7)**	**–**	**3.8**	**(11.9)**
Tax	**0.7**	**0.3**	**–**	**(0.7)**	**0.3**
Other items after tax	**(7.3)**	**(7.4)**	**–**	**3.1**	**(11.6)**
Discontinued operations					
Other items before tax	**–**	**–**	**(3.0)**	**–**	**(3.0)**
Tax	**–**	**–**	**–**	**–**	**–**
Other items after tax	**–**	**–**	**(3.0)**	**–**	**(3.0)**
Total Group					
Other items before tax	**(8.0)**	**(7.7)**	**(3.0)**	**3.8**	**(14.9)**
Tax	**0.7**	**0.3**	**–**	**(0.7)**	**0.3**
Other items after tax	**(7.3)**	**(7.4)**	**(3.0)**	**3.1**	**(14.6)**

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

Restructure costs

The Group is undertaking a major transformation programme involving the restructuring of operations to reposition the business for its next phase of growth, which includes Project Helix, Project Forte and Property. The costs are analysed below:

	Six months ended 30 September 2020 (unaudited)	Six months ended 30 September 2019 (unaudited)
	Continuing operations and total £m	Continuing operations and total £m
Group transformation programme:		
Project Helix[1]	–	(2.0)
Project Forte[2]	(3.3)	(4.0)
Property[3]	(3.6)	(1.1)
Other transformation projects[4]	(1.1)	(0.1)
Restructuring costs	(8.0)	(7.2)
Tax	0.7	1.3
Restructuring costs net of taxation	(7.3)	(5.9)

Notes:

1. Project Helix was a three-year programme launched in 2017, focused on establishing a shared service centre model for key back office functions, including offshoring the majority of Finance and IT, and centralising HR following the standardisation of systems. The project was completed by March 2020.
2. Project Forte is a two-year programme which was launched in 2019, primarily focused on re-engineering the Technical Services business to modernise the technology infrastructure. It will improve both the customer experience and the efficiency of the internal operations. Project Forte will also drive further Group-wide organisational consolidation, automation of processes and further offshoring of back office activities.
3. Programme to restructure the property portfolio to align with the new operating model, which involves the vacation of office space.
4. Other transformation projects focus on aligning the remaining areas of the business to the new operating model, including redundancy costs related to restructuring as a result of COVID-19, and simplifying the management structure.

The costs associated with the Group transformation programme include redundancy costs of £1.5m (2019: £1.7m), fixed-term staff costs of £2.3m (2019: £3.5m) to manage and implement the changes, property right-of-use asset impairment costs of £3.6m (2019: £1.1m), software impairment costs of £0.5m (2019: £nil) and other restructuring costs of £0.1m (2019: £0.1m). In the six months ended 30 September 2019, external consultancy costs of £0.8m were also incurred.

Acquisition and disposal related costs

	Six months ended 30 September 2020 (unaudited)			Six months ended 30 September 2019 (unaudited)		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Acquisition transaction costs[1]	(5.7)	–	(5.7)	(0.1)	–	(0.1)
Integration[2]	(0.5)	–	(0.5)	(1.6)	–	(1.6)
Amortisation of acquisition related intangibles	(1.2)	–	(1.2)	(1.2)	–	(1.2)
Restricted shares issued	–	–	–	(0.8)	–	(0.8)
VSG liability release	–	–	–	2.3	–	2.3
Other disposal costs	–	–	–	–	(0.5)	(0.5)
Other transaction related projects	(0.3)	–	(0.3)	(0.6)	–	(0.6)
Acquisition and disposal costs	(7.7)	–	(7.7)	(2.0)	(0.5)	(2.5)
Tax	0.3	–	0.3	0.2	–	0.2
Acquisition and disposal costs net of taxation	(7.4)	–	(7.4)	(1.8)	(0.5)	(2.3)

Notes:

1. Acquisition transaction costs incurred in the six months ended 30 September 2020 relate to the proposed acquisition of Interservefm (Holdings) Limited.
2. Integration costs incurred in the six months ended 30 September 2020 relate to preparation for the proposed acquisition of Interservefm (Holdings) Limited.

(Loss)/gain on disposal

See Note 4 for further details.

Other exceptional items

Other exceptional items included in operating profit are analysed below:

	Six months ended 30 September 2020 (unaudited)	Six months ended 30 September 2019 (unaudited)
	Continuing operations and total £m	Continuing operations and total £m
Regulatory investigation[1]	**(0.1)**	(0.5)
IFRS 16/15/9 adoption and implementation projects	**–**	(0.6)
Net settlement of legal dispute[2]	**3.9**	–
Other exceptional items	**3.8**	(1.1)
Tax	**(0.7)**	0.2
Other exceptional items net of taxation	**3.1**	(0.9)

Notes:

1. Legal and professional costs of £0.1m (2019: £0.5m) have been incurred in respect of the FRC and FCA investigations, and the Company's own investigations into the same matters. These investigations have now been closed.
2. Legal costs of £0.1m (2019: £nil) have been incurred and a settlement of £4.0m (2019: £nil) has been received, in relation to a legal dispute.

4. Discontinued operations and disposal of businesses

There have been no disposals of businesses or discontinued operations meeting the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in the six months ended 30 September 2020.

The results relating to operations which were discontinued in prior periods are detailed below.

Income statement of discontinued operations

			Six months ended 30 September 2020 (unaudited)	Six months ended 30 September 2019 (unaudited)
	Catering £m	Healthcare £m	Total £m	Total £m
Total consideration[1]	**(3.3)**	**–**	**(3.3)**	76.0
Net assets disposed	**–**	**–**	**–**	(20.4)
Supplier provision	**–**	**–**	**–**	(1.3)
Release of indemnity provision	**–**	**0.3**	**0.3**	0.3
Transaction costs	**–**	**–**	**–**	(3.0)
Total (loss)/gain on disposal before tax	**(3.3)**	**0.3**	**(3.0)**	51.6
Taxation	**–**	**–**	**–**	(1.6)
Net (loss)/gain on disposal of discontinued operations as reported in other items (see Note 3)	**(3.3)**	**0.3**	**(3.0)**	50.0
Profit and total comprehensive income for the period	**–**	**–**	**–**	1.6
Total (loss)/profit for the period	**(3.3)**	**0.3**	**(3.0)**	51.6

Note:

1. Contingent consideration of £3.3m has been de-recognised in the six months ended 30 September 2020.

The income statement of discontinued operations for the six months ended 30 September 2019 is presented below.

	Six months ended 30 September 2019 (unaudited)						
	Catering			Social Housing	Total discontinued operations		
	Before other items	Other items (see Note 3)	Total	Other items (see Note 3)	Before other items	Other items (see Note 3)	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue	60.5	–	60.5	–	60.5	–	60.5
Cost of sales	(54.7)	–	(54.7)	–	(54.7)	–	(54.7)
Gross profit	5.8	–	5.8	–	5.8	–	5.8
Administrative expenses	(3.0)	(0.3)	(3.3)	(0.2)	(3.0)	(0.5)	(3.5)
Operating profit/(loss)	2.8	(0.3)	2.5	(0.2)	2.8	(0.5)	2.3
Net finance costs	(0.2)	–	(0.2)	–	(0.2)	–	(0.2)
Profit/(loss) before tax	2.6	(0.3)	2.3	(0.2)	2.6	(0.5)	2.1
Tax	(0.5)	–	(0.5)	–	(0.5)	–	(0.5)
Profit and total comprehensive income for the period	2.1	(0.3)	1.8	(0.2)	2.1	(0.5)	1.6

Cash flows from discontinued operations

	Six months ended 30 September 2020 (unaudited) £m	Six months ended 30 September 2019 (unaudited) £m
Net cash used in operating activities	–	(3.3)
Net cash generated from investing activities	–	66.2
Net cash used in financing activities	–	(0.6)
Increase in cash and cash equivalents	–	62.3

5. Tax

The income tax charge for the six months ended 30 September 2020 is calculated based upon the effective tax rate expected to apply to the Group for the full year. The rate of tax on profits before other items from continuing operations is 23.6% (2019: 20.9%). The rate of tax on profits (on both continuing and discontinued operations) before other items is 23.6% (2019: 20.7%). The effective rate of tax on earnings before other items is principally influenced by recurring non-tax deductible expenses. The Group expects its sustainable effective tax rate to be slightly above the UK statutory rate.

6. Dividends

	Six months ended 30 September 2020 (unaudited)		Six months ended 30 September 2019 (unaudited)	
	pence per share	£m	pence per share	£m
Amounts recognised as distributions in the six months:				
Final dividend for prior year	–	–	2.67	9.6
Proposed interim dividend for the period	–	–	1.33	4.8

Dividends per share for the six months ended 30 September 2019 stated above are as declared and paid to shareholders on shares in issue when dividends were paid. Restating these amounts for the six months ended 30 September 2019, to take account of the bonus element of the 2020 rights issue using the adjustment factor described in Note 15, would result in final dividend declared and paid of 1.38p per share and an interim dividend declared and paid of 0.69p per share.

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 2020 (unaudited) £m	Six months ended 30 September 2019 (unaudited) £m
Net profit before other items attributable to owners of the parent	**10.7**	19.7
Other items net of tax (See Note 3)	**(11.6)**	(8.6)
Net (loss)/profit attributable to owners of the parent	**(0.9)**	11.1

From discontinued operations		
Net profit before other items attributable to owners of the parent	**–**	2.1
Other items net of tax (See Note 3)	**(3.0)**	49.5
Net (loss)/profit attributable to owners of the parent	**(3.0)**	51.6

Total Group		
Net profit before other items attributable to owners of the parent	**10.7**	21.8
Other items net of tax (See Note 3)	**(14.6)**	40.9
Net (loss)/profit attributable to owners of the parent	**(3.9)**	62.7

Number of shares	Six months ended 30 September 2020 (unaudited) million	Six months ended 30 September 2019 (restated)[1] (unaudited) million
Weighted average number of ordinary shares for the purpose of basic EPS	**900.4**	698.2
Effect of dilutive potential ordinary shares	**14.3**	14.5
Weighted average number of ordinary shares for the purpose of diluted EPS	**914.7**	712.7

Note:

1. Restated for the bonus element of the 2020 rights issue. See Note 15.

	Six months ended 30 September 2020 (unaudited) p	Six months ended 30 September 2019 (restated)[1] (unaudited) p
From continuing operations:		
Basic earnings before other items per share[2]	**1.2**	2.8
Basic (loss)/earnings per share	**(0.1)**	1.6
Diluted earnings before other items per share[2]	**1.2**	2.8
Diluted (loss)/earnings per share	**(0.1)**	1.6
From discontinued operations:		
Basic earnings before other items per share[2]	**–**	0.3
Basic (loss)/earnings per share	**(0.3)**	7.4
Diluted earnings before other items per share[2]	**–**	0.3
Diluted (loss)/earnings per share	**(0.3)**	7.2
Total Group:		
Basic earnings before other items per share[2]	**1.2**	3.1
Basic (loss)/earnings per share	**(0.4)**	9.0
Diluted earnings before other items per share[2]	**1.2**	3.1
Diluted (loss)/earnings per share	**(0.4)**	8.8

Notes:

1. Restated for the bonus element of the 2020 rights issue. See Note 15.
2. Other items are as described in Note 3.

The weighted average number of ordinary shares in issue during the period 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. Trade and other receivables

	30 September 2020 (unaudited) £m	31 March 2020 (audited) £m	30 September 2019 (unaudited) £m
Trade receivables	**175.7**	207.7	198.3
Accrued income	**129.4**	132.2	176.3
Prepayments	**30.1**	30.0	31.4
Other receivables	**32.8**	36.5	33.6
Total	**368.0**	406.4	439.6
Included in current assets	**368.0**	403.1	436.3
Included in non-current assets	**–**	3.3	3.3
Total	**368.0**	406.4	439.6

Trade receivables at 30 September 2020 represent 26 days credit on sales (March 2020: 28 days; September 2019: 27 days).

The Group makes use of a non-recourse customer invoice discounting facility under which certain trade receivable balances are sold to the Group's relationship banks. As these trade receivables are sold without recourse, the Group has derecognised them, and so they are not included within trade receivables. The amount of invoice discounting at 30 September 2020 was £66.7m (March 2020: £61.2m ; September 2019: £62.3m).

Management considers that the carrying amount of trade and other receivables approximates their fair value.

9. Trade and other payables

	30 September 2020 (unaudited) £m	31 March 2020 (audited) £m	30 September 2019 (unaudited) £m
Trade payables	**131.8**	154.2	139.5
Other taxes and social security	**200.0**	113.0	74.8
Other payables[1]	**16.7**	17.0	25.4
Accruals	**177.2**	203.1	211.8
Total	**525.7**	487.3	451.5
Included in current liabilities	**525.4**	487.0	451.2
Included in non-current liabilities	**0.3**	0.3	0.3
Total	**525.7**	487.3	451.5

Note:

1. Other payables include £0.3m of contingent consideration payable in respect of the acquisition of Global Aware International Group Limited, which has been recorded as non-current liabilities.

Trade payables at 30 September 2020 represent 54 days credit on trade purchases (March 2020: 50 days; September 2019: 50 days).

Included within the Group's trade payables balance at 30 September 2020 is £4.1m (March 2020: £16.0m; September 2019: £14.9m) relating to payments due to UK suppliers which make use of bank provided supply chain finance arrangements. During the six months ended 30 September 2020 these arrangements were used by c.200 suppliers, with a maximum facility available of £50.0m. The Group settles these amounts in accordance with each supplier's agreed payment terms.

Management considers that the carrying amount of trade and other payables approximates their fair value.

10. Provisions

	Legal costs £m	Acquisition and disposal of businesses £m	Restructuring £m	Insurance reserve £m	Contract specific costs £m	Pension £m	Dilapidations £m	**Total £m**
At 1 April 2019 (audited)	0.3	5.3	–	15.0	12.7	20.0	5.2	**58.5**
Amounts recognised in the income statement	–	1.0	–	1.0	–	–	–	**2.0**
Unwinding of discount	–	–	–	–	–	–	0.1	**0.1**
Utilised in the period	–	(0.7)	–	(2.2)	(0.4)	–	(0.3)	**(3.6)**
At 30 September 2019 (unaudited)	0.3	5.6	–	13.8	12.3	20.0	5.0	**57.0**
Amounts recognised in the income statement	–	(1.5)	–	0.5	(0.4)	–	(0.2)	**(1.6)**
Utilised in the period	(0.3)	(0.1)	–	(0.5)	(1.2)	–	(0.1)	**(2.2)**
At 31 March 2020 (audited)	–	4.0	–	13.8	10.7	20.0	4.7	**53.2**
Amounts recognised in the income statement	–	(0.3)	0.7	1.6	0.6	–	–	**2.6**
Utilised in the period	–	(1.9)	–	(2.5)	(3.2)	–	(0.3)	**(7.9)**
At 30 September 2020 (unaudited)	–	1.8	0.7	12.9	8.1	20.0	4.4	**47.9**
Included in current liabilities	–	1.8	0.1	6.2	8.1	20.0	0.7	**36.9**
Included in non-current liabilities	–	–	0.6	6.7	–	–	3.7	**11.0**
Total	–	1.8	0.7	12.9	8.1	20.0	4.4	**47.9**

The provisions balance includes the following items:

The acquisition and disposal of businesses provision of £1.8m at 30 September 2020 relates to indemnities provided by the Group in relation to the disposal of the Healthcare business. In the period ended 30 September 2020, the amounts recognised in the income statement represent a £0.3m release in respect of the Healthcare indemnity provision and an amount utilised of £1.9m in respect of the Social Housing indemnity provision.

The restructuring provision relates to costs of organisational change associated with the Group's property transformation programme. See Note 3.

The insurance reserve provides for the self-insured element of fleet and liability claims that will typically settle over three to five years. This includes a provision for claims that are expected but have not yet been reported.

The contract specific costs provision at 30 September 2020 includes £8.0m estimated costs of rectification works associated with certain property maintenance contracts of the discontinued Social Housing business. The provision has been recorded as a current provision; however, timing of outflows is dependent on when claims are received by the Group and may occur over a longer period than one year.

The pension provision relates to the Section 75 employer debt liabilities of Robert Prettie & Co Limited as a result of that company's participation in the Plumbing Scheme. The provision has been recorded as a current provision, however timing of outflows is dependent on agreement with the trustee of the Plumbing Scheme and may occur over a longer period than one year. See Note 16.

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

Contingent asset

Management is working to ensure that, through a combination of insurance claims and recourse to suppliers, a proportion of the £16.7m costs incurred in respect of rectification works for the Social Housing property maintenance contracts, including the £8.0m recorded in provisions above, are recovered. At 30 September 2020, £1.4m recovery from the insurers had been agreed and has been recognised as a receivable. The amount and timing of further recoveries is yet to be determined.

11. Financing liabilities

	30 September 2020 (unaudited) £m	31 March 2020 (audited) £m	30 September 2019 (unaudited) £m
Bank loans – under committed facilities	**6.5**	49.0	50.7
Private placement notes	**173.2**	177.9	218.9
Lease liabilities	**93.5**	93.8	88.8
Total	**273.2**	320.7	358.4
Included in current liabilities	**24.1**	24.3	60.3
Included in non-current liabilities	**249.1**	296.4	298.1
Total	**273.2**	320.7	358.4

The £250.0m bank facility and the private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements. The final maturity date of the bank facility has been extended from July 2021 to December 2022.

The Group adopted IFRS 16 'Leases' starting 1 April 2019. The Group's debt covenants are calculated on a Frozen GAAP basis and therefore exclude the impact of IFRS 16. The Group was in compliance with these covenants as at 30 September 2020 and hence all amounts are classified in line with repayment dates. If IFRS 16 had not been adopted, operating profit, depreciation, finance costs and lease liabilities would have been lower by £0.7m (2019: £0.4m), £12.2m (2019: £ 11.2m), £1.6m (2019: £1.5m) and £92.9m (March 2020: £93.0m; September 2019: £87.8m) respectively.

At 30 September 2020, the Group had available £240.9m (March 2020: £225.5m; September 2019: £223.6m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

12. Financial instruments

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

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

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

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

The carrying value of contingent consideration receivable of £3.3m as at 31 March 2020 was de-recognised in the six months ended 30 September 2020. The carrying value of contingent consideration payable at 30 September 2020 was £0.3m (2019: £0.5m). The fair values of contingent consideration receivable and contingent consideration payable are estimated using discounted cash flow models. The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected amounts are determined by considering possible scenarios, which relate to future business performance. Consequently, contingent consideration receivable and contingent consideration payable fall into Level 3.

Derivative financial instruments

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

	Assets 30 September 2020 (unaudited) £m	Assets 31 March 2020 (audited) £m	Assets 30 September 2019 (unaudited) £m
Derivative financial instruments hedging private placement notes[1]	**23.3**	28.2	26.1
Total	**23.3**	28.2	26.1
Included in current assets	**0.2**	0.2	0.3
Included in non-current assets	**23.1**	28.0	25.8
Total	**23.3**	28.2	26.1

Note:

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

The 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. All contracts are gross settled. Management considers that the Group's derivative financial instruments fall into Level 2.

There were no transfers between levels during the period.

Credit risk

The Group's credit risk is monitored on an ongoing basis and formally reported quarterly. The value of business placed with financial institutions is reviewed on a daily basis.

The Group's credit risk on liquid funds and derivative financial instruments is limited because the external counterparties are banks with high credit ratings assigned by international credit rating agencies and are managed through regular review.

The maximum exposure to credit risk in relation to derivatives at the balance sheet date is £23.3m (March 2020: £28.2m; September 2019: £26.1m), being predominantly the fair value of interest rate swaps. The maximum exposure to credit risk on cash and cash equivalents at the balance sheet date is £339.6m (March 2020: £124.6m; September 2019: £96.4m).

The Group's credit risk is primarily attributable to its receivable balances from customers. Before accepting a new customer, the Group uses external credit scoring systems to assess the potential customer's credit quality and define an appropriate credit limit which is reviewed regularly.

The maximum exposure to credit risk in relation to trade receivables and accrued income at the balance sheet date is the fair value of trade receivables and accrued income. The Group's customer base is large and unrelated and, accordingly, the Group does not have a significant concentration of credit risk with any one counterparty or group of counterparties.

The amounts presented in the balance sheet in relation to the Group's trade receivables and accrued income balances are presented net of loss allowances of £4.5m (March 2020: £3.9m; September 2019: £7.5m) and £3.6m (March 2020: £5.2m; September 2019: £4.7m), respectively. The Group measures loss allowances at an amount equal to lifetime expected credit losses (ECLs) using both quantitative and qualitative information and analysis based on the Group's historical experience, and forward-looking information, including assessment of impacts caused by COVID-19. No material changes to credit risk have been noted since 31 March 2020.

13. Analysis of net cash/(debt)

	30 September 2020 (unaudited) £m	31 March 2020 (audited) £m	30 September 2019 (unaudited) £m
Cash and cash equivalents	**339.6**	124.6	96.4
Bank loans (Note 11)	**(6.5)**	(49.0)	(50.7)
Private placement notes (Note 11)	**(173.2)**	(177.9)	(218.9)
Derivative financial instruments hedging private placement notes (Note 12)	**23.3**	28.2	26.1
Net cash/(debt) before lease liabilities	**183.2**	(74.1)	(147.1)
Lease liabilities	**(93.5)**	(93.8)	(88.8)
Net cash/(debt)	**89.7**	(167.9)	(235.9)

Net debt excludes amounts in respect of customer invoice discounting referred to in Note 8 and amounts in respect of supply chain financing referred to in Note 9. See Note 11 for details of IFRS 16 impacts.

14. Retirement benefit schemes

The Group has a number of pension arrangements for employees:

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

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

During the six months ended 30 September 2020, the Group made a total contribution to the defined contribution schemes of £3.3m (2019: £4.0m) and contributions to the auto-enrolment scheme of £6.1m (2019: £7.5m), which are included in the income statement charge.

Defined benefit schemes

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

	30 September 2020 (unaudited)			30 September 2019 (unaudited)		
	Group scheme £m	**Other schemes £m**	**Total £m**	Group scheme £m	Other schemes £m	Total £m
Actuarial losses arising due to changes in financial assumptions	**(46.4)**	**(2.9)**	**(49.3)**	(25.5)	(1.4)	(26.9)
Actuarial gains arising from experience	**8.7**	**0.1**	**8.8**	1.4	–	1.4
Movement in asset ceiling	**–**	**0.3**	**0.3**	–	–	–
Return on scheme assets, excluding interest income	**19.8**	**0.7**	**20.5**	13.2	0.8	14.0
	(17.9)	**(1.8)**	**(19.7)**	(10.9)	(0.6)	(11.5)

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

	30 September 2020 (unaudited)			31 March 2020 (audited)			30 September 2019 (unaudited)		
	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	**214.1**	**12.8**	**226.9**	191.1	11.8	202.9	205.9	14.1	220.0
Present value of defined benefit obligations	**(272.9)**	**(16.0)**	**(288.9)**	(236.4)	(13.2)	(249.6)	(276.6)	(17.1)	(293.7)
Net pension liability	**(58.8)**	**(3.2)**	**(62.0)**	(45.3)	(1.4)	(46.7)	(70.7)	(3.0)	(73.7)

All figures above are shown before deferred tax.

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

	Group scheme £m	Other schemes £m	Total £m
At 1 April 2020 (audited)	**236.4**	**13.2**	**249.6**
Current service cost	**0.2**	**0.1**	**0.3**
Interest cost	**2.7**	**0.3**	**3.0**
Actuarial losses arising due to changes in financial assumptions	**46.4**	**2.9**	**49.3**
Actuarial gains arising from experience	**(8.7)**	**(0.1)**	**(8.8)**
Movement in asset ceiling	**–**	**(0.3)**	**(0.3)**
Benefits paid	**(4.1)**	**(0.1)**	**(4.2)**
At 30 September 2020 (unaudited)	**272.9**	**16.0**	**288.9**

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

	Group scheme £m	Other schemes £m	Total £m
At 1 April 2020 (audited)	**191.1**	**11.8**	**202.9**
Interest income	**2.1**	**0.3**	**2.4**
Actuarial gains on assets	**19.8**	**0.7**	**20.5**
Contributions from the sponsoring companies	**5.8**	**0.1**	**5.9**
Expenses paid	**(0.6)**	**–**	**(0.6)**
Benefits paid	**(4.1)**	**(0.1)**	**(4.2)**
At 30 September 2020 (unaudited)	**214.1**	**12.8**	**226.9**

Principal accounting assumptions:

	Group scheme			Other schemes		
	30 September 2020 %	31 March 2020 %	30 September 2019 %	30 September 2020 %	31 March 2020 %	30 September 2019 %
Key assumptions used for IAS 19 valuation:						
Discount rate	**1.65**	2.35	1.80	**1.65**	2.35	1.80
Expected rate of pensionable pay increases	**2.85**	2.50	3.00	**2.85**	2.50	3.00
Retail price inflation	**2.85**	2.50	3.00	**2.85**	2.50	3.00
Consumer price inflation	**2.05**	1.70	2.00	**2.05**	1.70	2.00
Future pension increases	**3.35**	3.20	3.00	**3.35**	3.20	3.00

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

	Impact on defined benefit obligations		
	Change in assumption	Increase/(decrease) in obligations	Increase/(decrease) in obligations £m
Increase in discount rate	0.1%	(1.9)%	(5.6)
Increase in RPI inflation*	0.1%	1.9%	5.4
Increase in CPI inflation (excluding pay)	0.1%	0.6%	1.8
Increase in life expectancy	1 year	3.6%	10.3

* 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.

15. Rights issue

On 25 June 2020, the Company announced a fully underwritten 11 for 5 rights issue at a subscription price of 25p per new ordinary share. The rights issue was approved by the holders of the Company's ordinary shares at a general meeting on 13 July 2020 and the rights issue closed on 28 July 2020. 805,069,771 new ordinary shares were issued, raising £190.4m after issue costs and expenses of £10.9m.

The rights issue utilised a cash box structure and therefore qualified for merger relief under Section 612 of the Companies Act 2006 so that the premium arising was not required to be credited to the Company's share premium account. The cash box entity, Project Orion Ltd, issued redeemable preference shares in consideration for the receipt of £193.4m, representing the subscription amount of £201.3m net of £7.9m of issue costs arising from the rights issue. The Company's new ordinary shares were issued as consideration for the transfer to it of the shares in Project Orion Ltd which it did not already own. As a result, the issue qualified for merger relief under Section 612 of the Companies Act 2006 so that the £173.3m excess of the value of the acquired shares in Project Orion Ltd over the £20.1m nominal value of the ordinary shares issued by the Company was credited to the Company's merger reserve. The remaining £3.0m of rights issue expenses have been charged against the merger reserve.

As a result of the rights issue, earnings per share and dividends per share for earlier periods have been restated for the bonus element of the rights issue. The adjustment factor has been calculated by dividing the share price immediately before the shares were quoted ex-rights (84.05p) with the theoretical ex-rights price (43.45p), giving an adjustment factor of 1.93426825.

16. Contingent liabilities

Contractual disputes, guarantees and indemnities

The Company and various of its subsidiaries are, from time to time, party to contractual disputes that arise in the ordinary course of business. Management does not anticipate that the outcome of any of these disputes will have a material adverse effect on the Group's financial position, other than as already provided for in the financial statements. In appropriate cases, a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions (which may be subject to potentially material revision from time to time) will result in an accurate prediction, due to the uncertainty of the actual costs and liabilities that may be incurred. Management will continue to monitor events as matters progress.

In addition, the Mitie Group plc and its subsidiaries have provided guarantees and indemnities in respect of performance, issued by financial institutions on its behalf, amounting to £19.6m (March 2020: £20.6m; September 2019: £23.4m) in the ordinary course of business. These are not expected to result in any material financial loss.

Multi-employer pension schemes

The Group participates in several industry multi-employer defined benefit schemes, including the Plumbing & Mechanical Services (UK) Industry Pension Scheme (Plumbing Scheme). During the six months ended 30 September 2020 the total contributions to these schemes were £0.1m.

When the Group (or a subsidiary of the Group) exits such schemes (typically by ceasing to have any active employees in the scheme), pension legislation may require the Group to fund the Group's share of the total amount of net liabilities with a one-off cash payment (a Section 75 employer debt under the Pensions Act 1995).

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

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

Employment claims

The Company and its subsidiaries are, from time to time, party to employment disputes, claims, and other potential liabilities which arise in the ordinary course of business. Management does 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.

17. Related party transactions

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

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company. During the six months ended 30 September 2020, the Group made donations and gifts in kind of £0.1m (2019: £0.2m) to the Foundation.

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

During the six months ended 30 September 2020, the Group generated revenue of £0.1m (2019: £0.1m) relating to Informa plc, a company whose chairman is also Mitie Group plc's Non-Executive Chairman.

18. Events after the reporting period

On 25 June 2020, Mitie announced that it had signed a conditional share purchase agreement to acquire the entire issued share capital of Interservefm (Holdings) Limited. On 4 November 2020, Mitie announced that it had renegotiated the terms of the acquisition and entered into an amendment agreement. The consideration for the acquisition will comprise the issuance of c. 248 million ordinary shares, representing c.17.5% of the share capital of Mitie, and a cash payment of £120m. The acquisition is classified as a class 1 transaction under the Listing Rules of the Financial Conduct Authority and is therefore conditional upon, amongst other things, the approval of Mitie's shareholders at a General Meeting which has been convened for 23 November 2020.

At 18 November 2020 there were no other material post balance sheet events that require adjustment or disclosure in the condensed consolidated financial statements.

Appendix – Alternative Performance Measures (APMs)

The Group presents various APMs as management believes that these are useful for users of the financial statements in helping to provide a balanced view of, and relevant information on, the Group's financial performance.

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

Performance before other items

The Group adjusts the statutory income statement for other items which, in management's judgement, need to be disclosed separately by virtue of their nature, size and incidence in order for users of the financial statements to obtain a proper understanding of the financial information and the underlying performance of the business.

These other items include impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal related costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items. Further details of these other items are provided in Note 3.

Operating profit/(loss) from operations		Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Operating profit from continuing operations	Statutory measures	**9.6**	22.7
Adjust for: restructure costs	Note 3	**8.0**	7.2
Adjust for: acquisition and disposal related costs	Note 3	**7.7**	2.0
Adjust for: other exceptional items	Note 3	**(3.8)**	1.1
Operating profit before other items from continuing operations	Performance measures	**21.5**	33.0
Operating (loss)/profit from discontinued operations[1]		**(3.0)**	53.9
Adjust for: acquisition and disposal related costs	Note 3	**–**	0.5
Adjust for: loss/(gain) on disposal	Note 3	**3.0**	(51.6)
Operating profit before other items from discontinued operations	Performance measures	**–**	2.8
Operating profit before other items - Group	Performance measures	**21.5**	35.8

Note:

1. Operating profit from discontinued operations comprises the profit before net finance cost and tax of £nil (2019: £2.3m profit) and the loss on disposal before tax of £3.0m (2019: £51.6m gain). See Note 4.

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

	Six months ended 30 September 2020 £m			Six months ended 30 September 2019 £m		
Operating profit/(loss) from operations	**Reported results**	**Adjust for: Other items**	**Performance measures**	Reported results	Adjust for: Other items	Performance measures
Segment						
Technical Services	**9.7**	**(0.8)**	**8.9**	22.9	2.9	25.8
Business Services	**22.5**	**0.4**	**22.9**	17.8	(0.9)	16.9
Specialist Services	**9.4**	**0.1**	**9.5**	10.7	–	10.7
Care & Custody	***3.5***	**–**	***3.5***	*4.1*	–	4.1
Landscapes	***2.8***	**–**	***2.8***	*2.8*	–	2.8
Waste	***3.1***	**0.1**	***3.2***	*3.8*	–	3.8
Corporate centre	**(32.0)**	**12.2**	**(19.8)**	(28.7)	8.3	(20.4)
Total from continuing operations	**9.6**	**11.9**	**21.5**	22.7	10.3	33.0
Catering	**(3.3)**	**3.3**	**–**	54.8	(52.0)	2.8
Healthcare	**0.3**	**(0.3)**	**–**	0.3	(0.3)	–
Pest Control	**–**	**–**	**–**	(0.2)	0.2	–
Social Housing	**–**	**–**	**–**	(1.0)	1.0	–
Total from discontinued operations	**(3.0)**	**3.0**	**–**	53.9	(51.1)	2.8
Total - Group	**6.6**	**14.9**	**21.5**	76.6	(40.8)	35.8

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

	Six months ended 30 September 2020	Six months ended 30 September 2019

Earnings per share		p	(restated)[1] p
Statutory basic (loss)/earnings per share	Statutory measures	**(0.4)**	9.0
Adjust for: loss/(earnings) per share from discontinued operations		**0.3**	(7.4)
Statutory basic (loss)/earnings per share from continuing operations		**(0.1)**	1.6
Adjust for: other items per share from continuing operations		**1.3**	1.2
Basic earnings before other items per share from continuing operations	Performance measures	**1.2**	2.8

Note:

1. Restated for the bonus element of the 2020 rights issue. See Note 15.

Net cash/(debt)

Net debt is defined as the excess of total borrowings over cash and cash equivalents. It is a measure that provides additional information on the Group's financial position. The Group includes the carrying value of its derivative financial instruments in its reported net cash/(debt) measure as this carrying value represents the fair value of cross-currency interest rate swaps on the US$ private placement notes which form part of the Group's financing liabilities. A reconciliation from reported figures is presented below:

Net cash/(debt)		30 September 2020 £m	31 March 2020 £m	30 September 2019 £m
Cash and cash equivalents		**339.6**	124.6	96.4
Financing liabilities	Note 11	**(273.2)**	(320.7)	(358.4)
Derivative financial instruments hedging private placement notes		**23.3**	28.2	26.1
Net cash/(debt)	Performance measures	**89.7**	(167.9)	(235.9)

The Group uses an average net debt measure as this reflects its financing requirements throughout the period. The Group calculates its average net debt based on the daily closing figures, including its foreign currency bank loans translated at the closing exchange rate for the previous month end. The average net debt includes the fair value of the derivative financial instruments which are used to hedge the US$ private placement notes. This measure shows average net debt of £69.3m for the six months ended 30 September 2020, compared with average net debt of £351.1m for the six months ended 30 September 2019.

Free cash flow

Free cash flow is a measure representing the cash that the Group generates after accounting for cash flows to support operations and maintain its capital assets. It is a measure that provides additional information on the Group's financial performance as it highlights the cash that's available to the Group after operating and capital expenditure requirements are met. The table below reconciles net cash generated from/(used in) operating activities to free cash inflow/(outflow).

Free cash flow		Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Net cash generated from/(used in) operating activities	Statutory measures	**86.3**	(44.6)
Interest received		**0.2**	–
Purchase of property, plant and equipment		**(2.3)**	(3.8)
Purchase of other intangible assets		**(5.6)**	(7.5)
Disposal of property, plant and equipment		**–**	0.1
Capital element of lease rentals paid		**(12.3)**	(10.5)
Free cash inflow/(outflow)	Performance measures	**66.3**	(66.3)