17 November 2022
Mitie Group plc

Interim results for the six months to 30 September 2022
"Encouraging sales momentum and effective management of inflationary pressures in H1; increased interim dividend and increase to FY23 guidance"

Highlights

- Revenue[1] was £1,923m as new contract wins, acquisitions and price inflation more than offset the boost in the same period last year from short-term COVID-related contracts (H1 FY22: £1,912m)
- Total contract value of £1.5bn added during H1, with renewal rates over 90%. Book to bill ratio of 107%[5]
- Operating profit before other items[1,3,4] was £68.0m, down 20% (H1 FY22: £85.3m), and operating profit margin before other items[4] 1.0ppts lower at 3.5% (H1 FY22: 4.5% was boosted by higher margin short-term COVID-related contracts)
- Excluding short-term COVID-related contracts[6]:
  - Revenue grew 16%, reflecting good momentum across all divisions and effective management of inflationary pressures
  - Operating profit before other items of £65.4m was 45% better (H1 FY22: £45.0m) with margin of 3.4% (H1 FY22: 2.7%), as margin enhancement initiatives started to deliver
- Operating profit after other items[1] was £50.5m (H1 FY22: £59.2m), as reduced other items (£17.5m of other items[3] in H1 FY23 versus £26.1m in H1 FY22) partially offset the reduction in COVID-related contracts
- Average daily net debt for the six months to 30 September 2022 was £62m (FY22: £25m), following the unwind of the £45m customer invoice discounting, the £50m share buyback and £20m FY22 final dividend, with leverage remaining comfortably below our long-term target of less than 1.0x average net debt/EBITDA
- Interim dividend increased 75% to 0.7p per share (H1 FY22: 0.4p per share)
- £10m Winter Support package to help our colleagues manage the cost-of-living crisis
- Increased guidance for FY23, with operating profit before other items now expected to be at least £145m

Results for the six months ended 30 September 2022

£m unless otherwise specified	**Six months to 30 September 2022** Before other items[3,6]	Other items[3]	Total	Six months to 30 September 2021[2] Before other items[3,6]	Other items[3]	Total
Continuing operations[1]						
Revenue including share of JVs & associates	**1,922.9**	**–**	**1,922.9**	1,912.0	–	1,912.0
Group revenue	**1,874.3**	**–**	**1,874.3**	1,872.7	–	1,872.7
Operating profit / (loss)[4]	**68.0**	**(17.5)**	**50.5**	85.3	(26.1)	59.2
Operating profit margin[4]	*3.5%*		*2.6%*	*4.5%*		*3.1%*
Profit/(loss) before tax	**60.6**	**(17.5)**	**43.1**	75.3	(26.1)	49.2
Profit/(loss) for the period	49.1	(13.8)	35.3	67.7	(31.5)	36.2
Basic earnings per share	3.6p		2.6p	4.9p		2.6p
Dividend per share			0.7p			0.4p
Cash generated from operations			19.5			129.6
Free cash (outflow) / inflow[6]			(10.7)			85.9
Average daily net (debt)[6]			(62.0)			(59.9)
Closing net (debt) / cash[6]			(64.0)			8.5
Total order book[5]			£9.6bn			£9.2bn

1. *From continuing operations and including share of JVs and associates.*
2. *The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for Software as a Service (SaaS) arrangements as a result of the International Financial Reporting Interpretations Committee (IFRIC) agenda decision. Refer to Note 1.*
3. *Other items are as described in Note 3. In H1 FY23 £10.6m relates to non-cash amortisation of acquired intangible assets (H1 FY22: £11.3m).*
4. *Operating profit includes share of profit after tax from joint ventures and associates. Operating profit margin is operating profit as a percentage of revenue including share of joint ventures and associates.*
5. *Total order book includes secured fixed term contract work, variable (including estimated variable work) and project work. Book to bill ratio is the relationship between orders received and revenue recognised for the period*
6. *Performance before other items, performance excluding COVID-related contracts, net debt and free cash flow are presented as Alternative Performance Measures. Explanations as to why these measures are presented, and reconciliations to the equivalent statutory measures, are set out in the Appendix to the condensed consolidated financial statements*

Commenting on the first six months of the year, Phil Bentley, Group Chief Executive, said:

"Our strong performance in the first six months of the year reflects good underlying momentum across all divisions. New contract wins, recent acquisitions and pricing have more than replaced the short-term revenue boost from COVID-related contracts in the first half of last year. Our strategy is delivering underlying revenue growth and cost savings from our margin enhancement initiatives, whilst inflationary pressures are being carefully managed.

"In the first six months of the year we have invested £19m in three fast growing, high margin businesses and, looking forward, we continue to see opportunities to invest in future growth through 'bolt-on' acquisitions. We returned £70m to shareholders via the share buyback programme and the FY22 final dividend, and are increasing our interim dividend to 0.7 pence per share.

"As always, we owe our 68,000 colleagues huge thanks for their hard work across all our contracts, including the mobilisation of a record number of new contracts in the first half of this year. We continue to be focused on ensuring Mitie is an 'employer of choice' by providing a market leading employee benefits package. With the current cost-of-living crisis, a number of initiatives focused on supporting our lower paid colleagues are being launched in the second half.

"Although inflationary pressures will continue into the second half, historically our second half performance is stronger, with increased revenues from projects, seasonal winter work, and the ramp-up of margin enhancement savings coming through as the year unfolds. We therefore expect to deliver operating profit before other items of at least £145m for FY23."

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

Analyst Presentation and Q&A

Phil Bentley (CEO) and Simon Kirkpatrick (CFO) will host a presentation and Q&A session today (17 November 2022) at 9.30am at The Shard and via a webcast. 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's job is to look after places where Britain works and is the leading facilities management company in the UK. We offer a range of services to the Public Sectors in Central Government and Defence and Communities (Healthcare, Education and Campus & Critical). Our Technical Services (Engineering Services, Energy, Water and Real Estate Services) and Business Services (Security, Cleaning and Office Services) divisions serve private sector customers in Telecoms, Financial & Professional Services, Transport and Industrials and increasingly to the public sector. Finally, our Specialist Services (Care & Custody, Landscapes, Waste Management and Spain) division serves both the public and private sectors in these niche businesses.

Mitie acquired Interserve's facilities management business on 30 November 2020 and now employs 68,000 people. We are the champion of the 'Frontline Heroes' who have kept Britain working during the COVID pandemic. We take care of our customers' people and buildings, through the 'Science of Service', and we are transforming facilities to be more flexible, safe, sustainable, and attractive to all.

The business continues to execute its technology-led strategy and in the past twelve months has received multiple awards – the top few from each division are listed below. Find out more at www.mitie.com.

Corporate

- Top Employer, Top Employers Institute, 2022
- Top 100 Apprenticeship Employers, 2022
- UK Inclusive Top 50 Employers, Inclusive Companies, 2021
- Fleet of the Year (Over 1,000 vehicles), Fleet News Awards, 2022

Business Services

- Outstanding Contract Security Company (Guarding), Outstanding Security Performance Awards, 2022
- Security Guarding Company of the Year, Fire & Security Matters, 2022
- Service to the Customer, British Security Awards, 2022

Central Government & Defence

- Commanding Officer's Extra Value Award, Ministry of Defence, 2022
- RoSPA President's Award, Royal Society for the Prevention of Accidents, 2022
- RoSPA Gold Medal, Royal Society for the Prevention of Accidents, 2022

Communities

- Gold Award, National Union of Students Green Impact competition, 2022
- Environmental Hero Award, National Union of Students Green Impact competition, 2022
- People's Choice Award, Government Property Awards, 2021

Technical Services

- Best Large Enterprise Digital Project, Computing Digital Technology Leaders Awards, 2022
- Transport / Fleet Management Initiative of the Year, Edie Sustainability Leaders Awards, 2022
- Commercial Solar Project of the Year for Portsmouth International Port from Solar and Storage Awards, 2022

Waste

- RoSPA Waste Management & Recycling Industry Sector Award, Royal Society for the Prevention of Accidents, 2022
- Environmental Hero Award, National Union of Students Green Impact competition, 2022
- Three Stars for 'Bin the Bag' campaign, Zero Waste Awards, 2021

Landscapes

- RoSPA Gold Award, Royal Society for the Prevention of Accidents, 2022
- British Association of Landscape Industries National Landscape Award, 2022
- Flowers in the City Summer Award: Living Wall trophy, 2022

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Chief Executive's strategic review

Overview

Our strong performance in the first six months of the year reflects good underlying momentum across all divisions. New contract wins, recent acquisitions and pricing have more than replaced the short-term revenue boost from COVID-related contracts in the first half of last year. Our strategy is delivering underlying revenue growth and cost savings from our margin enhancement initiatives, whilst inflationary pressures are being carefully managed.

Margin-accretive growth strategy

Our medium-term strategy focuses on accelerating growth, enhancing margins, and improving cash generation. We are targeting mid to high single-digit revenue growth (inclusive of inflation), operating profit margins of 4.5-5.5%, sustainable free cash flow, and a return on invested capital (ROIC) in excess of 20%, over the medium term.

Accelerated growth

Group revenue, including share of joint ventures and associates, from continuing operations of £1,923m was slightly ahead compared to the same period last year (H1 FY22: £1,912m). Revenue from significant new contract wins, acquisitions and projects, in addition to inflation-linked price increases, helped to more than offset the revenue from the short-term COVID-related contracts which Mitie delivered throughout FY22. Adjusting for the COVID-related contracts, which largely completed at the end of FY22, revenue growth was 16% compared to the same period last year.

Our win rate for new contracts continues to be encouraging, with a total contract value (TCV) of up to £0.4bn in the first six months of the year, including Birmingham International Airport, John Lewis, Sky, and United States Visiting Forces (for DIO). These new contract wins in total add £165m of annualised revenue.

Continuing our good track record of renewing former Interserve contracts, we successfully extended the contracts for the overseas military bases in Cyprus and the South Atlantic Islands (Falklands and Ascension Islands). In total, £1.1bn TCV of contracts were renewed or extended in the first six months of the year, including Department for Work and Pensions (DWP), Hammerson, Sainsbury's, Vodafone and Unilever, maintaining our renewal rate above 90%.

As part of the Interserve acquisition, we highlighted the opportunity to insource work formerly contracted out to third parties. In the first half of the year, £15.4m of cross-selling revenue from projects were delivered by Technical Services (including a number of decarbonisation projects), and by our Waste, Landscapes and Security service lines.

Alongside our focus on organic growth initiatives, our strategy includes investing in infill acquisitions to support the growth of Mitie Telecoms – our wireless telecoms infrastructure support services offering – and our decarbonisation business. The recent acquisitions of P2ML and 8point8 in April and May 2022 respectively were amalgamated with DAEL Telecoms, which we acquired in August 2021. This has created a broader telecoms offering for our customers, with seven new contracts won to date, including with 3UK, EE and BT.

Separately we are focused on building our Plan Zero offering to deliver decarbonisation to our customers. The acquisition of Custom Solar in June 2022, together with the acquisition of Rock Power Connections in November 2021, have facilitated the rapid expansion of our decarbonisation capabilities. We have been awarded a number of contracts from existing Mitie customers, including Network Rail and Amazon, for electric vehicle charging and solar panels.

Revenue from all recent acquisitions (excluding Interserve) in the first half of the year was £43m. Whilst these project businesses will drive rapid growth for the Group, they have required investment in FY23 in order to win contracts, many of which will have a relatively long lead time before they are fully operational. As a result, these acquisitions will only start contributing to Group profitability from FY24.

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Margin enhancement

Our goal is to deliver operating profit margins (before other items) of between 4.5% and 5.5% over the medium term. Key to achieving these margins is a package of savings and efficiencies coming from delivering the Interserve synergies; driving operational excellence; rolling out Coupa (our digital supplier platform); implementing Forté; improving the handful of loss-making Communities contracts; and undertaking overhead cost savings.

In the first half of the year, we have delivered an incremental £17m of savings through these margin enhancement initiatives. These cost-saving initiatives more than offset the delay in achieving the full benefits from Forté, the slower turnaround in Communities' loss-making contracts, and the inflationary increases that we were unable to pass on to customers.

A significant proportion of these savings have come from our continued focus on identifying and executing Interserve cost synergies. In the first half of the year, we have delivered an incremental £11m of savings (compared to H1 FY22), with additional savings coming from further reductions in the labour force as the business becomes increasingly efficient and procurement savings generated from the increased scale of the Fleet and IT infrastructure. As some of these savings are new, we are increasing our guidance for total synergies from the Interserve acquisition from £45m to £50m, significantly ahead of our initial expectation of £30m.

Our operational excellence initiatives have delivered £2m of savings in H1 FY23, largely from the portfolio of former Interserve contracts where efficiencies are being delivered from the roll-out of our workforce management system (Workplace+), reducing agency cleaning hours and harmonising processes for mobile technicians.

We have continued the digitalisation, rationalisation and simplification of our third-party supplier base through Coupa (our digital supplier platform). In the first half of this year we saved an incremental £2m from the roll-out of Coupa to Business Services, Communities, Landscapes, Care & Custody and the Corporate Centre, which together cover 50-60% of our total third party spend. Coupa is delivering 99% electronic invoices, of which 60% have 'zero touch'.

Forté went live in H1 FY23, providing the platform to automate scheduling in Technical Services. With over 700m data records included in the system there have been data accuracy challenges, which have impacted straight-through processing and technician productivity. This has led to some short-term operational inefficiency, resulting in a reduction in profitability of £2.4m in the first half of the year. We expect these issues to be resolved by Q4 FY23, to enable Forté to run seamlessly. This delay in getting the system to full capacity will materially reduce the benefit from Forté savings expected in FY23, but we expect to meet our full planned savings run rate of £15m by FY24.

Whilst we are making some progress to turn around the handful of loss-making contracts in Communities, one contract remains particularly challenging and is behind the management turnaround plan, resulting in an adverse impact on profitability of £2.2m in the first half of the year. We expect that the benefits of the turnaround programme on these Communities contracts will only start to have a significant, positive impact on Group profitability in FY24.

We have been able to pass on the majority of the £85m cost inflation that impacted the business in H1 FY23 to our customers through contractual pricing mechanisms. The residual net impact to profitability of c.£3m in the period has been more than mitigated by delivery of savings from the margin enhancement initiatives.

Cash generation

Ensuring that we continue to generate good operating cash flow is a key strategic priority. In the first half of the year Mitie reported a free cash outflow of £10.7m, compared with the inflow of £85.9m in H1 FY22, due to a higher working capital outflow arising from replacing COVID-related contracts with revenue on less attractive credit terms, investment in working capital to grow acquired businesses, and the £45m unwind of the customer invoice discounting facility.

Strong free cash flow in the prior year, and our confidence in future cash flows, has allowed for the continued investment in our business in the six-month period, with £19m invested in three bolt-on acquisitions in the high growth sectors of telecoms site acquisition and maintenance, and decarbonisation. £70m was returned to

shareholders by way of a £50m share buyback and £19.5m of dividend payments in H1 FY23, with leverage remaining comfortably below our long-term target of less than 1.0x average net debt/EBITDA.

Capability enablers

Our growth and margin enhancement strategy is underpinned by three capability enablers: the Science of Service; creating a great place to work; and delivering decarbonisation.

The Science of Service

Over the past five years, we have made substantial investments to develop cloud-based platforms which allow us to put technology and data at the centre of all our services to customers. In a post-COVID world, our customers are looking for innovation to promote reassurance and wellbeing in the return to work, drive productivity, and prioritise sustainability. Our technology provides this reassurance and innovation, enabling us to win and retain customers.

Aria (our workplace app) and ESME (our chat-bot AI-driven app) enable customers and their employees to manage their spaces, wellbeing and works through a simple app and are now embedded in 30 clients, with over 13,800 users registered to report and track issues. During the period, our technology was rolled out to a number of our new contracts, with further roll-outs planned for the second half of the year. This includes the Overseas Prime Contract (OPC) Gibraltar and United States Visiting Forces (USVF) Mildenhall contracts.

We have prioritised the roll-out of Mitie's customer-facing technology to Interserve customers, with the Mozaic Intelligence dashboard now up and running for 19 customers, with 9 in the pipeline to go live in Q3. Aria is now live or 'in delivery' with over 6,000 users able to place service requests and manage their workspaces through automated bookings. The roll-out of other Connected Workspace products such as Digital WorkPlace, Digital Maintenance, and UVC cleaning is in progress for another 23 of our strategic customers.

The acquisition of Esoteric has reinforced Mitie's position as the UK's leading intelligence and technology-led Security business. It has also facilitated the creation of Mitie Intelligence Services (MIS), which is proving to be a significant advantage in winning and retaining contracts in multiple sectors – notably across the retail sector – and has generated opportunities to expand our services in areas such as Business Crime Intelligence. In addition, MIS is well positioned to work with customers when the 'Protect Duty' becomes law next year, ensuring the safety of publicly accessible locations.

Creating a 'Great place to work'

With 68,000 colleagues at Mitie, a key enabler to our strategy is creating a 'Great place to work', and improving the skills and performance of our workforce, to deliver improved customer service, and empower our people to strive to continually improve performance.

Mitie's ambition is to be the destination employer of choice in the facilities management industry. To do this, we continue to be a market leader in the provision of benefits to our frontline colleagues. We have launched a £10m Winter Support package of new benefits that are specifically targeted at assisting with the current cost of living crisis, such as one-off bonuses, the removal of fees for using salary finance, retail discounts and additional free shares. This package will cost in the region of £5m in the second half of FY23. We have also expanded our 'Choices' platform to our hourly-paid colleagues, so they can take advantage of discounts on everyday products and services.

Decarbonisation Delivered

Another key enabler to our strategy is building the capability to support an increasing number of public and private sector clients to define and deliver their net zero strategies. In the first six months of FY23 we completed the acquisition of Custom Solar (Solar photovoltaic panel installation), adding a key capability to our suite of

decarbonisation services and complementing our previous acquisition of Rock Power Connections, which delivers high-voltage power connections including for electric vehicles.

Whilst small, our decarbonisation business has doubled its revenue in the first half of the year following the acquisition of Rock Power Connections (c.£22m annualised revenue) and Custom Solar (c.£19m annualised revenue). The introduction of our facilities management customers to these businesses has won us new contracts with Amazon for solar power and Gridserve and National Grid for electric vehicle charging. In addition, we continue to develop heat decarbonisation plans for five central government bodies across over 100 buildings, install LED lighting and efficiently manage energy consumption for our customers.

Financial performance

Revenue

Revenue, including share of joint ventures and associates, from continuing operations was £1,923m, which is slightly ahead of the first half of last year (H1 FY22: £1,912m). Revenue from significant new contract wins, together with acquisitions in the last twelve months and price inflation, has helped to more than offset the loss of revenue from the short-term COVID-related contracts which Mitie delivered throughout FY22. Adjusting for the COVID-related contracts, which largely completed at the end of FY22, revenue growth in the first six months of the year was 16%.

Key new contracts contributing in the half year include the contract for Afghan Relocations and Assistance in Business Services, the FDIS (Scotland and Northern Ireland) contract for the Defence Infrastructure Organisation in CG&D, two Immigration Removal Centres in Care & Custody (Dungavel and Derwentside), in addition to increased project work in Technical Services and CG&D. The seven businesses acquired in the last 12 months have contributed £43m to revenue in H1 FY23. We were able to pass on pricing adjustments of £82m through the contractual price remedies embedded in our contracts to largely offset labour and third-party cost inflation.

Operating profit

Operating profit before other items from continuing operations was £68.0m for the first six months of the year, 20% lower than the same period last year (H1 FY22: £85.3m), with operating profit margins of 3.5% (H1 FY22: 4.5%). Excluding the short-term COVID-related contracts, the operating profit before other items from continuing operations for H1 FY23 was £65.4m, 45% ahead of the same period last year (H1 FY22: £45.0m) with an operating profit margin of 3.4% (H1 FY22: 2.7%).

This improvement reflects the strong trading performance and growth in higher margin project work, alongside £17m cost savings from our margin enhancement initiatives. These cost-saving initiatives more than offset the delay in achieving the full benefits from Forté, the slower turnaround in Communities' loss-making contracts, and the £3m of inflationary cost increases that we were unable to pass on to customers.

Cash flow and balance sheet

Average daily net debt of £62m for H1 FY23 was £37m higher than the £25m average for the year ended 31 March 2022, with leverage remaining comfortably below our long-term target of less than 1.0x average net debt/EBITDA. The increase resulted from our investment in three fast growing companies, the FY22 final dividend payment and the share buyback programme, as well as the closure of the customer invoice discounting facility.

Closing net debt of £64m as at 30 September 2022 has therefore increased by £91m since the end of FY22 (£27m net cash). In addition to the items referenced above, debt was impacted by higher annual bonus payments, and there was a modest working capital increase as a result of replacing the revenue from COVID-related contracts (which had particularly favourable credit terms) with other sales priced on longer credit terms, funding growth in our projects-based business and the implementation of Forté.

In November 2021 a delayed funding agreement was entered into for the refinancing of the £121.5m of US private placement (USPP) notes that are due to mature in December 2022, with £120m of new notes to be issued on more favourable terms (average coupon of 2.94% significantly below the current 3.8%) and with 8-12 year maturities.

Capital allocation and dividend

In June, the Board set out a revised medium term capital allocation policy. The policy is focused on increasing shareholder returns and investing in bolt-on acquisitions to drive future growth, with leverage remaining comfortably below our long-term target of less than 1.0x average net debt/EBITDA.

We intend to progress steadily towards a dividend pay-out ratio of 30-40% and thereafter deliver long-term dividend growth in line with earnings growth, provided it is supported by cash flow and underlying earnings, and is justified in the context of our capital allocation strategy, taking into account M&A opportunities, and market outlook.

The Board has therefore declared an interim dividend of 0.7 pence per share (H1 FY22: 0.4 pence per share). The interim dividend will be paid on 1 February 2023 to all shareholders that are on the register at the close of business on 16 December 2022. Shares in the Company will be quoted ex-dividend on 15 December 2022. The dividend reinvestment plan election date is 5 January 2023.

The Company completed a £50m share buyback in the first six months of the year, purchasing 69m Ordinary Shares at an average price of 73p. These 69m shares, representing c. 4.8% of the Company's issued share capital, have been cancelled.

Outlook

Although inflationary pressures will continue into the second half, historically our second half performance is stronger, with increased revenues from projects, seasonal winter work, and the ramp-up of margin enhancement savings coming through as the year unfolds. We therefore expect to deliver operating profit before other items of at least £145m for FY23.

Operating review

Business Services

Business Services delivers cleaning and hygiene Services, security, and office services. For the last two years Business Services was also primarily responsible for the delivery of Mitie's short-term COVID-related services across testing centres and quarantine services. These contracts ended early in Q1 FY23.

Business Services, £m	**H1 FY23**	**H1 FY22**	***Change, %***
Revenue	**592.2**	**775.0**	*(24)%*
Security	***397.8***	*571.9*	*(30)%*
Cleaning	***194.4***	*203.1*	*(4)%*
Operating profit before other items	**32.9**	**65.2**	*(50)%*
Operating profit margin before other items, %	***5.6%***	*8.4%*	*(2.8)ppt*
Total order book	**£1.8bn**	£1.4bn	*29%*

Performance highlights

- Revenue of £592.2m was 24% lower than the same period last year (H1 FY22: £775.0m), due to the ending of the COVID-related contracts. Excluding the £12m revenue from short-term COVID-related contracts in H1 FY23 (H1 FY22: £245m), revenue increased by 9%

- Operating profit before other items of £32.9m was 50% lower than the same period last year (H1 FY22: £65.2m). Excluding the £2.6m contribution from short-term COVID-related contracts in H1 FY23 (H1 FY22: £40.8m), operating profit before other items increased by 24%
- TCV of £616m from new, renewed or extended contracts including renewals for Sainsbury's, Vodafone and Superdrug alongside the expansion of Marks & Spencer and new wins for Afghan Relocations and Assistance, Sky Studios and Netflix
- Business Services has mobilised three significant contracts in Q1 FY23 for BAE Systems, Hammerson and Poundland, worth £27m of annualised revenue
- Awards include Service to the Customer, British Security Awards 2022; Security Guarding Company of the Year, 2022 Fire & Security Matters Awards; Outstanding Contract Security Company (Guarding), Outstanding Security Performance Awards 2022

Operational performance

Business Services had a strong first half, winning new contracts and delivering margin enhancement initiatives to partially offset the loss of the prior year's revenue and profit from the short-term, higher margin COVID-related contracts. Excluding the COVID-related contracts, revenue, operating profit and margin all increased as a result of the Afghan Relocations and Assistance contract, new wins including Poundland, and additional services for Hammerson, Marks & Spencer, Sky and Birmingham Airport.

Business Services won £191m TCV of new contracts and projects, including the Afghan Relocations and Assistance contract, John Lewis Partnership and Poundland (Security), alongside £425m TCV of renewals or extensions, including Sainsbury's, Manchester Airport Group, Vodafone and Hammerson.

Business Services has made a good start to implementing margin enhancement initiatives, which are primarily focused on functional and operational excellence, the standardisation of operations, implementing the Coupa digital supplier platform (focusing on rationalising our procurement spend), and leveraging its workforce management platform, Workplace+, to drive workflow and workforce optimisation across Security, Cleaning and Office Services.

Business Services is developing the 'Merlin' platform (Incident Management) into a leading-edge 'Merlin for cleaning' version. Trials are currently being carried out across several clients (including Amazon, Co-op, Deloitte and Standard Life) with early indications offering notable productivity improvements in frontline cleaning operations, driven by real-time sensor driven data to allow immediate interventions and a more demand-led service.

The acquisition of Esoteric has reinforced Mitie's position as the UK's leading intelligence and technology-led security business, and provided the opportunity to create the newly formed Mitie Intelligence Services (MIS). This offering is providing a significant advantage in winning and retaining contracts in multiple sectors, and is generating opportunities to expand services with existing customers, especially in Business Crime Intelligence. In addition, MIS is well-positioned to work with customers when the 'Protect Duty' becomes law next year, ensuring the safety of publicly accessible locations.

In June, a new data sharing agreement was launched, supported by major retail clients and senior Police officials from the National Business Crime Centre. A first for the retail industry, this initiative highlights the successes achieved in tackling organised and prolific crime gangs, and provides a forum to discuss future strategy for security across the retail sector and beyond.

Technical Services

Technical Services is a leading supplier of technical services and delivers projects to a range of predominantly private sector customers, with an increasing focus on providing customers with solutions for the delivery of their green energy and decarbonisation strategies.

Technical Services, £m	**H1 FY23**	**H1 FY22**	***Change, %***
Revenue	**526.3**	**444.5**	*18%*
Maintenance	***456.0***	*388.4*	*17%*
Projects	***70.3***	*56.1*	*25%*
Operating profit before other items	**14.1**	**12.7**	*11%*
Operating profit margin before other items, %	***2.7%***	*2.9%*	*(0.2)ppt*
Total order book	**£1.7bn**	£1.3bn	31%

Performance highlights

- Revenue increased by 18% to £526.3m (H1 FY22: £444.5m), as customers continued their recovery from the impact of COVID, supported by acquisitions (including three H1 FY23 acquisitions) and the impact of revenue from new wins in FY22 (including BAE Systems, Costa, and Legal & General)
- Operating profit before other items increased by 11% to £14.1m (H1 FY22: £12.7m) primarily driven by FY22 wins
- The creation of one of the UK's largest telecoms support services companies following the acquisitions of DAEL Telecoms (August 2021), P2ML (April 2022) and 8point8 (May 2022)
- Acquisition of Custom Solar (June 2022), which strengthens Mitie's decarbonisation solution offering, through the design and installation of solar panels
- Awards include: Best Large Enterprise Digital Project (for Connected Workspace) and Highly Commended in the Mobile Project of the Year (for Aria), Computing News Digital Technology Leaders Awards 2022

Operational performance

The recovery of the business from COVID has continued in H1 FY23 and Mitie has bolstered its capability to meet increased demand with regards to decarbonisation and technology. This is reflected in the creation of Mitie Telecoms, following the acquisition of DAEL Telecoms, 8point8 and P2ML, and the expansion of the decarbonisation offering through the acquisition of Custom Solar (Solar PV Specialists) and Rock Power Connections (high-voltage connections and electric vehicle charging installation).

Forté went live in H1 FY23, providing the digital platform to automate scheduling in Technical Services. With over 700m data records included in the system there have been data accuracy challenges, which have impacted straight-through processing and technician productivity. This has led to some short-term operational inefficiency, resulting in a reduction in profitability of £2.4m in the first half of the year. We expect these issues to be resolved by Q4 FY23, to enable Forté to run seamlessly. This delay in getting the system to full capacity will materially reduce the benefit from Forté savings expected in FY23, but we expect to meet our full planned savings run rate of £15m by FY24.

Alongside Forté, Technical Services has deployed other margin enhancement initiatives in H1 FY23. Forté drives efficiency in the division's core business, and operational excellence initiatives have been implemented across the division's other revenue streams.

Technical Services continues to be at the forefront of Mitie's 'Science of Service' ambitions using our leading-edge technology platform, which sets Mitie apart from its competitors, by optimising employee wellbeing, enhancing estate intelligence and providing smart decarbonisation and green energy solutions. Connected Workspace is a critical component of the division's new wins and scope expansion with existing customers as they adapt to new, hybrid ways of working. There are now 13,599 desk sensors being remotely monitored for occupancy and utilisation (30 new accounts moved into Aria in H1 FY23, with over 13,500 registered users of Aria). In addition to this, we remotely manage triggered alarms through our Service Operation Centre, enabling energy savings of c.15%, planned maintenance savings of c.10%, reactive maintenance savings of up to 25%, and increased uptime, allowing customer functions and production to continue.

Technical Services won £127m TCV of contracts with GlaxoSmithKline, Sky, amongst others and renewed £225m TCV of contracts, including those with Vodafone, Starbucks, Babcock and Manchester Airport Group.

The creation of Mitie Telecoms has increased the division's customer base in the mobile telephone infrastructure sector from 1 to 20 major clients. Mitie is now working with all the mobile network operators, and is well placed as an important partner for new programmes to bring 4G and 5G coverage to the whole of the UK.

Following the significant rise in gas and electricity costs, Technical Services is benefitting from increased activity in all areas of decarbonisation, including solar power, LED roll-outs, air source heat pump installation and electric vehicle charging projects. The division's decarbonisation business has grown from £10m revenue in H1 FY22 to £24m in H1 FY23, powered by the acquisitions of Rock Power Connections in H2 FY22 and Custom Solar in H1 FY23. In addition to services provided to Mitie's facilities management client base, Custom Solar is also working with Portsmouth Council to develop its Lakeside green energy project, providing solar power to Morrison's stores and Amazon distribution centres, and to Gridserve to install fast electric vehicle chargers in their motorway service centres.

Central Government and Defence (CG&D)

The CG&D division provides facilities management services across central government and defence contracts. CG&D employs 6,300 employees across 23 contracts and 26 government departments and agencies, at over 3,000 locations across the UK and overseas.

CG&D, £m	**H1 FY23**	**H1 FY22**	***Change,* %**
Revenue including share of joint ventures and associates	**354.7**	**287.9**	23%
Central Government	***198.2***	*171.2*	*16%*
Defence	***156.5***	*116.7*	*34%*
Operating profit before other items	**25.5**	**14.9**	71%
Operating profit margin before other items, %	***7.2%***	*5.2%*	*2.0ppt*
Total order book	**£1.8bn**	£1.8bn	-

Performance highlights

- Revenue increased by 23% to £354.7m (H1 FY22: £287.9m), which benefitted from the mobilisation of the new FDIS contract and continued growth in project work
- Operating profit before other items of £25.5m (H1 FY22: £14.9m) benefitted from the increase in higher margin project works
- Renewals or extensions worth £370m TCV (100% retention rate) and wins of £33m TCV including United States Visiting Forces project work, and refurbishment of accommodation blocks across MOD and FDIS sites

Operational performance

CG&D has had a strong first half of the year as project work across government departments increased and the new FDIS contract, which started in December 2021, is now through its mobilisation period and starting to deliver margin.

When Interserve was acquired, Mitie's focus was on investing in technology and people to deliver operational excellence to Interserve's customers. Mitie has introduced Aria, Mozaic and new Azure Secure Cloud infrastructure, and has continued to maintain 100% renewal rates in CG&D. The 'Mitie First' strategy, insourcing services formerly provided by third parties, resulted in an additional £11m of cross-selling revenue synergies in H1 FY23.

CG&D has also implemented a number of operational excellence initiatives in H1 FY23 to drive further margin enhancement, starting with the three largest contracts, then rolling out those process improvements to a further five contracts so that the contracts run more efficiently. In H1 FY23, the focus has been on improvements to the work order scheduling process, which has led to improved utilisation of mobile engineers and an increase in the proportion of work being self-delivered. In addition, the implementation of the Workplace+ app has enabled a more proactive approach to identifying gaps in shifts and in improving margin.

In H1 FY23 Mitie was awarded contract extensions in the South Atlantic Islands (Falklands and Ascension Island) until 23 April 2025 (TCV £117m), Cyprus until 21 August 2024 (TCV £140m), and DWP until 31 March 2024, with the option to extend until 31 March 2025 (up to TCV £300m). New wins include a contract with up to £24m TCV to support United States Visiting Forces.

Project work across CG&D has increased in H1 FY23 compared to H1 FY22, including for DWP where Mitie has continued to add 'wellbeing' services to manage 'back to work' initiatives post-COVID, and with decarbonisation projects to assist the UK Government in achieving its 2050 decarbonisation target. Decarbonisation work includes the refurbishment of the accommodation blocks across the MOD and FDIS estates to incorporate low carbon features, such as building energy monitoring systems, heat pump heating systems, solar power, better thermal insulation, and many other smart features to reduce energy consumption and automate the optimisation of energy usage.

Communities

The Communities division is focused on delivering sustainable outcomes as a trusted partner of the public sector. Communities serves three sectors: Healthcare, Education and Campus & Critical Services. The business, formed from both Mitie and Interserve operating units, operates over 100 contracts and includes both PFI and traditional commercial contracts. The management team, which has been in place since the start of FY22, continues to focus on improving processes and controls, particularly across eight under-performing focus contracts, and is also positioning the business for future growth.

Communities, £m	**H1 FY23**	**H1 FY22**	***Change, %***
Revenue including share of joint ventures and associates	**253.6**	**230.3**	*10%*
Healthcare	***123.8***	*108.1*	*15%*
Education	***75.8***	*70.5*	*8%*
Campus & Critical	***54.0***	*51.7*	*4%*
Operating profit before other items	**11.1**	**11.1**	–
Operating profit margin before other items, %	***4.4%***	*4.8%*	*(0.4)ppt*
Total order book	**£3.5bn**	£3.9bn	(10)%

Performance highlights

- Revenue increased by 10% to £253.6m (H1 FY22: £230.3m) benefitting from increased lifecycle and project work, in particular in Healthcare
- Operating profit before other items remained flat at £11.1m (H1 FY22: £11.1m) due to continued headwinds in a handful of contracts
- Securing a place on two significant procurement frameworks: London Procurement Partnership (a 4-year NHS framework) and Everything FM (an education framework). Mitie is therefore 'licensed to operate' on these frameworks which are valued at up to £5.8bn and £500m respectively
- Good pipeline progression in the Local Government and Healthcare markets and successful mobilisation of our contract with John Radcliffe hospital

Operational performance

In H1 FY23, Communities successfully launched a Computer Aided Facility Management (CAFM) optimisation programme to consolidate nine systems into three standardised environments. Technical performance has strengthened materially during the period, with technical audit scores rising from 63% in H1 FY22 to 75% in H1 FY23, and maintenance completion above 99%. Spotting potential safety hazards has increased 65% in H1 FY23 compared to H1 FY22, indicating a materially stronger safety culture. 34 accounts have successfully transferred from legacy payroll systems into the Mitie Workplace+ environment. Improved, standardised systems have also helped to drive down sick pay by 60% in H1 FY23 compared to the FY22 average.

More targeted operational improvement programmes are in place for the eight focus contracts inherited as part of the Interserve acquisition, and identified as loss-making on acquisition. During H1 FY23, good progress has been made on improving these contracts, through increased investment in technical on-site expertise, management development, CAFM investment and accelerated resolution of commercial issues. One of the smaller focus contracts has been brought to break-even performance in H1 FY23, and another focus contract has been replaced by a new contract which is expected to be profitable in H2 FY23.

Good progress has been made in H1 FY23, but there is further work to be done to bring the handful of remaining loss-making contracts up to and beyond 'break-even' performance. These focus contracts are still proving to be a headwind for the business in H1 FY23, and are the primary drivers of the flat operating profit before other items of £11.1m (H1 FY22: £11.1m).

Excluding these focus contracts, the remaining contracts are performing well, with operating profit before other items being underpinned by growth in lifecycle and project works. This growth includes LED-related sustainability work being delivered in one of the major London hospitals, and improvement programmes being delivered over the summer holiday period across six large schools.

In addition to the turnaround plan on the focus contracts, a number of other margin enhancement initiatives were ongoing in Communities in H1 FY23. These initiatives are primarily focused on operational excellence (including improved invoicing accuracy, helpdesk upgrades in Education, and billing optimisation in Healthcare), overhead cost reduction, and the adoption of Coupa, Mitie's digital supplier platform.

Specialist Services

The Specialist Services division encompasses Care & Custody, Landscapes, Waste, and the Spanish operations acquired as part of Interserve.

Specialist Services, £m	**H1 FY23**	**H1 FY22**	***Change, %***
Revenue	**196.1**	**174.3**	*13%*
Care & Custody	***80.0***	60.4	*32%*
Landscapes	***25.5***	19.9	*28%*
Spain	***53.7***	54.3	*(1)%*
Waste	***36.9***	39.7	*(7)%*
Operating profit before other items	**12.3**	**11.1**	*11%*
Operating profit margin before other items, %	***6.3%***	*6.4%*	*(0.1)ppt*
Total order book	**£0.8bn**	£0.8bn	-

Performance highlights

- Revenue increased by 13% to £196.1m (H1 FY22: £174.3m) and operating profit before other items by 11% to £12.3m (H1 FY22: £11.1m)
- Care & Custody revenue increased by 32%, following new contract wins and additional project work
- Landscapes revenue increased by 28%, driven by the FDIS contract and acquisition of Biotecture
- Spain revenue has remained broadly flat at £53.7m, as reductions in short-term COVID-related work have been offset by new sales
- Waste revenue reduced by 7%. Excluding COVID-related contracts, Waste revenue increased by 10%. In recent weeks, Waste has won seven Green Apple environmental awards

Operational performance

Care & Custody revenue was 32% ahead of H1 FY22, mainly due to the Dungavel and Derwentside Immigration Removal Centre contracts which commenced in H2 FY22, alongside additional escorting services project work. Within Police Services, contracts with Cleveland Police and Greater Manchester Police were successfully renewed

in H1 FY23, while extensions were secured for West Mercia Police and South Wales Police. A contract for South West Police (five Police Forces) was also successfully mobilised and will commence service in H2 FY23.

Landscapes revenue was 28% ahead of H1 FY22, primarily driven by the FDIS new contract win and the acquisition of Biotecture, both of which occurred in H2 FY22. In H1 FY23 Landscapes won £9m TCV of new and additional work, which includes Busy Bees, Lidl, Savills, and Big Yellow Storage. Renewals and extensions in the period total £3m TCV and include NHS Property Services, BNP Paribas, The Church of Jesus Christ of Latter-day Saints and NHS Greater Glasgow and Clyde.

Landscapes (Biotecture) has won a BALI National Landscape Award 2022 for the exterior living wall installation at Canary Wharf, which includes over 25,000 plants in 750m^2 of walls around the site, as well as three Green Apple awards, including one for its sustainability credentials for work on the Landscapes office in Hampshire.

Spain revenue was broadly flat, despite short-term COVID-related work at numerous airports decreasing in the period, due to new wins in H1 FY23, including cleaning services for EMT (Madrid public bus transport), Viewnext and Areas Madrid.

Waste revenue decreased by 7% in H1 FY23 due to the ending of COVID-related contracts, which contributed revenue of £0.2m (H1 FY22: £6.4m). However, the underlying business has performed well, with revenue growth of 10% due to new contract wins (including Hammerson and Covent Garden Market Authority). Waste has also been successful in extending its contract with a major global FMCG manufacturer for a further two years, securing a retender with a major London research university for three years, and retaining the contract to provide clinical waste services for Hull University Teaching Hospitals NHS Trust for a further three years.

Corporate overheads

Corporate overheads represent the costs of running the Group, and include costs for central functions such as commercial and business development, finance, marketing, legal and HR. Corporate overhead costs have decreased to £27.9m in H1 FY23 (H1 FY22: £29.7m) as a result of cost efficiencies delivered from margin enhancement initiatives.

Finance review

Alternative Performance Measures

The Group presents performance before other items, performance excluding COVID-related contracts, net cash/debt, total financial obligations, free cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA) and return on invested capital (ROIC) as Alternative Performance Measures. Explanations as to why these measures are presented, and reconciliations to the equivalent statutory measures, are set out in the Appendix to the unaudited condensed consolidated financial statements.

Financial performance

The reported income statement from continuing operations is set out below:

Continuing operations, £m unless otherwise specified	H1 FY23	H1 FY22[1]
Revenue including share of joint ventures and associates	**1,922.9**	1,912.0
Group revenue	**1,874.3**	1,872.7
Operating profit before other items	**68.0**	85.3
Other items	**(17.5)**	(26.1)
Operating profit	**50.5**	59.2
Net finance costs	**(7.4)**	(10.0)
Profit before tax	**43.1**	49.2
Tax	**(7.8)**	(13.0)
Profit after tax	**35.3**	36.2
Basic earnings per share before other items	**3.6p**	4.9p
Basic earnings per share	**2.6p**	2.6p

[1] *The comparatives for H1 FY22 have been restated for a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the condensed consolidated financial statements).*

Revenue

Revenue from continuing operations for H1 FY23 of £1,923m, including share of revenue from joint ventures and associates, has increased by £11m compared to the same period last year (H1 FY22: £1,912m), despite a £246m reduction in short-term COVID-related work from £259m in H1 FY22 to £13m in H1 FY23.

Excluding this COVID-related work, revenue from continuing operations has grown by £257m (+16%) in H1 FY23. This growth has been driven by the Afghan Relocations and Assistance contract within Business Services, new contracts (including the large FDIS contract won in H1 FY22 in CG&D), revenue from recent acquisitions (DAEL, P2ML, 8point8, Rock, Biotecture, Custom Solar and Esoteric) and the impact of inflation-linked price increases. We estimate the impact of inflation on revenue to have been £82m in H1 FY23.

Operating profit

Operating profit from continuing operations before other items for H1 FY23 was £68.0m (H1 FY22: £85.3m), a reduction of £17.3m which arose primarily as a result of the reduction in short-term COVID-related work. Excluding this COVID-related work, operating profit increased by £20.4m to £65.4m (H1 FY22: £45.0m), largely driven by margin enhancement initiative savings, increased project volumes in CG&D, and the Afghan Relocations and Assistance services within Business Services. Technical Services has continued its gradual recovery from COVID, despite the Forté challenges and being the division most heavily impacted by inflation.

Inflation has had a £3m negative impact on operating profit in H1 FY23, representing a 96% recovery of cost inflation in the period. This recovery is better than expected due to the contractual protections in place, and strong customer relationships. As previously guided, the net impact to operating profit has been mitigated through a programme of cost savings, and this is expected to continue in the second half of the year.

After accounting for £17.5m of other items (H1 FY22: £26.1m), operating profit from continuing operations was £50.5m (H1 FY22: £59.2m).

Other items

Other items, £m	H1 FY23	H1 FY22[1]
Interserve integration costs	**(0.6)**	(7.4)
Workflow optimisation (Forté)	**(2.4)**	(5.1)
Digital supplier platform	**(2.1)**	(1.1)
Other acquisition and disposal related costs	**(0.6)**	(1.4)
Other	**(1.2)**	0.2
Sub-total	**(6.9)**	**(14.8)**
Amortisation of acquisition related intangible assets	**(10.6)**	(11.3)
Total other items from continuing operations before tax	**(17.5)**	**(26.1)**
Net gain on disposal of businesses	**–**	13.0
Total other items before tax	**(17.5)**	**(13.1)**
Tax	**3.7**	(5.4)
Total other items after tax	**(13.8)**	**(18.5)**

[1] The comparatives for H1 FY22 have been restated for a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the condensed consolidated financial statements).

The Group incurred £17.5m of other items in H1 FY23, the majority of which (£10.6m) were non-cash items related to the amortisation of acquisition related intangible assets.

The remaining cash other items of £6.9m included costs for the latter stages of Project Forté (£2.4m), the implementation of the Coupa digital supplier platform (£2.1m), acquisition related costs (£0.6m), and the synergy and other cost reduction programmes (£1.8m).

Net finance costs

Net finance costs from continuing operations decreased by 26% to £7.4m in H1 FY23 (H1 FY22: £10.0m), driven by the benefit of the improved terms negotiated on the £150m revolving credit facility (RCF) (signed in October 2021), together with savings related to the end of the amendment fees associated with the June 2020 refinancing. Finance costs are expected to reduce further in H2 FY23 as the benefits from the refinancing (signed in November 2021) of the US Private Placement (USPP) notes due to mature in December 2022 are realised, in addition to savings related to the termination of the Group's customer invoice discounting facility.

Tax

Profit before tax and other items (from continuing operations) of £60.6m (H1 FY22: £75.3m) resulted in a tax charge of £11.5m (H1 FY22: £7.6m), representing an effective tax rate of 19.0% (H1 FY22: 10.1%). Including other items, the tax charge from continuing operations was £7.8m (H1 FY22: £13.0m).

The Group expects its sustainable effective tax rate to continue to be approximately equal to the UK statutory rate over the remainder of FY23. The effective rate for H1 FY22 reflected the substantive enactment of the increase in the rate of UK corporation tax from 19% to 25% with effect from 1 April 2023, which resulted in a revaluation of deferred tax balances.

The Group paid corporation tax of £9.0m in the period (H1 FY22: £4.1m), of which £6.8m was paid in the UK and £2.2m overseas.

Joint ventures and associates

Operating profit includes Mitie's share of the results of joint ventures and associates, net of tax, of £3.6m for H1 FY23 (H1 FY22: £1.0m).

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Earnings per share

Basic earnings per share before other items from continuing operations decreased to 3.6p in the period (H1 FY22: 4.9p) as a result of the lower operating profit explained above, partially offset by the reduction in the number of outstanding shares arising from the £50m share buyback programme (0.1p per share impact).

Basic earnings per share from continuing operations was 2.6p (H1 FY22: 2.6p).

Return on invested capital (ROIC)

Continuing operations, £m unless otherwise specified	H1 FY23 (R12M)[4]	Restated[1] H1 FY22 (R12M)[4]
Operating profit before other items	**149.6**	125.7
Tax[2]	**(23.6)**	(16.1)
Operating profit before other items after tax	**126.0**	109.6
Invested capital	**551.8**	535.1
ROIC[3]	**22.8%**	**20.5%**

[1] *The comparatives for H1 FY22 have been restated for a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the condensed consolidated financial statements).*
[2] *Tax charge has been calculated at the effective tax rate on pre-tax profits before other items for continuing operations of 15.8% (H1 FY22: 12.8%)*
[3] *The ROIC metric used for the purposes of the Enhanced Delivery Plan (EDP) requires further adjustments under the detailed rules agreed with shareholders*
[4] *R12M represents a rolling 12-month basis*

ROIC (before other items, on continuing operations) on a rolling 12-month basis has increased by 230 bps to 22.8% in H1 FY23 (H1 FY22: 20.5%), as a result of the increase in profit for the last 12-month period, partially offset by an increase in invested capital. The increase in invested capital has been driven by the termination of the customer invoice discounting facility, the unwind of working capital relating to COVID-related work performed in FY22, and the acquisitions undertaken in FY23.

Balance sheet

£m	H1 FY23	FY22	Restated[1] H1 FY22
Goodwill and intangible assets	**574.9**	560.2	550.2
Property, plant and equipment	**144.4**	143.9	129.2
Interest in joint ventures and associates	**10.3**	11.9	10.5
Working capital balances	**(174.3)**	(239.2)	(205.2)
Provisions	**(117.3)**	(117.0)	(118.1)
Net (debt)/cash	**(64.0)**	26.7	8.5
Net retirement benefit assets/(liabilities)	**1.1**	(12.2)	(32.5)
Deferred tax	**8.2**	11.1	9.4
Other net assets	**19.0**	40.4	71.3
Total net assets	**402.3**	**425.8**	**423.3**

[1] The comparatives for H1 FY22 have been restated for a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the condensed consolidated financial statements)

Overall, the Group reported net assets of £402.3m at 30 September 2022, a reduction of £23.5m since 31 March 2022, which was largely a result of the increase in net debt driven by the £50m share buyback and £19.5m FY22 final dividend, as part of the planned capital allocation activities in the period.

Goodwill and intangible assets have increased by £14.7m since 31 March 2022 as a result of the acquisitions undertaken in the period.

The working capital movement in H1 FY23 was due primarily to the termination of the customer invoice discounting facility, replacing the revenue from COVID-related contracts (which had particularly favourable credit terms) with other sales priced on longer credit terms, billing delays experienced with Forté, and investments in recent acquisitions. The termination of the customer invoice discounting facility has increased DSO days by four days and resulted in a £45m deterioration in working capital.

Change in accounting policy

As previously reported, Mitie changed its accounting policy in FY22 such that distinct upfront configuration and customisation costs incurred in implementing 'Software as a Service' (SaaS) arrangements are generally now recognised as operating expenses when the services are received, rather than capitalised as intangible assets.

This change in accounting policy followed the International Financial Reporting Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangement.

As a result of the change in accounting policy, the income statement and balance sheet for H1 FY22 and prior periods have been restated, resulting in a decrease in operating profit and profit after tax of £0.8m and £0.6m respectively for H1 FY22, and a reduction in intangible assets of £6.0m at 30 September 2021, partially offset by an increase of £1.1m in current tax receivable, thereby reducing net assets by £4.9m. As a consequence of the accounting policy change, the restated cash generated from operations for H1 FY22 decreased by £1.5m, with a corresponding increase in cash generated from investing activities.

Provisions

Provisions at 30 September 2022 of £117.3m (31 March 2022: £117.0) largely comprise contract specific costs of £53.4m (31 March 2022: £56.3m), the insurance reserve of £27.8m (31 March 2022: £26.0m), and pension provisions of £23.7m (31 March 2022: £23.7m) mainly relating to Section 75 liabilities.

Retirement benefit schemes

As a result of the increases in long term gilt rates, and Mitie's ongoing contributions, a net surplus of £1.1m as at 30 September 2022 has been reported under IAS19 in respect of Mitie's retirement benefit schemes (net liability of £12.2m at 31 March 2022).

This includes a surplus of £1.6m in relation to a scheme acquired with the Interserve business. There is also an accounting surplus related to a pension scheme within a joint venture acquired with Interserve, Mitie's £3.8m share of which is reported within interests in joint ventures and associates on the balance sheet.

The latest funding valuation of the Mitie Group defined benefit scheme as at 31 March 2020 indicated an actuarial deficit of £92.1m. The Group has agreed a deficit recovery plan with the trustees totalling £92.8m over seven years, of which £28m had been paid to 30 September 2022.

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Cash flow and net debt

£m	H1 FY23	Restated[1] H1 FY22
Operating profit before other items (continuing operations)	**68.0**	85.3
Add back: depreciation, amortisation & impairment	**24.6**	24.0
EBITDA before other items (continuing operations)	**92.6**	109.3
Other movements (including other items)	**(8.1)**	(10.9)
Operating cash flows before movements in working capital	**84.5**	**98.4**
Working capital movements[2]	**(47.4)**	30.3
Capex, capital leases, interest & other	**(47.8)**	(42.8)
Free cash (outflow)/inflow	**(10.7)**	**85.9**
Acquisitions & disposals	**(20.2)**	17.1
Share buybacks	**(50.7)**	-
Dividends paid	**(19.5)**	-
Lease liabilities & other[3]	**10.4**	(7.8)
(Increase)/decrease in net debt during the period	**(90.7)**	**95.2**
Closing net (debt)/cash	**(64.0)**	8.5
Average daily net (debt)	**(62.0)**	(59.9)
Leverage (average daily net debt/EBITDA before other items)[4]	**0.1x**	0.2x

[1] *The comparatives for H1 FY22 have been restated for a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the condensed consolidated financial statements).*
[2] *Adjusted to exclude movements in restricted cash and other adjustments which do not form part of net debt (as explained in the Alternative Performance Measures Appendix to the condensed consolidated financial statements)*
[3] *Includes £6.0m which was received in May 2022 in respect of the expert's determination on the Interserve acquisition completion accounts*
[4] Leverage is calculated on a 12-month rolling basis

Operating cash flows before movements in working capital of £84.5m has decreased by £13.9m compared to H1 FY22, mainly due to the decrease in operating profit before other items of £17.3m. The other movements outflow of £8.1m is largely made up of a cash outflow from other items of £6.9m, which is explained in the 'Other items' section above.

The cash outflow from working capital of £47.4m, compared with a working capital inflow of £30.3m in H1 FY22 (which is a £77.7m variance), is explained in the 'Balance Sheet' section above.

Capex, capital leases, interest and other resulted in a cash outflow of £47.8m, which is a £5.0m increase compared with H1 FY22. This is mainly driven by the purchase of Mitie's own shares for the employee benefit trust (EBT), related to future settlements of employee share incentive schemes.

As a result of the factors above, free cash outflow was £10.7m for the period (H1 FY22: inflow of £85.9m).

Net debt

Average daily net debt of £62.0m for H1 FY23 was £37.3m higher than in FY22 (£24.7m) and £2.1m higher than H1 FY22 (£59.9m). This resulted in a leverage ratio (average daily net debt / EBITDA before other items on continuing operations) of 0.1x for H1 FY23, compared with 0.1x for FY22 and 0.2x for H1 FY22.

As part of the medium-term capital allocation policy, in H1 FY23 the £50m share buyback programme was completed, £19.5m was paid for the FY22 final dividend and there was a net outflow of £20.2m in relation to acquisitions. Combined with the small free cash outflow, these factors have resulted in closing net debt increasing by £90.7m to £64.0m at 30 September 2022 (FY22: net cash of £26.7m; H1 FY22: net cash of £8.5m). Average net debt has increased in H1 FY23 for the same reasons.

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Total Financial Obligations (TFO)

£m	H1 FY23	FY22	H1 FY22
Net debt/(cash)	**64.0**	(26.7)	(8.5)
Customer invoice discounting facility	**-**	44.5	59.6
Net retirement benefit (assets)/liabilities	**(1.1)**	12.2	32.5
Total Financial Obligations (TFO)	**62.9**	**30.0**	**83.6**

After terminating the customer invoice discounting facility in H1 FY23, and with the pension funds in a net accounting (IAS 19) surplus position at 30 September 2022, the main component of TFO is now net debt.

Liquidity and covenants

At 30 September 2022, the Group had £301.5m of committed funding arrangements. These comprised a £150.0m RCF, which was signed in October 2021, with a maturity date in October 2025 and a one-year extension option. In September 2022, the one-year extension on the RCF was agreed between Mitie and its lenders, extending its maturity to October 2026. In November 2021, a delayed funding agreement was entered into for the refinancing of the £121.5m USPP notes due to mature in December 2022, with £120.0m of new notes to be issued in December 2022 on more favourable terms, with 8–12-year maturities. The remaining £30m of USPP notes are due to mature in December 2024.

With effect from 10 June 2021, DBRS Morningstar assigned Mitie a credit rating of BBB with a 'stable' outlook, which was re-confirmed on 29 July 2022.

Under the terms of Mitie's debt facilities, Mitie's two key covenant ratios are calculated on a post-IFRS 16 basis, with appropriate adjustments for leases. The covenant ratios are leverage (ratio of consolidated total net borrowings to adjusted consolidated EBITDA) and interest cover (ratio of consolidated EBITDA to consolidated net finance costs), with a maximum of 3.0x and minimum of 4.0x respectively. At 30 September 2022, the Group was operating well within these ratios at <0x covenant leverage and 15.0x interest cover. A reconciliation of the calculations is set out in the table below:

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£m		H1 FY23 (R12M)[6]	H1 FY22 (R12M)[6]
Operating profit before other items[1]		**149.9**	**129.8**
Add: depreciation, amortisation & impairment[1]		**51.5**	50.1
Headline EBITDA[1]		**201.4**	**179.9**
Add: covenant adjustments[2]		**20.8**	14.4
Leases adjustment[3]		**(38.6)**	(32.7)
Consolidated EBITDA	**(a)**	**183.6**	**161.6**
Full-year effect of acquisitions & disposals		**2.2**	8.9
Adjusted consolidated EBITDA	**(b)**	**185.8**	**170.5**
Net finance costs[1]		**17.2**	**19.8**
Less: covenant adjustments		**(0.8)**	(1.9)
Leases adjustment[4]		**(4.2)**	(3.8)
Consolidated net finance costs	**(c)**	**12.2**	**14.1**
Interest cover (ratio of (a) to (c))		**15.0x**	**11.5x**
Net debt / (cash)		**64.0**	**(8.5)**
Impact of hedge accounting and upfront fees		**1.3**	2.4
Leases adjustment[5]		**(118.5)**	(114.4)
Consolidated total net (cash)	**(d)**	**(53.2)**	**(120.5)**
Covenant leverage (ratio of (d) to (b))		**< 0x**	**< 0x**

[1] Continuing and discontinued operations
[2] Covenant adjustments to EBITDA relate to share-based payments charges, and pension administration expenses and past service costs
[3] Leases adjustment for EBITDA relates to depreciation charge for leased assets and interest charge for lease liabilities
[4] Leases adjustment for net finance costs relates to interest charge for lease liabilities
[5] Leases adjustment for net cash relates to lease liabilities
[6] R12M represents a rolling 12-month basis

Key risk factors and uncertainties affecting the business

There continue to be risks and uncertainties that could impact the financial performance of the Group and its success. Details of these and our plans to mitigate them are described in the Group's 2022 Annual Report and Accounts on pages 66 to 77. Whilst these risks have not changed materially since publication, the Group is continually reviewing macro-economic conditions, with our focus currently on the impact of the cost-of-living crisis and inflation challenges, which are being compounded by the Russian invasion of Ukraine. The potential impact to our colleagues' wellbeing arising from these disruptive events is being closely monitored to ensure that any impact to mental health, productivity and absenteeism is minimised. In the last six months we have enhanced our risk controls through improvements to our employee wellbeing and benefits framework as well as our business resilience model.

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 UK-adopted International Accounting Standard 34 *Interim Financial Reporting*; and
- the interim management report, as required by rules 4.2.7R and 4.2.8R of the Disclosure Guidance and Transparency Rules, includes a fair review of:
  - important events during the six months ended 30 September 2022 and their impact on the unaudited 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
16 November 2022

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INDEPENDENT REVIEW REPORT TO MITIE GROUP PLC

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 2022 is not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 2022 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 19.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). 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.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of 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.

In preparing the half-yearly financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions

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Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of 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
16 November 2022

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

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Condensed consolidated income statement

For the six months ended 30 September 2022

	Notes	30 September 2022 Before other items £m	30 September 2022 Other items[2] £m	30 September 2022 Total £m	Restated[1] 30 September 2021 Before other items £m	Restated[1] 30 September 2021 Other items[2] £m	Restated[1] 30 September 2021 Total £m
Continuing operations							
Revenue including share of joint ventures and associates	2	**1,922.9**	**–**	**1,922.9**	1,912.0	–	1,912.0
Less: share of revenue of joint ventures and associates	2	**(48.6)**	**–**	**(48.6)**	(39.3)	–	(39.3)
Group revenue	2	**1,874.3**	**–**	**1,874.3**	1,872.7	–	1,872.7
Cost of sales		**(1,667.6)**	**–**	**(1,667.6)**	(1,651.0)	–	(1,651.0)
Gross profit		**206.7**	**–**	**206.7**	221.7	–	221.7
Administrative expenses		**(142.3)**	**(17.5)**	**(159.8)**	(139.2)	(24.3)	(163.5)
Share of profit of joint ventures and associates		**3.6**	**–**	**3.6**	2.8	(1.8)	1.0
Operating profit[3]	2	**68.0**	**(17.5)**	**50.5**	85.3	(26.1)	59.2
Finance income		**0.8**	**–**	**0.8**	–	–	–
Finance costs		**(8.2)**	**–**	**(8.2)**	(10.0)	–	(10.0)
Net finance costs		**(7.4)**	**–**	**(7.4)**	(10.0)	–	(10.0)
Profit before tax		**60.6**	**(17.5)**	**43.1**	75.3	(26.1)	49.2
Tax	4	**(11.5)**	**3.7**	**(7.8)**	(7.6)	(5.4)	(13.0)
Profit from continuing operations after tax		**49.1**	**(13.8)**	**35.3**	67.7	(31.5)	36.2
Discontinued operations							
Profit from discontinued operations before tax		**–**	**–**	**–**	3.0	13.0	16.0
Tax		**–**	**–**	**–**	(0.6)	–	(0.6)
Profit from discontinued operations after tax		**–**	**–**	**–**	2.4	13.0	15.4
Profit for the period attributable to owners of the parent		**49.1**	**(13.8)**	**35.3**	70.1	(18.5)	51.6
Earnings per share (EPS) attributable to owners of the parent							
From continuing operations:							
Basic	6	**3.6p**		**2.6p**	4.9p		2.6p
Diluted	6	**3.3p**		**2.3p**	4.5p		2.4p
Total Group:							
Basic	6	**3.6p**		**2.6p**	5.1p		3.7p
Diluted	6	**3.3p**		**2.3p**	4.7p		3.5p

Notes:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for Software as a Service (SaaS) arrangements as a result of the International Financial Reporting Interpretations Committee (IFRIC) agenda decision. Refer to Note 1.
2. Other items are as described in Note 3.
3. Including impairment losses on trade receivables and accrued income of £1.1m (2021: £0.7m).

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2022

	Notes	30 September 2022 £m	Restated[1] 30 September 2021 £m
Profit for the period		**35.3**	51.6
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement of retirement benefit assets/obligations	16	**6.4**	5.3
Share of other comprehensive income/(expense) of joint ventures		**0.1**	(0.1)
Tax charge relating to items that will not be reclassified to profit or loss in subsequent periods		**(0.8)**	(1.0)
		5.7	4.2
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**1.4**	0.8
Loss on hedge of a net investment taken to equity		**(0.3)**	–
Net (losses)/gains on cash flow hedges taken to equity[2]		**(0.3)**	0.2
		0.8	1.0
Other comprehensive income for the period		**6.5**	5.2
Total comprehensive income for the period attributable to owners of the parent		**41.8**	56.8

Notes:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Net (losses)/gains on cash flow hedges taken to equity include a fair value gain of £21.5m (2021: £3.0m gain) on derivative financial instruments used for hedging private placement notes. This gain is netted against reclassifications related to foreign exchange losses on private placement notes of £21.8m (2021: £2.8m losses).

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Condensed consolidated balance sheet
As at 30 September 2022

	Notes	30 September 2022 £m	31 March 2022 £m	Restated[1] 30 September 2021 £m
Non-current assets				
Goodwill	7	**311.8**	301.3	288.3
Other intangible assets		**263.1**	258.9	261.9
Property, plant and equipment[2]		**144.4**	143.9	129.2
Interests in joint ventures and associates		**10.3**	11.9	10.5
Derivative financial instruments		**–**	–	17.6
Other receivables	8	**7.3**	7.8	6.4
Contract assets		**1.4**	1.6	1.9
Retirement benefit assets	16	**3.4**	1.6	3.1
Deferred tax assets		**8.2**	11.1	30.8
Total non-current assets		**749.9**	738.1	749.7
Current assets				
Inventories		**13.3**	11.9	11.0
Trade and other receivables	8	**713.4**	704.0	697.2
Contract assets		**1.4**	1.6	1.4
Derivative financial instruments	13	**41.1**	19.6	–
Current tax receivable		**2.5**	1.0	3.0
Cash and cash equivalents	11	**232.9**	345.2	300.3
Total current assets		**1,004.6**	1,083.3	1,012.9
Total assets		**1,754.5**	1,821.4	1,762.6
Current liabilities				
Trade and other payables	9	**(796.3)**	(841.2)	(758.4)
Deferred income		**(92.0)**	(83.5)	(85.8)
Current tax payable		**(3.4)**	(4.1)	(4.0)
Financing liabilities	12	**(191.4)**	(171.1)	(30.6)
Provisions	10	**(57.3)**	(54.7)	(55.3)
Total current liabilities		**(1,140.4)**	(1,154.6)	(934.1)
Net current (liabilities)/assets		**(135.8)**	(71.3)	78.8
Non-current liabilities				
Trade and other payables	9	**(2.8)**	(2.8)	(0.5)
Deferred income		**(20.0)**	(32.6)	(25.7)
Financing liabilities	12	**(126.7)**	(129.5)	(259.2)
Provisions	10	**(60.0)**	(62.3)	(62.8)
Retirement benefit liabilities	16	**(2.3)**	(13.8)	(35.6)
Deferred tax liabilities		**–**	–	(21.4)
Total non-current liabilities		**(211.8)**	(241.0)	(405.2)
Total liabilities		**(1,352.2)**	(1,395.6)	(1,339.3)
Net assets		**402.3**	425.8	423.3

Notes:

1. The comparatives as at 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Includes right-of-use assets of £112.4m (31 March 2022: £114.0m; 30 September 2021: £105.4m). During the six months ended 30 September 2022, right-of-use assets decreased due to depreciation of £17.0m, property lease terminations of £2.2m, plant and vehicles lease terminations of £0.6m, and property impairments of £0.2m partially offset by plant and vehicles additions of £15.3m, property additions of £1.0m and lease modifications of £2.1m.

Condensed consolidated balance sheet continued
For the six months ended 30 September 2022

	30 September 2022 £m	31 March 2022 £m	Restated[1] 30 September 2021 £m
Equity			
Share capital	**34.0**	35.7	35.7
Share premium	**130.6**	130.6	130.6
Merger reserve	**174.1**	358.6	358.6
Own shares reserve	**(39.6)**	(36.9)	(25.8)
Other reserves[2]	**34.7**	28.4	19.1
Hedging and translation reserve	**(1.8)**	(2.6)	(1.3)
Retained earnings/(losses)	**70.3**	(88.0)	(93.6)
Equity attributable to owners of the parent	**402.3**	425.8	423.3

Notes:

1. The comparatives as at 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Other reserves include the share-based payments reserve and the capital redemption reserve.

Condensed consolidated statement of changes in equity
For the six months ended 30 September 2022

	Share capital £m	Share premium £m	Merger reserve[1] £m	Own shares reserve £m	Other reserves[2] £m	Hedging and translation reserve £m	Retained (losses)/ earnings £m	**Total equity £m**
								30 September 2022
At 1 April 2022	35.7	130.6	358.6	(36.9)	28.4	(2.6)	(88.0)	**425.8**
Profit for the period	–	–	–	–	–	–	35.3	**35.3**
Other comprehensive income	–	–	–	–	–	0.8	5.7	**6.5**
Total comprehensive income	–	–	–	–	–	0.8	41.0	**41.8**
Transactions with owners								
Dividends paid	–	–	–	–	–	–	(19.5)	**(19.5)**
Purchase of own shares[3]	–	–	–	(5.7)	–	–	–	**(5.7)**
Realisation of merger reserve[1]	–	–	(184.5)	–	–	–	184.5	**–**
Share buybacks[4]	(1.7)	–	–	–	1.7	–	(50.7)	**(50.7)**
Share-based payments	–	–	–	3.0	4.6	–	1.5	**9.1**
Tax on share-based payments	–	–	–	–	–	–	1.5	**1.5**
Total transactions with owners	(1.7)	–	(184.5)	(2.7)	6.3	–	117.3	**(65.3)**
At 30 September 2022	34.0	130.6	174.1	(39.6)	34.7	(1.8)	70.3	**402.3**

Notes:

1. The merger reserve represents amounts relating to premiums arising on shares issued subject to the provisions of Section 612 of the Companies Act 2006. During the six months ended 30 September 2022, the realisation of the merger reserve included £153.2m related to intercompany loans that have been settled as qualifying consideration in connection with the rights issue during the year ended 31 March 2021, which utilised a cashbox structure.
2. Other reserves include the share-based payments reserve and the capital redemption reserve.
3. During the period the Employee Benefit Trust acquired the 2.9m ordinary shares committed to in the year ended 31 March 2022 as well as a further 10.4m ordinary shares through market purchases for a consideration of £5.7m.
4. The share buyback resulted in the purchase of 69m ordinary shares which have subsequently been cancelled during the six months ended 30 September 2022.

	Share capital £m	Share premium £m	Merger reserve £m	Own shares reserve £m	Other reserves[2] £m	Hedging and translation reserve £m	Retained losses £m	Total equity £m
								Restated[1] 30 September 2021
At 1 April 2021	35.6	130.6	358.6	(28.8)	14.5	(2.3)	(150.7)	**357.5**
Profit for the period	–	–	–	–	–	–	51.6	**51.6**
Other comprehensive income	–	–	–	–	–	1.0	4.2	**5.2**
Total comprehensive income	–	–	–	–	–	1.0	55.8	**56.8**
Transactions with owners								
Issue of shares	0.1	–	–	(0.1)	–	–	–	**–**
Share-based payments	–	–	–	3.1	4.6	–	0.2	**7.9**
Tax on share-based payments	–	–	–	–	–	–	1.1	**1.1**
Total transactions with owners	0.1	–	–	3.0	4.6	–	1.3	**9.0**
At 30 September 2021	35.7	130.6	358.6	(25.8)	19.1	(1.3)	(93.6)	**423.3**

Notes:

1. The comparatives for the six months ended 30 September 2021 and as at 1 April 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Other reserves include the share-based payments reserve and the capital redemption reserve.

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Condensed consolidated statement of cash flows
For the six months ended 30 September 2022

	Notes	30 September 2022 £m	Restated[1] 30 September 2021 £m
Continuing operations – operating profit before other items	2	**68.0**	85.3
Continuing operations – other items	3	**(17.5)**	(26.1)
Discontinued operations – operating profit after other items		**–**	15.9
Adjustments for:			
Share-based payments expense		**9.1**	7.9
Defined benefit pension costs	16	**1.6**	2.0
Defined benefit pension contributions	16	**(8.3)**	(7.0)
Depreciation of property, plant and equipment		**21.3**	19.3
Amortisation of intangible assets		**13.2**	12.8
Amortisation of customer contracts and relationships arising on business combinations for joint ventures		**–**	1.8
Share of profit of joint ventures and associates		**(3.6)**	(2.8)
Amortisation of contract assets		**0.5**	0.8
Impairment of non-current assets		**0.2**	1.5
Gain on disposal of businesses		**–**	(13.0)
Operating cash flows before movements in working capital		**84.5**	98.4
Decrease in inventories		**–**	1.6
Increase in receivables		**(4.3)**	(14.6)
(Increase)/decrease in contract assets		**(0.2)**	0.3
Decrease in deferred income		**(4.5)**	(3.0)
(Decrease)/increase in payables		**(55.5)**	55.1
Decrease in provisions		**(0.5)**	(8.2)
Cash generated from operations		**19.5**	129.6
Income taxes paid	4	**(9.0)**	(4.1)
Interest paid[2]		**(8.5)**	(9.8)
Net cash generated from operating activities		**2.0**	115.7
Investing activities			
Acquisition of businesses, net of cash acquired[3]	15	**(16.6)**	(13.4)
Interserve completion accounts settlement[4]		**6.0**	–
Disposal of businesses, net of cash disposed		**–**	30.5
Interest received		**0.8**	–
Purchase of property, plant and equipment		**(4.5)**	(2.8)
Dividends received from joint ventures and associates		**5.3**	1.5
Purchase of other intangible assets		**(9.3)**	(10.8)
Disposal of property, plant and equipment		**–**	0.3
Net cash (used in)/generated from investing activities		**(18.3)**	5.3

Notes:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Interest paid includes £2.1m (2021: £1.9m) in relation to lease liabilities.
3. Acquisition of businesses is net of cash acquired of £2.1m (2021: £1.4m). Refer to Note 15.
4. At 31 March 2022 it was disclosed that following the expert's determination on the Interserve acquisition completion accounts, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached and £6.0m was received in May 2022.

Condensed consolidated statement of cash flows continued

For the six months ended 30 September 2022

	Notes	30 September 2022 £m	30 September 2021 £m
Financing activities			
Purchase of own shares		**(5.7)**	–
Shares bought back and cancelled		**(50.7)**	–
Capital element of lease rentals		**(16.9)**	(17.1)
Repayment of bank loans		**(4.1)**	–
Payment of arrangement fees		**(0.3)**	–
Equity dividends paid		**(19.5)**	–
Net cash used in financing activities		**(97.2)**	(17.1)
Net (decrease)/increase in cash and cash equivalents		**(113.5)**	103.9
Net cash and cash equivalents at beginning of the period		**345.2**	196.2
Effect of foreign exchange rate changes		**1.2**	0.2
Net cash and cash equivalents at end of the period	11	**232.9**	300.3

Reconciliation of net cash flow to movements in net debt	Notes	30 September 2022 £m	30 September 2021 £m
Net (decrease)/increase in cash and cash equivalents		**(113.5)**	103.9
Decrease/(increase) in Restricted Cash and other adjustments[1]		**17.6**	(0.9)
Net (decrease)/increase in unrestricted cash and cash equivalents		**(95.9)**	103.0
Cash drivers			
Repayment of bank loans		**4.1**	–
Payment of arrangement fees		**0.3**	–
Capital element of lease rentals		**16.9**	17.1
Non-cash drivers			
Non-cash movement in bank loans		**(0.2)**	(0.7)
Non-cash movement in private placement notes and associated hedges		**(0.5)**	0.2
Non-cash movement in lease liabilities[2]		**(12.9)**	(24.7)
Effect of foreign exchange rate changes		**1.1**	0.3
(Increase)/decrease in net debt during the period		**(87.1)**	95.2
Opening net cash/(debt)		**26.7**	(86.7)
Debt acquired as part of business combinations		**(3.6)**	–
Closing net (debt)/cash	14	**(64.0)**	8.5

Notes:

1. Includes in respect of the six months ended 30 September 2022 a decrease of £12.9m in restricted cash and a decrease of £20.0m in relation to cash that was held across the Group's bank accounts at 31 March 2022 in respect of the customer invoice discounting (CID) facility where cash collected from the Group's customers was held on trust for the CID facility provider. This is partially offset by certain payments totalling £15.3m which were initiated on 30 September 2022 but which settled the following working day and in accordance with the Group's accounting policy were not derecognised from cash and cash equivalents until the settlement date.
2. Includes lease liabilities in relation to property additions of £0.6m (2021: £13.2m) and plant and vehicles additions of £15.3m (2021: £16.8m), partially offset by modification of lease terms of £3.0m (2021: £3.6m). In the six months ended 30 September 2021 movements in respect of disposal of businesses of £1.7m were also included.

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Notes to the condensed consolidated financial statements
For the six months ended 30 September 2022

1. Basis of preparation and significant accounting policies

Basis of preparation

Mitie Group plc (the Company) is a company incorporated in the United Kingdom and registered in Scotland. The Company's registered office is at 35 Duchess Road, Rutherglen, Glasgow, G73 1AU. The Group comprises the Company and all its subsidiaries. These unaudited condensed consolidated financial statements (the 'condensed consolidated financial statements') for the six months ended 30 September 2022 have been prepared in accordance with UK-adopted International Accounting Standard (IAS) 34 *Interim Financial Reporting,* and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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 2022.

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 2022 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 2022 was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The condensed consolidated financial statements were approved by the Board of Directors on 16 November 2022.

Going concern

The condensed consolidated financial statements for the six months ended 30 September 2022 have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's business activities as set out on pages 4 to 65 of the 2022 Annual Report and Accounts and the principal risks and uncertainties as set out on pages 66 to 77 of the same.

The Directors have carried out an assessment of the Group's ability to continue as a going concern for the period of at least 12 months from the date of approval of the condensed consolidated financial statements (the Going Concern Assessment Period). This assessment was based on the latest forecasts using the Group's cash flow model (the Base Case Forecasts), which has been reviewed by the Board. These Base Case Forecasts indicate that the debt facilities currently in place are adequate to support the Group over the Going Concern Assessment Period.

The Group's principal debt financing arrangements as at 30 September 2022 were a £150.0m revolving credit facility, of which £8.3m was drawn as at 30 September 2022, and £151.5m of US private placement (USPP) notes (being the repayment amount after taking account of the cross-currency swaps hedging the principal amount), of which £121.5m are due to mature in December 2022. The revolving credit facility was put in place in October 2021, and matures in October 2026, on significantly more favourable terms than the previous facility. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis, as set out in the Finance review.

The issue in December 2022 of £120.0m of new USPP notes has also been agreed, under a delayed funding arrangement, avoiding any overlap with the existing £121.5m of notes that mature in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and will be issued with an average coupon that is significantly below the current coupon. The remaining £30.0m of USPP notes are due to mature in December 2024, which is outside of the Going Concern Assessment Period.

Mitie currently operates within the terms of its agreements with its lenders, with consolidated net cash (i.e. net cash adjusted for covenant purposes, including the exclusion of lease liabilities) of £53.2m at 30 September 2022. The Base Case Forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the Going Concern Assessment Period.

The Directors have also completed a reverse stress test using the Group cash flow model to assess the point at which the covenants, or facility headroom, would be breached. The sensitivities considered have been chosen after considering the Group's principal risks and uncertainties.

The primary financial risks related to adverse changes in the economic environment and / or a deterioration in commercial or operational conditions are listed below. These risks have been considered in the context of any further UK budgetary changes, political uncertainty and the continued impact of the Russian invasion of Ukraine, as well as an inflationary and potential recessionary economic environment:

- A 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;
- An increase in costs: this reflects the risks of a shortfall in planned overhead cost savings, including the margin enhancement initiatives not being delivered, or other cost increases such as sustained higher cost inflation; and
- A downturn in cash generation: this reflects the risks of customers delaying payments due to liquidity constraints, the removal of ancillary debt facilities or any substantial one-off settlements related to commercial issues.

As a result of completing this assessment, the Directors concluded that the likelihood of the reverse stress scenarios arising was remote. In reaching the conclusion of remote likelihood, the Directors considered the following:

- All stress test scenarios would require a very severe deterioration compared to the Base Case Forecasts. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 39% in H1 FY24, compared to the Base Case Forecasts, which is considered to be very severe given the high proportion of Mitie's revenue that is

fixed in nature and the fact that even in the COVID-hit year ended 31 March 2021, Mitie's revenue excluding Interserve declined by only 1.6%.

- In the event that results started to trend significantly below those included in the Base Case Forecasts, additional mitigation actions have been identified that would be implemented, which are not factored into the stress test scenarios. These include the short-term scaling down of capital expenditure, overhead efficiency / reduction measures including cancellation of discretionary bonuses and reduced discretionary spend, asset disposals and reductions in cash distributions.

Based on these assessments, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of these consolidated financial statements. In addition, the Directors have concluded that the likelihood of the reverse stress scenarios arising is remote and therefore no material uncertainty exists.

Prior period accounting policy change

During the year ended 31 March 2022 and as presented in the Annual Report and Accounts for the year ended 31 March 2022, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements in response to the International Financial Reporting Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below.

SaaS arrangements are service contracts providing the Group with the right to access the provider's cloud-based application software over the contract period. Previously, Mitie's accounting policy was to capitalise the upfront configuration and customisation costs in implementing SaaS arrangements and to subsequently amortise them over their useful economic life.

In response to the clarification provided by the IFRIC agenda decision, Mitie has changed its accounting policy such that distinct upfront configuration and customisation costs incurred in implementing SaaS arrangements are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

The change in accounting policy has been accounted for retrospectively and, accordingly, the comparative information for 30 September 2021 has been restated as summarised below. The impact on comparative information for 31 March 2021 and related restatements were presented in the 2022 Annual Report and Accounts.

Impact on condensed consolidated income statement and condensed consolidated statement of comprehensive income for the six months ended 30 September 2021

	As reported £m	Impact of change in accounting policy £m	As restated £m
Group revenue from continuing operations	1,872.7	–	**1,872.7**
Cost of sales	(1,651.0)	–	**(1,651.0)**
Gross profit from continuing operations	221.7	–	**221.7**
Administrative expenses before other items	(139.5)	0.3	**(139.2)**
Administrative expenses - Other items	(23.2)	(1.1)	**(24.3)**
Share of profit of joint ventures and associates	1.0	–	**1.0**
Total operating profit from continuing operations	60.0	(0.8)	**59.2**
Net finance costs	(10.0)	–	**(10.0)**
Profit from continuing operations before tax	50.0	(0.8)	**49.2**
Tax	(13.2)	0.2	**(13.0)**
Profit from continuing operations after tax	36.8	(0.6)	**36.2**
Profit from discontinued operations after tax	15.4	–	**15.4**
Profit for the period attributable to owners of the parent	52.2	(0.6)	**51.6**
Total comprehensive income for the period attributable to owners of the parent	57.4	(0.6)	**56.8**

Impact on earnings per share for the six months ended 30 September 2021

	As reported £m	Impact of change in accounting policy £m	As restated £m
From continuing operations			
Basic earnings per share	2.7p	(0.1)p	**2.6p**
Diluted earnings per share	2.5p	(0.1)p	**2.4p**
Total Group			
Basic earnings per share	3.8p	(0.1)p	**3.7p**
Diluted earnings per share	3.5p	–	**3.5p**

Impact on the condensed consolidated balance sheet as at 30 September 2021

	As reported £m	Impact of change in accounting policy £m	As restated £m
Other intangible assets	267.9	(6.0)	**261.9**
Current tax receivable	1.9	1.1	**3.0**
Net assets	428.2	(4.9)	**423.3**
Retained losses	(88.7)	(4.9)	**(93.6)**
Equity attributable to owners of the parent	428.2	(4.9)	**423.3**

Impact on consolidated statement of cash flows for the six months ended 30 September 2021

	As reported £m	Impact of change in accounting policy £m	As restated £m
Continuing operations - Operating profit before other items	85.0	0.3	**85.3**
Continuing operations - Other items	(25.0)	(1.1)	**(26.1)**
Amortisation of intangible assets	13.5	(0.7)	**12.8**
Operating cash flows before movements in working capital	99.9	(1.5)	**98.4**
Cash generated from operations	131.1	(1.5)	**129.6**
Net cash generated from operating activities	117.2	(1.5)	**115.7**
Purchase of other intangible assets	(12.3)	1.5	**(10.8)**
Net cash generated from investing activities	3.8	1.5	**5.3**
Cash and cash equivalents at the end of the period	300.3	–	**300.3**

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 2022, which were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

None of the new standards and amendments that are effective for the first time for the year ending 31 March 2023 have had a material effect on the Group including the amendment to IAS 37 *Provisions, contingent liabilities and contingent assets* in respect of onerous contracts.

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

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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, which has remained unchanged in the six months ended 30 September 2022, is set out below.

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 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 Authority (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 the process of 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 2022, with the exception of updates detailed below.

Critical judgements in applying the Group's accounting policies

Business combinations - purchase price allocation
When the Group completes a business combination, the fair values of the identifiable assets and liabilities acquired are recognised through a purchase price allocation process, the determination of which requires management judgement.

During the six months ended 30 September 2022, the Group completed the acquisition of P2ML Limited (P2ML), 8point8 Support Limited, 8point8 Training Limited and Vantage Solutions Limited (collectively 8point8) and Custom Solar Limited (Custom Solar). The most significant fair value adjustments arising on the acquisitions related to attributing value to the acquired intangible assets recognised in the form of customer contracts and relationships.

In determining the fair value of customer contracts and relationships, the Group used forecast customer cash flows from the contracts and expected renewal rates and applied an appropriate discount rate. In determining the cash flows, management used judgement to estimate revenue growth, profit margins, contract renewal probability and the average contract duration remaining as well as the discount rate. This analysis indicated provisional fair values for customer contracts and relationships of £1.0m for P2ML, £1.9m for 8point8 and £5.8m for Custom Solar with corresponding provisional deferred tax liabilities in relation to those intangible assets of £0.2m, £0.4m and £1.5m respectively.

Key sources of estimation uncertainty

Provisions and contingent liabilities
On 13 May 2020, Interserve Group Limited (IGL) announced it was subject to a cyber-attack which affected elements of IGL's IT systems (including enterprise resource planning and human resource systems), including elements related to Interserve. This was disclosed as a contingent liability in the Group's 2022 Annual Report and Accounts. On 24 October 2022, the Information Commissioner's Office (ICO) announced that it had imposed a fine of £4.4m on IGL for failing to process personal data in a manner that would ensure appropriate security of that data using appropriate technical and organisational measures as required by Article 5(1)(f) and Article 32 of the GDPR. This rendered IGL and its subsidiaries vulnerable to a cyber-attack which took place in the period 30 March 2020 to 2 May 2020 and affected the personal data of up to 113,000 employees of the IGL group.

Under the terms of the sale and purchase agreement, pursuant to which the Group acquired the former Interserve FM entities on 30 November 2020, the Group benefitted from an indemnity, supported by escrow arrangements, to protect it against any potential penalties that the ICO might impose on the Interserve FM entities arising out of the cyber incident. However, in making their determination against IGL, the ICO found that IGL was the data controller for all relevant purposes and, accordingly, the Interserve FM entities have not been subject to any regulatory action in respect of the cyber incident which could result in a remedial order or fine. Accordingly, management has determined that this matter no longer requires disclosure as a contingent liability.

2. Business segment information

The Group manages its business on a service division basis. At 30 September 2022, the Group had eight reportable segments and the information, as reported, is consistent with information presented to the Board of Directors, which is the Group's chief operating decision maker. Revenue including share of joint ventures and associates, operating profit before other items and operating margin before other items are the primary measures of performance that are reported to and reviewed by the Board.

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

Income statement information

	Six months ended 30 September 2022			Restated[1] Six months ended 30 September 2021		
	Revenue[2] £m	Operating profit/(loss) before other items[3] £m	Operating margin before other items[3] %	Revenue[2] £m	Operating profit/(loss) before other items[3] £m	Operating margin before other items[3] %
Business Services	**592.2**	**32.9**	**5.6**	775.0	65.2	8.4
Technical Services	**526.3**	**14.1**	**2.7**	444.5	12.7	2.9
Central Government and Defence (CG&D)[2]	**354.7**	**25.5**	**7.2**	287.9	14.9	5.2
Communities[2]	**253.6**	**11.1**	**4.4**	230.3	11.1	4.8
Specialist Services	**196.1**	**12.3**	**6.3**	174.3	11.1	6.4
Care & Custody	***80.0***	***4.7***	***5.9***	*60.4*	*3.4*	*5.6*
Landscapes	***25.5***	***(0.2)***	***(0.8)***	*19.9*	*0.5*	*2.5*
Waste	***36.9***	***3.7***	***10.0***	*39.7*	*4.5*	*11.3*
Spain	***53.7***	***4.1***	***7.6***	*54.3*	*2.7*	*5.0*
Corporate centre	**–**	**(27.9)**	**–**	–	(29.7)	–
Total from continuing operations	**1,922.9**	**68.0**	**3.5**	1,912.0	85.3	4.5
Nordics and Poland	**–**	**–**	**–**	1.9	0.1	5.3
Document Management	**–**	**–**	**–**	25.5	2.8	11.0
Total from discontinued operations	**–**	**–**	**–**	27.4	2.9	10.6
Total Group	**1,922.9**	**68.0**	**3.5**	1,939.4	88.2	4.5

Notes:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Revenue includes share of joint ventures and associates, of which £43.0m (2021: £34.4m) is included within CG&D and £5.6m (2021: £4.9m) within Communities.
3. Other items are as described in Note 3.
4. No single customer accounted for more than 10% of external revenue in the six months ended 30 September 2022 or in the comparative period. The UK Government is not considered a single customer.

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

	Six months ended 30 September 2022	Restated[1] Six months ended 30 September 2021		
	From continuing operations and total Group £m	From continuing operations £m	From discontinued operations £m	Total Group £m
Operating profit before other items	**68.0**	85.3	2.9	88.2
Other items[2]	**(17.5)**	(26.1)	13.0	(13.1)
Net finance (costs)/income	**(7.4)**	(10.0)	0.1	(9.9)
Profit before tax	**43.1**	49.2	16.0	65.2

Notes:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Other items are as described in Note 3.

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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 2022					
	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
Business Services	**180.9**	**411.3**	**592.2**	**95.0**	**497.2**	**592.2**
Technical Services	**105.3**	**421.0**	**526.3**	**58.5**	**467.8**	**526.3**
CG&D	**354.7**	**–**	**354.7**	**0.7**	**354.0**	**354.7**
Communities	**252.4**	**1.2**	**253.6**	**0.4**	**253.2**	**253.6**
Specialist Services	**134.2**	**61.9**	**196.1**	**31.1**	**165.0**	**196.1**
Care & Custody	**80.0**	**–**	**80.0**	**–**	**80.0**	**80.0**
Landscapes	**9.6**	**15.9**	**25.5**	**10.3**	**15.2**	**25.5**
Waste	**11.5**	**25.4**	**36.9**	**7.5**	**29.4**	**36.9**
Spain	**33.1**	**20.6**	**53.7**	**13.3**	**40.4**	**53.7**
Continuing operations including joint ventures and associates	**1,027.5**	**895.4**	**1,922.9**	**185.7**	**1,737.2**	**1,922.9**
Less: share of joint ventures and associates[2]	**(48.6)**	**–**	**(48.6)**	**–**	**(48.6)**	**(48.6)**
Total Group excluding joint ventures and associates	**978.9**	**895.4**	**1,874.3**	**185.7**	**1,688.6**	**1,874.3**

Notes:

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.
2. Share of revenue from joint ventures and associates includes £43.0m and £5.6m within the CG&D and Communities segments respectively.

	Six months ended 30 September 2021					
	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
Business Services	364.0	411.0	775.0	327.5	447.5	775.0
Technical Services	97.0	347.5	444.5	61.2	383.3	444.5
CG&D	287.9	–	287.9	22.5	265.4	287.9
Communities	228.0	2.3	230.3	1.8	228.5	230.3
Specialist Services	123.2	51.1	174.3	37.7	136.6	174.3
Care & Custody	60.4	–	60.4	–	60.4	60.4
Landscapes	7.2	12.7	19.9	5.9	14.0	19.9
Waste	17.2	22.5	39.7	19.6	20.1	39.7
Spain	38.4	15.9	54.3	12.2	42.1	54.3
Continuing operations including joint ventures and associates	1,100.1	811.9	1,912.0	450.7	1,461.3	1,912.0
Less: share of joint ventures and associates[2]	(39.3)	–	(39.3)	–	(39.3)	(39.3)
Continuing operations excluding joint ventures and associates	1,060.8	811.9	1,872.7	450.7	1,422.0	1,872.7
Nordics and Poland	–	1.9	1.9	–	1.9	1.9
Document Management	1.7	23.8	25.5	0.1	25.4	25.5
Discontinued operations	1.7	25.7	27.4	0.1	27.3	27.4
Total Group excluding joint ventures and associates	1,062.5	837.6	1,900.1	450.8	1,449.3	1,900.1

Notes:

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.
2. Share of revenue from joint ventures and associates includes £34.4m and £4.9m within the CG&D and Communities segments respectively.

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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 2022			
Continuing operations and total Group	Restructure costs £m	Acquisition and disposal related costs £m	Other exceptional items £m	Total £m
Other items before tax	**(3.6)**	**(11.8)**	**(2.1)**	**(17.5)**
Tax	**0.7**	**2.6**	**0.4**	**3.7**
Other items after tax	**(2.9)**	**(9.2)**	**(1.7)**	**(13.8)**

	Restated[1] Six months ended 30 September 2021				
Continuing operations	Restructure costs £m	Acquisition and disposal related costs £m	Gain on disposal[2] £m	Other exceptional items[1] £m	Total £m
Other items before tax	(4.9)	(20.1)	–	(1.1)	(26.1)
Tax[3]	1.3	(6.9)	–	0.2	(5.4)
Other items after tax	(3.6)	(27.0)	–	(0.9)	(31.5)
Discontinued operations					
Other items before and after tax	–	–	13.0	–	13.0
Total Group					
Other items before tax	(4.9)	(20.1)	13.0	(1.1)	(13.1)
Tax[3]	1.3	(6.9)	–	0.2	(5.4)
Other items after tax	(3.6)	(27.0)	13.0	(0.9)	(18.5)

Notes:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. As a result £1.1m of costs incurred in the configuration and customisation of the Group's new digital supplier platform, which were previously capitalised by the Group, have been charged to the income statement and classified as other items. Refer to Note 1.
2. Includes a £16.0m gain on disposal of the Document Management business, offset by a loss of £3.0m on disposal of operations in the Nordics and Poland.
3. Includes £9.7m charge as a result of the increase in the rate of UK corporation tax from 1 April 2023. This primarily relates to the remeasurement of the deferred tax liability on the customer contracts and relationships intangible arising on the acquisition of Interserve.

Restructure costs

The Group has been undertaking a major transformation programme involving the restructuring of operations to reposition the business for its next phase of growth. The costs are analysed below:

Continuing operations and total Group	Six months ended 30 September 2022 £m	Six months ended 30 September 2021 £m
Group transformation programme:		
Project Forté[1]	**(2.4)**	(5.1)
Other transformation projects[2]	**(1.2)**	–
Property	**–**	0.2
Restructure costs	**(3.6)**	(4.9)
Tax	**0.7**	1.3
Restructure costs net of taxation	**(2.9)**	(3.6)

Notes:

1. Project Forté was launched in 2019, primarily focusing on re-engineering the Technical Services business to modernise and optimise workflow processes. It will improve both the customer experience and the efficiency of the internal operations. Project Forté is also driving further Group-wide organisational consolidation, automation of processes and further offshoring of back office activities. Cumulative costs of £33.8m have been recognised within the consolidated income statement and classified as Other items on Project Forté since its launch in 2019, of which £6.5m were non-cash costs. The project is expected to be completed during the year ending 31 March 2023.
2. Other transformation projects focus on specific margin enhancement programmes, including fixed-term staff costs related to simplifying the management structure.

The costs associated with the Group transformation programme incurred in the six months ended 30 September 2022 include £1.0m of external consultancy costs (2021: £2.4m), fixed-term staff costs of £2.1m (2021: £2.5m) to manage and implement changes and redundancy costs of £0.5m (2021: £0.1m). In the six months ended 30 September 2021 the Group also recognised a net gain on termination of leases of £0.4m partially offset by a right-of-use asset impairment of £0.2m and £0.1m of pension curtailment costs.

Acquisition and disposal related costs

Continuing operations and total Group	Six months ended 30 September 2022 £m	Six months ended 30 September 2021 £m
Interserve integration costs[1]	**(0.6)**	(7.4)
Other acquisition related costs	**(0.6)**	(1.4)
Amortisation of acquisition related intangible assets	**(10.6)**	(11.3)
Acquisition and disposal costs	**(11.8)**	(20.1)
Tax	**2.6**	(6.9)
Acquisition and disposal costs net of taxation	**(9.2)**	(27.0)

Note:

1. Comprises £0.6m of redundancy costs (2021: £1.1m). In the six month period ended 30 September 2021, the Group also recognised staff related integration costs of £2.5m, professional fees of £1.6m, property related costs of £0.7m, software intangible impairments of £0.7m and other integration costs of £0.8m.

Other exceptional items

Other exceptional items of £2.1m (2021: £1.1m) relate to the implementation of a new digital supplier platform resulting in a step change in the Group's supply chain management capabilities. These comprise fixed-term staff costs of £1.4m (2021: £0.6m) and third-party implementation costs of £0.7m (2021: £0.5m). This implementation, which is transformational in nature, is expected to be completed during the year ending 31 March 2023.

4. Tax

The tax charge for the period has been calculated based upon the effective tax rate expected to apply to the Group for the year ending 31 March 2023 using rates substantively enacted by 30 September 2022. The rate of tax on profit before other items from continuing operations for the period was 19.0% (2021: 10.1%). The effective rate of tax on profit before other items is principally influenced by recurring non-tax deductible expenses, the UK super deduction on capital allowances and a lower effective tax rate on overseas profits.

The tax charge for the prior period was impacted by the increase in the rate of UK corporation tax from 19% to 25% from 1 April 2023 which was substantively enacted during that period. Deferred tax balances (including those arising from Interserve losses) were recalculated using the higher rate where appropriate. In the six months ended 30 September 2021 this resulted in an £8.2m tax credit before other items related to an increase in deferred tax assets and a £9.7m tax charge to other items related to an increase in deferred tax liabilities.

The rate of tax on Other items from continuing operations was 21.1% (2021: (20.7)%) which was primarily affected by non-tax deductible expenses.

The Group expects its sustainable effective tax rate to continue to be approximately equal to the UK statutory rate.

Corporation tax payments for the period amounted to £9.0m (2021: £4.1m), of which £6.8m was paid in the UK and £2.2m overseas.

The Group has unutilised income tax losses of £211.3m (31 March 2022: £223.5m; 30 September 2021: £221.6m). A deferred tax asset has been recognised in respect of £124.2m (31 March 2022: £136.3m; 30 September 2021: £117.9m) of these losses to the extent that it is probable that taxable profits will be generated in the future and be available for utilisation.

The Group has unutilised capital losses of £6.2m (31 March 2022: £6.2m; 30 September 2021: £6.2m) on which no deferred tax has been recognised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; or when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

5. Dividends

During the six months ended 30 September 2022, the Group paid £19.5m in respect of the final dividend for the year ended 31 March 2022 of 1.4p per share (2021: £nil). The Board has declared an interim dividend for the year ending 31 March 2023 of 0.7p per share (2021: 0.4p per share) which will be paid on 1 February 2023 to all shareholders on the register at the close of business on 16 December 2022.

6. Earnings per share

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

	Six months ended 30 September 2022	Restated[1] Six months ended 30 September 2021		
	From continuing operations and total Group £m	From continuing operations £m	From discontinued operations £m	Total Group £m
Profit before other items attributable to owners of the parent	**49.1**	67.7	2.4	70.1
Other items net of tax[2]	**(13.8)**	(31.5)	13.0	(18.5)
Profit attributable to owners of the parent	**35.3**	36.2	15.4	51.6

Notes:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Other items are as described in Note 3.

Number of shares	Six months ended 30 September 2022 million	Six months ended 30 September 2021 million
Weighted average number of ordinary shares for the purpose of basic EPS[1]	**1,375.2**	1,376.4
Effect of dilutive potential ordinary shares	**133.2**	114.3
Weighted average number of ordinary shares for the purpose of diluted EPS[1]	**1,508.4**	1,490.7

Note:

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

	Six months ended 30 September 2022	Restated[1] Six months ended 30 September 2021		
	From continuing operations and total Group pence	From continuing operations pence	From discontinued operations pence	Total Group pence
Basic EPS before other items[2]	**3.6**	4.9	0.2	5.1
Basic EPS	**2.6**	2.6	1.1	3.7
Diluted EPS before other items[2]	**3.3**	4.5	0.2	4.7
Diluted EPS	**2.3**	2.4	1.1	3.5

Notes:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Other items are as described in Note 3.

7. Goodwill

	£m
Cost	
At 1 April 2021	327.3
Arising on business combinations[1]	9.3
Disposal of businesses[2]	(15.8)
At 30 September 2021	320.8
Arising on business combinations[3]	13.0
At 31 March 2022	333.8
Arising on business combinations[4]	10.5
At 30 September 2022	**344.3**
Accumulated impairment losses	
At 30 September 2021	32.5
At 31 March 2022	32.5
At 30 September 2022	**32.5**
Net book value	
At 30 September 2022	**311.8**
At 31 March 2022	301.3
At 30 September 2021	288.3

Notes:

1. The Group acquired DAEL Ventures Limited (DAEL) during the six months ended 30 September 2021.
2. The Group disposed the Document Management business and operations in the Nordics and Poland during the six months ended 30 September 2021. The disposed goodwill was £14.4m and £1.4m respectively.
3. The Group acquired Rock Power Connections Limited (Rock), Biotecture Limited and Green Planet Design Ltd (Biotecture), and Esoteric Limited (Esoteric) during the six months ended 31 March 2022.
4. The Group acquired P2ML, 8point8 and Custom Solar during the six months ended 30 September 2022. Refer to Note 15.

8. Trade and other receivables

	30 September 2022 £m	31 March 2022 £m	30 September 2021 £m
Trade receivables	**374.3**	386.3	345.9
Accrued income	**257.2**	239.7	225.5
Prepayments	**42.0**	30.4	33.7
Other receivables	**47.2**	55.4	98.5
Total	**720.7**	711.8	703.6
Included in current assets	**713.4**	704.0	697.2
Included in non-current assets	**7.3**	7.8	6.4
Total	**720.7**	711.8	703.6

Trade receivables at 30 September 2022 represent 30 days credit on sales (31 March 2022: 28 days; 30 September 2021: 27 days).

The Group has discontinued the use of a non-recourse customer invoice discounting (CID) facility under which certain trade receivable balances were sold to the Group’s relationship banks (31 March 2022: £44.5m; 30 September 2021: £59.6m). As these trade receivables were sold without recourse, they were de-recognised from the Group’s balance sheet at the point of sale to the bank, so were not included in trade receivables.

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

9. Trade and other payables

	30 September 2022 £m	31 March 2022 £m	30 September 2021 £m
Trade payables	**176.7**	134.8	144.6
Other taxes and social security	**110.5**	117.7	132.7
Other payables[1]	**20.8**	57.2	94.3
Accruals	**491.1**	534.3	387.3
Total	**799.1**	844.0	758.9
Included in current liabilities	**796.3**	841.2	758.4
Included in non-current liabilities[2]	**2.8**	2.8	0.5
Total	**799.1**	844.0	758.9

Notes:

1. As at 31 March 2022, £20.0m cash was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022 and was included within current other payables at 31 March 2022.
2. Non-current other payables mainly comprise contingent consideration and performance-based employment-linked earnouts arising on acquisitions.

Trade creditors at 30 September 2022 represent 31 days credit on trade purchases (31 March 2022: 23 days; 30 September 2021: 28 days). Management considers that the carrying amount of trade and other payables approximates their fair value.

10. Provisions

	Contract specific costs £m	Insurance reserve £m	Pension £m	Dilapidations £m	Restructuring £m	Other £m	Total £m
At 31 March 2022	56.3	26.0	23.7	6.5	1.9	2.6	**117.0**
Additional provisions in the period	1.1	6.2	–	1.6	–	1.1	**10.0**
Utilised in the period	(4.0)	(4.4)	–	(0.1)	(0.9)	(0.5)	**(9.9)**
Unwinding of discount	–	–	–	0.2	–	–	**0.2**
At 30 September 2022	53.4	27.8	23.7	8.2	1.0	3.2	**117.3**
Included in current liabilities	20.8	8.3	23.7	0.9	0.4	3.2	**57.3**
Included in non-current liabilities	32.6	19.5	–	7.3	0.6	–	**60.0**
Total	53.4	27.8	23.7	8.2	1.0	3.2	**117.3**

Contract specific costs

Contract specific costs provisions of £53.4m (31 March 2022: £56.3m) comprise onerous contract provisions of £11.8m (31 March 2022 : £13.2m) and other contract specific provisions of £41.6m (31 March 2022: £43.1m).

Onerous contract provisions are made where the forecast direct costs of completing a contract exceed the forecast income from the contract. The main contracts these provisions relate to are certain long-term PFI contracts. It is expected that the majority of these provisions will be utilised over a number of years. Given the long-term nature of these contracts, the calculation of onerous contract provisions is a key source of estimation uncertainty, as disclosed in the Annual Report and Accounts for the year ended 31 March 2022. The Group recognised additional provisions of £0.8m and utilised £2.2m in the period with respect to onerous contract provisions.

Contract specific provisions have been made primarily to cover remedial and rectification costs required to meet clients' contract terms, and include a £14.7m provision relating to a significant liability risk on a certain contract which is subject to dispute, a £6.4m provision relating to a commercial settlement dispute for a certain contract, and £3.7m relating to costs of rectification works associated with certain property maintenance contracts of the discontinued Social Housing business. The value of these provisions reflects the single most likely outcome and is expected to be utilised over a maximum period of eight years. Given the complex nature of these contracts, the calculation of contract specific provisions is a key source of estimation uncertainty, as disclosed in the Annual Report and Accounts for the year ended 31 March 2022. The remaining provision relates to other potential commercial claims and rectification work for other contracts. The Group recognised additional provisions of £0.3m and utilised £1.8m in the period with respect to contract specific provisions.

Insurance reserve

The Group retains a portion of the exposure in relation to insurance policies for employer liabilities and motor and fleet liabilities. Judgement is involved in assessing outstanding liabilities, the ultimate cost and timing of which cannot be known with certainty at the balance sheet date. The provision includes claims incurred but not yet reported and is based on information available at the balance sheet date. The provision is expected to be utilised over five years.

The insurance reserve of £27.8m is presented gross of an insurer reimbursement asset of £5.4m (31 March 2022: £6.5m), which represents the amount the Group is virtually certain to recover for claims under its insurance policies. The asset is presented as a non-current other receivable.

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Pension

The pension provision balance at 30 September 2022 includes £21.7m for Section 75 employer debt liabilities of Robert Prettie & Co Limited and Mitie FM Limited as a result of their participation in the Plumbing Scheme. This amount 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.

Dilapidations

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 and is expected to be utilised in the next twelve years.

Restructuring

The restructuring provision relates to unavoidable costs of the organisational change associated with the Group's property transformation programme that are explicitly excluded from the measurement of lease liabilities in accordance with IFRS 16. The amount is expected to be utilised over the next four years.

11. Cash and cash equivalents

	30 September 2022 £m	31 March 2022 £m	30 September 2021 £m
Cash and cash equivalents	**232.9**	345.2	300.3

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The Group operates cash-pooling arrangements with certain banks for cash management purposes.

At 30 September 2022, included within cash and cash equivalents is £4.6m of restricted cash (31 March 2022: £17.5m; 30 September 2021: £19.6m) which is subject to various constraints on the Group's ability to utilise these balances (Restricted Cash). These constraints primarily relate to amounts held in project bank accounts and cash held through a joint operation.

At 31 March 2022, £20.0m was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022 and was not categorised as Restricted Cash.

The carrying amount of the assets approximates their fair value.

12. Financing liabilities

	30 September 2022 £m	31 March 2022 £m	30 September 2021 £m
Bank loans – under committed facilities	**7.0**	7.1	7.2
Private placement notes	**192.6**	171.0	168.2
Lease liabilities	**118.5**	122.5	114.4
Total	**318.1**	300.6	289.8
Included in current liabilities	**191.4**	171.1	30.6
Included in non-current liabilities	**126.7**	129.5	259.2
Total	**318.1**	300.6	289.8

In October 2021, the Group signed a new £150m revolving credit facility and terminated the £250m facility which was set to mature in December 2022. The new facility, which is on significantly more favourable terms, expires in October 2026 following the exercise of an option to extend for a further year from 2025 as approved by the lenders in September 2022.

In November 2021, the Group agreed, under a delayed funding arrangement, the issue of £120.0m of new US private placement notes in December 2022, avoiding any overlap with the existing £121.5m of notes that mature in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and will be issued with an average coupon of 2.94% which is considerably below the current coupon.

The revolving credit facility and the US private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements. The Group was in compliance with these covenants as at 30 September 2022 and hence all amounts are classified in line with repayment dates.

At 30 September 2022, the Group had available £141.7m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

13. Financial instruments

Fair value estimation

The vast majority of financial instruments are held at amortised cost. However, the Group holds certain financial instruments on the balance sheet at their fair value. 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 following table categorises the Group's financial assets and liabilities included on the Group's condensed consolidated balance sheet which are measured at fair value. There were no transfers between levels during the period.

	30 September 2022 £m			31 March 2022 £m			
	Fair value	Level 2	Level 3	**Fair value**	Level 1	Level 2	Level 3
Financial assets held at fair value through profit and loss							
Other receivables[1]	**–**	–	–	**6.0**	6.0	–	–
Financial assets held at fair value through other comprehensive income							
Other receivables[2]	**0.6**	0.6	–	**0.7**	–	0.7	–
Derivative financial instruments hedging private placement notes[3]	**41.1**	41.1	–	**19.6**	–	19.6	–
Assets measured at fair value	**41.7**	41.7	–	**26.3**	6.0	20.3	–
Financial liabilities held at fair value through profit and loss							
Other payables[4]	**2.5**	–	2.5	**2.8**	–	–	2.8
Liabilities measured at fair value	**2.5**	–	2.5	**2.8**	–	–	2.8

Notes:

1. At 31 March 2022 other receivables included the £6.0m which represented management's best estimate of the amount expected to be recovered by the Group through the completion accounts and other SPA mechanisms on the Interserve acquisition. This amount has been settled during the six months ended 30 September 2022.
2. At 30 September 2022, £0.6m (31 March 2022: £0.7m) was recognised relating to a defined benefit reimbursement asset.
3. At 30 September 2022, the Group held derivative financial instruments hedging private placement notes valued at £41.1m (31 March 2022: £19.6m).
4. Other payables held at fair value through profit and loss mainly comprise contingent consideration and performance-based employment-linked earnouts arising on acquisitions.

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.

Certain other payables, which fall into level 3, comprise contingent consideration and performance-based employment-linked earnouts of £2.5m on the acquisitions of Rock, Esoteric, Biotecture and Custom Solar. The fair value has been determined based on management's best estimate of achieving future targets to which the consideration and earnouts are linked. The most significant unobservable input used in the fair value measurements is the future forecast performance of the acquired businesses. A reasonable change in key unobservable inputs will not have a material impact on the Group.

Derivative financial instruments

The Group holds a number of cross-currency interest rate swaps designated as cash flow hedges on US$153.0m of private placement notes. Biannual fixed interest cash flows denominated in US dollars arising over the periods to December 2022 from the US Private Placement market are exchanged for fixed interest cash flows denominated in pounds sterling. The Group has fully hedged the US dollar exposure on the principal and interest payments on private placement notes into pounds sterling.

A fair value gain of £21.5m (2021: £3.0m) was recognised in other comprehensive income during the six months ended 30 September 2022. All cash flow hedges were assessed as being highly effective as at 30 September 2022 and no amounts (2021: £nil) relating to hedge ineffectiveness were recognised in profit or loss 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 £41.1m (31 March 2022: £19.6m; 30 September 2021: £17.6m), 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 £232.9m (31 March 2022: £345.2m; 30 September 2021: £300.3m).

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 condensed consolidated balance sheet in relation to the Group's trade receivables and accrued income balances are presented net of loss allowances of £13.5m (31 March 2022: £11.9m; 30 September 2021: £13.1m) and £11.2m (31 March 2022: £10.1m; 30 September 2021: £10.1m), respectively. The Group performs an impairment analysis at each reporting date and 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. No material changes to credit risk have been noted since 31 March 2022.

14. Analysis of net (debt)/cash

	30 September 2022 £m	31 March 2022 £m	30 September 2021 £m
Cash and cash equivalents (Note 11)[1]	**232.9**	345.2	300.3
Adjusted for: Restricted Cash and other adjustments[2]	**(19.9)**	(37.5)	(19.6)
Bank loans (Note 12)	**(7.0)**	(7.1)	(7.2)
Private placement notes (Note 12)	**(192.6)**	(171.0)	(168.2)
Derivative financial instruments hedging private placement notes (Note 13)	**41.1**	19.6	17.6
Net cash before lease obligations	**54.5**	149.2	122.9
Lease liabilities	**(118.5)**	(122.5)	(114.4)
Net (debt)/cash	**(64.0)**	26.7	8.5

Notes:

1. At 31 March 2022, £20.0m cash was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022 and was not categorised as Restricted Cash.

2. Included within these amounts is Restricted Cash of £4.6m (31 March 2022: £17.5m; 30 September 2021: £19.6m) and certain payments totalling £15.3m which were initiated on 30 September 2022 but which settled the following working day and in accordance with the Group's accounting policy were not derecognised from cash and cash equivalents until settlement date (31 March 2022 and 30 September 2021: £nil). Adjustments at 31 March 2022 included the £20.0m that was held across the Group's bank accounts as at that date in respect of the CID facility where cash collected from the Group's customers was held on trust for the CID facility provider.

15. Acquisitions

Current period acquisitions

P2ML

On 1 April 2022, the Group completed the acquisition of the entire issued share capital of P2ML Limited (P2ML), a specialist telecoms tower design house, for total cash consideration of £2.8m. P2ML has market leading expertise in providing design, construction, inspection and maintenance services for cellular telecoms infrastructure, enabling major network operators and tower owners to facilitate upgrades to their estates.

P2ML contributed £1.7m of revenue and £0.2m of operating profit before other items to the Group's results during the six months ended 30 September 2022. Goodwill on the acquisition of P2ML represents the premium associated with taking over the operations which are considered to expand Mitie's Telecoms acquisition, design and construction (ADC) capabilities.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. Management continues to seek further information to complete accounting on the business combination within the 12-month measurement period. The provisional purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	Provisional fair value £m
Customer contracts and relationships	–	1.0	**1.0**
Property, plant and equipment	0.1	–	**0.1**
Right-of-use assets	–	0.1	**0.1**
Trade and other receivables	0.6	0.2	**0.8**
Cash and cash equivalents	0.8	–	**0.8**
Trade and other payables	(0.5)	–	**(0.5)**
Lease liabilities	–	(0.1)	**(0.1)**
Deferred tax liability	–	(0.2)	**(0.2)**
Net identifiable assets acquired	1.0	1.0	**2.0**
Goodwill			**0.8**
Consideration			**2.8**

8point8

On 3 May 2022, the Group completed the acquisition of the entire issued share capital of 8point8 Support Limited, 8point8 Training Limited and Vantage Solutions Limited (collectively 8point8) for total cash consideration of £8.0m. 8point8 is a leading provider of design and construction services in the UK, predominantly for mobile telecoms tower infrastructure.

8point8 contributed £9.4m of revenue and £0.5m of operating loss before other items to the Group's results during the six months ended 30 September 2022. Goodwill on the acquisition of 8point8 represents the premium associated with taking over the operations which are considered to enhance Mitie's offering as a telecoms support services company.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. Management continues to seek further information to complete accounting on the business combination within the 12-month measurement period. The provisional purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	Provisional fair value £m
Customer contracts and relationships	–	1.9	**1.9**
Property, plant and equipment	0.8	–	**0.8**
Right-of-use asset	–	0.4	**0.4**
Current tax assets	0.1	–	**0.1**
Inventories	1.6	(0.1)	**1.5**
Trade and other receivables	4.5	(0.3)	**4.2**
Overdrafts	(0.1)	0.1	**–**
Trade and other payables	(5.7)	(0.5)	**(6.2)**
Lease liabilities	–	(0.3)	**(0.3)**
Deferred income	(0.1)	(0.2)	**(0.3)**
Deferred tax liability	(0.1)	(0.4)	**(0.5)**
Net identifiable assets acquired	1.0	0.6	**1.6**
Goodwill			**6.4**
Consideration			**8.0**

Custom Solar

On 30 June 2022, the Group completed the acquisition of the entire issued share capital of Custom Solar Ltd (Custom Solar). Custom Solar is a solar power solutions company specialising in the development, design, installation and maintenance of solar power systems for public and private sector clients. Custom Solar's design and installation expertise, combined with Mitie's industry leading project management and mobile engineering offering, will support Mitie's ambition to be a leading provider of end to end green energy solutions.

The transaction consideration comprises an initial cash consideration of £7.8m and contingent consideration with a fair value of £0.4m. Contingent consideration and consideration treated as remuneration for employment services has a maximum threshold of up to £4.4m (undiscounted) by the end of FY25, linked to performance targets.

Custom Solar contributed £5.0m of revenue and £0.2m of operating profit before other items to the Group's results during the six months ended 30 September 2022. Goodwill on the acquisition of Custom Solar represents the premium associated with taking over the operations which are considered to enhance the Group's ability to better deliver across the energy sector.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. Management continues to seek further information to complete accounting on the business combination within the 12-month measurement period. The provisional purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	Provisional fair value £m
Customer contracts and relationships	–	5.8	**5.8**
Property, plant and equipment	0.2	–	**0.2**
Right-of-use assets	–	0.1	**0.1**
Trade and other receivables	7.0	–	**7.0**
Cash and cash equivalents	1.3	–	**1.3**
Trade and other payables	(3.4)	–	**(3.4)**
Current tax liabilities	(0.3)	–	**(0.3)**
Lease liabilities	–	(0.1)	**(0.1)**
Bank loans	(3.6)	–	**(3.6)**
Deferred tax liabilities	–	(1.5)	**(1.5)**
Net identifiable assets acquired	1.2	4.3	**5.5**
Goodwill			**2.7**
Consideration			**8.2**

Based on estimates made of the full period impact of the above noted acquisitions, Group revenue and operating profit before other items for the six months ended 30 September 2022 would have increased by approximately £8.1m and £0.4m respectively, if the businesses had been acquired on 1 April 2022. This would have resulted in total Group revenue of £1,882.4m and total Group operating profit before other items of £68.4m.

The three acquisitions made during the period have been integrated into the Technical Services division and associated goodwill has been allocated to the Technical Services cash generating unit (CGU).

Prior period acquisitions

Interserve

As disclosed in the 2022 Annual Report and Accounts, following the expert's determination on 8 April 2022 for which the expert sought a legal opinion in relation to the interpretation of the complex Interserve SPA requirements, an agreement was reached on 12 May 2022 for the seller to pay £7.1m to the Group, of which £1.1m was settled during the second half of the year ended 31 March 2022 and £6.0m was settled in May 2022.

Biotecture

On 31 January 2022, the Group completed the acquisition of Biotecture Limited and Green Planet Design Ltd (collectively Biotecture), which designs, builds and maintains vertical gardens, known as living walls.

The acquisition accounting was disclosed as provisional within the Group's results for the year ended 31 March 2022. The Group has used the 12-month measurement period from the date of acquisition, in accordance with IFRS 3 *Business Combinations*, to finalise the fair value measurement relating to the completion accounts process.

During the six months ended 30 September 2022, the fair value of consideration was increased by £0.1m as a result of the completion accounts process, which was settled in cash, and therefore goodwill recognised on the acquisition increased by £0.1m.

DAEL

On 5 August 2021, the Group completed the acquisition of DAEL Ventures Limited (DAEL), which is a leading provider of acquisition, design, and construction services in the UK for mobile telecoms infrastructure.

The acquisition accounting was disclosed as provisional within the Group's results for the year ended 31 March 2022. The Group has used the 12-month measurement period from the date of acquisition, in accordance with IFRS 3 *Business Combinations*, to finalise the fair value measurement relating to the completion accounts process.

During the six months ended 30 September 2022, the fair value of net assets acquired was reduced by £0.4m and therefore goodwill recognised on the acquisition increased by £0.4m.

Cash flows on acquisitions

	Six months ended 30 September 2022 £m	Six months ended 30 September 2021 £m
Cash consideration	**18.7**	14.8
Less: cash balance acquired	**(2.1)**	(1.4)
Net outflow of cash – investing activities	**16.6**	13.4

16. 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. During the six months ended 30 September 2022, the Group made a total contribution to defined contribution schemes of £6.9m (2021: £5.4m) and contributions to the auto-enrolment scheme of £10.1m (2021: £8.5m), which are included in the income statement charge.

The defined benefit schemes include the Mitie Group plc Pension Scheme (Group scheme), the Interserve Scheme Part C (Interserve scheme) and three smaller schemes; MacLellan Group 2000 Retirement Benefit Scheme, THK Insulation Limited Retirement Benefits Scheme and Cyprus Provident Fund. Due to the size of the smaller schemes, the Directors present the results and position of these schemes within this Note within Other schemes which include the Admitted Body schemes, largely sections of Local Government pension 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. In addition, Interserve Scheme Part B (Landmarc) is held within interest in joint ventures and associates.

Principal accounting assumptions at balance sheet date

			Group scheme			Interserve scheme			Other schemes
	30 September 2022 %	31 March 2022 %	30 September 2021 %	**30 September 2022 %**	31 March 2022 %	30 September 2021 %	**30 September 2022 %**	31 March 2022 %	30 September 2021 %
Key assumptions used for IAS 19 valuation:									
Discount rate	**5.30**	2.75	2.05	**5.40**	2.80	2.10	**5.30-5.40**	2.80	2.05-2.10
Expected rate of pensionable pay increases	**3.60**	3.60	2.65	**3.80**	3.80	2.70	**3.60-3.80**	3.80	2.65-2.70
Retail price inflation	**3.60**	3.60	3.40	**3.80**	3.30	3.40	**3.60-3.80**	3.30	3.40
Consumer price inflation	**2.85**	2.85	2.65	**3.30**	2.85	2.70	**2.85-3.30**	2.85	2.65-2.70
Future pension increases	**3.60**	3.60	3.40	**3.80**	3.80	3.50	**3.60-3.80**	3.80	3.40-3.50

Sensitivity of defined benefit obligations to key assumptions

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%	(1.2)%	(3.1)
Increase in retail price inflation[1]	0.1%	0.9%	2.4
Increase in consumer price inflation (excluding pay)	0.1%	0.4%	1.1
Increase in life expectancy	1 year	2.3%	6.0

Note:

1. Including other inflation-linked assumptions (consumer price inflation, pension increases and salary growth).

Some of the above changes in assumptions may have an impact on the value of the scheme's investment holdings, such as a change in discount rates as a result of a change in UK corporate bond yields.

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Amounts recognised in financial statements

Amounts recognised in the condensed consolidated income statement are as follows:

	30 September 2022				30 September 2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Current service cost	**(0.1)**	**(0.4)**	**(0.9)**	**(1.4)**	(0.1)	(0.5)	(0.8)	(1.4)
Past service cost (including curtailments)[1]	**–**	**–**	**–**	**–**	–	–	(0.1)	(0.1)
Total administration expense	**(0.2)**	**–**	**–**	**(0.2)**	(0.3)	(0.2)	–	(0.5)
Amounts recognised in operating profit	**(0.3)**	**(0.4)**	**(0.9)**	**(1.6)**	(0.4)	(0.7)	(0.9)	(2.0)
Net interest cost	**(0.1)**	**–**	**–**	**(0.1)**	(0.4)	0.1	–	(0.3)
Amounts recognised in profit before tax	**(0.4)**	**(0.4)**	**(0.9)**	**(1.7)**	(0.8)	(0.6)	(0.9)	(2.3)

Note:

1 Past service cost was reported within other items. Refer to Note 3.

Amounts recognised in the condensed consolidated statement of comprehensive income are as follows:

	30 September 2022				30 September 2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Actuarial gains/(losses) arising due to changes in financial assumptions	**89.4**	**11.1**	**23.9**	**124.4**	(7.0)	(0.9)	(2.3)	(10.2)
Actuarial (losses)/gains arising from liability experience	**(11.2)**	**(1.3)**	**(1.8)**	**(14.3)**	–	(0.1)	0.1	–
Actuarial losses due to changes in demographic assumptions	**–**	**–**	**–**	**–**	(1.5)	–	–	(1.5)
Movement in asset ceiling	**–**	**–**	**(5.6)**	**(5.6)**	–	–	(1.7)	(1.7)
Return on scheme assets, excluding interest income	**(76.3)**	**(9.9)**	**(11.7)**	**(97.9)**	13.5	1.2	4.0	18.7
Return on reimbursement asset[1]	**–**	**–**	**(0.2)**	**(0.2)**	–	–	–	–
Amounts recognised in condensed consolidated statement of comprehensive income	**1.9**	**(0.1)**	**4.6**	**6.4**	5.0	0.2	0.1	5.3

Note:

1 Included within the consolidated statement of comprehensive income is £0.2m related to a reimbursement asset. The reimbursement asset of £0.6m at 30 September 2022 is recorded within other receivables.

The amounts included in the condensed consolidated balance sheet are as follows:

	30 September 2022				31 March 2022			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	**161.6**	**23.4**	**75.7**	**260.7**	231.0	32.6	87.0	350.6
Present value of defined benefit obligations	**(159.8)**	**(21.8)**	**(78.0)**	**(259.6)**	(238.3)	(31.0)	(93.5)	(362.8)
Net retirement benefit asset/(liability)	**1.8**	**1.6**	**(2.3)**	**1.1**	(7.3)	1.6	(6.5)	(12.2)

All figures above are shown before deferred tax.

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

	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
At 1 April 2022	238.3	31.0	93.5	362.8
Current service cost	0.1	0.4	0.9	1.4
Interest cost	3.2	0.4	1.1	4.7
Contributions from scheme members	–	–	0.2	0.2
Actuarial gains arising due to changes in financial assumptions	(89.4)	(11.1)	(23.9)	(124.4)
Actuarial losses arising from experience	11.2	1.3	1.8	14.3
Movement in asset ceiling	–	–	5.6	5.6
Benefits paid	(3.6)	(0.2)	(1.2)	(5.0)
At 30 September 2022	**159.8**	**21.8**	**78.0**	**259.6**

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

	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
At 1 April 2022	231.0	32.6	87.0	350.6
Interest income	3.1	0.4	1.1	4.6
Actuarial losses on assets	(76.3)	(9.9)	(11.7)	(97.9)
Contributions from the sponsoring companies	7.5	0.5	0.3	8.3
Contributions from scheme members	–	–	0.2	0.2
Expenses paid	(0.2)	–	–	(0.2)
Benefits paid	(3.5)	(0.2)	(1.2)	(4.9)
At 30 September 2022	**161.6**	**23.4**	**75.7**	**260.7**

17. Contingent liabilities

Contractual disputes, guarantees and indemnities

The Group is, 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.

The Group is currently aware of potential liabilities relating to certain of the PFI contracts in the Interserve business. Management is in the process of investigating the extent to which a liability to provide rectification works exists, the result of which may or may not involve legal proceedings. Whilst management is collating the required information to assess the potential exposure, no reliable estimate of the contingent liability, or the likely timing of any settlement amount, can be made at the reporting date.

The Group and its subsidiaries have provided performance and financial guarantees, issued by financial institutions on its behalf, amounting to £32.2m (31 March 2022: £29.2m; 30 September 2021: £32.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

Multi-employer pension schemes

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

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 have been estimated at £2.4m by the trustee, however no event has occurred to trigger this debt.

Employment claims

The Group is, 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.

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18. 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 2022, the Group did not make donations and gifts in kind to the Foundation (2021: £0.1m).

During the period ended 30 September 2022, the Group recognised revenue from transactions with joint ventures or associates of £1.4m (2021: £0.5m). The amounts due from joint ventures and associates at 30 September 2022 was £0.6m (31 March 2022: £0.4m; 30 September 2021: £0.2m) and no expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by joint ventures and associates (31 March 2022: £0.2m; 30 September 2021: £nil).

All transactions with these related parties were made on terms equivalent to those that prevail in arm's length transactions.

19. Events after the reporting period

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

Appendix – Alternative Performance Measures

The Group presents various Alternative Performance Measures (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		Six months ended 30 September 2022 £m	Six months ended 30 September 2021[1] £m
Operating profit from continuing operations	Statutory measures	**50.5**	59.2
Adjust for: restructure costs	Note 3	**3.6**	4.9
Adjust for: acquisition and disposal related costs	Note 3	**11.8**	20.1
Adjust for: other exceptional items	Note 3	**2.1**	1.1
Operating profit before other items from continuing operations	Performance measures	**68.0**	85.3
Operating profit from discontinued operations	Statutory measures	**–**	15.9
Adjust for: gain on disposal	Note 3	**–**	(13.0)
Operating profit before other items from discontinued operations	Performance measures	**–**	2.9
Operating profit before other items – Group	Performance measures	**68.0**	88.2

Note:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

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

	Six months ended 30 September 2022 £m			Restated[1] Six months ended 30 September 2021 £m		
Operating profit/(loss)	Reported results	Adjust for: Other items (Note 3)	Performance measures	Reported results	Adjust for: Other items (Note 3)	Performance measures
Segment						
Business Services	**32.7**	**0.2**	**32.9**	65.0	0.2	65.2
Technical Services	**12.2**	**1.9**	**14.1**	6.5	6.2	12.7
CG&D	**25.5**	**–**	**25.5**	14.8	0.1	14.9
Communities	**11.0**	**0.1**	**11.1**	12.0	(0.9)	11.1
Specialist Services	**12.0**	**0.3**	**12.3**	10.9	0.2	11.1
Care & Custody	***4.7***	***–***	***4.7***	*3.4*	*–*	*3.4*
Landscapes	***(0.4)***	***0.2***	***(0.2)***	*0.5*	*–*	*0.5*
Waste	***3.6***	***0.1***	***3.7***	*4.5*	*–*	*4.5*
Spain	***4.1***	***–***	***4.1***	*2.5*	*0.2*	*2.7*
Corporate centre	**(42.9)**	**15.0**	**(27.9)**	(50.0)	20.3	(29.7)
Total from continuing operations	**50.5**	**17.5**	**68.0**	59.2	26.1	85.3
Document Management	**–**	**–**	**–**	18.8	(16.0)	2.8
Nordics and Poland	**–**	**–**	**–**	(2.9)	3.0	0.1
Total from discontinued operations	**–**	**–**	**–**	15.9	(13.0)	2.9
Total Group	**50.5**	**17.5**	**68.0**	75.1	13.1	88.2

Note:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

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

Earnings per share		Six months ended 30 September 2022 pence	Restated[1] Six months ended 30 September 2021 pence
Statutory basic earnings per share	Statutory measures	**2.6**	3.7
Adjust for: earnings per share from discontinued operations		**–**	(1.1)
Statutory basic earnings per share from continuing operations		**2.6**	2.6
Adjust for: other items per share from continuing operations		**1.0**	2.3
Basic earnings per share before other items from continuing operations	Performance measures	**3.6**	4.9

Note:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Performance excluding COVID-related contracts

Reconciliations are provided below to show how the Group's reported results are adjusted to exclude non-recurring short-term COVID-related contracts.

Revenue from continuing operations		Six months ended 30 September 2022 £m	Six months ended 30 September 2021 £m
Group revenue	Statutory measures	**1,874.3**	1,872.7
Adjust for: share of revenue of joint ventures and associates		**48.6**	39.3
Revenue including share of joint ventures and associates	Performance measures	**1,922.9**	1,912.0
Adjust for: revenue from short-term COVID-related contracts[1]		**(12.6)**	(259.4)
Revenue excluding short-term COVID-related contracts	Performance measures	**1,910.3**	1,652.6

Note:

1. Includes £11.7m (2021: £244.6m) attributable to the Business Services segment.

Operating profit from continuing operations		Six months ended 30 September 2022 £m	Six months ended 30 September 2021 £m
Operating profit	Statutory measures	**50.5**	59.2
Adjust for: other items		**17.5**	26.1
Operating profit before other items	Performance measures	**68.0**	85.3
Adjust for: operating profit from short-term COVID-related contracts[1]		**(2.6)**	(40.3)
Operating profit excluding short-term COVID-related contracts	Performance measures	**65.4**	45.0

Note:

1. Includes £2.6m (2021: £40.8m) attributable to the Business Services segment.

Net (debt)/cash and total financial obligations

Net (debt)/cash is defined as the difference between total borrowings and 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 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. In addition, restricted cash which is subject to various constraints on the Group's ability to utilise these balances (Restricted Cash), certain payments which were initiated on the last day of the reporting period but settled the following working day post period end, and cash which was held on trust for the CID facility provider, have been excluded from the net debt measure.

Total financial obligations (TFO) is defined as the Group's net (debt)/cash including the amount of invoice discounting under the now discontinued CID facility and the net retirement benefit assets/(liabilities). TFO represents all debt-like financing items the Group has made use of as at the period end.

A reconciliation from reported figures is presented below:

Net (debt)/cash		30 September 2022 £m	31 March 2022 £m	30 September 2021 £m
Cash and cash equivalents	Statutory measures	**232.9**	345.2	300.3
Adjusted for: Restricted Cash and other adjustments[1]	Note 14	**(19.9)**	(37.5)	(19.6)
Financing liabilities	Note 12	**(318.1)**	(300.6)	(289.8)
Derivative financial instruments hedging private placement notes		**41.1**	19.6	17.6
Net (debt)/cash	Performance measures	**(64.0)**	26.7	8.5
Customer invoice discounting facility	Note 8	**–**	(44.5)	(59.6)
Net retirement benefit liabilities	Note 16	**1.1**	(12.2)	(32.5)
TFO	Performance measures	**(62.9)**	(30.0)	(83.6)

Note:

1. Included within these amounts is Restricted Cash of £4.6m (31 March 2022: £17.5m; 30 September 2021: £19.6m) and certain payments totalling £15.3m which were initiated on 30 September 2022 but which settled the following working day and in accordance with the Group's accounting policy were not derecognised from cash and cash equivalents until settlement date (31 March 2022 and 30 September 2021: £nil). Amounts at 31 March 2022 included £20.0m that was held across the Group's bank accounts as at that date in respect of the CID facility where cash collected from the Group's customers was held on trust for the CID facility provider.

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 showed average daily net debt of £62.0m for the six months ended 30 September 2022, compared with £24.7m for the year ended 31 March 2022 and £59.9m for the six months ended 30 September 2021.

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 is available to the Group after operating and capital expenditure requirements are met. The table below reconciles net cash generated from operating activities to free cash (outflow)/inflow.

Free cash flow		Six months ended 30 September 2022 £m	Restated[1] Six months ended 30 September 2021 £m
Net cash generated from operating activities	Statutory measures	**2.0**	115.7
Add: net decrease/(increase) in Restricted Cash and other adjustments		**17.6**	(0.9)
Interest received		**0.8**	–
Dividends received from joint ventures and associates		**5.3**	1.5
Purchase of own shares		**(5.7)**	–
Purchase of property, plant and equipment		**(4.5)**	(2.8)
Purchase of other intangible assets		**(9.3)**	(10.8)
Disposal of property, plant and equipment		**–**	0.3
Capital element of lease rentals paid		**(16.9)**	(17.1)
Free cash (outflow)/inflow	Performance measures	**(10.7)**	85.9

Note:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Earnings before interest, tax, depreciation and amortisation

Earnings from continuing operations before interest, tax, depreciation and amortisation (EBITDA) is a measure of the Group's profitability. EBITDA is measured as profit before tax from continuing operations excluding the impact of net finance costs, Other items, depreciation on property, plant and equipment, amortisation and impairment of non-current assets and amortisation of contract assets.

EBITDA		30 September 2022 £m	Restated[1] 30 September 2021 £m
Profit before tax from continuing operations	Statutory measures	**43.1**	49.2
Add: net finance costs from continuing operations		**7.4**	10.0
Operating profit from continuing operations		**50.5**	59.2
Add: Other items from continuing operations	Note 3	**17.5**	26.1
Operating profit before other items from continuing operations		**68.0**	85.3
Add:			
Depreciation of property, plant and equipment		**21.3**	19.3
Amortisation of non-current assets[2]		**2.6**	3.3
Amortisation of contract assets		**0.5**	0.8
Impairment of non-current assets[2]		**0.2**	0.6
EBITDA	Performance measures	**92.6**	109.3

Notes:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Excludes amounts classified in the consolidated income statement as Other items.

Return on invested capital

Return on invested capital (ROIC) is a measure of how efficiently the Group utilises its invested capital to generate profits. The table below reconciles the Group's net assets to invested capital and summarises how the ROIC is derived, based on a 12-month rolling continuing operating profit before other items after tax.

		30 September 2022 £m	31 March 2022 £m	Restated[1] 30 September 2021 £m
Net assets	Statutory measures	**402.3**	425.8	423.3
Add:				
Non-current liabilities		**211.8**	241.0	405.2
Current provisions		**57.3**	54.7	55.3
Current Private Placement notes[2]		**162.6**	141.0	–
Deduct:				
Non-current derivative financial assets		**–**	–	(17.6)
Current derivative financial assets		**(41.1)**	(19.6)	–
Non-current deferred tax assets		**(8.2)**	(11.1)	(30.8)
Cash and cash equivalents		**(232.9)**	(345.2)	(300.3)
Invested capital	Performance measures	**551.8**	486.6	535.1
Continuing operating profit before other items[3]		**149.6**	166.9	125.7
Tax		**(23.6)**	(21.5)	(16.1)
Continuing operating profit before other items after tax[3]		**126.0**	145.4	109.6
ROIC %[4]	Performance measures	**22.8%**	29.9%	20.5%

Notes:

1. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. The current portion of the US Private Placement notes has been added back to provide further clarity and comparability of invested capital.
3. The operating profit is presented on a rolling 12-month basis.
4. The ROIC metric used for the purposes of the Enhanced Delivery Plan (EDP) requires further adjustments under the detailed rules agreed with shareholders.