21 November 2024
Mitie Group plc

Interim results for the six months to 30 September 2024

Continued good strategic progress and financial performance
H1 revenue and operating profit up 14%
Record contract wins and renewals/extensions

Highlights

- **Revenue**[1] up 14% to £2,430m (H1 FY24: £2,132m), including 8% organic growth primarily driven by new contract wins, scope increases and pricing, alongside a 6% contribution from acquisitions
- **Record contract wins and renewals,** up 54% to £3.7bn TCV (H1 FY24: £2.4bn); Renewals rate of 64% (FY24: 79%) reflects the loss of two notable public sector contracts; book to bill ratio of 150%[5]
- **Operating profit before other items**[2,3] up 14% to £101m (H1 FY24: £89m)
- **Operating profit margin**[3] before other items maintained at 4.2% (H1 FY24: 4.2%); includes margin enhancement initiatives, offset by investments in the new Three-Year Plan and a loss in the telecoms infrastructure business
- **Basic EPS before other items** up 2% to 5.4p (H1 FY24: 5.3p), with the benefits of higher operating profit and the share buyback programme offsetting a higher effective corporation tax rate and finance costs
- **Operating profit** of £63m (H1 FY24: £57m) and basic EPS of 3.0p (H1 FY24: 3.3p); other items[2] of £38m (H1 FY24: £32m) include costs to deliver margin enhancement initiatives and an increase in acquisition-related costs
- **Free cash flow generation** of £34m (H1 FY24: £48m); operating cash flow of £81m (H1 FY24: £73m)
- **Three acquisitions completed** year-to-date for £49m, including a power connections business in H1 (£4.3m), and a UK fire systems business (£36.9m) and a Spanish security business (£7.5m) post-period end
- **Closing net debt** up £107m to £188m in H1, reflecting increased returns to shareholders, acquisitions and increased electric vehicle lease obligations, offset by free cash flow generation
- **Strong balance sheet** with continued low leverage of 0.7x average net debt/EBITDA[6] (FY24: 0.6x)
- **Interim dividend** up 30% to 1.3p per share (H1 FY24: 1.0p)
- **FY25 share buyback** programme doubled in July to £100m; of which £55m completed in H1 with 45m shares purchased at c.120p average price (of which 34m shares have been cancelled)
- **Reiterate confidence** in meeting Board expectations for FY25 and delivering our new Three-Year Plan targets, notwithstanding headwinds from the recent Autumn Budget

	Six months to 30 September 2024			Six months to 30 September 2023		
£m unless otherwise specified	Before other items[2,6]	Other items[2]	Total	Before other items[2,6]	Other items[2]	Total
Revenue (including share of JVs & associates)	2,430.4	-	2,430.4	2,132.4	-	2,132.4
Group revenue	2,425.6	-	2,425.6	2,083.3	-	2,083.3
Operating profit[3,4]	101.1	(37.7)	63.4	88.8	(32.0)	56.8
Operating profit margin[3]	*4.2%*	-	*2.6%*	*4.2%*	-	*2.7%*
Profit before tax	94.5	(37.7)	56.8	84.3	(32.0)	52.3
Profit for the period	71.1	(31.0)	40.1	68.2	(25.3)	42.9
Basic earnings per share	5.4p		3.0p	5.3p		3.3p
Dividend per share			1.3p			1.0p
Cash generated from operations			81.4			73.0
Free cash inflow[6]			34.3			47.9
Average daily net debt[6]			(219.0)			(156.1)
Closing net debt[6]			(187.5)			(112.7)
Total order book[5]			£12.6bn			£9.9bn
Return on invested capital (ROIC)[6]			25.4%			25.2%

1. *Including share of joint ventures (JVs) and associates.*
2. *Other items are described in Note 3 to the condensed consolidated financial statements.*
3. *Operating profit includes share of profit after tax from JVs and associates. Operating profit margin is operating profit as a percentage of revenue including share of JVs and associates.*
4. *The comparative figures have been re-presented to reclassify £4.2m of acquisition-related costs from 'Operating profit before other items' to 'Other items', to align with how these costs were classified in the Annual Report & Accounts for FY24. See Note 1 to the condensed consolidated financial statements for further details.*
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 during the period and revenue recognised for the period.*
6. *Performance before other items, net debt, free cash flow, EBITDA (rolling 12-month) and ROIC 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 Appendix 1 to the condensed consolidated financial statements.*

Commenting on the first six months and the outlook, Phil Bentley, Group Chief Executive, said:

"We are in the foundation year of our new Facilities Transformation Three-Year Plan (FY25 – FY27); a year in which we are making investments in technology, sales & marketing and our projects capabilities. These investments will enhance our growth by strengthening our market leading position, increasing our pipeline and driving cross-sell opportunities.

"During the first six months of our new Plan, we have delivered good strategic progress and financial performance as our investments start to bear fruit. We have delivered high-single-digit organic growth, in part driven by our ability to stand up a 'surge response' team to protect public safety; progressed our programme of margin enhancement initiatives; continued to build our capabilities through targeted acquisitions; and achieved record contract wins and renewals/extensions.

"Growth over the Plan period is underpinned by highly attractive macro trends. Across both the public and private sectors our customers are increasingly looking to Mitie to reduce their carbon footprint, modernise their buildings, implement power upgrades and grid connections, and support their growing data centre and other critical environment requirements as building regulations change. We are also well positioned to support the government in its commitment to invest in the UK's defence capabilities and the modernisation of its built estate, alongside significant capital funding for schools and the NHS.

"I am grateful to our 72,000 colleagues who provide outstanding service for our customers. Through their hard work and by deploying Mitie's advanced technologies – harnessing real time data and intelligence, advanced analytics and Artificial Intelligence – we continue to lead our industry.

"We have reflected on the changes to employers' National Insurance announced in the Autumn Budget, which take effect from April 2025. We have a strong track record of managing inflationary costs – including annual increases in the National Living Wage; contractual protections in place on many of our contracts; and strong customer relationships where negotiations are necessary. Our current estimate is a c.£25m impact of additional costs in FY26, after contractual and commercial recovery through pricing, which we plan to mitigate through new margin enhancement initiatives and other management actions.

"Returning to H1 FY25 – the foundation year of our new Facilities Transformation Three-Year Plan – our financial and operational performance has been good, and I'm pleased that this momentum has continued into the second half of the year. This underpins our confidence that we will deliver the Board's expectations for the full year, as we progress towards our ambitious medium-term targets."

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Analyst Presentation and Q&A

Phil Bentley (CEO) and Simon Kirkpatrick (CFO) will host a presentation and Q&A session today (21 November 2024) at 9.30am at The Shard and via a webcast. For dial in details please contact kate.heseltine@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 employs 72,000 colleagues and is the leading technology-led Facilities Transformation company in the UK. We are a trusted partner to around 3,000 blue chip customers across the public and private sectors, working with them to transform their built estates, and the lived experience for their colleagues and customers, as well as providing data-driven insights to inform better decision-making.

In each of our core services of engineering (hard services) and security and hygiene (soft services) we hold market leadership positions. We also deliver projects capabilities in the areas of power and grid connections, building fit outs & modernisation, decarbonisation, fire & security, and telecoms infrastructure. Our sector expertise includes central government, critical national infrastructure, defence, financial services, healthcare & life sciences, local government & education, retail & logistics and transport & aviation.

We hold industry-leading ESG credentials, including a place on the CDP Climate change A List, and in the past 12 months we have received multiple industry awards including B2B Marketing Team of the Year, Best Low Carbon Solution and Net Zero Carbon Strategy of the Year. Targeting Net Zero by the end of 2025, our ambitious emissions reduction plans have been validated by the Science Based Targets initiative (SBTi). We have been recognised as a UK Top Employer for the sixth consecutive year. Find out more at www.mitie.com.

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Chief Executive's strategic review

Overview

In the first six months of our new Facilities Transformation Three-Year Plan (FY25 – FY27), Mitie delivered a good financial performance and further strategic progress. Revenue (including share of JVs and associates) for the six months ended 30 September 2024 (H1 FY25) grew by 14% to £2,430m (H1 FY24: £2,132m), including organic growth of 8% – significantly ahead of core FM market growth of c.4% per annum. Operating profit before other items also grew by 14% to £101.1m (H1 FY24: £88.8m) whilst basic EPS before other items grew by 2% to 5.4p (H1 FY24: 5.3p) despite a higher effective corporation tax rate and finance costs.

This is the foundation year of our new Plan, and we are making investments in the business to develop our Facilities Transformation offering and drive growth and margin expansion over the years ahead. After factoring in these increased investments, we maintained the H1 FY25 operating profit margin before other items at 4.2% (H1 FY24: 4.2%). We continue to make good progress with our programme of margin enhancement initiatives, and we have a clear path to our >5% operating margin target by FY27.

Based on the equivalent statutory measures, Group revenue increased by 16% to £2,426m (H1 FY24: £2,083m), operating profit increased by 12% to £63.4m (H1 FY24: £56.8m) and basic EPS reduced by 9% to 3.0p (H1 FY24: 3.3p). The reduction in basic EPS reflected improved profitability and the benefit from the share buyback programme being more than offset by a £5.7m increase in other items after tax to £31.0m (H1 FY24: £25.3m) due to higher acquisition-related costs, and the higher effective tax rate. Further details are set out in the Finance Review.

Facilities Transformation Three-Year Plan (FY25 – FY27)

Our Three-Year Plan pivots the business from traditional Facilities Management to technology-driven Facilities Transformation. Mitie is the FM market leader in the UK, with deep capabilities to aggregate workflow and workforce data across the built environment, and is a trusted partner to thousands of blue-chip public and private sector organisations.

As such, we are well positioned to meet the changing needs of our customers and unlock the value that exists in each of their environments. These needs are underpinned by highly attractive macro trends, including those outlined below and in the Operating Review.

At our Capital Markets Day in October 2023, we set ambitious financial targets (based on alternative performance measures) to accelerate growth and enhance shareholder returns over the new Plan period, underpinned by proactive capital deployment and leverage of 0.75x – 1.5x (average net debt/EBITDA):

- High single digit revenue compound annual growth rate
- >5% operating margin by FY27
- Basic EPS growth above that of revenue growth, despite higher corporation tax rates
- £150m annual free cash flow by FY27

Accelerating growth

Our technology-led Facilities Transformation Plan is expected to deliver accelerated growth through the key pillars of 1) key account growth; 2) projects upsell; and 3) infill M&A. We are targeting high single digit revenue growth annually (inclusive of the contribution from M&A).

In H1 FY25, organic growth through key accounts (net wins and contract growth) and projects upsell contributed 8% to revenue growth, inclusive of contract re-pricing of 3%. Infill M&A completed since 1 April 2023 contributed a further 6% of inorganic growth.

Record contract wins and renewals/extensions
New contract wins and extensions/renewals increased by 54% to a record £3.7bn TCV in H1 FY25 (H1 FY24: £2.4bn), reflecting the investments we are making in our sales and marketing teams.

Notable new wins of £2.1bn included security and hygiene services for Community Health Partnerships and Landsec, building maintenance for The Coventry and Rugby Hospital, IFM and projects for EY, engineering services for Halfords and the Metropolitan Police Service, and a c.£400m contract awarded by the Ministry of Justice to operate the UK's first all-electric 'green' prison (HMP Millsike).

Contract extensions/renewals of £1.6bn TCV included a further three-year extension with Lloyds Banking Group – our largest private sector customer, a five-year IFM extension for Heathrow Airport, engineering and hygiene services for a large e-commerce business, security for Fedex and hygiene for Bank of Ireland.

We have a large, diversified portfolio of customers, and contract renewals are therefore completed on a rolling basis throughout each year. During the period, two notable public sector contracts were not renewed (one on marginal scoring judgements and one on price) and will end in FY26. Due to the size of these contracts over their lifespan, Mitie's renewal rate therefore fell to 64% (FY24: 79%), although we expect this to rebound given the strong commercial momentum in the business more widely.

Our total order book increased by 11% to £12.6bn (FY24: £11.4bn), and our pipeline of new opportunities stands at a record £22bn across a range of organisations in the public and private sectors.

Projects work underpinned by attractive macro trends
We continue to see demand from our customers for transformational projects across their estates and have expanded our technical capabilities through further targeted acquisitions. As a result, our Group projects revenue – delivered across all three of our divisions – increased by c.20% to £0.6bn (H1 FY24: £0.5bn).

Retro-fitting and modernising buildings, including lifecycle upgrades, remain a key driver of growth, where we are integrating systems to create 'intelligent buildings', and ensuring that buildings meet evolving legislative and regulatory requirements. This includes new fire and security legislation, which places a greater responsibility on building owners and managers to protect occupants, and minimum energy efficiency standards for commercial buildings. Decarbonisation technologies, such as solar, electric vehicle (EV) charging and battery storage, are also increasingly being sought after by our customers, alongside our expanded suite of power and grid connections capabilities.

The UK is one of the largest and fastest growing data centre markets in Europe, and we are expanding our delivery of mechanical & electrical, cooling and fire & security systems fit outs in these buildings and across wider critical environments. We saw a pause in some data centre projects during the period, as customers reassess the significant increase in scale, power and cooling requirements arising from AI, which we are well placed to meet and expect to be a key driver of growth in future periods.

We have also continued to deliver a range of projects works across our Defence contracts, reflecting the UK government's commitment to invest in the country's defence capabilities and the modernisation and decarbonisation of its built estate.

Our telecoms infrastructure business has continued to underperform in a challenging market, characterised by poor contracting terms with the major network operators and delays in the completion of projects placing significant pressure on margins. We are renegotiating or exiting from certain unprofitable frameworks and expect revenue from this business to reduce by c.20% in FY25 (FY24: c.£90m). A new management team has been appointed and is expected to return the business to a break even run rate by the end of FY25.

Three strategic projects acquisitions completed year-to-date
We have guided to c.£75m per annum spend on infill M&A over the new Plan, to deepen our projects capabilities in the high-growth, high-margin areas of buildings infrastructure, decarbonisation, power and grid connections and fire & security. Having completed three acquisitions for a consideration of £49m (excluding employment-linked earnouts) in the year to date, the pipeline of opportunities remains attractive.

During H1, we acquired ESM Power, a leading high voltage electrical engineering business, for an initial £4.3m. This acquisition enhances our expertise in the growing high voltage power connections market and complements our Rock Power Connections and G2 Energy businesses by creating a full suite of power connections services.

Shortly after the period end, we acquired Grupo Visegurity, a leading security business in Spain, for €9m (£7.5m) initial cash consideration. This, alongside the recent acquisition of Biservicus, supports the strategic expansion of our security services capabilities in the attractive Spanish FM market.

We have also enhanced our scale and self-delivered offering in the high growth, high margin UK fire & security market through the acquisition of Argus Fire, an engineering-led fire systems business, for £36.9m. This complements the recent acquisitions of GBE Converge and RHI Industrials and provides cross-sell opportunities across our blue-chip customer base.

Operating margin progression
We have a clear path to an operating profit margin before other items of at least 5% by FY27. This will be achieved through our ongoing programme of margin enhancement initiatives and improved operational leverage, alongside the contribution from higher margin infill M&A and projects works. We expect these management actions to more than offset the continued impact of inflation and contract pricing dynamics in a highly competitive environment.

In H1 FY25, the Group maintained an operating profit margin before other items of 4.2% (H1 FY24: 4.2%), despite additional investments to drive growth and margin expansion (£7m), headwinds from inflation (£3m), the completion of higher margin contracts, and losses in our telecoms business (£11m).

Offsetting these factors, the operating margin benefited from a good trading performance, the delivery of £11m of savings through margin enhancement initiatives (MEIs), as well as 40bps improvement in margins as a result of operational leverage.

We expanded the scope of our MEIs from overhead efficiencies to operations and in-contract opportunities during H1, and we have raised our guidance for FY25 cost savings by £5m to £25m. Workstreams included increasing self-delivery to customers and reducing our reliance on third-party contractors; working with key accounts to define a best practice account model; using technology and AI to deploy resources more efficiently; the continued outsourcing of certain finance functions; and the continued consolidation of Mitie's core systems and processes.

Our investments in the foundation year of our Plan are already starting to deliver tangible results, including record H1 contract wins and renewals/extensions, and will continue in H2. We are investing in our sales and marketing teams to develop sector and customer-driven strategies, whilst enhancing our customer relationship management (CRM) functionality and business development skillset. We are putting more resource into contract re-bids, and we are focusing on training and incentives for 'in contract' teams to drive growth over the contract life. We are also investing in technology, by developing our 'intelligent' solutions and enabling AI in our core systems. In our Projects business we are enhancing our consult & design capabilities and developing our Projects Centre of Excellence.

Sustainable free cash flow generation
We are targeting free cash flow generation of c.£150m per annum by FY27, as we expect increased profitability and ongoing working capital process improvements to offset the increased working capital tied up in our growing projects business together with some customers demanding longer payment terms. Sustainable free cash flow generation, and our robust balance sheet, underpins our proactive approach to deploying capital.

In H1 FY25, the Group generated £81m of cash from operations (H1 FY24: £73m), leading to a free cash inflow of £34m (H1 FY24: £48m). Higher cash from operations reflects growth in operating profit, primarily offset by higher lease, interest and corporation tax payments and a £38m seasonal working capital outflow in H1. We remain on track to deliver at least £100m of free cash flow in FY25.

Proactive and growing capital deployment

Our capital deployment policy prioritises a progressive dividend (within a target payout range of 30-40%) and the purchase of all shares to fulfil colleague incentive schemes to mitigate shareholder dilution. We also continue to pursue higher-growth, higher-margin infill M&A to enhance our projects capabilities and return excess funds to shareholders through share buyback programmes.

The Board has declared an interim dividend of 1.3p per share, consistent with our approach of setting the interim dividend at one third of the prior year total dividend (FY24: 4.0p per share). The interim dividend will be paid on 4 February 2025 to all shareholders that are on the register at 20 December 2024. Shares in Mitie will be quoted ex-dividend on 19 December 2024 and the dividend reinvestment plan (DRIP) election date is 9 January 2025.

During the period, and in the year to date, we have acquired 8m shares at a cost of £9m to fulfil colleague incentive plans. We also invested £49m in three acquisitions (including £4.3m in H1), as outlined above.

We commenced our current share buyback programme on 15 April 2024 and doubled it, from £50m to £100m, on 24 July 2024. In H1, we purchased 45m shares in total (£55m) at an average price of c.120p. We are holding c.11m of these shares in treasury to fulfil the 2021 SAYE scheme, vesting in February 2025, and are cancelling all shares we purchase in excess of this.

Strong balance sheet and modest leverage

Closing net debt of £188m (FY24: £81m) reflects the active capital deployments across dividends, buybacks, share purchases for incentive schemes and M&A totalling £121m, alongside a £21m increase in lease obligations as we continue to transition our fleet to electric vehicles (EV) and extend the duration of leases, partially offset by free cashflow generation of £34m.

Average daily net debt was £219m in H1 FY25 (H1 FY24: £156m) and leverage was 0.7x average net debt / EBITDA (H1 FY24: 0.6x). We are still below our targeted leverage range of 0.75x to 1.5x during our new Three-Year Plan.

Technology leadership

Our competitive advantage is embedded in our people and our industry-leading technology, enabling us to deliver transformative, data-driven, 'intelligent' solutions to meet the changing needs of our customers.

This includes Intelligent Engineering – supporting the 24x7 remote monitoring and predictive maintenance of connected assets; Intelligent Security – enabling the deployment of resources in response to the changing risk and threat profiles of our customers' estates; Intelligent Hygiene – delivering demand-led hygiene based on building usage data and sensor technology; and Intelligent Projects – where our Emissions Intelligence platform is enabling the automation of emissions data capture and reporting as well as the creation of Net Zero pathways for clients.

In H1, we started to deploy Intelligent Engineering across 700 connected sites and Intelligent Hygiene across over 100 sites, whilst Intelligent Security has focused on retail customers and covers the location risk of 8,200 sites. Emissions Intelligence has been adopted by four customers with a good pipeline of take up expected in H2.

Our 'intelligent' solutions are supported by the ongoing integration and upgrade of our core systems and platforms, as well as the increasing use of AI. We have upgraded our Government Maximo (MAS 9) platform to unlock Generative AI (GenAI) assistants to better manage work orders, asset maintenance and onboarding. We are embedding AI in our CRM and procurement platforms and optimising predictive maintenance and asset failures. In H2, we will focus on enabling AI in our other core finance and HR platforms and rolling out Microsoft Co-Pilot process automation.

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Environmental, Social and Governance (ESG) leadership
Mitie is recognised as a leader in ESG among global industry peers. These initiatives form a key part of how we do business, ensuring we grow sustainably and responsibly. Our leading credentials also enable us to work with our customers to realise their own sustainability and Net Zero ambitions.

During H1 FY25, we completed a 'double materiality' assessment to identify the sustainability issues that are most material to our business and stakeholders (customers, colleagues, suppliers, shareholders etc) by evaluating both their impacts on the environment and society as well as the potential financial impacts on Mitie. Further details, including a summary of the preliminary outcomes from the assessment, are provided in our 2024 ESG Report, published in August 2024.

We also published our first Climate Transition Plan in this report, building on the success of the Plan Zero initiative that we launched in 2020 to create a path to our ambitious 2025 Net Zero target. Our largest carbon emissions relate to our vehicles, and we transitioned a further c.900 from diesel to electric vehicles (EVs) in H1 FY25. At 30 September 2024, we had c.6,000 EVs in our fleet – one of the largest in the UK – representing 75% of all our vehicles, and we remain on track to transition 80% of the fleet to EV by the end of FY25.

We continue to offer career development opportunities and industry-leading benefits to our colleagues to attract and retain the best talent. For example, we are currently supporting over 1,300 colleagues through apprenticeships across 90 technical, professional and managerial courses. In September, we welcomed our largest ever cohort of early career and new hires into our technical apprentices and graduate engineering roles, and we have also recently expanded our programmes focused on developing women in leadership.

Operating review

As part of our new Facilities Transformation Three-Year Plan (FY25 – FY27), we have simplified our organisational structure to align to our core service line capabilities of Engineering, Security and Hygiene.

From the start of FY25 we absorbed the Central Government & Defence division into Business Services (Central Government) and into Technical Services (Defence). Police services, which was previously reported within Care & Custody in Communities, is now reporting into Business Services.

Business Services

Business Services is the UK's largest provider of technology-led Security and Hygiene services across c.2,500 contracts, with sector expertise in retail, transport & aviation, central government and financial & professional services. It also provides landscaping and waste services, and Mitie's Spanish business is reported within the division.

Business Services, £m	**H1 FY25**	**Restated[1] H1 FY24**	***Change***	***Restated[1] FY24***
Revenue	**1,079**	**956**	***13%***	***1,977***
Security[1]	*517*	*428*	*21%*	*863*
Hygiene	*224*	*194*	*16%*	*407*
Central Government[1]	*185*	*217*	*(15%)*	*447*
Spain	*79*	*51*	*55%*	*114*
Waste	*43*	*38*	*13%*	*77*
Landscapes	*31*	*28*	*11%*	*69*
Operating profit before other items	**72.8**	**68.4**	***6.4%***	***149.8***
Operating profit margin before other items	*6.7%*	*7.2%*	*(0.5ppt)*	*7.6%*
Total order book	£4.0bn	£2.6bn	*54%*	*£3.3bn*

[1] Restated to reflect the change to divisional reporting to include Police services (within Security) and Central Government in Business Services. FY24 restated Central Government revenue excludes £77m reclassified to Defence relating to the Landmarc step change acquisition

Performance highlights

- Revenue +13% to £1,079m (H1 FY24: £956m), reflects good new wins, the provision of 'surge response' security services, growth in projects, pricing and acquisitions, offset by the completion of certain public sector contracts.
- Operating profit before other items +6% to £72.8m (H1 FY24: £68.4m), reflects improved trading and MEIs, offset by the higher margin public sector contracts that have ended and a £3m debt provision relating to ISG work
- £1.9bn TCV of wins and extensions/renewals, primarily in the healthcare, financial services and retail sectors, resulted in a 21% increase in the total order book to £4.0bn (FY24: £3.3bn)
- Mitie's position as a leading integrated fire & security systems provider enhanced through the acquisition of Argus Fire for £36.9m, post-period end
- Spanish security capability expanded through the acquisition of Grupo Visegurity for €9m (£7.5m), post-period end

Operational performance

Business Services delivered a resilient performance in H1 FY25, with revenue benefiting from new wins, the provision of short-term 'surge response' security services to the Home Office during the summer, projects & variable works, pricing and the contribution from acquisitions. This growth was partially offset by the completion of higher margin, short-term public sector works, such as the Afghan Relocations and Assistance contract and Inland Border Forces, and one notable Central Government contract that was not renewed in the prior year and ended in March.

The division secured £1.9bn TCV of contract wins, scope increases and extensions/renewals primarily in the healthcare, financial services, and retail sectors. The largest win was for the provision of security and hygiene services to surgeries and local hospitals for Community Health Partnerships.

Retail is one of the division's largest sectors, with c.£400m of annual revenue and a blue-chip customer base of national retailers and flagship shopping centres. Alongside the continued growth in existing accounts, the division won new contracts to deliver security services for Aldi and Lidl and fire maintenance work for Halfords. The largest contract extension in the period was for the provision of hygiene services to a large e-commerce business.

Business Services continued to expand its presence in the London financial services market through a new contract with EY, and was successful in completing a two-year contract extension for Deutsche Bank. Elsewhere, other notable extensions and renewals included AS Watson, Bank of Ireland and Bellway.

Improved trading and MEIs more than offset the impact from the completion of the higher margin public sector contracts and a c.£3m debt provision for work that was being performed for ISG before it went into administration. MEIs primarily focused on operational excellence and productivity improvements, including the outsourcing of mobile security response services. Merlin for Hygiene continues to be rolled out across customer sites, providing real time data to support demand-led hygiene. c.10% productivity gains are being achieved at these sites, resulting in cost savings for Mitie and the customer, and enhanced standards of cleanliness.

Mitie's fire & security projects business has further strengthened its position as a leading integrated systems provider, organically and through the acquisition of Argus Fire for £36.9m after the period end. Argus Fire specialises in the design, installation, servicing and maintenance of active fire protection systems. It significantly enhances Mitie's scale and self-delivered offering in the higher-growth, higher-margin c.£3bn p.a. UK fire & security market, and complements the prior year acquisitions of GBE Converge and RHI Industrials.

During the period, Business Services secured projects with Scottish Power to design and deliver an integrated physical security, fire and civil engineering solution across 10 critical national infrastructure sub-stations, and with Google to fit out fire, security and ICT systems within two data centres. The division also continued to benefit from the upgrade of critical security infrastructure across certain central government offices.

Mitie Spain benefited from net wins in the current and prior year, and the acquisition of Biservicus (Sept 2023). Shortly after the period end, Grupo Visegurity, a leading security business, was acquired for €9m (£7.5m). In a highly fragmented Spanish FM market, where participants are predominantly single service, these acquisitions represent a strategic expansion of Mitie Spain's security capabilities.

Waste and Landscapes both delivered good growth. Waste benefited from pricing and growth in the Cliniwaste business, which is one of the few UK companies to have been validated at the highest level of disinfection for the treatment of infectious clinical waste. Landscapes benefited from new wins, notably at Edinburgh Airport, as well as variable works and pricing.

Recent awards include British Security Awards – Business of the Year; Fire & Security Matters – Security Guarding Company and Security Project of the Year; Retail Risk, Fraud Awards – Physical Risk Management Team of the Year.

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Technical Services

Technical Services is the UK's largest provider of Engineering services to manage facilities and critical assets across c.350 contracts, including a number of contracts for the Ministry of Defence (MoD). Through existing capabilities and infill M&A, the division delivers projects in the high growth areas of buildings infrastructure, decarbonisation, power and grid connections and telecoms infrastructure to help customers transform their built estates.

Technical Services, £m	**H1 FY25**	**Restated[1] H1 FY24**	***Change***	***Restated FY24[1]***
Revenue (including share of JVs and associates)	**913**	**825**	***11%***	***1,817***
Engineering	*665*	*636*	*5%*	*1,326*
Defence[1]	*248*	*189*	*31%*	*491*
Operating profit before other items	**30.1**	**28.2**	**6.7%**	***74.9***
Operating profit margin before other items	*3.3%*	*3.4%*	*(0.1ppt)*	*4.1%*
Total order book	£4.3bn	£3.8bn	*13%*	*£4.0bn*

[1] Restated to reflect the change to divisional reporting to include Defence within Technical Services. FY24 restated Defence revenue includes £77m reclassified from Central Government relating to the Landmarc step change acquisition

Performance highlights

- Revenue +11% to £913m (H1 FY24: £825m), driven by a strong performance in Defence as well as growth through Engineering scope increases, projects and acquisitions, which more than offset net contract losses
- Operating profit before other items of £30.1m (H1 FY24: £28.2m), reflects margin enhancement initiatives and acquisitions, partially offset by net contract losses and a loss in the telecoms infrastructure business
- £1.2bn TCV of engineering and IFM contract wins and extensions/renewals resulted in an 8% increase in the total order book to £4.3bn (FY24: £4.0bn)
- ESM Power acquired for an initial £4.3m, enhancing our expertise in the growing power connections market

Operational performance

Technical Services revenue benefited from strong growth in Defence, reflecting the new Germany and wider Europe Defence Infrastructure Organisation contract (commenced in June), projects and variable works, and pricing. In Engineering the contribution from projects, scope increases and acquisitions (including the consolidation of Landmarc as a subsidiary), was partially offset by net contract losses.

The latter primarily relates to one private sector IFM contract that was not renewed, and completed at the end of FY24, although the division continues to deliver engineering projects works (alongside subcontracted security, waste and landscaping services via Business Services).

Notable new engineering and IFM contracts included Dublin City University, EY, Grosvenor Ltd, Halfords and the Metropolitan Police Service. The division also secured a further contract extension with Mitie's largest private sector customer, Lloyds Banking Group, in addition to extensions for Heathrow Airport, Bank of Ireland, Government Communications Bureau and Marsh & McLennan.

Margin enhancement initiatives in the period focused on streamlining account structures, driving efficiency gains through the introduction of GenAI assistants and AI-driven tools to predict asset failures and optimise predictive maintenance, as well as reducing divisional overheads. The increased self-delivery of certain works, such as fire, water and asbestos compliance in Defence, is also starting to gain traction as part of a Group-wide initiative.

Overall, the Technical Services operating margin reduced to 3.3% (H1 FY24: 3.4%), after factoring in an £11m loss in the telecoms infrastructure business, which we are taking steps to address and expect to return to a break even run rate by the end of FY25. Excluding this loss, the operating margin would have increased to 4.5%. Other factors that influence the margin include: 1) the division absorbing the management cost of IFM contracts; 2) higher depreciation charges relating to technology investments; 3) exposure to non-recoverable cost inflation; and 4) the investment to rebuild the order book for G2 Energy (acquired through a liquidation process in 2023).

Approximately two thirds of Mitie's H1 projects revenue was delivered through Technical Services. During the period, further capability was added in the growing power connections market via the acquisition of ESM Power, such that Mitie now offers a full suite of power connection services of any size and voltage.

Mitie continues to deliver a range of project works across MoD contracts in the UK and overseas territories, reflecting the government's commitment to invest in the country's defence capabilities, and the modernisation and decarbonisation of its built estate. During H1 the division completed the refurbishment of 150 properties as part of the Service Family Accommodation programme. A number of significant projects were also undertaken for FDIS in Scotland and Northern Ireland, including refurbishment programmes, power reconfigurations, and demolition works, whilst a critical airfield resurfacing project commenced at the RAF's Mount Pleasant complex in the Falkland Islands.

More widely, Technical Services installed solar PV panels for NATS, Magnox and across multiple David Lloyd Sports Centres sites, undertook the restoration of a prominent Lloyds Banking Group branch, and commenced the refurbishment of a 1960's scenery workshop to create editing suites and offices for the BBC.

Recent awards include Chambers Ireland Awards – Facilities Management Company of the Year; Global FM Awards – Silver for Business Excellence Smart Toolbox Programme; RoSPA – 'Gold' Award (Defence - Gibraltar) and 'President's Award (Defence – Cyprus)

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Communities

The Communities division delivers sustainable outcomes as a trusted partner to the public sector across Local Government & Education, Healthcare and Care & Custody. The division operates over 100 PFI and traditional commercial contracts.

Communities, £m	**H1 FY25**	**Restated[1] H1 FY24**	***Change***	**Restated[1] *FY24***
Revenue including share of JVs and associates	**438**	**351**	***25%***	***717***
Local Government & Education	*157*	*142*	*11%*	*265*
Healthcare	*153*	*135*	*13%*	*275*
Care & Custody[1]	*128*	*74*	*73%*	*177*
Operating profit before other items[2]	**23.2**	**16.6**	***39.8%***	***36.1***
Operating profit margin before other items[2]	*5.3%*	*4.7%*	*+0.6ppt*	*5.0%*
Total order book	£4.3bn	£3.5bn	*23%*	*£4.1bn*

[1] Restated to reflect the change to divisional reporting to report Police services (previously in Care & Custody) in Business Services.
[2] H1 FY24 operating profit re-presented to reclassify a £4.2m provision on a PFI contract to Other Items (consistent with FY24 reporting).

Performance highlights

- Revenue increased by 25% to £438m (H1 FY24: £351m), reflecting contract scope increases in Care & Custody, new wins, projects and variable works, and pricing
- Operating profit before other items up 40% to £23.2m (H1 FY24: £16.6m), largely reflecting reduced losses on one PFI contract, MEIs and a one-off legal settlement, partially offset by mobilisation costs on a new contract
- £0.6bn TCV of contract wins, extensions/renewals and scope increases, resulted in a 5% increase in the total order book to £4.3bn (FY24: £4.1bn)

Operational performance

Communities delivered strong revenue growth in H1, reflecting sustained higher volumes on the Immigration Escorting Services contract in Care & Custody, projects and variable works, pricing and the contribution from net wins (including London Southbank University in the prior year).

Operating profit benefited from the good trading momentum, MEIs, a further reduction in losses on one historically challenging PFI hospital contract to £0.7m (H1 FY24: £2.8m loss), reflecting management actions to improve productivity and re-set pricing, as well as a one-off legal settlement. This more than offset initial costs relating to the mobilisation of the HMP Millsike contract, including the recruitment and training of colleagues.

The division secured £0.6bn TCV of contract wins, extensions/renewals and scope changes to existing contracts. Notable wins included a 10-year £400m TCV contract to operate HMP Millsike, the UK's first all-electric prison, and a hard services contract for Coventry & Rugby Hospital, which commenced in May 2024. Notable extensions/renewals included University Hospitals Dorset and Birmingham Community Healthcare NHS Foundation Trusts.

Projects included work on a new emergency department resuscitation building, alongside wider lifecycle projects work on the Dudley Hospital contract, as well as decarbonisation and energy-efficient classroom expansion works at schools within the Essex County Council portfolio.

Communities has continued to develop its technology capabilities. Mitie Healthcare completed a pilot using the Internet of Things (IoT) to track the location of wheelchairs at a major acute care hospital in partnership with Vodafone. Following its success, the pilot is being extended to track mobile critical care appliances. The results of real-time location services at Cumberland Infirmary, initially deployed in 2022, showed a 58% reduction in response times, a 65% decrease in porter task times, and a 247% increase in daily hygiene tasks completed. Trials of Mitie's Merlin for Hygiene application have been successfully completed in a Health and Care Partnership facility, with additional education sites planned for H2 to enhance productivity.

Recent awards include IWFM Positive Impact Climate Action – Towards Net Zero, Essex County Council

Corporate overheads

Corporate overheads represent the costs of running the Group and include costs for central functions such as commercial sales and business development, finance, marketing, legal and HR. Corporate overhead costs have increased by 2% to £25.0m (H1 FY24: £24.4m), reflecting growth in the business, more than offset by overhead savings across functions and shared services.

Finance review

Alternative Performance Measures

In addition to presenting statutory measures, the Group presents its results before other items. Management believes this is useful for users of the financial statements, providing both a balanced view of the financial statements, and relevant information on the Group's financial performance. Accordingly, the Group separately reports the cost of restructuring programmes, acquisition and disposal related costs (including the amortisation of acquisition related intangible assets), gains or losses on business disposals, and other exceptional items as 'other items'.

Financial performance

The reported Income Statement is set out below:

£m unless otherwise specified	H1 FY25	H1 FY24[1]
Revenue including share of joint ventures and associates	**2,430.4**	2,132.4
Group revenue	**2,425.6**	2,083.3
Operating profit before other items	**101.1**	88.8
Other items	**(37.7)**	(32.0)
Operating profit	**63.4**	56.8
Net finance costs	**(6.6)**	(4.5)
Profit before tax	**56.8**	52.3
Tax	**(16.7)**	(9.4)
Profit after tax	**40.1**	42.9
Less: Profit attributable to non-controlling interest	**(2.9)**	-
Profit attributable to owners of the parent	**37.2**	42.9
Basic earnings per share before other items	**5.4p**	5.3p
Basic earnings per share	**3.0p**	3.3p

[1] The comparative figures for H1 FY24 have been re-presented to reclassify £4.2m (£3.4m net of tax) of acquisition-related costs from 'Operating profit before other items' to 'Other items', to align with how these costs were classified in the Annual Report & Accounts for FY24. See Note 1 to the condensed consolidated financial statements for further details.

Revenue

Revenue for H1 FY25 of £2,430m, including share of revenue from joint ventures and associates, has improved by 14.0% compared to H1 FY24 (H1 FY24: £2,132m). Of this growth, 8.1% (£172m) was organic, driven by growth in Core FM (+4.3ppt), Projects (+0.6ppt), and pricing (+3.2ppt). The remaining 5.9% (£126m) of growth was inorganic.

Organic Core FM growth of £91m included revenue from new key accounts such as Aldi, Lidl and EY, higher volumes for the existing Immigration Escorting Services contract, and the provision of 'surge response' security services for the Home Office during the summer. This 'surge response' work in H1 FY25 more than offset the revenue delivered in H1 FY24 from the short-term Afghan Relocations and Inland Border Force contracts.

Organic Projects growth was £13m in the period, underpinned by market macro trends. Growth was particularly strong in Business Services and Communities, driven by the upgrade of critical security infrastructure across central government offices, decarbonisation works, and asset lifecycle upgrades. This was partially offset by a reduction in Technical Services, where we have exited certain unprofitable frameworks in the telecoms infrastructure business, closed the legacy roofing business in H2 FY24, and have seen a number of customers reassess the significant increase in scale, power and cooling requirements arising from AI for their data centre builds.

The repricing of revenue for inflation has added £68m in the period (H1 FY24: £93m), reflecting an average CPI rate for the period of 2.1% (H1 FY24: 7.6%).

The £126m of inorganic growth primarily related to the consolidation of Landmarc (explained further below) and the acquisitions of JCA Engineering and GBE Converge in the prior year, combined with the acquisition of ESM Power in H1 FY25.

Operating profit

Operating profit before other items was £101.1m (H1 FY24: £88.8m), an increase of £12.3m (+13.9%). This improvement was driven by Core FM and Projects growth (£14.7m), margin enhancement initiative savings (£11.0m), and inorganic growth (£7.8m), partially offset by losses in the telecoms business (-£11.2m), investments in our cost base related to sales, marketing, technology and the mobilisation of new contracts (-£7.3m), as well as unrecovered cost inflation (-£2.7m).

Core FM and Projects growth of £14.7m was driven by the revenue growth outlined above, as well as contract margin improvements, in particular in Communities where trading on one loss making contract has significantly improved, and contractual penalty charges have reduced across a number of contracts. These profit improvements were partially offset by losses of £11.2m in the telecoms business, which is currently being restructured.

Of the incremental £11.0m of profit from margin enhancement initiatives (MEI), the Target Operating Model programme contributed £7.5m through overhead efficiencies such as optimisation of the Group's organisational structure, and consolidating core systems and processes. This programme has now also been extended into contracts and operations, contributing an additional £1.8m of savings through focusing on the design and optimisation of our account structures, and increasing the levels of 'self-delivery' to customers by reducing our reliance on third-party contractors. In addition, we have continued to deliver savings through the roll out of Coupa (our Digital supplier platform) across the Group, which has contributed £1.7m of savings.

Of the £7.8m of inorganic profit growth, £5.0m relates to the consolidation of Landmarc (explained further below), and £2.8m to other acquisitions. The most significant contributions from acquisitions were from JCA Engineering, GBE Converge and ESM Power, partially offset by an expected loss in G2 Energy, which is still rebuilding its order book after being acquired through a liquidation process.

The investments of £7.3m are being made to underpin our growth strategy, and are focused on sales, marketing and technology. This £7.3m investment will drive significant growth in FY26 and includes an initial £1.4m of mobilisation costs for the Millsike prison contract, which, given the scale and nature of the contract, will be much greater than the costs that are typically incurred for contract mobilisation.

Operating profit after other items was £63.4m (H1 FY24: £56.8m), a year on year improvement of 11.6%. This included net charges from other items of £37.7m (H1 FY24: £32.0m), which are explained below.

Other items

£m	H1 FY25	H1 FY24[1]
Target Operating Model (TOM)	**(8.2)**	(10.2)
Digital supplier platform (DSP)	**(1.8)**	(1.8)
Margin enhancement initiatives	**(10.0)**	**(12.0)**
Employment-linked earnout charges	**(5.3)**	(2.6)
Pension-related costs	**(6.1)**	-
Professional fees	**(2.2)**	(1.6)
Other acquisition related costs[1]	**(0.1)**	(4.4)
Amortisation of acquisition related intangible assets	**(14.0)**	(11.4)
Acquisition related costs	**(27.7)**	**(20.0)**
Total other items	**(37.7)**	**(32.0)**

[1] The comparative figures for H1 FY24 have been re-presented to reclassify £4.2m of acquisition-related costs from 'Operating profit before other items' to 'Other items', to align with how these costs were classified in the Annual Report & Accounts for FY24. See Note 1 to the condensed consolidated financial statements for further details.

The Group incurred £37.7m of other item charges in H1 FY25 (H1 FY24: £32.0m). Of these, £20.6m (H1 FY24: £20.6m) are cash in nature.

Acquisition related costs include employment-linked earnout charges of £5.3m (H1 FY24: £2.6m), which will be payable to former owners of acquired businesses if post acquisition performance targets are hit, and employment conditions are satisfied. Pension-related costs of £6.1m (H1 FY24: £nil) comprise changes in pension liabilities linked to prior period acquisitions and disposals, including £2.8m of settlement costs associated with Section 75 pension liabilities, and pre acquisition service costs related to acquired pension schemes. Further details are set out in Note 3 to the condensed consolidated financial statements.

Cash other items also includes £10.0m of costs related to delivery of the Group's margin enhancement initiatives (H1 FY24: £12.0m), which have reduced by 17% year on year. The reduction in these costs has been driven by the completion of a number of savings initiatives in H2 FY24 and H1 FY25.

Non-cash costs relate to the amortisation of acquisition related intangible assets of £14.0m (H1 FY24: £11.4m), and £3.1m of the pension-related costs outlined above that do not require cash settlement.

Net finance costs

Net finance costs increased to £6.6m in H1 FY25 (H1 FY24: £4.5m), reflecting the higher levels of net debt explained below.

Tax

The tax charge for the period was £16.7m (H1 FY24: £9.4m), comprising a tax charge on profit before other items of £23.4m (H1 FY24: £16.1m) and a tax credit for other items of £6.7m (H1 FY24: £6.7m).

The effective tax rate on profit before other items of 24.8% (H1 FY24: 19.1%) is higher than in H1 of FY24, because H1 FY24 benefited from additional deferred tax assets related to the losses acquired with the Interserve business.

After other items, the tax charge for the period equated to an effective tax rate of 29.4%, which is higher than the standard corporation tax rate due to certain other items costs not being deductible for tax purposes.

The Group paid corporation tax of £10.3m in the period (H1 FY24: £6.3m), of which £8.6m (H1 FY24: £5.1m) was paid in the UK, and £1.7m (H1 FY24: £1.2m) overseas.

Consolidation of Landmarc

As previously reported, Landmarc has been consolidated as a subsidiary since November 2023, prior to which it was reported as a joint venture. As a result of this change (known as a 'step acquisition'), the Group has reported a year on year increase in revenue (including share of JVs and associates) of £43m from Landmarc, comprising £42m from the step acquisition (i.e. inorganic growth) and £1m organic growth.

Operating profit before other items from Landmarc increased by £7.4m, comprising £5.0m from the step acquisition (i.e. inorganic growth) and £2.4m from organic growth. The organic growth reflects increased volumes of activity on the sites that Mitie manages.

The consolidation of Landmarc from November 2023 also gives rise to the recognition of a non-controlling interest deduction, which represents the non-controlling interest's (49%) share of Landmarc's profit after tax. In H1 FY25 the deduction was £3.7m before other items. As a result of this non-controlling interest deduction, whilst the step acquisition of Landmarc does benefit operating profit (and profit after tax) for the Group, it has no impact on earnings per share before other items.

Earnings per share

Basic earnings per share before other items increased to 5.4p in the period (H1 FY24: 5.3p). This improvement is due to the increase in operating profit in the year (+0.5p), and the reduction in the weighted average number of shares resulting from the ongoing share buyback programme (+0.3p), offset by share schemes exercised by colleagues in the period (-0.2p), the increase in the effective tax rate (-0.4p), and the increase in net finance costs (-0.1p).

Basic earnings per share reduced to 3.0p (H1 FY24: 3.3p). This reflects the improvement from the factors outlined above, offset by the increase in acquisition related other items.

Return on invested capital (ROIC)

£m unless otherwise specified	**H1 FY25 (R12M)[1]**	**H1 FY24 (R12M)[1,2]**
Operating profit before other items	**222.5**	182.9
Tax[3]	**(48.0)**	(31.1)
Operating profit before other items after tax	**174.5**	151.8
Invested capital	**688.0**	602.8
ROIC %	**25.4%**	25.2%

[1] *The comparative figures for H1 FY24 have been re-presented to reclassify £4.2m (£3.4m net of tax) of acquisition-related costs from 'Operating profit before other items' to 'Other items', to align with how these costs were classified in the Annual Report & Accounts for FY24. See Note 1 to the condensed consolidated financial statements for further details.*

[2] *R12M represents a rolling 12-month basis*

[3] *Tax charge has been calculated on operating profit before other items using the effective tax rate for the last 12 months of 21.6% (H1 FY24: 17.0%)*

ROIC on a rolling 12-month basis has increased by 0.2ppt to 25.4% in H1 FY25 (H1 FY24: 25.2%) as a result of the increase in operating profit before other items. The increase in invested capital has been driven by the acquisitions completed in the last 12 months, and by the continued transition of our leased fleet to electric vehicles (EVs).

Balance sheet

£m	**H1 FY25**	**FY24**
Goodwill and intangible assets	**637.0**	645.1
Property, plant and equipment	**230.1**	204.7
Working capital balances	**(194.5)**	(200.1)
Provisions	**(85.2)**	(113.2)
Net debt	**(187.5)**	(80.8)
Net retirement benefit assets/(liabilities)	**8.2**	(0.8)
Deferred tax (liabilities)/assets	**(2.6)**	7.9
Other net assets	**13.0**	10.9
Total net assets	**418.5**	473.7

As at 30 September 2024, the Group's reported net assets stood at £418.5m, a decrease of £55.2m since 31 March 2024. This reduction is driven by the £108.5m of distributions in the form of share buybacks, dividends and purchase of own shares into trusts for share incentive schemes, which are also reflected in the increase in net debt (explained further below in the 'Cash flow and net debt' section). This reduction was partially offset by the profit generated for the period of £40.1m.

Goodwill and intangible assets

The decrease of £8.1m is driven by the amortisation of acquired intangible assets of £14.0m, partially offset by additional goodwill and acquired intangible assets resulting from the acquisition of ESM Power, and from the finalisation of the GBE Converge completion accounts (together £5.9m).

Property, plant and equipment

The increase of £25.4m is related to the ongoing transition of our leased vehicle fleet to more expensive EVs. During H1 FY25, c.900 EVs were added, taking the proportion of EVs to 75% of the total fleet.

Provisions

At 30 September 2024, provisions totalled £85.2m (FY24: £113.2m), which largely comprised contract specific costs of £43.7m (FY24: £49.2m) and the insurance reserve of £27.2m (FY24: £27.2m). Provisions decreased during the period by £28.0m, primarily due to the transfer of Section 75 pension liabilities of £21.7m to other payables following the agreement of a schedule of payments to settle the liability (as explained below). £6.6m of contract specific provisions were utilised in the period. See Note 10 to the condensed consolidated financial statements for further details on provisions.

Retirement benefit schemes

At 30 September 2024, the Group's net retirement benefit assets on an IAS 19 basis were £8.2m (FY24: £0.8m net liabilities). The net improvement (£9.0m) was due to favourable movements in financial assumptions that have resulted in the main Group scheme moving to a surplus of £8.4m (FY24: £1.4m deficit).

Encouragingly, the latest triennial valuation for the largest scheme showed a material £72.7m reduction in the actuarial deficit to £19.4m at 31 March 2023. As a result, deficit repair contributions will reduce from c.£14m p.a. to £8.4m in FY25 (of which the Group paid £5.2m in H1), followed by £6.4m in FY26 and a smaller contribution, as required, in FY27 in order to eliminate the funding shortfall.

As noted above, the Group reached a settlement agreement with the trustees of the multi-employer defined benefit Plumbing & Mechanical Services (UK) Industry Pension Scheme, which will settle the Section 75 liabilities and extinguish any future liabilities relating to the scheme. This will result in equal monthly payments totalling £24.5m over a three-year period (commencing in H2 FY25). This debt has been fully recognised in other payables as at 30 September 2024, through the transfer of £21.7m from provisions and a £2.8m charge arising from the settlement agreement which has been included in other items in H1 FY25.

Deferred tax

The net deferred tax balance in H1 FY25 was a liability of £2.6m, a change of £10.5m from the FY24 year end asset of £7.9m. This change was primarily a result of the utilisation of tax losses.

Cash flow and net debt

£m unless otherwise specified	**H1 FY25**	**H1 FY24[1]**
Operating profit before other items	**101.1**	**88.8**
Add back: depreciation & amortisation	35.6	26.3
EBITDA	**136.7**	**115.1**
Other items[2]	(20.6)	(20.6)
Other operating movements	3.1	1.0
Operating cash flows before movements in working capital	**119.2**	**95.5**
Working capital movements[3]	(37.6)	(22.5)
Capex, capital element of lease payments & other	(30.9)	(20.8)
Net interest payments	(6.1)	(4.9)
Tax payments	(10.3)	(6.3)
Dividends from joint ventures	-	6.9
Free cash inflow	**34.3**	**47.9**
Share buybacks	(54.6)	(25.2)
Purchase of own shares into trusts	(9.4)	(7.1)
Acquisitions	(12.2)	(45.7)
Dividends paid	(44.5)	(28.6)
Lease liabilities & other	(20.3)	(9.9)
Increase in net debt during the period	**(106.7)**	**(68.6)**

Closing net (debt)	**(187.5)**	**(112.7)**
Average daily net (debt)	**(219.0)**	**(156.1)**
Leverage[4] (average daily net debt/EBITDA)	**0.7x**	**0.6x**

[1] The comparative figures have been re-presented to reclassify £4.2m of acquisition-related costs from 'Operating profit before other items' to 'Other items', to align with how these costs were classified in the Annual Report & Accounts for FY24. See Note 1 to the condensed consolidated financial statements for further details.
[2] Other items excluding non-cash amortisation of acquisition related intangible assets and non-cash pension-related costs
[3] Working capital movements have been 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)
[4] Leverage is calculated on a 12-month rolling basis, and uses post-IFRS 16 net debt

Operating cash flows before movements in working capital improved by £23.7m to £119.2m (H1 FY24: £95.5m), primarily due to the increase in EBITDA driven by the good trading performance.

The Group generated a free cash inflow of £34.3m for H1 FY25, with the good trading performance partially offset by anticipated cash outflows from increased working capital, and higher lease, interest and tax payments compared to H1 FY24. Dividends received from joint ventures in H1 FY24 (of £6.9m) related to Landmarc when it was still reported as a joint venture.

The cash outflow from working capital of £37.6m (H1 FY24: £22.5m) reflects investments required to support the growth of the Projects businesses, and the seasonal cash outflow caused by the high volume of project works undertaken in Q4, which unwind in H1. As we expected, we have also seen cash outflows from working capital where some private sector customers have demanded increasingly onerous payment terms. We expect this trend will continue in the second half of the year, and into FY26. Additionally, we benefited from some one off improvements in cash in the period, including ongoing process improvements and the renegotiation of certain customer payment terms.

Capex, capital element of lease payments & other increased by £10.1m compared to H1 FY24, primarily related to the capital element of lease payments, which increased by £8.9m. The £1.2m increase in net interest payments was due to the higher levels of net debt, including higher lease liabilities. Tax payments increased by £4.0m primarily due to the inclusion of tax payments for the Landmarc subsidiary in H1 FY25, which were not consolidated in H1 FY24 when Landmarc was still reported as a joint venture.

The share buyback programme for FY25 was doubled to £100m in July. In H1 FY25, 45.2m shares were repurchased (at a cost of £54.6m), of which 33.9m have been cancelled. A further 8.2m shares were purchased into employee trusts to satisfy share schemes (at a cost of £9.4m).

Acquisitions have increased net debt by £12.2m, including the acquisition of ESM Power in the period for cash consideration, net of cash acquired, of £4.3m, the increase of £1.5m in consideration paid for GBE Converge arising from the completion accounts settlement and employment-linked earnout payments of £6.4m related to prior period acquisitions.

Dividends paid of £44.5m include the final FY24 dividend of £38.5m, which was paid in August 2024, with the higher cash outflow reflecting the increase in the FY24 final dividend per share of 3.0p compared to FY23 (2.2p). A £6.0m dividend was paid to the Landmarc minority shareholder.

Lease liabilities & other include an increase in lease liabilities in H1 FY25 (net of capital repayments) of £20.7m (H1 FY24: £9.7m), as we transition our fleet to EVs, and extend the average duration of leases. By the end of H1 FY25, 75% of the total fleet was electric, compared with 53% at the end of H1 FY24.

Net debt

Average daily net debt of (£219.0m) for H1 FY25 was £58.3m higher than in FY24 (£160.7m), resulting in a leverage ratio (average daily net debt / EBITDA) of 0.7x for H1 FY25 (FY24: 0.6x), lower than our 0.75x to 1.5x guidance. Closing net debt of £187.5m as at 30 September 2024 was £106.7m higher (FY24: £80.8m).

These increases during H1 FY25 were driven by capital returns to shareholders and acquisitions totalling £120.7m, as outlined above, combined with additional lease liabilities of £20.7m, partially offset by the free cash inflow of £34.3m.

Liquidity and covenants

As at 30 September 2024, the Group had £400m of committed funding arrangements, comprising a £250m Revolving Credit Facility (RCF), and £150m of US Private Placement (USPP) notes. In October 2024 the maturity of the RCF was extended by one year to October 2028. The final £30m of the USPP notes issued in 2012 are due to mature in December 2024.

On 25 July 2024, DBRS Morningstar confirmed Mitie's credit rating of BBB with a 'stable' outlook.

Mitie's two key covenant ratios are covenant 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. Covenant ratios are measured on a post-IFRS 16 basis with appropriate adjustments for leases, being primarily the exclusion of lease liabilities from net debt and the inclusion of a charge equivalent to lease payments against EBITDA.

As at 30 September 2024, the Group was operating well within these ratios at < 0x covenant leverage and 68.0x interest cover. A reconciliation of the calculations is set out in the table below:

£m unless otherwise specified		H1 FY25 (R12M)[5]	H1 FY24 (R12M)[5,6]
Operating profit before other items		**222.5**	**182.9**
Add: depreciation & amortisation		67.2	54.1
Headline EBITDA		**289.7**	**237.0**
Add: covenant adjustments[1]		21.6	21.5
Leases adjustment[2]		(53.8)	(39.0)
Consolidated EBITDA	**(a)**	**257.5**	**219.5**
Full-year effect of acquisitions & disposals		6.6	9.1
Full-year effect of Landmarc step acquisition		0.3	-
Adjusted consolidated EBITDA	**(b)**	**264.4**	**228.6**
Net finance costs		**11.5**	**8.6**
Less: covenant adjustments		(0.6)	(0.1)
Leases adjustment[3]		(7.1)	(4.7)
Consolidated net finance costs	**(c)**	**3.8**	**3.8**
Interest cover (ratio of (a) to (c))		**68.0x**	**57.8x**
Net debt		**187.5**	**112.7**
Impact of hedge accounting & upfront fees		2.2	2.6
Leases adjustment[4]		(194.7)	(139.1)
Consolidated total net cash	**(d)**	**(5.0)**	**(23.8)**
Covenant leverage (ratio of (d) to (b))		**< 0x**	**< 0x**

[1] *Covenant adjustments to EBITDA relate to share-based payments charges, and pension administration expenses and past service costs*

[2] *Leases adjustment for EBITDA relates to depreciation charge for leased assets and interest charge for lease liabilities (i.e. application of a charge equivalent to lease payments)*

[3] *Leases adjustment for net finance costs relates to interest charge for lease liabilities (i.e. removal of interest on lease liabilities)*

[4] *Leases adjustment for net debt relates to lease liabilities (i.e. removal of lease liabilities)*

[5] *R12M represents a rolling 12-month basis*

[6] *The comparative figures have been re-presented to reclassify £4.2m of acquisition-related costs from 'Operating profit before other items' to 'Other items', to align with how these costs were classified in the Annual Report & Accounts for FY24. See Note 1 to the condensed consolidated financial statements for further details.*

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Principal risks and uncertainties affecting the business

The Group continues to operate within a constantly changing external risk environment, which includes political instability, economic uncertainty, environmental concerns, and technological advancements. In the first half of FY25, the Group – as a major provider of services to the public sector – has responded to a range of matters, including changes in policy by the new Government which are relevant to the Group's business and supporting the Government's response to the UK civil unrest during the summer. Throughout this period, the Group has shown substantial resilience, adaptability and the ability to seize opportunities arising out of the evolving environment.

In the second half of the year, the most prominent challenge for the Group is anticipated to be the continuing political and economic uncertainties, worsened by the current geopolitical landscape and escalating tensions.

The new Government has announced policy modifications that could have direct implications on our operations in the future, such as the changes to National Insurance announced in the recent Autumn Budget and the comprehensive changes to employment rights proposed by the Employment Rights Bill, which was recently introduced to Parliament; however, the precise impacts remain unknown. Further details on our strategies to address these challenges as they emerge can be found in the Group's Annual Report and Accounts 2024 on pages 82 to 88.

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 2024 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
20 November 2024

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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 2024 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 2024 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related Notes 1 to 18.

Basis for conclusion

We conducted our review in accordance with Revised International Standard on Review Engagements (UK) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410 (Revised)"). 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(b), 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 (Revised), 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 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
20 November 2024

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

Condensed consolidated income statement
For the six months ended 30 September 2024

	Notes	30 September 2024 Before Other items[1] £m	Other items[1] £m	Total £m	30 September 2023 Before Other items[1,2] £m	Other items[1,2] £m	Total £m
Revenue including share of joint ventures and associates	2	**2,430.4**	–	**2,430.4**	2,132.4	–	2,132.4
Less: share of revenue of joint ventures and associates[3]	2	**(4.8)**	–	**(4.8)**	(49.1)	–	(49.1)
Group revenue	2	**2,425.6**	–	**2,425.6**	2,083.3	–	2,083.3
Cost of sales		**(2,171.8)**	–	**(2,171.8)**	(1,861.4)	–	(1,861.4)
Gross profit		**253.8**	–	**253.8**	221.9	–	221.9
Administrative expenses		**(157.5)**	**(37.7)**	**(195.2)**	(138.6)	(32.0)	(170.6)
Other income		**4.5**	–	**4.5**	1.3	–	1.3
Share of profit of joint ventures and associates[3]		**0.3**	–	**0.3**	4.2	–	4.2
Operating profit/(loss)[4]	2	**101.1**	**(37.7)**	**63.4**	88.8	(32.0)	56.8
Finance income		**1.9**	–	**1.9**	1.8	–	1.8
Finance costs		**(8.5)**	–	**(8.5)**	(6.3)	–	(6.3)
Net finance costs		**(6.6)**	–	**(6.6)**	(4.5)	–	(4.5)
Profit/(loss) before tax		**94.5**	**(37.7)**	**56.8**	84.3	(32.0)	52.3
Tax	4	**(23.4)**	**6.7**	**(16.7)**	(16.1)	6.7	(9.4)
Profit/(loss) after tax		**71.1**	**(31.0)**	**40.1**	68.2	(25.3)	42.9
Attributable to:							
Equity holders of the parent		**67.4**	**(30.2)**	**37.2**	68.2	(25.3)	42.9
Non-controlling interests		**3.7**	**(0.8)**	**2.9**	–	–	–
Profit/(loss) for the period		**71.1**	**(31.0)**	**40.1**	68.2	(25.3)	42.9
Earnings per share (EPS) attributable to owners of the parent							
Basic	6	**5.4p**		**3.0p**	5.3p		3.3p
Diluted	6	**5.0p**		**2.7p**	4.8p		3.0p

Notes:

1. Other items are as described in Note 3.
2. In the comparative period for the six months ended 30 September 2023, a charge of £4.2m (£3.4m net of tax) which was previously classified within administrative expenses before Other items, has been re-presented to be disclosed as Other items. This reclassification within the Group's Alternative Performance Measures has no impact on the statutory profit or EPS for the period then ended. Refer to Note 1.
3. The Group obtained control of Landmarc Support Services Limited (Landmarc) on 16 November 2023, and since that date Landmarc's financial results have been consolidated as a subsidiary of the Group. Prior to 16 November 2023, Landmarc was accounted for as a joint venture of the Group.
4. Including impairment losses on trade receivables, other receivables and accrued income of £3.2m (2023: £1.4m).

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Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2024

	Notes	30 September 2024 £m	30 September 2023 £m
Profit for the period		**40.1**	42.9
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement of retirement benefit assets/obligations	16	**6.9**	(7.3)
Tax (charge)/credit relating to items that will not be reclassified to profit or loss in subsequent periods		**(0.5)**	0.3
		6.4	(7.0)
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**(0.9)**	(0.4)
Net losses on cash flow hedges taken to equity		–	(0.1)
Tax credit relating to items that may be reclassified to profit or loss in subsequent periods		–	0.1
		(0.9)	(0.4)
Other comprehensive income/(expense) for the period		**5.5**	(7.4)
Total comprehensive income for the period		**45.6**	35.5
Attributable to:			
Equity holders of the parent		**42.6**	35.5
Non-controlling interests		**3.0**	–
Total comprehensive income for the period		**45.6**	35.5

Condensed consolidated statement of financial position
As at 30 September 2024

	Notes	30 September 2024 £m	31 March 2024 £m
Non-current assets			
Goodwill	7	**366.6**	361.7
Other intangible assets		**270.4**	283.4
Property, plant and equipment[1]	13	**230.1**	204.7
Interests in joint ventures and associates		**1.3**	0.9
Trade and other receivables	8	**20.6**	21.0
Contract assets		**0.4**	0.5
Retirement benefit assets	16	**10.4**	4.2
Deferred tax assets		**–**	7.9
Total non-current assets		**899.8**	884.3
Current assets			
Inventories		**15.1**	14.7
Trade and other receivables	8	**930.4**	775.1
Contract assets		**1.3**	1.0
Current tax receivable		**10.6**	7.8
Cash and cash equivalents	11	**159.0**	244.9
Total current assets		**1,116.4**	1,043.5
Total assets		**2,016.2**	1,927.8
Current liabilities			
Trade and other payables	9	**(987.7)**	(892.4)
Deferred income		**(129.5)**	(91.8)
Current tax payable		**(2.9)**	(2.0)
Financing liabilities	12	**(79.1)**	(73.8)
Provisions	10	**(39.4)**	(66.5)
Total current liabilities		**(1,238.6)**	(1,126.5)
Net current liabilities		**(122.2)**	(83.0)
Non-current liabilities			
Trade and other payables	9	**(28.1)**	(12.7)
Deferred income		**(17.0)**	(15.5)
Financing liabilities	12	**(263.4)**	(247.7)
Provisions	10	**(45.8)**	(46.7)
Retirement benefit liabilities	16	**(2.2)**	(5.0)
Deferred tax liabilities		**(2.6)**	–
Total non-current liabilities		**(359.1)**	(327.6)
Total liabilities		**(1,597.7)**	(1,454.1)
Net assets		**418.5**	473.7

Note:
1. Includes owned property, plant and equipment of £43.1m (31 March 2024: £39.2m) and right-of-use assets of £187.0m (31 March 2024: £165.5m). During the six months ended 30 September 2024, owned property, plant and equipment assets increased due to asset additions of £9.1m (of which £7.0m was settled in cash during the period) and £0.5m arising on acquisition of businesses, partially offset by depreciation of £5.6m and disposals of £0.1m. Refer to Note 13 for right-of-use assets .

Condensed consolidated statement of financial position continued

As at 30 September 2024

	30 September 2024 £m	31 March 2024 £m
Equity		
Share capital	**32.5**	33.3
Share premium	**132.0**	132.0
Merger reserve	**157.0**	157.0
Own shares reserve	**(71.3)**	(69.8)
Share-based payments reserve	**36.8**	42.1
Capital redemption reserve	**4.1**	3.3
Hedging and translation reserve	**(3.0)**	(2.1)
Retained profits	**112.9**	157.4
Equity attributable to owners of the parent	**401.0**	453.2
Non-controlling interests	**17.5**	20.5
Total equity	**418.5**	473.7

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Condensed consolidated statement of changes in equity
For the six months ended 30 September 2024

30 September 2024

	Share capital £m	Share premium £m	Merger reserve[1] £m	Own shares reserve £m	Share-based payments reserve £m	Capital redemption reserve £m	Hedging and translation reserve £m	Retained profits £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 April 2024	33.3	132.0	157.0	(69.8)	42.1	3.3	(2.1)	157.4	**453.2**	20.5	**473.7**
Profit for the period	–	–	–	–	–	–	–	37.2	**37.2**	2.9	**40.1**
Other comprehensive income	–	–	–	–	–	–	(0.9)	6.3	**5.4**	0.1	**5.5**
Total comprehensive income	–	–	–	–	–	–	(0.9)	43.5	**42.6**	3.0	**45.6**
Transactions with owners											
Dividends paid	–	–	–	–	–	–	–	(38.5)	**(38.5)**	–	**(38.5)**
Purchase of own shares[2]	–	–	–	(9.4)	–	–	–	–	**(9.4)**	–	**(9.4)**
Share buybacks[3]	(0.8)	–	–	(13.4)	–	0.8	–	(41.2)	**(54.6)**	–	**(54.6)**
Share-based payments	–	–	–	21.3	(5.3)	–	–	(7.6)	**8.4**	–	**8.4**
Tax on share-based payments	–	–	–	–	–	–	–	(0.7)	**(0.7)**	–	**(0.7)**
Non-controlling interest dividends	–	–	–	–	–	–	–	–	**–**	(6.0)	**(6.0)**
Total transactions with owners	(0.8)	–	–	(1.5)	(5.3)	0.8	–	(88.0)	**(94.8)**	(6.0)	**(100.8)**
At 30 September 2024	32.5	132.0	157.0	(71.3)	36.8	4.1	(3.0)	112.9	**401.0**	17.5	**418.5**

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.
2. During the period the Employee Benefit Trust acquired 7.7m ordinary shares through market purchases for a consideration of £8.8m and the Share Incentive Plan Trust acquired 0.5m shares for a consideration of £0.6m.
3. The share buybacks resulted in market purchases of 45.2m ordinary shares, of which 33.9m shares were subsequently cancelled and 11.3m shares were bought into Treasury.

30 September 2023

	Share capital £m	Share premium £m	Merger reserve[1] £m	Own shares reserve £m	Share-based payments reserve £m	Capital redemption reserve £m	Hedging and translation reserve £m	Retained profits £m	Total equity £m	Non-controlling interests £m	Total equity £m
At 1 April 2023	34.0	131.5	157.0	(59.0)	33.7	2.6	(1.4)	123.3	**421.7**	–	**421.7**
Profit for the period	–	–	–	–	–	–	–	42.9	**42.9**	–	**42.9**
Other comprehensive expense	–	–	–	–	–	–	(0.4)	(7.0)	**(7.4)**	–	**(7.4)**
Total comprehensive income	–	–	–	–	–	–	(0.4)	35.9	**35.5**	–	**35.5**
Transactions with owners											
Dividends paid	–	–	–	–	–	–	–	(28.6)	**(28.6)**	–	**(28.6)**
Purchase of own shares[2]	–	–	–	(7.1)	–	–	–	–	**(7.1)**	–	**(7.1)**
Share buybacks[3]	(0.1)	–	–	(20.4)	–	0.1	–	(4.8)	**(25.2)**	–	**(25.2)**
Share-based payments	–	0.4	–	11.0	3.4	–	–	(2.8)	**12.0**	–	**12.0**
Tax on share-based payments	–	–	–	–	–	–	–	3.3	**3.3**	–	**3.3**
Total transactions with owners	(0.1)	0.4	–	(16.5)	3.4	0.1	–	(32.9)	**(45.6)**	–	**(45.6)**
At 30 September 2023	33.9	131.9	157.0	(75.5)	37.1	2.7	(1.8)	126.3	**411.6**	–	**411.6**

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.
2. During the period the Employee Benefit Trust acquired 6.9m ordinary shares through market purchases for a consideration of £6.7m and the Share Incentive Plan Trust acquired 0.4m shares for a consideration of £0.4m.
3. The share buybacks resulted in market purchases of 26.2m ordinary shares, of which 4.9m shares were subsequently cancelled and 21.3m shares were bought into Treasury.

Condensed consolidated statement of cash flows
For the six months ended 30 September 2024

	Notes	30 September 2024 £m	30 September 2023 £m
Operating profit before Other items[1]	2	**101.1**	88.8
Other items[1]	3	**(37.7)**	(32.0)
Operating profit		**63.4**	56.8
Adjustments for:			
Share-based payments expense		**8.5**	11.6
Defined benefit pension costs	16	**4.5**	1.9
Defined benefit pension contributions	16	**(6.4)**	(8.3)
Depreciation of property, plant and equipment		**31.5**	21.7
Amortisation of intangible assets		**17.8**	15.6
Share of profit of joint ventures and associates		**(0.3)**	(4.2)
Amortisation of contract assets		**0.3**	0.4
Gain on disposal of property, plant and equipment		**(0.1)**	–
Operating cash flows before movements in working capital		**119.2**	95.5
Increase in inventories		**(0.4)**	(0.8)
(Increase)/decrease in receivables		**(146.8)**	35.1
Increase in contract assets		**(0.3)**	(0.1)
Increase in deferred income		**34.3**	2.3
Increase/(decrease) in payables		**82.2**	(61.2)
(Decrease)/increase in provisions		**(6.8)**	2.2
Cash generated from operations		**81.4**	73.0
Income taxes paid	4	**(10.3)**	(6.3)
Interest paid[2]		**(7.9)**	(6.8)
Net cash generated from operating activities		**63.2**	59.9
Investing activities			
Acquisition of businesses, net of cash acquired[3]	15	**(5.8)**	(45.7)
Interest received		**1.8**	1.9
Purchase of property, plant and equipment		**(7.0)**	(5.2)
Dividends received from joint ventures and associates		**–**	6.9
Purchase of other intangible assets		**(3.7)**	(3.5)
Disposal of property, plant and equipment		**0.2**	0.1
Net cash used in investing activities		**(14.5)**	(45.5)

Notes:

1. In the comparative period for the six months ended 30 September 2023, a charge of £4.2m (£3.4m net of tax) which was previously classified within administrative expenses before Other items, has been re-presented to be disclosed as Other items. This reclassification within the Group's Alternative Performance Measures has no impact on the statutory profit for the period then ended. Refer to Note 1.
2. Interest paid includes £4.1m (2023: £2.6m) in relation to lease liabilities. Refer to Note 13.
3. Acquisition of businesses is net of cash acquired of £1.4m (2023: £20.9m). Refer to Note 15.

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Condensed consolidated statement of cash flows continued
For the six months ended 30 September 2024

	Notes	30 September 2024 £m	30 September 2023 £m
Financing activities			
Purchase of own shares		**(9.4)**	(7.1)
Shares bought back		**(54.6)**	(25.2)
Capital element of lease rentals	13	**(26.8)**	(17.9)
Lease incentives received		**–**	5.7
Repayment of bank loans		**–**	(8.3)
Payment of arrangement fees		**–**	(1.1)
Proceeds received on settlement of share-based payment transactions		**0.9**	0.4
Equity dividends paid	5	**(38.5)**	(28.6)
Dividends paid to non-controlling interest		**(6.0)**	–
Net cash used in financing activities		**(134.4)**	(82.1)
Net decrease in cash and cash equivalents		**(85.7)**	(67.7)
Net cash and cash equivalents at beginning of the period		**244.9**	248.3
Effect of foreign exchange rate changes		**(0.2)**	(0.4)
Net cash and cash equivalents at end of the period	11	**159.0**	180.2

Notes to the condensed consolidated financial statements
For the six months ended 30 September 2024

1. Basis of preparation and significant accounting policies

(a) 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 2024 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 Annual Report and Accounts for the year ended 31 March 2024 (Annual Report and Accounts 2024).

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 2024 has been delivered to the Registrar of Companies and is available upon request from the Company's registered office or at www.mitie.com/investors. The independent auditor's report for the year ended 31 March 2024 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 20 November 2024.

Going concern
The condensed consolidated financial statements for the six months ended 30 September 2024 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 6 to 77 of the Annual Report and Accounts 2024 and the principal risks and uncertainties as set out on pages 78 to 88 and the viability statement on page 90 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 medium-term cash forecasts from the Group's cash flow model (the Base Case Forecasts), which is based on the Board approved budget. 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 2024 were a £250m Revolving Credit Facility (RCF), which was undrawn as at 30 September 2024, and £150m of US private placement (USPP) notes. 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.

In September 2023, the Group increased the RCF from £150m to £250m and its maturity date was extended for one year to October 2027. In October 2024 the maturity date was extended for one further year such that the RCF now matures in October 2028.

Of the USPP notes, £120m were issued in December 2022, split equally between 8, 10 and 12 year maturities, and with an average coupon of 2.94%. The Base Case Forecasts assume that the remaining £30m of USPP notes, which are due to mature in December 2024, will not be replaced.

Mitie currently operates within the terms of its agreements with its lenders, with consolidated net cash (i.e. net cash adjusted for covenant purposes, primarily by the exclusion of lease liabilities) of £5.0m as at 30 September 2024. The Base Case Forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's 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's cash flow model to assess the point at which the financial 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, the continued impact of the Russian invasion of Ukraine, conflict within the Middle East and high inflation:

- 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 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, 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 37% by 30 September 2026 (H1 FY27), 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%; and
- 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 and share buybacks.

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 condensed 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.

(b) Material accounting policies

In preparing these condensed consolidated financial statements for the six months ended 30 September 2024, the Group's accounting policies and methods of computation are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2024, 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 or amended standards and interpretations below that are effective for the first time for the year ending 31 March 2025 have had a material effect on the Group.

- Amendments to IAS 1 *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*
- Amendments to IAS 1 *Presentation of Financial Statements - Non-current Liabilities with Covenants*
- Amendments to IFRS 16 *Leases - Lease Liability in a Sale and Leaseback*
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments - Supplier Finance Arrangements*

None of the new standards and amendments that are not yet effective are expected to have a material effect on the Group other than presentational changes that will be required for the year ending 31 March 2028 under IFRS 18 *Presentation and Disclosure in Financial Statements*, the impact of which is being assessed.

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 2024, 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 its operations.

Other items are items of financial performance which management believes should be separately identified on the face of the condensed consolidated 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, charges with respect to employment-linked earnouts, fair value gain on acquisitions, gain or loss on business disposals, cost of restructuring programmes and other exceptional items as Other items, together with their related tax effect. Should these items be reversed, disclosure of this would also be as Other items. The associated post-acquisition trading results generated by acquired businesses and the benefits from restructuring programmes are not included 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 (refer to Appendix 1).

Re-presentation of comparative Other items

In the comparative period for the six months ended 30 September 2023, a charge of £4.2m (£3.4m net of tax) which was previously classified within administrative expenses before Other items, has been re-presented to be disclosed as Other items. This reclassification within the Group's Alternative Performance Measures has no impact on the statutory profit or EPS for the period then ended.

The charge being re-presented was in respect of an adjustment to a provision on a certain PFI contract. This provision was recognised on the acquisition of Interserve and the provision was originally recognised against goodwill. The reclassification is to ensure consistency with how equivalent credits were reported in the second half of the year ended 31 March 2024, and with how this charge was presented in the Annual Report and Accounts 2024.

As a result of the re-presentation, the operating profit before Other items for the six months ended 30 September 2023 has increased by £4.2m (re-presented from £84.6m to £88.8m), with a corresponding increase in net costs classified as Other items of £4.2m (re-presented from a net charge of £27.8m to £32.0m). The corresponding tax impact of this re-presentation has also been re-presented, resulting in an increase in the profit after tax before Other items for the six months ended 30 September 2023 of £3.4m (re-presented from £64.8m to £68.2m).

(c) Critical accounting judgements and key sources of estimation uncertainty

In preparing these condensed consolidated financial statements, the significant estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Report and Accounts 2024.

2. Business segment information

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. The Group has determined the Chief Operating Decision Maker to be its Board of Directors. Revenue including share of joint ventures and associates, operating profit before Other items and operating profit margin before Other items are the primary measures of performance that are reported to and reviewed by the Board. Segment assets and liabilities have not been disclosed as they are not reviewed by the Board.

The Group manages its business on a service division basis. During the period, the Group re-organised its Central Government and Defence (CG&D) division, as a result of which the Central Government business was moved into the Business Services division, and the Defence business was moved into the Technical Services division. As a result of the re-organisation, CG&D is not considered to be an operating segment for the six months ended 30 September 2024, and the Group has three reportable segments (2024: four segments). Furthermore, the Police Services business has been re-organised from the Communities division to the Business Services division. The change in operating segments reflects how the Chief Operating Decision Maker evaluates the divisions and their performance and decides on resource allocation.

The comparatives for the six months ended 30 September 2023 have been restated for the change in the composition of reportable segments.

Income statement information

	Six months ended 30 September 2024			Restated[1] Six months ended 30 September 2023		
	Revenue £m	Operating profit/(loss) before Other items[3] £m	Operating margin before Other items[3] %	Revenue £m	Operating profit/(loss) before Other items[3] £m	Operating margin before Other items[3] %
Business Services	**1,079.2**	**72.8**	**6.7**	955.9	68.4	7.2
Technical Services[2]	**913.1**	**30.1**	**3.3**	825.3	28.2	3.4
Communities[2]	**438.1**	**23.2**	**5.3**	351.2	16.6	4.7
Corporate centre	**–**	**(25.0)**	**–**	–	(24.4)	–
Total for the Group	**2,430.4**	**101.1**	**4.2**	2,132.4	88.8	4.2

Notes:

1. The comparatives for the six months ended 30 September 2023 have been restated for the change in the composition of reportable segments. In addition, a charge within the Communities division of £4.2m which was previously classified within administrative expenses before Other items (£3.4m net of tax), has been re-presented to be disclosed as Other items in line with the presentation in the Annual Report and Accounts 2024. Refer to Note 1.
2. Revenue includes share of joint ventures and associates of £4.8m (2023: £5.4m) within Communities. For Technical Services, revenue for the six months ended 30 September 2023 includes the share of revenue from Landmarc of £43.7m. From 16 November 2023, Landmarc has been consolidated as a subsidiary of the Group.
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 2024 or in the comparative period. The UK Government is not considered a single customer.

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

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023[1] £m
Operating profit before Other items	**101.1**	88.8
Other items[2]	**(37.7)**	(32.0)
Net finance costs	**(6.6)**	(4.5)
Profit before tax	**56.8**	52.3

Notes:

1. The comparatives for the six months ended 30 September 2023 have been re-presented to include a charge of £4.2m within Other items in line with the presentation in the Annual Report and Accounts 2024. The charge was previously classified within administrative expenses before Other items. Refer to Note 1.
2. Other items are as described in Note 3.

Disaggregated revenue

The Group disaggregates revenue from contracts with customers by sector (government and non-government). Management believes that this best depicts how the nature 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 2024			Restated[1] Six months ended 30 September 2023		
	Sector[2]			Sector[2]		
	Government £m	Non-government £m	Total £m	Government £m	Non-government £m	Total £m
Business Services	**468.2**	**611.0**	**1,079.2**	445.1	510.8	955.9
Technical Services	**385.0**	**528.1**	**913.1**	309.5	515.8	825.3
Communities	**437.3**	**0.8**	**438.1**	350.3	0.9	351.2
Revenue including joint ventures and associates	**1,290.5**	**1,139.9**	**2,430.4**	1,104.9	1,027.5	2,132.4
Less: share of joint ventures and associates[3]	**(4.8)**	**–**	**(4.8)**	(49.1)	–	(49.1)
Group revenue	**1,285.7**	**1,139.9**	**2,425.6**	1,055.8	1,027.5	2,083.3

Notes:

1. The comparatives for the six months ended 30 September 2023 have been restated for the change in the composition of reportable segments.
2. Sector is defined by the end customer on any contract, for example, if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as Government.
3. Revenue includes share of joint ventures and associates of £4.8m (2023: £5.4m) within Communities. For Technical Services, revenue for the six months ended 30 September 2023 includes the share of revenue from Landmarc of £43.7m. From 16 November 2023, Landmarc has been consolidated as a subsidiary of the Group.

3. Other items

Other items are items of financial performance which management believes should be separately identified on the face of the condensed consolidated 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, charges with respect to employment-linked earnouts, fair value gain on acquisitions, 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 2024			
	Restructure costs £m	**Acquisition and disposal related costs £m**	**Other exceptional items £m**	**Total £m**
Other items before tax	**(8.2)**	**(27.7)**	**(1.8)**	**(37.7)**
Tax	**2.1**	**4.2**	**0.4**	**6.7**
Other items after tax	**(6.1)**	**(23.5)**	**(1.4)**	**(31.0)**

	Six months ended 30 September 2023[1]			
	Restructure costs £m	Acquisition and disposal related costs £m	Other exceptional items £m	Total £m
Other items before tax	(10.2)	(20.0)	(1.8)	(32.0)
Tax	2.6	3.7	0.4	6.7
Other items after tax	(7.6)	(16.3)	(1.4)	(25.3)

Note:

1. Other items for the period ended 30 September 2023 has been re-presented to include a £4.2m charge within acquisition and disposal related costs which was previously classified within administrative expenses. As a result, Other items for the period ended 30 September 2023 have increased by £4.2m to £32.0m, and the related tax credit has increased by £0.8m to £6.7m. Refer to Note 1.

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. Material transformation programmes are included as Other items where initiatives are considered to be non-recurring in nature and are not considered to be normal operating costs of the business. Restructure costs of £8.2m (2023: £10.2m) are in respect of the Target Operating Model (TOM) transformation programme, and includes the further outsourcing of back-office functions, consolidating systems and processes, and optimising the organisation structure. Cumulative cash costs of £36.8m (2023: £18.4m) have been recognised within the condensed consolidated income statement and classified as Other items since its launch in 2022. The programme is expected to complete by 31 March 2025.

The costs associated with the Group transformation programme include £2.7m of external consultancy costs (2023: £2.9m), fixed-term staff costs of £2.6m (2023: £3.3m) to manage and implement changes and redundancy costs of £2.9m (2023: £1.4m). For the period ended 30 September 2023, dual-run licence costs in relation to a decommissioned operating system of £2.3m and onerous lease costs of £0.3m, were also incurred. The associated tax credit for restructure costs recognised as Other items is £2.1m (2023: £2.6m).

Acquisition and disposal related costs

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023[2] £m
Employment-linked earnout charges	**(5.3)**	(2.6)
Pension-related costs[1]	**(6.1)**	–
Professional fees	**(2.2)**	(1.6)
Other acquisition related costs[2]	**(0.1)**	(4.4)
Amortisation of acquisition related intangible assets	**(14.0)**	(11.4)
Acquisition and disposal costs	**(27.7)**	(20.0)
Tax	**4.2**	3.7
Acquisition and disposal costs net of tax	**(23.5)**	(16.3)

Notes:

1. Includes a £2.8m charge where the Group entered into a settlement agreement with the trustees of the Plumbing Scheme with respect to its Section 75 debt in relation to the previously disposed Social Housing business. In addition, a £2.0m contract settlement charge has been recognised to reverse the gross surplus on certain Local Government Pension Schemes (LGPS), however an asset ceiling had been applied and therefore no net surplus was recognised on the condensed consolidated statement of financial position. The reversal of the asset ceiling has been credited to other comprehensive income. There is also a £1.1m past service cost charge and a related £0.2m of administrative expense arising on changes to the Landmarc pension scheme rules that increase member benefits for pre-acquisition services. Refer to Note 16.
2. The comparative for the period ended 30 September 2023 has been re-presented to include a £4.2m charge (£3.4m net of tax) which was previously classified within administrative expenses before Other items. Refer to Note 1.

Other exceptional items

Other exceptional items of £1.8m (2023: £1.8m) 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 £1.3m (2023: £1.3m) and third-party implementation costs of £0.5m (2023: £0.5m). This implementation, which is transformational in nature, is expected to be completed during the year ending 31 March 2025. Cumulative cash costs of £13.3m (2023: £9.6m) have been recognised within the condensed consolidated income statement and classified as Other items since its launch in 2022.

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 2025, using rates substantively enacted by 30 September 2024. The rate of tax on profit before Other items for the period was 24.8% (2023: 19.1%). The rate of 24.8% is slightly lower than the UK statutory rate of 25%, mainly due to the effective tax rate on overseas profits being lower than 25%. The rate incorporates the impact of Pillar Two income taxes, which is estimated to be a charge of £0.2m for the year ending 31 March 2025 (2024: not applicable).

The lower prior year effective tax rate on profit before Other items reflected the benefit of recognising additional deferred tax assets related to the losses acquired with the Interserve business. Excluding the impact of this benefit, the effective tax rate on profit before Other items for the six months ended 30 September 2023 would have been 24.1%. The Group expects its sustainable effective tax rate to continue to be approximately equal to the UK statutory rate, which increased from 19% to 25% with effect from 1 April 2023.

The effective tax rate on total profits was 29.4%, which is higher than the UK statutory rate primarily due to non-tax deductible acquisition related costs which are charged to Other items. The tax credit on Other items equates to a rate of tax of 17.8% (2023: 20.9%).

Corporation tax payments for the period amounted to £10.3m (2023: £6.3m), of which £8.6m (2023: £5.1m) was paid in the UK and £1.7m (2023: £1.2m) was paid overseas.

The Group has unutilised income tax losses of £118.7m (31 March 2024: £151.4m) that are available for offset against future profits. A deferred tax asset has been recognised in respect of £90.5m (31 March 2024: £123.2m) of these losses to the extent that it is probable that taxable profits will be generated in the future and be available for utilisation. When considering the recoverability of deferred tax assets, the taxable profit forecasts are based on the same information used to support the going concern and goodwill assessments.

No deferred tax asset has been recognised in respect of losses of £13.0m (31 March 2024: £13.0m) and disallowed interest under UK corporate interest restriction rules of £15.2m (31 March 2024: £15.2m) because recoverability is uncertain. All amounts may be carried forward indefinitely. Deferred tax has been calculated using tax rates that were substantively enacted at the condensed consolidated statement of financial position date.

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 2024, the Group paid £38.5m in respect of the final dividend for the year ended 31 March 2024 of 3.0p per share (31 March 2023: 2.2p). The Board has declared an interim dividend for the year ending 31 March 2025 of 1.3p per share (31 March 2024: 1.0p per share) which will be paid on 4 February 2025 to all shareholders on the register at the close of business on 20 December 2024.

6. Earnings per share

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

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023[1] £m
Profit before Other items attributable to owners of the parent	**67.4**	68.2
Other items net of tax attributable to owners of the parent[2]	**(30.2)**	(25.3)
Profit attributable to owners of the parent	**37.2**	42.9

Notes:

1. In the comparative period for the six months ended 30 September 2023, a charge of £4.2m (£3.4m net of tax) which was previously classified within administrative expenses before Other items, has been re-presented to be disclosed as Other items. Refer to Note 1.
2. Other items are as described in Note 3.

Number of shares	**Six months ended 30 September 2024 million**	Six months ended 30 September 2023 million
Weighted average number of ordinary shares for the purpose of basic EPS[1]	**1,258.5**	1,290.6
Effect of dilutive potential ordinary shares	**101.1**	127.0
Weighted average number of ordinary shares for the purpose of diluted EPS	**1,359.6**	1,417.6

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 2024 pence per share	Six months ended 30 September 2023 pence per share
Basic EPS before Other items[1,2]	**5.4**	5.3
Basic EPS	**3.0**	3.3
Diluted EPS before Other items[1,2]	**5.0**	4.8
Diluted EPS	**2.7**	3.0

Notes:

1. Other items are as described in Note 3.
2. Basic and diluted earnings per share before Other items at 30 September 2023 have been re-presented to reflect the change to profit before Other items as set out above. Refer to Note 1.

7. Goodwill

	£m
Cost	
At 31 March 2024	394.2
Arising on business combinations[1]	4.9
At 30 September 2024	**399.1**
Accumulated impairment losses	
At 31 March 2024, 30 September 2024	**32.5**
Net book value	
At 31 March 2024	361.7
At 30 September 2024	**366.6**

Note:

1. Includes goodwill of £3.1m arising from the Group's acquisition of ESM Power during the six months ended 30 September 2024, and £1.8m of goodwill arising upon measurement period adjustments relating to the prior year acquisitions of GBE and Cliniwaste. Refer to Note 15.

8. Trade and other receivables

	30 September 2024 £m	31 March 2024 £m
Trade receivables	**477.9**	411.5
Accrued income	**371.4**	302.7
Prepayments	**61.4**	50.5
Other receivables	**40.3**	31.4
Total	**951.0**	796.1
Included in current assets	**930.4**	775.1
Included in non-current assets	**20.6**	21.0
Total	**951.0**	796.1

Trade receivables at 30 September 2024 represent 29 days credit on sales (31 March 2024: 25 days). Management considers that the carrying amount of trade and other receivables approximates their fair value.

9. Trade and other payables

	30 September 2024 £m	31 March 2024 £m
Trade payables	**285.0**	171.6
Other taxes and social security	**154.1**	156.1
Other payables	**68.0**	42.9
Accruals	**508.7**	534.5
Total	**1,015.8**	905.1
Included in current liabilities	**987.7**	892.4
Included in non-current liabilities[1]	**28.1**	12.7
Total	**1,015.8**	905.1

Note:

1. As at 30 September 2024, non-current other payables mainly comprise the Section 75 employer debt liabilities (refer to Note 10), contingent consideration and performance-based employment-linked earnouts arising on the acquisitions of ESM Power, RHI Industrials, Biservicus, JCA Engineering and Custom Solar.

Trade payables at 30 September 2024 represent 38 days credit on trade purchases (31 March 2024: 22 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 2024	49.2	27.2	21.7	8.2	2.4	4.5	**113.2**
Additional provisions in the period	1.8	6.3	–	1.0	0.5	0.1	**9.7**
Released to the income statement	(0.8)	(0.4)	–	(0.1)	–	–	**(1.3)**
Arising on business combinations	0.1	–	–	–	–	–	**0.1**
Transferred to other payables	–	–	(21.7)	–	–	–	**(21.7)**
Utilised in the period	(6.6)	(5.9)	–	–	(1.3)	(1.0)	**(14.8)**
At 30 September 2024	43.7	27.2	–	9.1	1.6	3.6	**85.2**
Included in current liabilities	23.4	9.7	–	1.4	1.6	3.3	**39.4**
Included in non-current liabilities	20.3	17.5	–	7.7	–	0.3	**45.8**
Total	43.7	27.2	–	9.1	1.6	3.6	**85.2**

Contract specific costs

Contract specific costs provisions of £43.7m (31 March 2024: £49.2m) comprise onerous contract provisions of £9.0m (31 March 2024: £8.8m) and other contract specific provisions of £34.7m (31 March 2024: £40.4m).

Onerous contracts are mainly in respect of 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 2024. The Group recognised additional onerous contract provisions of £1.6m, of which £0.1m arose on business combinations, and utilised £1.4m in the period.

Contract specific provisions have been made primarily to cover remedial and rectification costs required to meet clients' contract terms, and include a £10.9m (31 March 2024: £10.9m) provision relating to a significant liability risk on a certain contract which is subject to dispute, a £3.4m (31 March 2024: £3.8m) provision relating to remedial works on a certain contract, a £4.5m (31 March 2024: £4.6m) provision relating to a commercial settlement dispute for a certain contract, and a £4.7m (31 March 2024: £6.3m) provision for rectification works on a certain contract. The value of these provisions reflects the single most likely outcome and is expected to be utilised over a maximum period of eight years. The remaining provision relates to other potential commercial claims and rectification work for other contracts. During the period the Group recognised additional contract specific provisions of £0.3m, utilised £5.2m, and released £0.8m.

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 condensed consolidated statement of financial position date. The provision is expected to be utilised over five years.

The insurance reserve of £27.2m is presented gross of an insurer reimbursement asset of £4.4m (31 March 2024: £4.9m), which represents the amount the Group is virtually certain to recover for claims under its insurance policies. Of this other receivable, £2.8m (31 March 2024: £3.2m) is presented as non-current.

Pension

The pension provision balance at 31 March 2024 comprised £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 & Mechanical Services (UK) Industry Pension Scheme (the Plumbing Scheme), a funded multi-employer defined benefit scheme.

During the period, a settlement agreement was reached with the trustees of the Plumbing Scheme. As a result of this, the amount of £21.7m has been transferred from provisions to other payables, and a further charge of £2.8m has been recognised as Other items in respect of Mitie Property Services (UK) Limited's participation in the Plumbing Scheme. These amounts are expected to be paid over a period of three years.

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 provision would include the costs for repairs of any damage and wear and tear and is expected to be utilised in the next ten years.

Restructuring

The restructuring provision as at 30 September 2024 includes additions of £0.5m, which have been recognised within Other items in relation to redundancies with respect to the Group's Target Operating Model programme, where a detailed formal plan is in place and a valid expectation in those affected has been raised. The amount is expected to be utilised within the next year.

11. Cash and cash equivalents

	30 September 2024 £m	31 March 2024 £m
Cash and cash equivalents	**159.0**	244.9

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. The Group's bank arrangements provide the legally enforceable right to offset and the Group demonstrates its intention to offset by formally sweeping the balances within each bank account. The balances are therefore offset in the financial statements.

At 30 September 2024, included within cash and cash equivalents is £4.0m (31 March 2024: £4.2m) which is subject to various constraints on the Group’s ability to utilise these balances. These constraints primarily relate to cash held through a joint operation, or in escrow, where cash is not available for use by the Group.

12. Financing liabilities

	Notes	**30 September 2024 £m**	31 March 2024 £m
Private placement notes		**150.0**	150.0
Lease liabilities	13	**194.7**	174.0
Loan arrangement fees		**(2.2)**	(2.5)
Total		**342.5**	321.5
Included in current liabilities		**79.1**	73.8
Included in non-current liabilities		**263.4**	247.7
Total		**342.5**	321.5

In September 2023, the Group increased its revolving credit facility from £150.0m to £250.0m, and the maturity date was extended by one year from October 2026 to October 2027. In October 2024 the maturity date was extended for one further year such that the facility now matures in October 2028. All other terms remain unchanged and the facility was undrawn at the time of the modification.

In December 2022, the Group issued £120.0m of new US private placement (USPP) notes, under a delayed funding agreement to avoid any overlap with the £121.5m (being the repayment amount after taking account of the cross-currency interest rate swaps) of notes that matured in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and were issued with an average coupon of 2.94%. A further £30.0m of USPP notes with a coupon of 4.04% are due to mature in December 2024.

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 compliant with these covenants as at 30 September 2024 and hence all amounts are classified in line with repayment dates.

At 30 September 2024, the Group had available £250.0m (31 March 2024: £250.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

13. Leases

Right-of-use assets	Properties £m	Plant and vehicles £m	Total £m
At 31 March 2024	35.2	130.3	165.5
Additions	4.1	43.1	47.2
Modifications to lease terms and disposals	(0.3)	0.5	0.2
Depreciation	(3.2)	(22.7)	(25.9)
At 30 September 2024	**35.8**	**151.2**	**187.0**

Lease liabilities	£m
At 31 March 2024	174.0
Additions	45.4
Modifications to lease terms and disposals	2.1
Interest expense related to lease liabilities	4.1
Repayment of lease liabilities (including interest)	(30.9)
At 30 September 2024	**194.7**

	30 September 2024 £m	31 March 2024 £m
Included in current liabilities	**49.7**	44.4
Included in non-current liabilities	**145.0**	129.6
Total	**194.7**	174.0

14. Analysis of net debt

	Notes	30 September 2024 £m	31 March 2024 £m
Cash and cash equivalents	11	**159.0**	244.9
Adjusted for: restricted cash[1]		**(4.0)**	(4.2)
Private placement notes	12	**(150.0)**	(150.0)
Loan arrangement fees	12	**2.2**	2.5
Net cash before lease obligations		**7.2**	93.2
Lease liabilities	13	**(194.7)**	(174.0)
Net debt		**(187.5)**	(80.8)

Note:

1. Restricted cash is subject to various constraints on the Group's ability to utilise these balances. These constraints primarily relate to cash held through a joint operation, or in escrow, where cash is not available for use by the Group.

Reconciliation of net cash flow to movements in net debt	Notes	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
Net decrease in cash and cash equivalents		**(85.7)**	(67.7)
Decrease in restricted cash		**0.2**	–
Net decrease in unrestricted cash and cash equivalents		**(85.5)**	(67.7)
Cash drivers			
Repayment of bank loans		**–**	8.3
Payment of arrangement fees		**–**	1.1
Capital element of lease rentals	13	**26.8**	17.9
Non-cash drivers			
Non-cash movement in bank loans	12	**(0.3)**	(0.1)
Non-cash movement in lease liabilities	13	**(47.5)**	(27.6)
Effect of foreign exchange rate changes		**(0.2)**	(0.5)
Increase in net debt during the period		**(106.7)**	(68.6)
Opening net debt		**(80.8)**	(44.1)
Closing net debt		**(187.5)**	(112.7)

15. Acquisitions

ESM Power

On 1 August 2024, the Group completed the acquisition of the entire issued share capital of ESM Power Limited and Woodford Investments Limited (together ESM Power) for a consideration of £5.9m, which comprises an initial cash consideration of £5.7m, and £0.2m contingent on the outcome of a completion accounts process. ESM Power is a leading electrical engineering business specialising in grid and power connections and will enhance the Group's high voltage connections expertise.

Amounts up to a maximum of £3.0m payable to the former owners of the business are treated as remuneration for post-acquisition employment services because a condition of receiving payment is the former owners' continued employment within the Mitie Group. These amounts are payable based on two performance periods for the years ending 31 March 2025 and 31 March 2026 up to a maximum of £3.0m in total. Accruals where required are recognised over the period that the related employment services are received up until the point at which the consideration becomes payable.

ESM Power contributed £7.7m of revenue and £1.1m of operating profit before Other items to the Group’s results during the six months ended 30 September 2024. Goodwill on the acquisition of ESM Power represents the premium associated with taking over the operations which are considered to strengthen the Group's high voltage connections expertise. The Group's assessments of the fair values of the assets and liabilities recognised as a result of the acquisition are provisional and will be finalised within 12 months of the acquisition date. The provisional purchase price allocation is as follows:

	Provisional fair value £m
Customer contracts	**1.3**
Property, plant and equipment	**0.5**
Trade and other receivables	**9.9**
Cash and cash equivalents	**1.4**
Trade and other payables	**(4.4)**
Deferred income	**(5.0)**
Provisions	**(0.1)**
Current tax liabilities	**(0.5)**
Deferred tax liabilities	**(0.3)**
Net identifiable assets acquired	**2.8**
Goodwill	**3.1**
Total cash consideration	**5.9**

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Prior period acquisitions

On 1 November 2023 and 9 October 2023, the Group completed the acquisitions of GBE Converge Group Ltd (GBE) and Cliniwaste Holdings Limited (Cliniwaste) respectively. The accounting for these acquisitions was disclosed as provisional within the Group's results for the year ended 31 March 2024.

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 2024, the fair value of consideration and corresponding goodwill for GBE was increased by £1.5m following the outcome of the completion accounts process. The increase in consideration was cash settled during the period.

In addition, the fair value of the acquired net assets for Cliniwaste decreased by £0.3m due to a fair value adjustment, which led to a corresponding increase in goodwill of £0.3m.

Cash flows on acquisitions

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
Cash consideration	**7.2**	66.6
Less: cash balance acquired	**(1.4)**	(20.9)
Net outflow of cash – investing activities	**5.8**	45.7

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 the Group scheme, the Landmarc 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 2024, the Group made a total contribution to defined contribution schemes of £10.3m (2023: £7.5m) and contributions to the auto-enrolment scheme of £12.2m (2023: £10.9m), which are included in the income statement charge.

The defined benefit schemes include the Mitie Group plc Pension Scheme (Group scheme), which is comprised of two segregated sections: Part A (the Group section) and Part B (the Interserve section), and the Landmarc scheme. The Group obtained control of Landmarc Support Services Limited (Landmarc) on 16 November 2023. Landmarc is the employing company for the Landmarc scheme, which commenced on 1 July 2003, at which time approximately 1,000 employees became members of the scheme. On 1 July 2021 the last remaining active members ceased accrual and the Landmarc scheme closed to future accrual. In December 2022, the trustee of the Landmarc scheme entered into a qualifying insurance buy-in to secure the remaining uninsured benefits of the scheme.

The Group also operates a number of 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. Other schemes also include the Admitted Body schemes, which are largely sections of Local Government Pension Schemes (LGPS), in respect of certain employees who transferred to the Group under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) or through the acquisition of subsidiary companies.

The Group is aware of a case involving Virgin Media and NTL Pension Trustee, which could potentially lead to additional liabilities for some pension schemes and sponsors in the UK. Developments on this issue are being monitored but at this stage the impact, if any, is not known and will be assessed, if applicable, in the future.

Principal accounting assumptions at statement of financial position date

	Group section		Interserve section		Landmarc scheme		Other schemes	
	30 September 2024 %	31 March 2024 %	**30 September 2024 %**	31 March 2024 %	**30 September 2024 %**	31 March 2024 %	**30 September 2024 %**	31 March 2024 %
Key assumptions used for IAS 19 valuation:								
Discount rate	**5.09**	4.84	**5.11**	4.80	**5.10**	4.80	**5.11**	4.80
Expected rate of pensionable pay increases	**2.51**	2.63	**2.65**	2.80	**3.10**	3.30	**3.38**	2.80
Retail price inflation	**3.13**	3.26	**3.10**	3.20	**3.10**	3.30	**3.10**	3.20
Consumer price inflation	**2.51**	2.63	**2.65**	2.80	**2.60**	2.70	**2.65**	2.80
Future pension increases	**2.51**	2.63	**2.65**	2.80	**3.10**	3.30	**2.77**	3.20

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	(Decrease)/ increase in obligations %	(Decrease)/ increase in obligations £m
Increase in discount rate	0.25%	(3.3)	(9.2)
Increase in inflation-linked assumptions[1]	0.25%	2.3	6.4
Increase in consumer price inflation (excluding pay)	0.25%	1.1	3.1
Increase in life expectancy	1 year	3.3	9.2

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.

Amounts recognised in financial statements

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

	30 September 2024					30 September 2023				
	Group section £m	Interserve section £m	Landmarc scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Landmarc scheme £m	Other schemes £m	Total £m
Current service cost	–	(0.2)	–	(0.4)	(0.6)	–	(0.3)	–	(0.5)	(0.8)
Past service cost (including curtailments/settlements)[1,2]	–	–	(1.1)	(2.0)	(3.1)	–	–	–	(0.2)	(0.2)
Total administration expense[1]	(0.5)	–	(0.2)	(0.1)	(0.8)	(0.9)	–	–	–	(0.9)
Amounts recognised in operating profit	(0.5)	(0.2)	(1.3)	(2.5)	(4.5)	(0.9)	(0.3)	–	(0.7)	(1.9)
Net interest income	–	–	0.1	–	0.1	0.1	0.1	–	–	0.2
Amounts recognised in profit before tax	(0.5)	(0.2)	(1.2)	(2.5)	(4.4)	(0.8)	(0.2)	–	(0.7)	(1.7)

Notes:

1. During the period ended 30 September 2024, an agreement to amend the Landmarc scheme rules to increase certain cash benefits which members receive on retirement was completed. The Group incurred a £1.1m past service cost charge and administrative expenses of £0.2m in relation to the amendment of the Landmarc scheme rules, which have been recognised in the condensed consolidated income statement as Other items. Refer to Note 3.
2. During the period ended 30 September 2024, the Group formally exited certain LGPS schemes, resulting in a £2.0m contract settlement charge, which was recognised within Other items. Refer to Note 3.

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

	30 September 2024					30 September 2023				
	Group section £m	Interserve section £m	Landmarc scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Landmarc scheme £m	Other schemes £m	Total £m
Actuarial gains arising due to changes in financial assumptions	8.0	1.0	1.6	2.7	13.3	21.4	2.0	–	9.2	32.6
Actuarial gains/(losses) arising from liability experience	–	2.0	(0.3)	(0.2)	1.5	(4.9)	(0.3)	–	(0.1)	(5.3)
Actuarial (losses)/gains arising due to changes in demographic assumptions	(0.2)	0.3	–	0.5	0.6	–	–	–	–	–
Movement in asset ceiling, excluding interest[1]	–	–	–	(2.6)	(2.6)	–	–	–	(2.3)	(2.3)
Return on scheme assets, excluding interest income	(5.6)	(1.2)	(1.1)	2.0	(5.9)	(23.1)	(3.2)	–	(5.9)	(32.2)
Return on reimbursement asset[2]	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Amounts recognised in condensed consolidated statement of comprehensive income	2.2	2.1	0.2	2.4	6.9	(6.6)	(1.5)	–	0.8	(7.3)

Notes:

1. The £2.6m net charge for the period ended 30 September 2024 includes a £2.0m credit with respect to the reversal of gross surplus associated with the exit of certain LGPS schemes.
2. The reimbursement asset of £0.9m at 30 September 2024 (31 March 2024: £0.9m) is recorded within other receivables.

The amounts included in the condensed consolidated statement of financial position are as follows:

	30 September 2024					31 March 2024				
	Group section £m	Interserve section £m	Landmarc scheme £m	Other schemes £m	Total £m	Group section £m	Interserve section £m	Landmarc scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	**175.0**	**23.9**	**39.9**	**77.1**	**315.9**	174.8	24.4	41.1	80.0	320.3
Present value of defined benefit obligations	**(170.1)**	**(20.4)**	**(37.9)**	**(52.0)**	**(280.4)**	(177.4)	(23.2)	(38.1)	(58.1)	(296.8)
Surplus without restriction	**4.9**	**3.5**	**2.0**	**25.1**	**35.5**	(2.6)	1.2	3.0	21.9	23.5
Effect of asset ceiling	**–**	**–**	**–**	**(27.3)**	**(27.3)**	–	–	–	(24.3)	(24.3)
Net pension asset/(liability)	**4.9**	**3.5**	**2.0**	**(2.2)**	**8.2**	(2.6)	1.2	3.0	(2.4)	(0.8)

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

	Group section £m	Interserve section £m	Landmarc scheme £m	Other schemes £m	Total £m
At 31 March 2024	**177.4**	**23.2**	**38.1**	**58.1**	**296.8**
Current service cost	**–**	**0.2**	**–**	**0.4**	**0.6**
Interest cost	**4.2**	**0.6**	**0.9**	**1.2**	**6.9**
Contributions from scheme members	**–**	**0.1**	**–**	**0.1**	**0.2**
Actuarial gains arising due to changes in financial assumptions	**(8.0)**	**(1.0)**	**(1.6)**	**(2.7)**	**(13.3)**
Actuarial (gains)/losses arising from experience	**–**	**(2.0)**	**0.3**	**0.2**	**(1.5)**
Actuarial losses/(gains) arising due to changes in demographic assumptions	**0.2**	**(0.3)**	**–**	**(0.5)**	**(0.6)**
Benefits paid	**(3.7)**	**(0.4)**	**(0.9)**	**(0.7)**	**(5.7)**
Past service cost	**–**	**–**	**1.1**	**–**	**1.1**
Contract settlement	**–**	**–**	**–**	**(4.1)**	**(4.1)**
At 30 September 2024	**170.1**	**20.4**	**37.9**	**52.0**	**280.4**

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

	Group section £m	Interserve section £m	Landmarc scheme £m	Other schemes £m	Total £m
At 31 March 2024	**174.8**	**24.4**	**41.1**	**80.0**	**320.3**
Interest income	**4.2**	**0.6**	**1.0**	**1.7**	**7.5**
Actuarial (losses)/gains on assets	**(5.6)**	**(1.2)**	**(1.1)**	**2.0**	**(5.9)**
Contributions from the sponsoring companies[1]	**5.8**	**0.4**	**–**	**0.2**	**6.4**
Contributions from scheme members	**–**	**0.1**	**–**	**0.1**	**0.2**
Expenses paid	**(0.5)**	**–**	**(0.2)**	**(0.1)**	**(0.8)**
Benefits paid	**(3.7)**	**(0.4)**	**(0.9)**	**(0.7)**	**(5.7)**
Contract settlement	**–**	**–**	**–**	**(6.1)**	**(6.1)**
At 30 September 2024	**175.0**	**23.9**	**39.9**	**77.1**	**315.9**

Note:

1. Group section contributions of £5.8m (2023: £7.7m) are inclusive of £5.2m of deficit repair contributions (2023: £7.0m).

17. Related party transactions

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

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company. During the six months ended 30 September 2024, the Group made donations and gifts in kind of £0.2m (2023: £0.1m) to the Foundation.

During the period ended 30 September 2024, the Group recognised revenue from transactions with joint ventures or associates of £2.0m (2023: £1.4m). The amounts due from joint ventures and associates at 30 September 2024 was £0.1m (31 March 2024: £nil) 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 (2023: £nil).

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

18. Events after the reporting period

Grupo Visegurity acquisition

On 7 October 2024, the Group acquired Grupo Visegurity (Visegurity) for a maximum cash consideration of €11.0m (£9.2m), comprising an initial cash payment of €9.0m (£7.5m) and contingent consideration linked to performance of up to €2.0m (£1.7m) which is payable over two years. Visegurity has over 20 years of experience in security services in Spain, primarily focusing on manned guarding, alarm response and access control, alongside concierge, patrol and security systems services and is complementary to the strategic expansion of the Group's security capabilities in Spain. Given the proximity of the acquisition to the reporting date, management has provided information available at the time of approval of the condensed consolidated financial statements. Further disclosures will be made within the Group's Annual Report and Accounts for the year ending 31 March 2025.

Argus Fire acquisition

On 24 October 2024, the Group acquired Argus Fire Protection Company Limited (Argus Fire) for a total cash consideration of £36.9m (net of cash acquired). Argus Fire has over 40 years of experience specialising in the design, installation, servicing and maintenance of active fire protection systems, using sprinklers and inert gas to control fire outbreaks, alongside electronic fire detection and alarm systems. The acquisition significantly enhances Mitie's scale and self-delivered offering in this market. Given the proximity of the acquisition to the reporting date, management has provided information available at the time of approval of the condensed consolidated financial statements. Further disclosures will be made within the Group's Annual Report and Accounts for the year ending 31 March 2025.

Appendix 1 - 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, charges with respect to employment-linked earnouts, fair value gain on acquisitions, 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 2024 £m	Six months ended 30 September 2023[1] £m
Operating profit	Statutory measures	**63.4**	56.8
Adjust for: restructure costs	Note 3	**8.2**	10.2
Adjust for: acquisition and disposal related costs	Note 3	**27.7**	20.0
Adjust for: other exceptional items	Note 3	**1.8**	1.8
Operating profit before Other items	Performance measures	**101.1**	88.8

Note:

1. The comparatives for the six months ended 30 September 2023 have been restated for the change in the composition of reportable segments. In addition, a charge of £4.2m (£3.4m net of tax) which was previously classified within administrative expenses before Other items, has been re-presented to be disclosed as Other items, in line with the presentation in the Annual Report and Accounts 2024. 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 2024 £m			Six months ended 30 September 2023[1] £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	**69.6**	**3.2**	**72.8**	67.0	1.4	68.4
Technical Services	**21.7**	**8.4**	**30.1**	24.5	3.7	28.2
Communities	**22.5**	**0.7**	**23.2**	12.4	4.2	16.6
Corporate centre	**(50.4)**	**25.4**	**(25.0)**	(47.1)	22.7	(24.4)
Total	**63.4**	**37.7**	**101.1**	56.8	32.0	88.8

Note:

1. The comparatives for the six months ended 30 September 2023 have been restated for the change in the composition of reportable segments. In addition, a charge of £4.2m (£3.4m net of tax) which was previously classified within administrative expenses before Other items, has been re-presented to be disclosed as Other items, in line with the presentation in the Annual Report and Accounts 2024. Refer to Note 1.

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

Earnings per share		Six months ended 30 September 2024 pence	Six months ended 30 September 2023 pence[1]
Statutory basic earnings per share	Statutory measures	**3.0**	3.3
Adjust for: Other items per share		**2.4**	2.0
Basic earnings per share before Other items	Performance measures	**5.4**	5.3

Note:

1. Basic earnings per share before Other items for the six months ended 30 September 2023 has been re-presented to reflect the change to profit before Other items. Refer to Note 1.

Net debt and total financial obligations

Net debt 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. Restricted cash, which is subject to various constraints on the Group's ability to utilise these balances, has been excluded from the net debt measure.

Total financial obligations (TFO) is defined as the Group's net debt including net retirement benefit liabilities. TFO represents all debt-like financing items the Group has made use of at period end.

A reconciliation from reported figures is presented below:

Net debt		30 September 2024 £m	31 March 2024 £m
Cash and cash equivalents	Statutory measures	**159.0**	244.9
Adjusted for: restricted cash	Note 11	**(4.0)**	(4.2)
Financing liabilities	Note 12	**(342.5)**	(321.5)
Net debt	Performance measures	**(187.5)**	(80.8)
Net retirement benefit assets/(liabilities)	Note 16	**8.2**	(0.8)
TFO	Performance measures	**(179.3)**	(81.6)

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. This measure showed average daily net debt of £219.0m for the six months ended 30 September 2024 and compared with £160.7m for the year ended 31 March 2024.

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 inflow.

Free cash flow		Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
Net cash generated from operating activities	Statutory measures	**63.2**	59.9
Add: net decrease in restricted cash		**0.2**	–
Interest received		**1.8**	1.9
Dividends received from joint ventures and associates		**–**	6.9
Employment-linked earnouts		**6.4**	–
Purchase of property, plant and equipment		**(7.0)**	(5.2)
Purchase of other intangible assets		**(3.7)**	(3.5)
Disposal of property, plant and equipment		**0.2**	0.1
Lease incentives received		**–**	5.7
Capital element of lease rentals paid	Note 13	**(26.8)**	(17.9)
Free cash inflow	Performance measures	**34.3**	47.9

Earnings before interest, tax, depreciation and amortisation

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of the Group's profitability. EBITDA is measured as profit before tax 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		**Six months ended 30 September 2024 £m**	Six months ended 30 September 2023[1] £m
Profit before tax	Statutory measures	**56.8**	52.3
Add: net finance costs		**6.6**	4.5
Operating profit		**63.4**	56.8
Add: Other items	Note 3	**37.7**	32.0
Operating profit before Other items		**101.1**	88.8
Add:			
Depreciation of property, plant and equipment		**31.5**	21.7
Amortisation of non-current assets[2]		**3.8**	4.2
Amortisation of contract assets		**0.3**	0.4
EBITDA	Performance measures	**136.7**	115.1

Notes:

1. In the comparative period for the six months ended 30 September 2023, a charge of £4.2m (£3.4m net of tax) which was previously classified within administrative expenses before Other items, has been re-presented to be disclosed as Other items, in line with the presentation in the Annual Report and Accounts 2024. Refer to Note 1.
2. Excludes amounts classified in the condensed 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 operating profit before Other items after tax.

		30 September 2024 £m	31 March 2024 £m	30 September 2023[1] £m
Net assets	Statutory measures	**418.5**	473.7	411.6
Add:				
Non-current liabilities		**359.1**	327.6	333.4
Current provisions	Note 10	**39.4**	66.5	57.7
Current Private Placement notes	Note 12	**30.0**	30.0	–
Deduct:				
Non-current deferred tax assets		–	(7.9)	(19.7)
Cash and cash equivalents	Note 11	**(159.0)**	(244.9)	(180.2)
Invested capital	Performance measures	**688.0**	645.0	602.8
Operating profit before Other items[2]		**222.5**	210.2	182.9
Tax[3]		**(48.0)**	(39.7)	(31.1)
Operating profit before Other items after tax[2]		**174.5**	170.5	151.8
ROIC %	Performance measures	**25.4%**	26.4%	25.2%

Notes:

1. In the comparative period for the six months ended 30 September 2023, a charge of £4.2m (£3.4m net of tax) which was previously classified within administrative expenses before Other items, has been re-presented to be disclosed as Other items, in line with the presentation in the Annual Report and Accounts 2024. Refer to Note 1.
2. Operating profit is presented on a rolling 12-month basis.
3. The tax charge has been calculated at the effective tax rate on pre-tax profits before other items of 21.6% (31 March 2024: 18.9%, 30 September 2023: 17.0%).

Appendix 2 - Change in divisional reporting

As part of the new Facilities Transformation Three-Year Plan (FY25 – FY27), the Group has simplified its organisational structure to align to the core service line capabilities of Engineering, Security and Hygiene. From the start of FY25 the Central Government & Defence division (CG&D) was absorbed into Business Services (Central Government) and into Technical Services (Defence). Police services, which was previously reported within Communities, is now reporting into Business Services.

The prior year comparatives, restated to reflect the resulting change in reportable segments, are provided below.

For the six months ended 30 September 2023

	Restated Six months ended 30 September 2023 £m		As reported[1] Six months ended 30 September 2023 £m	
	Revenue	**Operating profit/(loss) before Other items**	Revenue	Operating profit/(loss) before Other items
Business Services	**955.9**	**68.4**	719.0	41.7
Technical Services	**825.3**	**28.2**	635.9	19.5
CG&D	**–**	**–**	406.6	34.0
Communities	**351.2**	**16.6**	370.9	18.0
Corporate centre	**–**	**(24.4)**	–	(24.4)
Total	**2,132.4**	**88.8**	2,132.4	88.8

Note:

1. For the six months ended 30 September 2023, a charge within the Communities division of £4.2m which was previously classified within administrative expenses before Other items, has been re-presented to be disclosed as Other items, in line with the presentation in the Annual Report and Accounts 2024. Refer to Note 1.

For the year ended 31 March 2024

	Restated Year ended 31 March 2024 £m		As reported Year ended 31 March 2024 £m	
	Revenue	**Operating profit/(loss) before Other items**	Revenue	Operating profit/(loss) before Other items
Business Services[1]	**1,977.2**	**149.8**	1,489.7	97.0
Technical Services[1]	**1,816.9**	**74.9**	1,326.5	44.3
CG&D	**–**	**–**	937.7	80.4
Communities	**716.6**	**36.1**	756.8	39.1
Corporate centre	**–**	**(50.6)**	–	(50.6)
Total	**4,510.7**	**210.2**	4,510.7	210.2

Note:

1 FY24 restated Defence revenue within Technical Services includes £77m reclassified from Central Government relating to the Landmarc step change acquisition.

For the year ended 31 March 2023

	Restated Year ended 31 March 2023 £m		As reported Year ended 31 March 2023 £m	
	Revenue	**Operating profit/(loss) before Other items**	Revenue	Operating profit/(loss) before Other items
Business Services	**1,893.5**	**136.5**	1,413.8	92.3
Technical Services	**1,543.0**	**52.4**	1,154.1	34.1
CG&D	**–**	**–**	828.3	59.8
Communities	**618.6**	**28.7**	658.9	31.4
Corporate centre	**–**	**(55.5)**	–	(55.5)
Total	**4,055.1**	**162.1**	4,055.1	162.1