MITIE Group PLC

Half-yearly financial report for the six months to 30 September 2010

Our people set us apart.

Contents:

Keep track of our news and thinking:

www.facebook.com/group.php?gid=30377596133

www.twitter.com/mitie_group_plc

www.youtube.com/user/MITIEGroupPLC

People... who deliver results.

We specialise in outsourcing. And we like to think we are the best.

We work in close partnership with each client to provide everything from strategic consultancy to service delivery.

In simple terms, we think, we manage and we deliver on their behalf.

Half year performance

"MITIE has delivered another set of strong results underpinned by progressive revenue development, continued investment and strong cash flows. We have enhanced the Group's growth potential through our continued focus on organic growth, supplemented by selective acquisitions and through the development of our integrated business model overseas in line with our strategy.

Our well diversified portfolio of public and private sector work and high quality client base has demonstrated strength and resilience against a backdrop of economic uncertainty and political change. This has given us the capacity and confidence to maintain our investment in people, technology and new markets all of which have been major contributors to the development of our strong pipeline and contract base during the period.

Overall, market conditions in the medium term remain positive for outsourcing. Our integrated models offer innovation and provide tangible evidence of the cost and carbon efficiencies that we can achieve to meet the demands of both our public and private sector clients. We retain our focus on our strategy of delivering sustainable, profitable growth and are confident that full year earnings will be in line with management expectations."

Ruby McGregor-Smith
Chief Executive

Strong results and excellent prospects for growth

	2010 £m	2009 £m	Growth %
Revenue	**918.7**	801.1	14.7
Operating profit before other items[1]	**48.4**	42.8	13.1
Profit before tax and other items[1]	**47.5**	42.3	12.3

	2010 p	2009 p	Growth %
Basic earnings per share before other items[1]	**9.9**	9.2	7.6
Basic earnings per share	**7.7**	8.6	(10.5)
Dividend per share	**4.1**	3.7	10.8

(1) Other items are non-cash or non-recurring items as set out in Note 3

Strong revenue and earnings growth

- Strong growth in revenues of 14.7% to £918.7m and operating profit before other items of 13.1% to £48.4m
- Margins before other items at 5.3% (2009: 5.3%)
- Basic EPS before other items up 7.6% to 9.9p (2009: 9.2p)
- Dividend up 10.8% to 4.1p (2009: 3.7p)
- Cash conversion above target level – 91.0% of EBITDA converted to cash on a rolling 12-month basis
- Strong balance sheet with net debt of £110.6m and commitment of £100m of US private debt placement to augment our existing committed banking facilities of £230m

Excellent revenue visibility

- 95% (2009: 93%) of current year and 62% (2009: 58%) of 2011/12 forecast revenue secured
- Increasing opportunities across our public and private sector markets demonstrated by a growing sales pipeline

Significant developments in international capability

- Acquired the integrated facilities management businesses of Dalkia in Ireland and increased our interest in Service Management International to 50%
- Appointed preferred bidder by Rolls-Royce for the facilities and energy management of its European properties

Continued investment drives strong long-term growth prospects

- Secured the contracts to provide total facilities and energy management for Vodafone's entire property portfolio in the UK and Ireland
- Other major new contracts include Rolls-Royce, Manchester Airport and the Royal Opera House
- Integration of all our acquisitions is on track
- Continued investment in our capability and infrastructure including people, technology and new markets
- Investment in public sector bidding capability expected to yield significant medium-term benefits, focused on justice, health, education and local government
- Engaged in a positive, constructive dialogue with the Cabinet Office

Interim management report

We've made very positive progress.

Overview of performance

MITIE has made very positive progress in the six months to 30 September 2010. Strong growth in revenue, operating profit and earnings per share in an economic environment that remains challenging is testament to our continued focus on the growth of the business. Revenue from continuing operations increased by 14.7% to £918.7m (2009: £801.1m) and operating profit before other items (non-cash or non-recurring items) increased by 13.1% to £48.4m (2009: £42.8m). Operating profit margins remained stable at 5.3% (2009: 5.3%). Our basic earnings per share before other items increased by 7.6% to 9.9p per share (2009: 9.2p per share). The revenue visibility of the business is excellent, at 95% for the current year (2009: 93%), and 62% for 2011/12 (2009: 58%). We continue to see further evidence of the change from single to multi-service or full facilities management outsourcing as clients look for innovation and operational efficiency from their supply partners, which is evident in our growing sales pipeline.

MITIE's strategy is to deliver stakeholder value through a focus on sustainable profitable growth, which is enabled by a combination of organic, acquisitive and overseas growth. The integration of and synergies from our acquisitions in 2009, Dalkia FM and EPS Ltd, are on track and we are delighted with the progress made and value added to the Group by both acquisitions. Our most recent acquisition made in June this year was the facilities management business of Dalkia in Ireland and the integration and performance of this business is progressing well and in line with our expectations.

Facilities Management and Technical Facilities Management continue to secure a large number of new contracts and experience very high levels of tender opportunities, and in the first half revenues grew organically by 3.3% and 11.0% respectively. However, our Property and Asset Management divisions are still experiencing challenging market conditions in their more cyclical, construction-related markets. During the year we have elected to consolidate certain of our engineering activities with Property Management as explained below. Underlying organic revenues declined by 5.7% in Property Management and 17.9% in Asset Management. This resulted in overall net underlying organic growth for the Group of 1.6% (2009: 1.0%). Underlying organic revenue growth is stated after adjustment of the Dalkia proforma revenues to reflect the contract portfolio acquired of £108.3m (£224.3m full year) and the exclusion of discontinued activities in our engineering contracting business of £8.3m (2009: £23.7m). We expect further organic growth in the second half of this financial year due to the timing of new contract awards and anticipated project work. Furthermore, our continued focus on our cost base, operational efficiencies and synergy savings from our acquisition of Dalkia FM has seen underlying operating profit before other items for the Group grow organically by 5.9% (2009: 6.7%).

Private sector

In the private sector, we are benefiting from the trend towards integrated FM with several major new contract awards or extensions in the first half of the financial year. In July 2010 we were appointed preferred bidder by Rolls-Royce for the facilities and energy management of its European properties. This contract marks the successful retention of MITIE's existing work with Rolls-Royce as well as the inclusion of further work in the UK and across Europe and demonstrates our capability to meet the service requirements of a European property portfolio. We have also secured a five-year contract to provide total facilities and energy management for Vodafone's entire UK property portfolio, representing a significant expansion of MITIE's existing technical facilities management work for Vodafone. This is a particularly important contract award for MITIE, bringing together the soft facilities management service capabilities of the Group such as security, cleaning and front of house services with the technical facilities and energy management skills that were enhanced through the Dalkia FM acquisition made in the prior year. Under the new contract, MITIE will provide a truly integrated FM service to Vodafone across its retail, office and technical estates. The award of this contract to MITIE has reinforced the strategic rationale that underpinned the acquisition of Dalkia and, like the Rolls-Royce contract, demonstrates our ability to provide integrated services to multi-site, blue-chip private sector clients. This model has also been tailored to meet the requirements of the Royal Opera House, where we have been awarded the integrated facilities management contract for its prestigious Covent Garden premises.

Public sector

The focus on UK public sector spending is expected to lead to an increase in outsourcing within a number of our key public sector markets. MITIE is well placed to support our public sector clients in their drive for efficiency, whilst managing the sensitive balance between organisational change and the provision of attractive and rewarding employment opportunities for people who may have their employment transferred to our Group.

We are engaged in a positive, constructive dialogue with the Cabinet Office and other public sector bodies. We are focusing additional resources and expertise in those areas of our public sector markets where we expect an increase in outsourcing, particularly in the justice, health, education and local government sectors. We are investing in contract tendering opportunities that have the potential to grow the Group's public sector revenues considerably, with the earliest resultant contract awards expected to be made from Spring 2011 onwards. In this regard, we are currently tendering for an interesting and broad range of new outsourced services for MITIE in support of the Ministry of Justice, which are complementary to our current security contract. These include prisoner escorting, community service and facilities management services to the Ministry of Justice's UK wide property estate. In addition, we have also been appointed as a facilities management framework contractor for the Office of Government and Commerce which will enable us to tender for an extensive range of FM services across a range of central government departments.

International

We have made significant progress with our international strategy, reflected by the successful completion of another two acquisitions in the half year and the award of preferred bidder status for the Rolls-Royce European contract, all of which extend the capability and reach of the business in overseas markets.

On 25 June 2010, MITIE acquired the integrated facilities management business of Dalkia in Ireland. This provides integrated FM solutions for a range of clients in the public and private sectors operating across a range of industries including technology and communications, transport and logistics, manufacturing, utilities and finance. The total consideration payable will be up to €12.5m, with up to €3m only payable dependent upon the business achieving a minimum level of earnings before interest, tax, depreciation and amortisation for the year ending 31 December 2010 and other specific targets.

MITIE also increased its minority stake to 50% in Service Management International for £0.5m. SMI uses a network of FM service providers in 34 different territories to tender global contracts in which MITIE delivers the UK services.

Internal developments

Within the business we have continued to make investments and changes that are essential to the long-term growth of the Group. Technology is one of the key differentiators of MITIE and to that end we have made further investments in SAP as well as our front-end systems.

We recently appointed a new Group HR Director, Katherine Thomas, to our Executive Board to lead our talent and development agenda and have successfully launched the first MITIE graduate programme.

We have also established a Diversity and Inclusion Board at MITIE with the purpose of strengthening our commitment to achieving equality, diversity and inclusion in the workplace and community.

The restructuring of the Group into four divisions from 1 April 2010 has optimised acquisition synergies and generated opportunities for operational and scale efficiencies. The Dalkia FM acquisition remains on track to deliver full year synergies. Having taken the decision to combine our Property Management and Engineering divisions we have reviewed both our operating and back office structures for the long-term. We have decided to discontinue some of our engineering activities in certain parts of the country and estimate we will incur £4m of exceptional costs in this financial year, of which £1.1m has been incurred in the first half of the year.

Over the past two years we have developed our strategic outsourcing offering, which is the next stage in the evolution of the outsourcing model. MITIE has the most comprehensive range of self-delivered FM services in the UK, which, when integrated with property management services, investment and energy expertise, provides an end-to-end solution that considers all costs across all building assets allowing long-term decisions to be made on service costs and future investment. The team dedicated to these fully integrated outsourcing opportunities has been instrumental in the award of our recent integrated contracts and is currently bidding for MITIE's largest opportunities in both the public and private sectors.

Cash flow and liquidity

The underlying cash performance of the business remains excellent and at 91.0% our cash conversion is well above our KPI target of 80% conversion of earnings before interest, tax, depreciation and amortisation (EBITDA) to cash on a rolling 12-month basis (2009: 90.8%). Net debt increased by £24.0m since year end to £110.6m. Net finance costs increased to £1.0m (2009: £0.6m).

This is a very strong performance in the current economic climate. The result is a reflection of the focus our financial and operational teams place on ensuring that cash conversion remains a top priority. This enables the Group to continue a programme of selective acquisitions or investment in areas which will add value whilst minimising the extent, and hence the cost, of the debt funding required by the Group overall.

The Group's committed banking facility of £230m remains unchanged and in place until January 2012 and we are currently reviewing the options in the market to refinance this facility. Complementing this, we have commitment for £100m of US Private Placement ('PP') debt which is anticipated to be drawn in December 2010. This will be issued in a mix of notes: £40m denominated in sterling and maturing in nine years and £60m denominated in US dollars ($96m) maturing in seven years. The blended finance cost is anticipated to be 4% over the first five years. The proceeds will be used to repay existing shorter-dated bank facilities which are due to expire in 2012.

Key performance indicators

Our business is monitored with a range of key performance indicators (KPIs) that we use to maintain our focus on sustainable profitable growth.

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

KPI and target	2010	2009
Operating profit margin before other items Target: 5.0–6.0%	**5.3%**	5.3%
Cash conversion Target: Convert over 80.0% of Group EBITDA to cash	**91.0%**	90.8%
Capital expenditure Target: Maintain below 2.0% of revenue	**1.2%**	1.1%
Dividend growth Target: Maintain in line with underlying earnings at 2.5 times cover	**10.8%**	12.1%

Delivering value

We have built on our track record of delivering value through earnings and dividend growth during the first six months of the year with basic EPS before other items increasing by 7.6% to 9.9p per share (2009: 9.2p per share) while basic EPS after other items was 7.7p per share (2009: 8.6p per share), a decrease of 10.5%.

The half year dividend proposed by the Board of 4.1p per share (2009: 3.7p per share) represents an increase of 10.8% on the prior year interim dividend. The increase in the interim dividend is slightly higher than the growth in adjusted EPS in the period. We expect the full year dividend to reflect our policy to maintain dividends in line with underlying EPS growth at a cover ratio of 2.5 times adjusted earnings.

Segmental review

Our four operating divisions are Facilities, Technical Facilities, Property and Asset Management. Each division is structured to give clients the flexibility to choose specialist single services, multi-services or integrated facilities management.

In the first half of the year our teams have secured new work and retained existing contracts which have added to our order book and means that 95% of our forecast revenue for the year is now secured. A table of some of our recent contract awards is included on page 6.

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

Facilities Management

	2010 £m	2009 £m	%
Revenue	**425.9**	405.3	5.1
Operating profit before other items	**25.5**	23.5	8.5
Margin	**6.0%**	5.8%	0.2pp

The Facilities Management division provides facilities management and services to clients that place an emphasis on the softer side of service delivery. The division delivers facilities consultancy, management and integrated service delivery to our clients. In addition to facilities management it provides business services, catering, client services, facilities services, PFI services, security and cleaning and environmental services which in turn includes pest control, waste management and landscaping.

In the first six months of the year, revenue grew by 5.1% to £425.9m (2009: £405.3m) and organic revenue growth was 3.3%. Operating profit before other items was up by 8.5% to £25.5m (2009: £23.5m) with operating profit margins before other items at 6.0% (2009: 5.8%). Our acquired business in Ireland contributed £7.1m to revenue and £0.4m to operating profit before other items.

In Facilities Management we expect that future growth will be driven by wider scale outsourcing from both the public and private sectors. Further, the Group's critical mass and financial stability makes it an attractive partner for all our clients as they seek 'more for less' whilst maintaining or improving the standard of front line services.

Technical Facilities Management

	2010 £m	2009(1),(2) £m	%
Revenue	**209.5**	113.3	84.9
Operating profit before other items	**11.2**	5.9	89.8
Margin	**5.3%**	5.2%	0.1pp

(1) restated to reflect operating structure from 1 April 2010
(2) 2009 includes seven weeks' trading from Dalkia FM acquired on 12 August 2009

Technical Facilities Management focuses on facilities management that is led by technology, engineering and energy requirements. It comprises the integrated operations of our Engineering Maintenance business and Dalkia FM. The division was formed following the acquisition in August 2009 of Dalkia FM services in the UK by combining it with existing MITIE capabilities. MITIE now has the largest Technical Facilities Management team in the UK.

In the first six months of the year, revenue grew by 84.9% to £209.5m (2009: £113.3m). Underlying organic revenue growth was 11.0%. Operating profit before other items was up by 89.8% to £11.2m (2009: £5.9m) with operating profit margins before other items at 5.3% (2009: 5.2%).

The acquisition of Dalkia FM and subsequent formation of our Technical Facilities Management division has significantly enhanced our offering in the 'hard services' FM market. We have expanded Dalkia's CarbonCare offering to include the services already provided by MITIE. This gives our clients the ability to use us for a total energy solution that increases awareness of environmental issues, introduces innovative ideas and technologies, manages carbon footprint data, ensures legislative compliance, guarantees energy reductions and implements cleaner renewable energy solutions. The energy market is being driven by high energy costs, increasing legislation in areas such as the Carbon Reduction Commitment which came into effect in 2010, and the desire to reduce environmental impacts. We are well placed to support our clients in this increasingly important area.

Property Management

	2010 £m	2009(1),(2) £m	%
Revenue	**260.9**	255.2	2.2
Operating profit before other items	**12.4**	13.5	(8.1)
Margin	**4.8%**	5.3%	(0.5)pp

(1) restated to reflect operating structure from 1 April 2010
(2) 2009 does not include EPS Ltd which was acquired on 20 November 2009

Property Management has expanded its capabilities to offer an integrated property management service. Clients are increasingly looking for a broader range of services that include mechanical and electrical engineering, energy and more general facilities management services in addition to the traditional services such as maintenance, refurbishment, painting, roofing, interior fit-out, fire protection, plumbing and heating.

The first half of the year saw revenue increase by 2.2% to £260.9m (2009: £255.2m). Underlying organic revenue growth was negative 5.7% for the period. Operating profit before other items decreased by 8.1% to £12.4m (2009: £13.5m). Operating profit margins before other items reduced to 4.8% (2009: 5.3%).

Conditions have been challenging in recent years in certain of our Property Management markets, particularly in new build housing and property fit-out. However, whilst repair and maintenance expenditure continues to be prioritised by clients and offers good growth opportunities for the Group, the return to capital spending is also creating opportunities for us to resume high-end fit-out activities in London for large corporate clients. Further, increased confidence in the UK retail sector has currently generated new demand for store fit-out and refurbishment although market conditions are still expected to fluctuate.

Having taken the decision to combine our Property Management and Engineering divisions we have reviewed both our operating and back office structures for the long term. We have decided to discontinue some of our engineering activities in certain parts of the country and estimate we will incur £4m of exceptional costs in this financial year, of which £1.1m has been incurred in the first half of the year.

Our work within the social housing and local government sector is a large focus for the division and social housing now accounts for approximately 40% of divisional revenues (11% of Group revenues). The EPS acquisition has now been fully integrated into the Group and has strengthened our South East regional offering. We believe the Group is well-placed to grow its capabilities in this area as the market continues to develop and consolidate.

Asset Management

	2010 £m	2009[1] £m	%
Revenue	**22.4**	27.3	(17.9)
Operating profit before other items	**(0.7)**	(0.1)	(600.0)
Margin	**(3.1)%**	(0.3)%	(2.8)pp

(1) restated to reflect operating structure from 1 April 2010

The Asset Management division provides the integration, management and maintenance of technical assets to meet the challenges of the low-carbon economy including energy design, generation and certification, infrastructure projects, building services and mechanical and electrical engineering.

Revenue in the division was £22.4m for the first half of the year, a reduction of 17.9% over the prior year first half performance of £27.3m, due to the timing of projects being delivered. The operating loss before other items was £(0.7)m (2009: £(0.1)m) and operating profit margins before other items were (3.1)% (2009: (0.3)%).

Asset Management is now structured to take advantage of the increasing demand for renewable and decentralised energy solutions in the UK as well as providing specialist engineered energy related solutions to the data centre market. The UK market for alternative energy generation is developing rapidly and is becoming more attractive following the development of renewable energy credit schemes backed by the Government and feed-in tariffs which allow excess energy to be sold to the UK's national power grid. This, along with the UK Government's CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment), is increasing the number of alternative energy schemes within the UK market. We are well placed to deliver the installation and management of such schemes and see the potential for strong growth in this area as the market develops. We are investing significant resource in the development of this capability.

Board changes

After serving for 17 years at MITIE of which nine have been on the Board of MITIE, Roger Goodman will be retiring as a PLC Director on 31 March 2011. He will continue to work with MITIE in a part-time capacity and will be involved with our overseas development of key clients. We thank him for his valuable contribution to the Board.

Key factors that could affect our business

MITIE's system of internal control is designed to support the Group's pursuit of achieving its objectives and strategies, and the identification and management of risks that may impact the Group and the environment in which it operates. The assessment of risk is undertaken by every business segment, which has a comprehensive risk register that feeds through to the Group risk register reviewed by our Board.

The principal risks and uncertainties have not changed significantly from those detailed on page 37 of our Annual Report and Accounts 2010. We analyse our risk profile into four categories, namely strategic, financial, operational or compliance risks. A detailed description of our principal risks can be found in our Annual Report and Accounts and are summarised under the following headings and include:

Strategic:
Business development, competitive positioning, acquisitions and trading overseas

Financial:
Market conditions, economic climate and counterparties

Operational:
IT and finance systems, people, sub-contractors and suppliers, trade disruption, health, safety and environment

Compliance:
Insurance, material litigation, and regulatory

Outlook

MITIE has delivered another set of strong results underpinned by progressive revenue development, continued investment and strong cash flows. We have enhanced the Group's growth potential through our continued focus on organic growth, supplemented by selective acquisitions and through the development of our integrated business model overseas in line with our strategy.

Our well diversified portfolio of public and private sector work and high quality client base has demonstrated strength and resilience against a backdrop of economic uncertainty and political change. This has given us the capacity and confidence to maintain our investment in people, technology and new markets all of which have been major contributors to the development of our strong pipeline and contract base during the period.

Overall, market conditions in the medium term remain positive for outsourcing. Our integrated models offer innovation and provide tangible evidence of the cost and carbon efficiencies that we can achieve to meet the demands of both our public and private sector clients. We retain our focus on our strategy of delivering sustainable, profitable growth and are confident that full year earnings will be in line with management expectations.

Statement of Directors' responsibilities

The Directors of MITIE Group PLC confirm that, to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair view of the information required by rules 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules. The names and functions of the Directors of MITIE Group PLC are as listed in the Group's Annual Report for 2010 (available on the Group's website www.mitie.com).

By order of the Board

Ruby McGregor-Smith
Chief Executive
MITIE Group PLC

22 November 2010

New contract summary

Our recent contract awards.

Private sector

Finance and professional services

Client	Contract	Timeframe	Total value	Division
European investment bank	Out of hours works on a building management system infrastructure upgrade for an occupied building	18 months	£14m	PM
UK Financial institution	Two additional cleaning contracts added to a total existing £25m pa contract. These include new regions and the addition of more offices	5 years	£7m	FM
Leading law firm	Full suite of business services including reception, telephony, office moves, mail, reprographics and desktop publishing	3 years	£3m	FM
Global investment banking and securities firm	Project to install new servers within the existing main computer room, with the scope of the works including provision of electrical power to the servers and mechanical cooling systems	1 year	£1m	AM

Retail

Client	Contract	Timeframe	Total value	Division
Tesco	Retained 100% of our existing business and added £13m of new business to our cleaning portfolio. This now encompasses eight new regions covering the South West, the South East and the West country, adding 330 additional stores. In total we now clean 30% of the estate	3 years	£80.4m	FM
	Various ongoing lighting projects to achieve energy savings for stores, garage canopies and cold rooms	2–6 months	£1.6m	TFM
Major British food and clothing retailer	Installation of all the mechanical and electrical services in 200,000 sq ft of retail space at the prestigious new flagship store near the Olympic Village	9 months	£5m	PM
Waitrose	Letter of intent to design, build and operate first biomass-powered store, at East Cowes. The new supermarket will have its energy requirements provided by an innovative off-grid energy centre, designed, built and operated by MITIE	ND	ND	AM

Property

Client	Contract	Timeframe	Total value	Division
Zerum	Wind turbine development	18 months	£4.6m	AM
Global commercial real estate services firm	Soft FM services at the head office at Hanover Square and support of their other premises in London. The contract includes the management and delivery of all soft services including cleaning, security, reception and porterage. MITE provides a dedicated on site manager and enhanced management information	3 years	£3.1m	FM

Technology and communications

Client	Contract	Timeframe	Total value	Division
Vodafone	Total facilities and energy management for Vodafone's entire UK property portfolio, including commercial offices, retail portfolio, data centres, mobile telephone exchanges, warehouses and call centres. MITIE will self-deliver cleaning, maintenance, security, business services, landscaping and pest control and manage the supply chain of a range of other services including catering, reprographics and transport	5 years +1 year +1 year	£80m +£16m +£16m	TFM/ FM
WTE plant consortium	Design, build and operate a renewable energy power plant	10 years	£28m	AM
RWE npower	A combination of FM and TFM services that covers all services including M&E, security and cleaning	5 years	£27.6m	TFM/ FM
A leading provider of global IT, security, and communication solutions	Power and cooling resilience project coupled with multiple data hall fit-outs, and other DC upgrade works across their estate	18 months	£20m	AM
Financial Times	Awarded a contract for manned guarding and reception	5 years	£2.1m	FM

Transport

Client	Contract	Timeframe	Total value	Division
The Manchester Airport Group	Major cleaning contract with Manchester Airport which involves terminal cleaning, car park and road sweeps and internal waste management	4 years	ND	FM
BAA Airports Ltd	Air and landside technical facilities management at Heathrow	3 years	£4.2m	TFM
Network Rail	Contract extension to include our broad range of FM services around the UK, including their office building portfolio and encompasses a full range of physical and electronic security	1 year	£2.6m	FM
Greater Manchester Passenger Transport Executive	Planned and reactive painting works to public transport properties throughout Greater Manchester	3 years	ND	PM

Utilities

Client	Contract	Timeframe	Total value	Division
Yorkshire Water	A successful re-bid for the provision of cleaning services including cleaning of all 64 sites along with catering across five sites in the Leeds area	5 years	£4.2m	FM

Leisure

Client	Contract	Timeframe	Total value	Division
Royal Opera House	Integrated facilities management contract to deliver services which include engineering, cleaning, security, telephony, mail and reprographics at the prestigious Covent Garden premises	5 years	ND	FM/ TFM

Manufacturing

Client	Contract	Timeframe	Total value	Division
Rolls-Royce	Appointed preferred bidder for pan-European contract to deliver integrated facilities and energy management	Rolling	ND	FM/ TFM

Public sector

Central government

Client	Contract	Timeframe	Total value	Division
Scottish Government	New cleaning and waste contract which covers 144 buildings across Scotland	4 years	£15.2m	FM
National Maritime Museum	Supply and installation of mechanical and electrical services at the National Maritime Museum for the newly refurbished south-west wing, housing part of the Museum's Archive collection, and for the new Sammy Ofer Wing including a special exhibition area, new catering facilities and a terrace area	18 months	£4m	PM
Scottish Parliament	Renewed our soft services contract	5 years	£2.5m	FM
Atomic Weapons Establishment	Working closely with MoD police, provide gate security, pass checking, access and egress control. The contract has been expanded to include cleaning, landscaping, pest control, site vehicle escorting duties, front of house, security control checks and liaising with site teams for visitor escorting	2 years	£2m	FM

Local government

Client	Contract	Timeframe	Total value	Division
Kent County Council	Mechanical services for public and educational buildings including planned service and maintenance for heating and hot water services	4 years	£6m	PM

Social housing

Client	Contract	Timeframe	Total value	Division
Homes for Islington	Expansion of existing contract to cover gas servicing, repairs, boiler replacement and upgrades for approx 9,500 homes	4 years	£8m	PM
Russet Homes	External painting programme, as well as internal redecorations to the common parts of various blocks of flats	5 years	£1.3m	PM

Healthcare

Client	Contract	Timeframe	Total value	Division
Mersey Care NHS Trust	Retained and expanded our technical facilities management contract providing planned and reactive building maintenance services throughout the Trust's estate along with strategic energy management support	4 years	£10.4m	TFM
West Midlands Ambulance Service	Cleaning of ambulances and buildings over 78 sites. New integrated contract previously held by four contractors	3 years	£4.2m	FM

ND = not disclosed

Condensed consolidated income statement

For the six months to 30 September 2010

	Notes	30 September 2010 (unaudited) Before other items* £m	Other items* £m	Total £m	30 September 2009 (unaudited) Before other items* £m	Other items* £m	Total £m
Continuing operations							
Revenue	2	**918.7**	**–**	**918.7**	801.1	–	801.1
Cost of sales		**(773.6)**	**–**	**(773.6)**	(674.2)	–	(674.2)
Gross profit		**145.1**	**–**	**145.1**	126.9	–	126.9
Administrative expenses		**(96.7)**	**(10.5)**	**(107.2)**	(84.1)	(2.6)	(86.7)
Operating profit	2	**48.4**	**(10.5)**	**37.9**	42.8	(2.6)	40.2
Investment revenue		**0.1**	**–**	**0.1**	0.9	–	0.9
Finance costs		**(1.0)**	**(0.1)**	**(1.1)**	(1.4)	(0.1)	(1.5)
Net finance costs		**(0.9)**	**(0.1)**	**(1.0)**	(0.5)	(0.1)	(0.6)
Profit before tax		**47.5**	**(10.6)**	**36.9**	42.3	(2.7)	39.6
Tax	5	**(12.9)**	**3.0**	**(9.9)**	(11.8)	0.7	(11.1)
Profit for the period		**34.6**	**(7.6)**	**27.0**	30.5	(2.0)	28.5
Attributable to:							
Equity holders of the parent		**34.5**	**(7.6)**	**26.9**	30.2	(2.0)	28.2
Non-controlling interests		**0.1**	**–**	**0.1**	0.3	–	0.3
		34.6	**(7.6)**	**27.0**	30.5	(2.0)	28.5
Earnings per share (EPS)							
– basic	6	**9.9p**	**(2.2)p**	**7.7p**	9.2p	(0.6)p	8.6p
– diluted	6	**9.7p**	**(2.1)p**	**7.6p**	9.0p	(0.5)p	8.5p

* Other items are analysed in Note 3.

	Notes	Year to 31 March 2010 (audited) Before other items* £m	Other items* £m	Total £m
Continuing operations				
Revenue	2	1,720.1	–	1,720.1
Cost of sales		(1,444.0)	–	(1,444.0)
Gross profit		276.1	–	276.1
Administrative expenses		(183.1)	(11.9)	(195.0)
Operating profit	2	93.0	(11.9)	81.1
Investment revenue		1.8	–	1.8
Finance costs		(3.1)	(0.1)	(3.2)
Net finance costs		(1.3)	(0.1)	(1.4)
Profit before tax		91.7	(12.0)	79.7
Tax		(25.3)	3.1	(22.2)
Profit for the year		66.4	(8.9)	57.5
Attributable to:				
Equity holders of the parent		66.0	(8.9)	57.1
Non-controlling interests		0.4	–	0.4
		66.4	(8.9)	57.5
Earnings per share (EPS)				
– basic	6	19.5p	(2.6)p	16.9p
– diluted	6	19.2p	(2.6)p	16.6p

* Other items are analysed in Note 3.

Condensed consolidated statement of comprehensive income

For the six months to 30 September 2010

	30 September		Year to 31 March
	2010 (unaudited) £m	2009 (unaudited) £m	2010 (audited) £m
Profit for the period	**27.0**	28.5	57.5
Other comprehensive income/(expense):			
Actuarial losses on defined benefit pension schemes	**(11.1)**	(8.3)	(13.1)
Tax credit on items taken directly to equity	**2.8**	3.2	4.2
Exchange differences on translation of foreign operations	**0.2**	–	–
Losses on a hedge of a net investment taken to equity	**(0.2)**	–	–
Other comprehensive expense for the period, net of tax	**(8.3)**	(5.1)	(8.9)
Total comprehensive income for the financial period	**18.7**	23.4	48.6
Attributable to:			
Equity holders of the parent	**18.6**	23.1	48.2
Non-controlling interests	**0.1**	0.3	0.4

Condensed consolidated balance sheet

At 30 September 2010

	30 September 2010 (unaudited) £m	30 September 2009 (unaudited)* £m	31 March 2010 (audited) £m
Non-current assets			
Goodwill	**330.3**	294.4	324.0
Other intangible assets	**68.6**	56.2	67.4
Property, plant and equipment	**54.9**	47.7	54.5
Deferred tax assets	**15.8**	12.8	14.1
Total non-current assets	**469.6**	411.1	460.0
Current assets			
Inventories	**3.4**	7.2	3.9
Trade and other receivables	**442.7**	348.8	405.6
Cash and cash equivalents	**48.2**	50.0	23.7
Total current assets	**494.3**	406.0	433.2
Total assets	**963.9**	817.1	893.2
Current liabilities			
Trade and other payables	**(379.7)**	(296.6)	(359.3)
Current tax liabilities	**(15.6)**	(12.6)	(15.0)
Financing liabilities*	**(5.0)**	(3.5)	(4.6)
Provisions	**(3.9)**	(1.1)	(9.9)
Total current liabilities	**(404.2)**	(313.8)	(388.8)
Net current assets	**90.1**	92.2	44.4
Non-current liabilities			
Financing liabilities*	**(154.2)**	(119.7)	(106.2)
Provisions	**(10.5)**	(18.4)	(11.2)
Retirement benefit obligation	**(18.7)**	(7.4)	(10.5)
Deferred tax liabilities	**(12.5)**	(10.4)	(13.1)
Total non-current liabilities	**(195.9)**	(155.9)	(141.0)
Total liabilities	**(600.1)**	(469.7)	(529.8)
Net assets	**363.8**	347.4	363.4

*Bank loans at 30 September 2009 have been re-presented as non-current liabilities.

Condensed consolidated balance sheet

At 30 September 2010

	Notes	30 September 2010 (unaudited) £m	30 September 2009 (unaudited) £m	31 March 2010 (audited) £m
Equity				
Share capital	9	**8.9**	8.8	8.8
Share premium account		**78.8**	75.2	76.7
Merger reserve		**85.1**	80.3	80.3
Share-based payments reserve		**6.4**	5.3	5.4
Own shares reserve		**(13.8)**	(9.7)	(8.1)
Other reserves		**0.2**	0.2	0.2
Hedging and translation reserve		**–**	–	–
Retained earnings		**192.2**	179.6	192.3
Equity attributable to equity holders of the parent		**357.8**	339.7	355.6
Non-controlling interests		**6.0**	7.7	7.8
Total equity		**363.8**	347.4	363.4

Condensed consolidated statement of changes in equity

For the six months to 30 September 2010

	Share capital £m	Share premium account £m	Merger reserve £m	Share-based payments reserve £m	Own shares reserve £m	Other reserves £m	Hedging and translation reserve £m	Retained earnings £m	**Attributable to equity holders of the parent £m**	Non-controlling interests £m	**Total £m**
At 1 April 2009	8.1	24.4	67.2	4.4	(5.2)	0.2	–	167.4	**266.5**	10.1	**276.6**
Total comprehensive income	–	–	–	–	–	–	–	23.1	**23.1**	0.3	**23.4**
Shares issued	0.7	50.8	13.1	–	–	–	–	–	**64.6**	–	**64.6**
Dividends paid	–	–	–	–	–	–	–	(11.6)	**(11.6)**	(0.2)	**(11.8)**
Purchase of own shares	–	–	–	–	(4.5)	–	–	–	**(4.5)**	–	**(4.5)**
Share-based payments	–	–	–	0.9	–	–	–	0.7	**1.6**	–	**1.6**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	–	**–**	(2.5)	**(2.5)**
At 30 September 2009	8.8	75.2	80.3	5.3	(9.7)	0.2	–	179.6	**339.7**	7.7	**347.4**
Total comprehensive income	–	–	–	–	–	–	–	25.1	**25.1**	0.1	**25.2**
Shares issued	–	1.5	–	–	–	–	–	–	**1.5**	–	**1.5**
Dividends paid	–	–	–	–	–	–	–	(13.1)	**(13.1)**	–	**(13.1)**
Share-based payments	–	–	–	0.1	1.6	–	–	0.7	**2.4**	–	**2.4**
At 31 March 2010	8.8	76.7	80.3	5.4	(8.1)	0.2	–	192.3	**355.6**	7.8	**363.4**
Total comprehensive income	–	–	–	–	–	–	–	18.6	**18.6**	0.1	**18.7**
Shares issued	0.1	2.1	4.8	–	–	–	–	–	**7.0**	–	**7.0**
Dividends paid	–	–	–	–	–	–	–	(14.5)	**(14.5)**	(0.2)	**(14.7)**
Purchase of own shares	–	–	–	–	(5.7)	–	–	–	**(5.7)**	–	**(5.7)**
Share-based payments	–	–	–	1.0	–	–	–	0.7	**1.7**	–	**1.7**
Acquisitions and other movements in non-controlling interests	–	–	–	–	–	–	–	(4.9)	**(4.9)**	(1.7)	**(6.6)**
Balance at 30 September 2010	**8.9**	**78.8**	**85.1**	**6.4**	**(13.8)**	**0.2**	**–**	**192.2**	**357.8**	**6.0**	**363.8**

Condensed consolidated statement of cash flows

For the six months to 30 September 2010

	30 September 2010 (unaudited) £m	30 September 2009 (unaudited) £m	Year to 31 March 2010 (audited) £m
Operating profit	**37.9**	40.2	81.1
Adjustments for:			
Share-based payment expense	**1.7**	1.6	4.0
Pension charge	**1.7**	1.9	3.8
Pension contributions	**(2.6)**	(3.2)	(6.3)
Depreciation of property, plant and equipment	**8.9**	7.2	16.4
Amortisation of intangible assets	**5.2**	1.7	5.9
Loss/(gain) on disposal of property, plant and equipment	**0.1**	(0.7)	(0.4)
Operating cash flows before movements in working capital	**52.9**	48.7	104.5
Decrease/(increase) in inventories	**0.5**	(3.5)	0.2
Increase in receivables	**(31.5)**	(6.9)	(41.4)
Increase/(decrease) in payables	**10.6**	(3.7)	36.3
Increase/(decrease) in provisions	**1.3**	0.9	(1.2)
Cash generated by operations	**33.8**	35.5	98.4
Income taxes paid	**(9.3)**	(11.8)	(22.2)
Interest paid	**(1.0)**	(1.5)	(3.4)
Additional pension contribution	**–**	–	(0.5)
Net cash from operating activities	**23.5**	22.2	72.3
Investing activities			
Interest received	**0.1**	0.9	1.9
Purchase of property, plant and equipment	**(9.2)**	(8.0)	(21.7)
Purchase of subsidiary undertakings	**(11.1)**	(122.5)	(157.9)
Purchase of other intangible assets	**(3.4)**	(3.6)	(5.8)
Disposals of property, plant and equipment	**1.3**	1.7	3.1
Net cash outflow from investing activities	**(22.3)**	(131.5)	(180.4)

Condensed consolidated statement of cash flows

For the six months to 30 September 2010

	30 September 2010 (unaudited) £m	30 September 2009 (unaudited) £m	Year to 31 March 2010 (audited) £m
Financing activities			
Repayments of obligations under finance leases	**(1.7)**	(1.2)	(2.2)
Proceeds on issue of share capital	**0.7**	1.5	3.1
Proceeds from share placing	**–**	41.8	41.8
Repayments of loan notes on purchase of subsidiary undertakings	**(3.5)**	–	–
Bank loans raised	**48.2**	105.0	90.0
Purchase of own shares	**(5.7)**	(4.5)	(4.5)
Equity dividends paid	**(14.5)**	(11.6)	(24.7)
Non-controlling interest dividends paid	**(0.2)**	(0.2)	(0.2)
Net cash inflow from financing	**23.3**	130.8	103.3
Net increase/(decrease) in cash and cash equivalents	**24.5**	21.5	(4.8)
Net cash and cash equivalents at beginning of the period	**23.7**	28.5	28.5
Effect of foreign exchange rate changes	**–**	–	–
Net cash and cash equivalents at end of the period	**48.2**	50.0	23.7
Net cash and cash equivalents comprise:			
Cash at bank	**48.2**	50.0	23.7
	48.2	50.0	23.7

Condensed consolidated statement of cash flows

For the six months to 30 September 2010

Reconciliation of net cash flow to movement in net (debt)/funds	Notes	30 September 2010 (unaudited) £m	30 September 2009 (unaudited) £m	Year to 31 March 2010 (audited) £m
Net increase/(decrease) in cash and cash equivalents		**24.5**	21.5	(4.8)
Bank loans raised		**(48.2)**	(105.0)	(90.0)
Repayments of loan notes on purchase of subsidiary undertakings		**3.5**	–	–
Issue of loan notes on purchase of subsidiary undertakings		**(3.9)**	–	–
Decrease/(increase) in finance leases		**0.1**	–	(2.7)
Increase in net debt during the period		**(24.0)**	(83.5)	(97.5)
Opening net (debt)/funds		**(86.6)**	10.9	10.9
Closing net debt	8	**(110.6)**	(72.6)	(86.6)

Notes to the condensed consolidated financial statements

For the six months to 30 September 2010

1. Basis of preparation

The condensed financial statements for the six months to 30 September 2010 have been prepared on the basis of the accounting policies set out in the Group's latest annual financial statements for the year ended 31 March 2010, except as set out below.

These accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted for use in the European Union. The condensed financial statements for the six months to 30 September 2010 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and with the Disclosure and Transparency Rules of the Financial Services Authority.

The condensed consolidated financial statements are unaudited and have not been subject to review. They do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual financial statements as at 31 March 2010.

The financial information presented for the year ended 31 March 2010 does not represent full statutory accounts within the meaning of Section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under Section 498 of the Companies Act 2006.

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010, with the addition that, following the acquisition of the FM business of Dalkia in Ireland (Dalkia Ireland), the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the balance sheet date. Income and expenditure are translated at the average exchange rate for the period with any exchange differences arising being recognised directly within equity in the Group's translation reserve. Differences on the foreign currency borrowings that provide a hedge against the net investment are recognised within equity in the Group's hedging reserve. Detailed accounting policies will be provided in the Group's annual financial statements for the year ended 31 March 2011.

The Group also adopted the following standards which became effective for the first time in the current period:

– IFRS 3 'Business Combinations' (revised 2008); adoption of this revised standard has resulted in changes to the initial recognition and subsequent measurement of deferred contingent consideration. The standard also requires all acquisition related costs to be recognised as period expenses in accordance with the relevant IFRS. The revised standard applies to all business combinations that occur on or after 1 April 2010. Adoption of this revised standard has resulted in a reduction in profit before tax of £0.3m and a reduction in net assets of £0.2m.

– IAS 27 'Consolidated and Separate Financial Statements' (revised 2008); changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for within shareholders' equity. No gain or loss is recognised on such transactions and goodwill is not re-measured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. Adoption of this revised standard had no impact on profit before tax but resulted in a reduction in net assets of £4.9m.

Other amendments and interpretations are also effective for the first time in the current period but have had no impact on the results or financial position of the Group.

Going concern

The Directors have considered the Financial Reporting Council guidance on going concern and the principal risks and uncertainties affecting the Group. The Group benefits from a well diversified portfolio of service offerings and has a broad, diverse customer base. The Group currently operates well within the financial covenants associated with its committed funding lines of £230.0m which remain in place until 2012 and the Group is currently reviewing the options in the market to refinance this debt. Complementing this, the Group has commitment of £100m of US Private Placement debt which is anticipated to be drawn in December 2010. The proceeds will be used to repay existing shorter-dated bank facilities. As a consequence, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

For the six months to 30 September 2010

2. Segmental analysis

The Group manages its business on a service division basis. These divisions are the basis on which the Group reports its primary segmental information.

The financial data below reflects the performance of our four divisions in the organisational structures that applied during the period. On 1 April 2010, the acquired Dalkia FM business and our Engineering Maintenance business, which were previously in the Asset Management division, were restructured to bring together our technical facilities management proposition within a new operating division branded Technical Facilities Management. Furthermore, the Engineering Contracting offering of our Asset Management division was combined with our Property Management business to consolidate its proposition. The acquired Dalkia Ireland business was incorporated into Facilities Management with effect from 25 June 2010.

The comparative data below in respect of the six months to 30 September 2009 has been adjusted to reflect the reorganisation. Revenue and operating profit before other items for the six months to 30 September 2009 for Dalkia FM and Engineering Maintenance of £113.3m and £5.9m respectively have been excluded from the comparative data below for Asset Management and included within the comparative period disclosures for Technical Facilities Management. In addition, revenue and operating profit before other items for the six months to 30 September 2009 for Engineering Contracting of £111.4m and £4.6m have been excluded from the comparative data below for Asset Management and included within the comparative period disclosures for Property Management.

	Six months to 30 September 2010				Six months to 30 September 2009			
	Revenue £m	**Operating profit before other items* £m**	**Margin %**	**Profit before tax £m**	Revenue £m	Operating profit before other items* £m	Margin %	Profit before tax £m
Facilities Management	**425.9**	**25.5**	**6.0**	**23.3**	405.3	23.5	5.8	22.4
Technical Facilities Management	**209.5**	**11.2**	**5.3**	**5.6**	113.3	5.9	5.2	3.9
Property Management	**260.9**	**12.4**	**4.8**	**8.9**	255.2	13.5	5.3	13.5
Asset Management	**22.4**	**(0.7)**	**(3.1)**	**(0.9)**	27.3	(0.1)	(0.3)	(0.2)
Total	**918.7**	**48.4**	**5.3**	**36.9**	801.1	42.8	5.3	39.6

	Year to 31 March 2010			
	Revenue £m	Operating profit before other items* £m	Margin %	Profit before tax £m
Facilities Management	824.6	50.5	6.1	48.8
Technical Facilities Management	344.8	15.5	4.5	6.3
Property Management	496.2	25.1	5.1	23.0
Asset Management	54.5	1.9	3.5	1.6
Total	1,720.1	93.0	5.4	79.7

* Other items are analysed in Note 3.

The revenue analysis above is net of inter segment sales which are not considered significant.

3. Other items

The Group separately identifies and discloses certain non-cash or non-recurring items (termed 'other items'). Presenting the results excluding other items provides a meaningful analysis of the underlying trading result of the Group and is consistent with the way that financial performance is reported to the Board of Directors.

	Six months to 30 September		Year to 31 March
	2010 £m	2009 £m	2010 £m
Administrative expenses			
Restructuring costs relating to integration of Dalkia FM, EPS Ltd and Dalkia Ireland	**4.7**	1.1	6.6
Restructuring costs of Engineering Contracting businesses	**1.1**	–	–
Acquisition costs	**0.3**	–	–
Amortisation of acquisition related intangibles	**4.4**	1.5	5.3
	10.5	2.6	11.9
Finance costs			
Unwinding of discount on deferred contingent consideration	**0.1**	0.1	0.1
Other items	**10.6**	2.7	12.0

4. Dividends

The proposed interim dividend of 4.1p (2009: 3.7p) per share (not recognised as a liability at 30 September 2010) will be paid on 3 February 2011 to shareholders on the register on 17 December 2010.

The dividend disclosed in the statement of cash flows represents the final ordinary dividend of 4.1p (2009: 3.6p) per share as proposed in the 31 March 2010 financial statements and approved at the Group's AGM (not recognised as a liability at 31 March 2010).

5. Taxation

Income tax on profit before other items for the six months ended 30 September 2010 is based on an effective rate of 27.2% (2009: 27.9%), which has been calculated by reference to the projected charge for the full year. Income tax on profit before tax is 26.8% (2009: 27.9%).

6. Earnings per share

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

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

	Six months to 30 September		Year to 31 March
Number of shares	**2010 million**	2009 million	2010 million
Weighted average number of Ordinary shares for the purpose of basic EPS	**349.6**	328.0	338.4
Effect of dilutive potential Ordinary shares: share options	**5.4**	5.8	6.0
Weighted average number of Ordinary shares for the purpose of diluted EPS	**355.0**	333.8	344.4

The weighted average number of Ordinary shares in issue during the period excludes those accounted for in the Own shares reserve which were purchased in the market and held by the MITIE Group PLC Employee Benefit Trust to satisfy options under the Group's share option schemes. The Own shares reserve represents the cost of 6.0m (2009: 3.9m) shares in MITIE Group PLC, with a weighted average of 4.6m shares during the period (2009: 2.5m).

Following the acquisition of Dalkia FM in 2009, 19.0m new Ordinary shares of 2.5p each were placed on 12 August 2009 with certain institutional and other qualified investors.

Notes to the condensed consolidated financial statements

For the six months to 30 September 2010

7. Acquisition of subsidiaries

Current period acquisitions

Purchase of FM business of Dalkia in Ireland

On 25 June 2010, MITIE acquired 100% of DFM Providers Limited (subsequently renamed MITIE Facilities Management Limited) and Dalkia Energy and Facilities Limited (subsequently renamed MITIE Limited), together Dalkia Ireland, for total consideration of up to €12.5m. The transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (2008). Below we provide provisional information on the acquisition.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	8.8	(5.8)	3.0
Deferred tax liability	(1.1)	0.4	(0.7)
Trade and other receivables	5.4	(0.4)	5.0
Cash and cash equivalents	1.5	–	1.5
Trade and other payables	(4.9)	(0.5)	(5.4)
Current tax liability	(0.2)	–	(0.2)
Net assets acquired	**9.5**	**(6.3)**	**3.2**
Goodwill			7.4
Total consideration			**10.6**
Satisfied by			
Cash			7.9
Deferred contingent consideration			2.7
Total consideration			**10.6**
Net cash outflow arising on acquisition			
Cash consideration			7.9
Cash and cash equivalents acquired			(1.5)
Net cash outflow			**6.4**

Acquisition related costs included within Other items (Note 3) amounted to £0.3m.

The goodwill arising on the acquisition of Dalkia Ireland is attributable to the underlying profitability of the companies, expected profitability arising from new business and the anticipated future operating synergies arising from assimilation into the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Provision is made for deferred contingent consideration at the Directors' best estimate of the likely future obligation. Deferred contingent consideration of up to €3.0m, which may become payable up to 2012 subject to certain profit and other targets being attained, is included above.

Dalkia Ireland contributed £7.1m to revenue and £0.4m to the Group's operating profit before other items for the period. If the acquisition had taken place at the start of the period, the Group's revenue and operating profit before other items would have been approximately £925m and £49m respectively.

Purchase of Service Management International Limited

The Group increased its minority stake to 50% in Service Management International for total consideration of £0.5m.

7. Acquisition of subsidiaries continued

Prior period acquisitions

Purchase of Dalkia Technical Facilities Management

On 12 August 2009 MITIE acquired 100% of Dalkia Technical Facilities Management (Dalkia FM) for total consideration of £119.5m. The transaction was accounted for by the purchase method of accounting in accordance with IFRS 3 (2004). Below we provide final information on the fair value of net assets acquired.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	1.2	28.7	29.9
Deferred tax asset/(liability)	2.7	(6.1)	(3.4)
Property, plant and equipment	4.8	(2.8)	2.0
Inventories	1.6	(0.4)	1.2
Trade and other receivables	63.8	(3.5)	60.3
Trade and other payables	(39.3)	(4.3)	(43.6)
Current tax liability	(0.3)	–	(0.3)
Net assets acquired	**34.5**	**11.6**	**46.1**
Goodwill			73.4
Total consideration			**119.5**
Satisfied by			
Cash			116.2
Directly attributable costs			3.3
Total consideration			**119.5**
Net cash outflow arising on acquisition			
Cash consideration			119.5
Net cash outflow			**119.5**

Purchase of Environmental Property Services Limited

Final information on the acquisition of Environmental Property Services Limited (EPS Ltd), which MITIE acquired on 20 November 2009, will be disclosed in the Group's annual financial statements for the year ended 31 March 2011. There have been no material changes to the fair value of net assets acquired since 31 March 2010. Deferred contingent consideration of £3.5m, which was provided at 31 March 2010, was settled in cash during the period due to attainment of profit targets.

Notes to the condensed consolidated financial statements

For the six months to 30 September 2010

7. Acquisition of subsidiaries continued

Purchase of non-controlling interests

	MITIE Engineering Maintenance (North) Ltd £m	MITIE Engineering Maintenance (Caledonia) Ltd £m	MITIE Engineering Services (Midlands) Ltd £m	MITIE Engineering Projects Ltd £m	MITIE Engineering Ltd £m	MITIE Services (Retail) Ltd £m	**Total £m**
Non-controlling interests	0.4	–	0.2	0.4	0.7	0.2	**1.9**
Retained earnings	1.2	0.1	0.6	0.8	2.4	(0.2)	**4.9**
Total purchase consideration	1.6	0.1	0.8	1.2	3.1	–	**6.8**
Shares issued – MITIE Group PLC	1.5	0.1	0.8	1.2	2.8	–	**6.4**
Cash consideration	0.1	–	–	–	0.3	–	**0.4**
Total purchase consideration	1.6	0.1	0.8	1.2	3.1	–	**6.8**

8. Analysis of net debt

	30 September		31 March
	2010 £m	2009 £m	2010 £m
Cash and cash equivalents	**48.2**	50.0	23.7
Bank loans	**(148.2)**	(115.0)	(100.0)
Net debt before loan notes and obligations under finance leases	**(100.0)**	(65.0)	(76.3)
Loan notes	**(3.9)**	(3.5)	(3.5)
Obligations under finance leases	**(6.7)**	(4.1)	(6.8)
Net debt	**(110.6)**	(72.6)	(86.6)

9. Share capital

Ordinary shares of 2.5p	Number million	£m
Authorised		
At 30 September 2009 and 30 September 2010	**500.0**	**12.5**
Allotted and fully paid		
At 1 April 2010	**353.2**	**8.8**
Issued for acquisitions	**3.0**	**0.1**
Issued under share option schemes	**0.3**	**–**
At 30 September 2010	**356.5**	**8.9**
At 1 April 2009	323.0	8.1
Issued for placing	19.0	0.5
Issued for acquisitions	9.0	0.2
Issued under share option schemes	1.0	–
At 30 September 2009	352.0	8.8

During the period 3.0m (2009: 9.0m) Ordinary shares of 2.5p were allotted in respect of the acquisition of non-controlling interests at a mid-market price of 209.2p (2009: 237.8p) giving rise to share premium of £1.6m (2009: £8.0m) and a merger reserve of £4.8m (2009: £13.1m).

During the period 0.3m (2009: 1.0m) Ordinary shares of 2.5p were allotted in respect of share option schemes at a price between 117p and 220p (2009: 95p and 212p) giving rise to share premium of £0.5m (2009: £1.5m).

On 12 August 2009 19.0m new Ordinary shares of 2.5p each were placed with certain institutional and other qualified investors by UBS Limited and Investec Bank plc acting as joint bookrunners and joint brokers.

10. Contingent liabilities

The Company is party with other Group companies to cross guarantees of each other's bank loans, commitments and overdrafts of £270.0m (2009: £265.0m).

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

Deferred contingent consideration relating to acquisitions has been accrued at the Directors' best estimate of the likely future obligation of £4.9m (2009: £9.3m). The actual amounts payable may vary up to a maximum of £7.7m (2009: £38.9m) dependent upon the results of the acquired businesses.

In addition, the Group and its subsidiaries have provided guarantees and indemnities in respect of performance, issued by financial institutions on its behalf, amounting to £23.3m (2009: £22.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

Notes to the condensed consolidated financial statements

For the six months to 30 September 2010

11. Related party transactions

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

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

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

12. Post balance sheet event

Since the period end, the Group has a commitment for £100m of US Private Placement debt which is anticipated to be drawn in December 2010. The proceeds will be used to repay existing shorter-dated bank facilities which are due to expire in 2012.

Shareholder information

Results

2011 Preliminary statement of annual results	23 May 2011
2012 Half-yearly financial report	21 November 2011

Dividends

2010 Final dividend of 4.1p paid	13 August 2010
2011 Half-yearly ex dividend date	15 December 2010
2011 Half-yearly dividend record date	17 December 2010
2011 Half-yearly dividend payment date	3 February 2011
2011 Half-yearly dividend last date for receipt/revocation of DRIP mandate	9 January 2011

Annual General Meeting

2011 Annual General Meeting	13 July 2011

Company details

MITIE Group PLC
1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol BS16 7FN

Telephone: 0117 970 8800
Fax: 0117 301 4159
Email: group@mitie.com
Website: www.mitie.com

Registered number: SC 19230

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0GA

Telephone: 0871 664 0300*
Website: www.mitie-shares.com

*calls cost 10p a minute plus network extras, lines are open 8.30am–5.30pm Mon–Fri

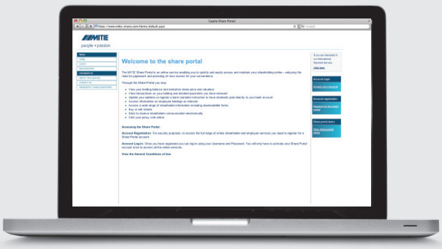
Dividend reinvestment plan (DRIP)

MITIE has set up a dividend reinvestment plan (DRIP) to enable you to build your shareholding by using your cash dividends under a standing election to buy additional shares in MITIE. If you would like to receive further information, including details of how to apply, please call Capita Registrars on 0871 664 0381 or contact them by sending an email to:
share@capitaregistrars.com

MITIE online share portal

MITIE has launched a shareholder portal where shareholders can register and can:

- access information on shareholdings and movements;
- update address details;
- view dividend payments received and register bank mandate instructions;
- sell MITIE shares;
- complete an online proxy voting form; and
- register for e-communications allowing MITIE to notify shareholders by email that certain documents are available to view on its website. This will further reduce MITIE's carbon footprint as well as reduce costs.



If you wish to register, please sign up at:
www.mitie-shares.com

Corporate website

This report can be downloaded in PDF format from the MITIE website, which also contains additional general information about MITIE. Please visit: **www.mitie.com**

MITIE Group PLC
1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol BS16 7FN

T: 0117 970 8800
F: 0117 301 4159
E: group@mitie.com

Design and production:
Radley Yeldar | www.ry.com