

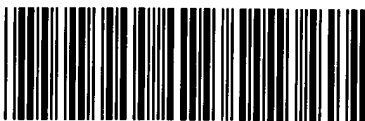
**Mitie FS (UK) Limited**  
**(formerly Interserve FS (UK) Limited)**

Annual report and financial statements

Registered number 02329448

4 month period ended 31 March 2021

THURSDAY



\*AA9Q04PN\*

A08

29/07/2021

#36

COMPANIES HOUSE

## **Contents**

Company information	1
Strategic report	2
Directors' report	7
Statement of Directors' responsibilities in respect of the Annual report and financial statements	11
Independent auditor's report to the members of Mitie FS (UK) Limited	12
Income statement	16
Statement of comprehensive income	17
Balance sheet	18
Statement of changes in equity	20
Notes	21

## **Company information**

### **Directors**

P J G Dickinson  
S Johnston  
S C Kirkpatrick  
J M Williams

### **Secretary**

Mitie Company Secretarial Services Limited

### **Registered office**

Level 12  
The Shard  
32 London Bridge Street  
London  
SE1 9SG

### **Auditor**

Grant Thornton UK LLP  
Statutory Auditor  
1020 Eskdale Road  
Winnersh  
Wokingham  
Berkshire  
RG41 5TS

## Strategic report

Mitie FS (UK) Limited, formerly Interserve FS (UK) Limited, (the "Company") is an indirect subsidiary of Mitie Group plc. Mitie Group plc, together with its subsidiaries, comprise the "Group". The Group acquired the Company on 30 November 2020.

The directors of the Company (the "Directors"), in preparing this Strategic report, have complied with Section 414c of the Companies Act 2006.

### Review of the business

The principal activities of the Company include the provision of contract cleaning and related services to the commercial, industrial, public, retail, food processing, airports and station buildings sectors. The Company also provides services in the supply of fire systems, extinguishers and ancillary services in offices and other commercial properties; maintenance and repair services related to all types of commercial and industrial buildings; front of house reception services; and the provision of non-clinical support services to organisations involved in healthcare. There have not been any significant changes in the Company's principal activities in the period under review.

The Company changed its accounting reference date from 30 November to 31 March. Consequently, the results for the period ended 31 March 2021 and the balance sheet at that date constitute a shortened accounting period of 4 months. The previous accounting period was for the 11 months from 1 January 2020 to 30 November 2020.

As shown in the Company's income statement on page 16, the Company's revenue for the 4-month period was £42,649,000 (11 months ended 30 November 2020: £131,233,000) and the loss for the period was £425,000 (11 months ended 30 November 2020: £15,915,000).

For the 4 months ended 31 March 2021, £1,738,000 (11 months ended 30 November 2020: £6,252,000) was received representing UK Government grants under the Coronavirus Job Retention Scheme. Refer to Note 3.

On 13 May 2020, Interserve Group Limited ("IGL") announced that it was subject to a cyber-attack. The attack affected elements of Interserve's IT systems (including enterprise resource planning and human resource systems), including elements related to Interserve. Once the cyber-attack was discovered, IGL commenced work with the National Cyber Security Centre and strategic response team to investigate, contain and remedy the situation. Refer to Note 22 for further details of this and the indemnity protection provided by How Group Limited, a subsidiary of IGL.

### Key performance indicators

The Group manages its operations on a divisional basis. For this reason, the Company's Directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the Company. The performance of the Group's divisions is discussed in the Mitie Group plc annual report and accounts 2021 which does not form part of this report.

### Principal risks and uncertainties

The Company is part of the Group and manages its risks within the Group's risk management framework. Details of the principal risks and uncertainties are given in the Mitie Group plc annual report and accounts 2021. The Directors have reviewed the financial risk management objectives and policies of the Company in light of the Group's risk management framework. The Directors do not believe there to be any significant risks and uncertainties other than those detailed below.

Key risks and uncertainties include:

#### Strategic risks

##### COVID-19

Whilst the COVID-19 pandemic has had an unprecedented impact on businesses and economic activity across the world, the Group has been able to meet many of the challenges COVID-19 brought with it. That said, these challenges remain as major issues for all organisations including the Company and the Group and will continue to cause uncertainty in revenues, supplies and employee availability. Failure to monitor, respond to and plan for the ongoing and any future impacts of the COVID-19 pandemic, in particular the effect on employees, customers and the supply chain, could result in severe consequences for the financial health and reputation of the Company's business.

## Strategic report *(continued)*

The Company has gone through a continuing pattern of modelling and assessing the impact throughout the crisis, including the government imposed lockdown measures, establishing new ways of working through the different phases and then preparing longer term plans once the UK lockdown starts to ease and business activity returns to more normal levels. To manage the risk, crisis management and business continuity plans have been driven by a robust governance structure, agile working practices and support to our numerous front line workers. Where necessary government support schemes have been utilised and working groups established at the Group level and with individual clients to monitor ongoing impacts, mitigating developing issues and to coordinate action planning. By being at the centre of the Government's Test and Trace approach to COVID-19 the Group has been able to achieve good revenues, however in the medium term new business opportunities will be required to be identified as the need for testing for those affected by the pandemic reduce.

Controls and mitigation plans have been put in place by the Group to mitigate such risks. These include but are not limited to:

1. crisis and Business Continuity Management frameworks invoked and implemented throughout the Group and in collaboration with clients;
2. continuing governance including a Group-led COVID-19 Working Group;
3. increased meeting frequency at the Mitie Group Executive level to monitor ongoing impacts and direct actions;
4. close working relationship maintained with the UK Government through the Cabinet Office;
5. coordinated support to critical infrastructure throughout the pandemic;
6. ongoing dialogue with clients to understand their requirements;
7. close monitoring of supply chain to ensure continuity of critical supplies;
8. use of UK Government support schemes, including the Coronavirus Job Retention Scheme (Furlough); and
9. regular forecasting and reviews of revenue and cash.

### *Impact of the UK leaving the European Union ("Brexit")*

The lack of clarity of the impact of Brexit on the UK may still adversely affect our ability to plan and invest, as well as the availability of labour and materials. Whilst the Company's client base is predominantly within the UK, the Company does have some non-UK business, which may bring some trading issues. The rules around immigration and non-UK nationals working in the UK may adversely impact the supply of labour for our business and this is being rigorously monitored.

The continuing impact of the Brexit negotiations may also influence the decisions taken by both public and private sector clients as to which activities should be outsourced and the amount of discretionary spend available for outsourcing activities. This may result in fewer opportunities for the Company and have a consequential negative impact on our financial performance.

Controls and mitigation plans have been put in place by the Group to mitigate such risks. These controls include but are not limited to:

1. executive level sponsor appointed to lead the organisational response;
2. Group-led Brexit Readiness Working Group established and led by the Group Head of Risk;
3. full review of EU-UK Trade and Cooperation Agreement undertaken, and robust control plan adopted;
4. close working relationship maintained with the UK Government to ensure continuity of service;
5. dedicated account managers to focus on growing integrated strategic accounts and wider ongoing client dialogue to understand requirements and sales opportunities;
6. regular review of overseas insurance to ensure compliance; and
7. ongoing review of Settlement Status and implications of non-tariff measures.

In conjunction with the above, it is important that we are able to offer competitive, innovative and high-quality solutions to clients, and demonstrate the value we bring to them. We also need to ensure we carefully monitor and identify the most appropriate opportunities in both the public and private sectors.

## Financial risks

### *Reliance on material counterparties*

The Company depends on significant counterparties, including clients, suppliers, banks and insurers, to maintain its business. The failure of a key business partner could affect the business. This risk is mitigated by limiting the dependency on any one partner. In accordance with Group policies, before accepting a new customer, the Company uses external credit scoring systems to assess the potential customer's credit quality and define an appropriate credit limit which is reviewed regularly.

## Strategic report (continued)

### Operational risks

#### *Significant health, safety or environmental incidents*

The potential to cause harm to employees and clients, or to damage the environment, exists and is mitigated by an extensive Quality, Health, Safety and Environmental programme that is closely monitored.

#### *System, process or control failure*

Increased reliance on business systems dictates a robust governance framework and set of processes. Failure of the framework could impact on operational performance. The Group's core policies provide the basis of the governance framework. These are subject to reviews which underpin the mitigation activity for this risk. These reviews are carried out alongside regular, formal, documented testing of business-critical systems.

#### *Attracting and retaining skilled people*

Failure to attract new talent and develop existing employees could impact growth. The Company utilises the Group's career development, recruitment and talent management programmes to ensure that it attracts, develops and retains key people.

### Financial risk management

The Company does not enter into any hedging instruments, or any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The Company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall Group financing arrangements.

### Section 172 statement

The board of directors of Mitie Group plc ("Mitie") is referred to in this statement as the "Board".

The following disclosure describes how the directors of the Company (the "Directors") have had regard to the matters set out in section 172(1) (a) to (f) and forms the statement required under section 414CZA of the Companies Act 2006.

### Stakeholders

The Directors consider the groups set out in the table below as its key stakeholders, these align with that of the Group. Through various methods including information gathered and cascaded by both the divisional and senior leadership teams, and group-wide engagement, both direct and indirect, the Directors aim to understand the factors and respective interests of each.

Stakeholder	Engagement activity	Important issues discussed
Customers	<ul style="list-style-type: none"> <li>- Management of customer relationships by divisional leadership</li> </ul>	<ul style="list-style-type: none"> <li>- COVID-19 response</li> <li>- Customer satisfaction</li> <li>- Governance and transparency</li> <li>- Social value</li> </ul>
Shareholder	<ul style="list-style-type: none"> <li>- Regular senior leadership meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Financial performance</li> <li>- COVID-19 response</li> <li>- Integration programme following completion of Mitie's acquisition of Interserve FM ("Integration Programme")</li> </ul>
Communities and the environment	<ul style="list-style-type: none"> <li>- The Mitie Foundation</li> <li>- Local community events</li> <li>- Employee volunteering</li> </ul>	<ul style="list-style-type: none"> <li>- COVID-19 response</li> <li>- Social Value</li> </ul>
Employees	<ul style="list-style-type: none"> <li>- All employee Teams meetings</li> <li>- Weekly Recap &amp; Monthly Download</li> <li>- Pulse surveys</li> <li>- Designated Non-Executive Director, Jennifer Duvalier</li> <li>- Regular communication plan for furloughed employees</li> </ul>	<ul style="list-style-type: none"> <li>- COVID-19 response</li> <li>- UK Government Coronavirus Job Retention Scheme (Furlough)</li> <li>- Integration Programme</li> <li>- Reward and recognition</li> <li>- Remuneration and benefits</li> <li>- Career opportunities and development</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- Global supplier portal</li> </ul>	<ul style="list-style-type: none"> <li>- COVID-19 response</li> <li>- Integration Programme</li> <li>- Responsible procurement</li> </ul>

31 March 2021

## Strategic report *(continued)*

### Consequences of any decision in the long term

The Directors are aware that strategic decisions can have long term implications on the Company and its stakeholders, and these decisions are carefully considered.

With full support from the Board, approval from Mitie Group plc's shareholders was sought and obtained in November 2020 for the acquisition of Interserve Facilities Management ("Interserve"), of which the Company was part. Completion of the acquisition took place on 30 November 2020.

During the period, the Directors were involved in establishing an experienced integration team and implementation of a robust governance structure to ensure all aspects of the Integration Programme are closely managed and measured. Risk areas are highlighted and escalated as appropriate.

### Having regard to the interests of employees

Mitie has a number of mechanisms to engage with employees and the Directors are committed to ensuring that results are considered in decision making.

The Directors have engaged with employees in the period via an extensive employee communications plan relating to the Interserve acquisition and a pulse survey to determine employee sentiment on the transaction.

Example: Following the COVID-19 pandemic outbreak, the Directors' chose to utilise the UK Government's Coronavirus Job Retention Scheme (Furlough) to prevent redundancies amongst Mitie's employees. To safe-guard the interest of furloughed employees, the Directors' introduced certain measures including (but not limited to), regular communication plan for furloughed employees, introducing a mechanism for efficient re-deployment of furloughed staff where possible and providing extremely vulnerable employees with the right to be furloughed.

### Fostering business relationships with suppliers, customers and others

#### *Suppliers*

The Directors' support Mitie's responsibility targets which are focused on increasing the percentage of Mitie's spend that goes to small and medium-sized enterprises, and voluntary, charity and social enterprise suppliers.

A new digital supplier platform will be deployed that will enable a more strategic approach to surveying the Group's suppliers on a proactive basis.

#### *Customers*

Customers are at the heart of the business and therefore the Directors consider that getting closer to customers and thus becoming more responsive to their needs, is important.

The Directors are involved with the detailed customer communication plan to build relationships and keep customers informed during and beyond Mitie's acquisition of Interserve.

### Impact of operations of the community and the environment

The Directors are supportive of Mitie's initiatives to improve the operations of the Company on the community and the environment. One of the Company's Directors is a member of Mitie's Social Value and Responsible Business Committee.

Mitie's Social Value and Responsible Business Committee analysed the effect of the acquisition on Mitie's Social Value targets and new targets, still ambitious, yet practical, have been agreed as a consequence.

### Maintaining a high standard of business conduct

#### *Ethical business practice*

The Company has a duty to act responsibly and to show the highest levels of ethical and moral stewardship. A Group ethical business practice policy is in place which applies to all employees in relation to dealings with its people, agents, clients, suppliers, subcontractors, competitors, government officials, the public and investors.

To support this, there are a wide range of policies and training modules available including modern slavery, whistleblowing, anti-bribery and anti-corruption, business expenses and entertaining and Mitie's employee handbook.

31 March 2021

## **Strategic report** *(continued)*

### *Good governance*

The Company operates within a robust governance framework which includes processes and procedures set by the Board. This framework is applied throughout the Group and is adhered to by the directors of all of Mitie's subsidiaries. This ensures consistency in decision making which is crucial for achieving long term success and creating sustainable value.

Details of how Mitie complies with the UK Corporate Governance Code can be found in the annual report and accounts 2021.

### The need to act fairly as between members of the company.

The Company is a wholly owned subsidiary of Mitie, with one shareholder. The Directors of the Company operate within the governance framework for the Group and hold regular senior leadership meetings where items such as financial performance and people are discussed.

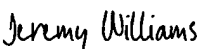
### **Future developments**

The Directors expect the general level of activity in the Company to be dependent on the rebidding of certain cleaning based contracts currently being operated by the Company as they come up for retender.

### **Post balance sheet events**

There have been no significant events since the balance sheet date.

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
F3B02A30E863486...

**J M Williams**  
*Director*

26 July 2021



## Directors' report

The Directors present the annual report and audited financial statements of Mitie FS (UK) Limited, formerly Interserve FS (UK) Limited, for the 4-month period ended 31 March 2021.

In preparing this Directors' report, the Directors have complied with S414C(11) of the Companies Act 2006 by including certain disclosures required by S416(4) within the Strategic report.

### Going concern

The Company's business activities have been described above. The financial statements have been prepared on a going concern basis. See Note 1c.

### Directors

The Directors who held office during the period and up to the date of signing the financial statements were:

Director	Date of appointment	Date of resignation
M S Burholt		24 March 2021
P G Clark		1 April 2021
P J G Dickinson		
J P Flanagan		31 January 2021
S Johnston		
S C Kirkpatrick		
J M Williams	7 April 2021	

### Directors' indemnity

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of certain of the Directors listed above in respect of liabilities incurred as a result of their office to the extent permitted by law.

### Dividends

No dividend was declared or paid in the period (11 months ended 30 November 2020: £nil).

### COVID-19 and current trading

In line with the Group approach, the Company established three overriding priorities to guide its response to the COVID-19 crisis: protecting the health and safety of colleagues, customers, other business partners and the communities that it serves; ensuring that its business is able to continue to operate with minimal disruption; and to deliver the essential services it provides to its customers.

We liaised closely with our customers to design a specific approach to each customer site. In some circumstances, our services continued almost uninterrupted, due to being able to adhere to social distancing requirements, and using the appropriate PPE. Where our colleagues were still working on site, we continued to charge for our services, sometimes with appropriate adjustments. In the event that our contracted services could not be delivered we agreed to furlough our employees, in line with the government furlough scheme, to mitigate the cost to our customers, and mitigate the impact to our employees pay.

### Corporate governance

The statement below sets out how the UK Corporate Governance Code (the "Code") applies to governance arrangements in the Company and its Directors.

The Company is a wholly owned subsidiary of Mitie Group plc. Mitie Group plc fully complies with the Code and these principles are applied, as appropriate, throughout the Group. The Company has therefore not applied a separate code. Mitie's Corporate Governance statement of compliance can be found on page 68 of the Mitie Group plc annual report and accounts 2021.

## Directors' report *(continued)*

### *Board leadership and company purpose*

- The purpose of the Company is to provide management and provision of business support services.
- The Directors of the Company are senior managers in the Group and are members of the two key leadership teams supporting the Board. The senior leadership teams form part of the Group's internal governance structure and are to whom authority for carrying out decisions and actions to effect the overall Group strategy are delegated.
- The Group's purpose and values are communicated widely throughout the Group and through various engagement and feedback methods the Directors can assess alignment of the purpose and values with culture. How the Group assesses and monitors culture is set out on pages 78-79 of the Mitie Group plc annual report and accounts 2021.
- The Group operates a groupwide independent whistleblowing service to enable employees, suppliers and third parties to report any concerns or wrongdoing anonymously without any fear of retaliation.
- Directors' interests are declared and recorded in the minutes of the meetings of the Company.

### *Composition, succession and evaluation*

- As described above, the Directors of the Company are senior managers in the Group and are determined to have an appropriate combination of skills, experience and knowledge to carry out the purpose of the Company. One Director has recent and relevant financial experience.

### *Audit, risk and internal control*

- The Group has an internal audit function that is responsible for providing assurance that the risk management, governance and internal controls processes within the Group are adequate and operating effectively. The function targets its work at areas of the business where risk management and internal controls are suspected of requiring improvement.
- A core set of business policies are available to all employees via the Group's Intranet setting out management expectations to enable effective risk management.
- The annual accounts are prepared and reviewed by the Finance teams and appropriate representations are gathered before being presented to the Directors for signature.
- See pages 54-65 of the Strategic report for Principal risks and uncertainties in the Mitie Group plc annual report and accounts 2021.

### *Remuneration*

- The Group's annual employee appraisal process (Mi-Review) incorporates the expected behaviours that support its values and allows for the allocation of pay reviews related directly to individual performance.
- The Group operates a discretionary annual bonus plan that allows eligible employees to share in the profits achieved by the Group at the end of the year. The bonus is dependent on individual performance (as noted above) and how the Group performs against financial measures and targets set at the beginning of the financial year.

### **Employees**

The Company recognises the importance of good communications and employee relationships. The Group communicates with employees via multiple channels, including Group-wide mailings, employee magazines and updates, employee-focused initiatives and events (including Group business road shows, media networks and the provision of access to broadcasts of periodic financial presentations).

The Company remains committed to developing a culture that encourages the inclusion and diversity of all of the Company's employees through respecting and appreciating their differences and promoting the continuous development of employees through skills enhancement and training programmes.

The Company's employment policies are designed to attract, retain, train and motivate the very best people, recognising that this can be achieved only through offering equal opportunities regardless of gender, race, religion, age, disability, sexual orientation or any other aspect of diversity. Applications from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Company that the training, career development and promotion of disabled persons (including those who become disabled whilst employees of the Company) should, as far as reasonably possible, be identical to that of other employees.

Further information on employees has been provided in the Section 172 statement in the Strategic report.

## Directors' report *(continued)*

### Greenhouse gas ("GHG") emissions

The emissions data presented below have been calculated on a revenue attribution basis from the emissions data of all the Interserve companies that were acquired by the Group on 30 November 2020.

The Group considers the climate emergency as a business-critical issue that needs to be addressed within its operations. Since the acquisition of the Company, the Group's industry-leading 'Plan Zero' commitment has been applied. Plan Zero sets out a clear pathway on how the Group will decarbonise its business and reach net zero carbon emissions by 2025. This focusses on three key areas:

- eliminate carbon emissions from power and transport;
- eradicate non-sustainable waste; and
- enhance inefficient buildings to meet the highest environmental standards.

The Group's 2025 target accounts for Scope 1 and 2, and in February 2021 on the first anniversary of the Plan Zero Initiative the Group has committed to a Science Based Target and the Business Ambition for 1.5 °C to align our Scope 3 emissions to a net zero target by 2035.

### Absolute emissions

	4 months ended 31 March 2021 (tCO <sub>2</sub> e)	11 months ended 30 November 2020 (tCO <sub>2</sub> e)	Change (tCO <sub>2</sub> e)	Change %
<b>Emissions</b>				
Total Scope 1 <sup>1,2</sup>	222	702	(480)	(68)
Total Scope 2 <sup>3</sup>	12	51	(39)	(76)
<b>Total Scope 1 &amp; 2 (Location Based)</b>	<b>234</b>	<b>753</b>	<b>(519)</b>	<b>(69)</b>
<b>Intensity – Emissions Ratio</b>				
tCO <sub>2</sub> e/£m revenue (Scope 1&2)	5.49	5.74	(0.25)	(4.4)

#### Notes:

1. Reported data covers Company emissions and energy consumption that occurs within the UK. Refrigerant data has been excluded due to challenges obtaining accurate data on landlord managed sites, this is considered immaterial. Total GHG emissions are reported using the financial control approach. The methodology aligns with Defra's Environmental reporting guidelines and uses the government's GHG reporting conversion factors to quantify emissions.
2. Emissions from fuel combustion across the fleet and from gas combustion in occupied buildings.
3. Emissions from the purchase of electricity across occupied buildings (Location Based).

Emissions for the period from 1 December 2020 to 31 March 2021 are lower than the comparative period due to being 4 months as opposed to 11 months in the comparative period. Total Interserve Scope 1 and 2 emissions per month, which includes the Company, during the 4 months ended 31 March 2021 were an average of 541.65 tonnes compared to 549.44 tonnes during the 11 months ended 30 November 2020, a reduction of 1.4%. These reductions are a result of fuel reductions from a decrease in vehicle movements due to organisation changes as well as the impact of COVID-19. All buildings throughout the estate have been surveyed and a number of optimisation measures have been carried out. This program will continue during the next financial year and the rollout of electric vehicles will commence which will significantly reduce Scope 1 emissions in future years.

## Directors' report *(continued)*

### Environmental data

Further details on environmental performance can be found in the table below.

	4 months ended 31 March 2021	11 months ended 30 November 2020	Change	Change
<b>Emissions</b>				
Electricity consumed across occupied buildings (kWh)	44,836	192,407	(147,571)	(77%)
Gas consumed across occupied buildings (kWh)	113,753	228,090	(114,337)	(50%)
Fuel used by vehicles for business travel (kWh)	649,216	2,857,350	(2,208,134)	(77%)
<b>Total Organisational Energy Consumption (kWh)</b>	<b>807,805</b>	<b>3,277,847</b>	<b>(2,470,042)</b>	<b>(75%)</b>
Water consumed across occupied buildings (m <sup>3</sup> )	168	709	(541)	(76%)
Total waste generated across occupied buildings (tonnes)	2	15	(13)	(87%)

### Disclosure of information to auditor

Each Director in office at the date of approval of these financial statements confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

### Other information

An indication of likely future developments in the business, discussion of financial risk management, and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic report.

### Auditor

The auditor for the year commencing 1 April 2021 will be appointed pursuant to Sections 485 and 487 of the Companies Act 2006.

On behalf of the Board

DocuSigned by:

Jeremy Williams

F3B02A30E863486...

**J M Williams**

Director

Level 12  
The Shard  
32 London Bridge Street  
London  
SE1 9SG  
26 July 2021

## Statement of Directors' responsibilities in respect of the Annual report and financial statements

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and are also responsible for prevention and detection of fraud and other irregularities.

## Independent auditor's report to the members of Mitie FS (UK) Limited

### Opinion

We have audited the financial statements of Mitie FS (UK) Limited (the 'company') for the period from 1 December 2020 to 31 March 2021, which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent auditor's report to the members of Mitie FS (UK) Limited** *(continued)*

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### *How we obtained an understanding of the legal and regulatory framework*

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and industry in which it operates through our commercial and sector experience; making enquiries of management including the company's legal counsel, Commercial Directors responsible for legal and contractual compliance procedures and those charged with governance; and inspection of the company's legal correspondence. We corroborated our enquiries through our review of board minutes; other relevant correspondence received from legal advisors, regulatory bodies and customers; and discussed relevant matters directly with the company's external legal advisors.

## Independent auditor's report to the members of Mitie FS (UK) Limited *(continued)*

### *Which laws and regulations we identified as being significant in the context of the company*

- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks including United Kingdom Accounting Standards including Financial Reporting 'Standard 101 Reduced Disclosure Framework; the Companies Act 2006; Contract Law; GDPR requirements; and the relevant taxation legislation.

### *How we assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur*

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud including potential management bias of recognition of revenue; the completeness of contract accruals and associated contract costs; the completeness and accuracy of contract related provisions and other legal claims; the valuation and presentation of pension scheme assets and liabilities; and through management override of controls.
- Our audit procedures included:
  - Making enquiries of management concerning the company's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations. We also enquired with management and those charged with governance whether they were aware of any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected, or alleged fraud. We were informed of the cyber breach disclosed in the Strategic report of the financial statements which may have resulted in non-compliance with GDPR regulation during the prior period.
  - Gaining an understanding of the controls that management has in place to prevent and detect fraud;
  - Challenging significant accounting assumptions, estimates and judgements made by management, including those relevant to the areas with a risk of fraud, including potential management bias, of revenue recognition; the completeness of contract accruals and associated contract costs; the completeness and accuracy of contract related provisions and other legal claims; and the valuation and presentation of pensions scheme assets and liabilities;
  - Engaging internal specialists to assist with the audit of pension scheme liabilities;
  - Using data interrogation software and our understanding of the company to identify and test large or unusual journal entries which may indicate a higher risk of fraud;
  - Gain an understanding of and testing significant identified related party transactions;
  - Assessing the extent of compliance with the relevant laws and regulations as part of our audit procedures on the related financial statement item; and
  - Performing audit procedures to consider the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- Our audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

### *How we assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations*

- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - Knowledge of the industry in which the company operates;
  - Understanding of the relevant legal and regulatory frameworks specific to the company including: the provisions of the applicable legislation; the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and the applicable statutory provisions.



## Independent auditor's report to the members of Mitie FS (UK) Limited *(continued)*

*Which matters about non-compliance with laws and regulations and fraud were communicated with the audit team*

- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, of revenue recognition; the completeness of contract accruals and associated contract costs; the completeness and accuracy of contract related provisions and other legal claims; and the valuation and presentation of pension scheme assets and liabilities; and through management override of controls in the preparation of the financial statements.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Grant Thornton UK LLP

0D1455DC5F25489...

Paul Holland BSc BFP FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Reading

26 July 2021

*Mitie FS (UK) Limited*  
*Annual report and financial statements*  
*31 March 2021*

## Income statement

	Note	4 months ended 31 March 2021 £000	Restated <sup>1</sup> 11 months ended 30 November 2020 £000
<b>Revenue</b>	2	42,649	131,233
Cost of sales		(41,761)	(131,000)
Other income	3	1,738	6,252
<b>Gross profit</b>		2,626	6,485
Administrative expenses		(2,444)	(4,927)
Other items	3	(306)	(16,915)
<b>Operating loss</b>	3	(124)	(15,357)
Finance income	7	-	187
Finance costs	8	(310)	(155)
<b>Net finance (costs)/income</b>		(310)	32
<b>Loss before tax</b>		(434)	(15,325)
<b>Tax</b>	9	9	(590)
<b>Loss for the period</b>		(425)	(15,915)

Note:

1. Wages and salaries within cost of sales for the 11 months ended 30 November 2020 have been restated to exclude UK Government grants received under the Coronavirus Job Retention Scheme, which is now presented on a separate line, Other income, in the income statement. See Note 1c.

The notes on pages 21 to 49 form an integral part of the financial statements.

The results for the period are wholly attributable to the continuing operations of the Company.

## Statement of comprehensive income

	<i>Note</i>	<b>4 months ended 31 March 2021 £000</b>	<b>11 months ended 30 November 2020 £000</b>
<b>Loss for the period</b>		<b>(425)</b>	<b>(15,915)</b>
<b>Items that will not be reclassified to profit or loss in subsequent years</b>			
Remeasurement of net defined benefit pension asset	19	<b>(30)</b>	115
Other tax on remeasurement of retirement benefit surplus	19	<b>11</b>	(41)
<b>Other comprehensive (expense)/income for the period</b>		<b>(19)</b>	74
<b>Total comprehensive expense for the period</b>		<b>(444)</b>	<b>(15,841)</b>

The notes on pages 21 to 49 form an integral part of the financial statements.

*Mitie FS (UK) Limited*  
*Annual report and financial statements*  
*31 March 2021*

## Balance sheet

	<i>Note</i>	<b>31 March 2021 £000</b>	Restated <sup>1</sup> 30 November 2020 £000
<b>Non-current assets</b>			
Goodwill	10	3,113	3,372
Other intangible assets	11	-	18
Property, plant and equipment	12	2,224	2,396
Investment in subsidiaries	13	5,285	5,285
Retirement benefit assets	19	57	77
Deferred tax assets	17	2,673	2,646
<b>Total non-current assets</b>		<b>13,352</b>	<b>13,794</b>
<b>Current assets</b>			
Inventories	14	608	601
Trade and other receivables	15	43,361	46,645
Cash and cash equivalents		5,523	311
<b>Total current assets</b>		<b>49,492</b>	<b>47,557</b>
<b>Current liabilities</b>			
Trade and other payables	16	(54,496)	(52,958)
Deferred income		(1,148)	(550)
Current tax payable		(690)	(673)
Lease liabilities	20	(244)	(303)
Provisions	18	-	(70)
<b>Total current liabilities</b>		<b>(56,578)</b>	<b>(54,554)</b>
<b>Net current liabilities</b>		<b>(7,086)</b>	<b>(6,997)</b>
<b>Non-current liabilities</b>			
Lease liabilities	20	(1,590)	(1,677)
Provisions	18	(73)	(73)
<b>Total non-current liabilities</b>		<b>(1,663)</b>	<b>(1,750)</b>
<b>Net assets</b>		<b>4,603</b>	<b>5,047</b>

Note:

1. Balances as at 30 November 2020 have been re-presented to an alternative format. See Note 1c.

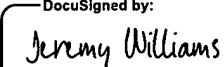
*Mitie FS (UK) Limited*  
*Annual report and financial statements*  
*31 March 2021*

**Balance sheet** *(continued)*

	<i>Note</i>	<b>31 March 2021 £000</b>	<b>30 November 2020 £000</b>
<b>Equity</b>			
Share capital	21	<b>17,293</b>	17,293
Retained losses	21	<b>(12,690)</b>	(12,246)
<b>Total equity</b>		<b>4,603</b>	5,047

The notes on pages 21 to 49 form an integral part of the financial statements.

The financial statements of Mitie FS (UK) Limited, company number 02329448, were approved by the Board of Directors and authorised for issue on 26 July 2021 and were signed on its behalf by:

DocuSigned by:  
  
 F3B02A30E863486...

**J M Williams**  
*Director*

*Mitie FS (UK) Limited*  
*Annual report and financial statements*  
*31 March 2021*

## Statement of changes in equity

	Share capital £000	Retained earnings/ (losses) £000	Total equity £000
At 1 January 2020	17,293	3,595	20,888
Loss for the period	-	(15,915)	(15,915)
Other comprehensive income	-	74	74
<b>Total comprehensive expense</b>	-	(15,841)	(15,841)
<b>At 30 November 2020</b>	<b>17,293</b>	<b>(12,246)</b>	<b>5,047</b>
At 1 December 2020	17,293	(12,246)	5,047
Loss for the period	-	(425)	(425)
Other comprehensive expense	-	(19)	(19)
<b>Total comprehensive expense</b>	-	(444)	(444)
<b>At 31 March 2021</b>	<b>17,293</b>	<b>(12,690)</b>	<b>4,603</b>

The notes on pages 21 to 49 form an integral part of the financial statements.

## Notes

### 1 Accounting policies, judgements and estimates

#### a) General information

Mitie FS (UK) Limited, formerly Interserve FS (UK) Limited, (the "Company") is a private company limited by shares and is incorporated in England and Wales and domiciled in the UK. Details of the Company's activities are set out in the Strategic report.

The Company is exempt, by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The Company's ultimate parent undertaking, Mitie Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Mitie Group plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. They are available to the public and may be obtained from [www.mitie.com](http://www.mitie.com).

#### b) Statement of compliance with FRS 101

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### c) Basis of preparation

##### Going concern

The financial statements have been prepared on a going concern basis. The Company participates in the Group's centralised treasury arrangements and shares banking arrangements with Mitie Group plc, its ultimate parent, and with fellow subsidiaries. The Directors have received a letter of support from the directors of Mitie Group plc to confirm provision of adequate financial resources to the Company for a period of not less than twelve months from the date of approval of the Company's statutory financial statements for the period ended 31 March 2021 to ensure that the Company can meet its liabilities as they fall due. The Directors acknowledge that such support could be withdrawn at any time, although as at the date of approving the financial statements they are not aware of any reason why this would occur.

The directors of Mitie Group plc have carried out an assessment on the ability of Mitie Group plc and its subsidiaries (the "Group") to continue as a going concern for the period of at least 12 months from the date of approval of the financial statements. This assessment has involved the review of medium-term cash forecasts using the Group's cash flow model, based on the Board approved budget. This includes the ongoing impact of COVID-19 on each of the Group's operations. 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 are a £250m revolving credit facility, which expires on 16 December 2022 and of which £241.4m was undrawn at 31 March 2021, and £151.5m of US private placement notes (being the repayment amount after taking account of the cross-currency swaps hedging the principal amount), of which £121.5m is repayable in December 2022 and the remaining £30.0m in December 2024. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis. The Group currently operates within the terms of its agreements with its lenders, with net cash as at 31 March 2021 on a pre IFRS 16 basis of £19.7m and liquidity headroom in excess of £400m. The base case forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the going concern assessment period.

The directors of Mitie Group plc have also completed reverse stress tests using the Group cash flow model to assess the point at which the covenants, or facility headroom, would be breached. The sensitivities considered have been chosen after considering both the Group's principal risks and uncertainties and the Viability Statement.

The primary financial risks from adverse changes in the economic environment and/or a deterioration in commercial or operational conditions are listed below. These risks have been considered specifically in the context of the potential further impact of COVID-19, taking into account the recent success of the vaccine roll-out, easing of restrictions and improvements in the economy:

- 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;
- lack of planned overhead savings: this reflects the risks of planned overhead cost savings, including the integration synergies identified as a result of the Interserve Facilities Management ("Interserve") acquisition, not being delivered; and
- downturn in cash generation: this reflects the risks of customers delaying payments due to liquidity constraints, or the removal of ancillary debt facilities.

As a result of completing this assessment, the directors of Mitie Group plc considered the likelihood of the reverse stress scenarios arising to be remote. In reaching the conclusion of remote, the directors of Mitie Group plc considered the following:

- reviewing how the Group has traded since the impact of COVID-19 started, up to the end of June 2021 and in light of the continued easing of UK lockdown measures and anticipated economic recovery;
- all reverse stress test scenarios would require a very severe deterioration compared to the base case. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 20% in the year ending 31 March 2022 compared to the base case, which is considered to be very severe given the high proportion of the Group's revenue that is fixed in nature and the fact that in a COVID-hit year, the Group's revenue excluding Interserve declined by only 1.6% in the year ending 31 March 2021; and
- in the event that results started to trend significantly below those included in the Group cash flow model, additional mitigation actions have been identified that would be implemented, which are not factored into the reverse stress test scenarios. These include cancellation of discretionary bonuses and reduced discretionary spend, including capital investments.



## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

Based on these assessments, the directors of Mitie Group plc 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 financial statements.

Based on this assessment, and their enquiries of the directors of Mitie Group plc, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of the Company's audited financial statements for the period ended 31 March 2021. Accordingly, the financial statements have been prepared on a going concern basis.

#### FRS 101 exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for intangible assets, property, plant and equipment, and share capital;
- the statement of compliance with Adopted IFRS;
- the presentation of a third or opening balance sheet as at 1 January 2020;
- certain disclosures required by IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15");
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosure in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

As the consolidated financial statements of Mitie Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets; and
- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments: Disclosures*.

#### Accounting standards that are newly effective in the current period

There are no new and mandatorily effective standards in the period that would have a material impact on the financial statements.

#### Prior period restatements

##### *Re-presentation to an alternative format*

The Company has elected to adopt an alternative statutory format prescribed in the Accounting Regulations for the primary financial statements as permitted by FRS 101 and the Accounting Regulations, allowing for a format to be applied that is consistent with that of the consolidated IFRS Mitie Group plc annual report and accounts. The impact of the restatement on the balance sheet as at 30 November 2020 is shown below. This restatement represents: the separate presentation on the face of the balance sheet of goodwill, deferred tax, current tax, deferred income and lease liabilities; the presentation of assets and liabilities on a current and non-current basis; and the combination of both property, plant and equipment and right-of-use assets into a single figure on the balance sheet but with separate notes showing the movements in each asset class. There has been no change in net assets. As there was also no change to the net assets as at 1 January 2020, a similar analysis has not been presented for that date.

**Notes** (continued)**1 Accounting policies, judgements and estimates** (continued)

30 November 2020

	As previously reported £000	Reclassification £000	As restated £000
<b>Non-current assets</b>			
Goodwill	-	3,372	3,372
Other intangible assets	3,390	(3,372)	18
Property, plant and equipment	522	1,874	2,396
Right-of-use assets	1,874	(1,874)	-
Investments in subsidiaries	5,285	-	5,285
Retirement benefit assets	-	77	77
Deferred tax assets	-	2,646	2,646
<b>Current assets</b>			
Inventories	601	-	601
Trade and other receivables	49,291	(2,646)	46,645
Cash and cash equivalents	311	-	311
<b>Current liabilities</b>			
Trade and other payables	(54,484)	1,526	(52,958)
Deferred income	-	(550)	(550)
Current tax payable	-	(673)	(673)
Lease liabilities	-	(303)	(303)
Provisions	-	(70)	(70)
<b>Non-current liabilities</b>			
Trade and other payables	(1,677)	1,677	-
Lease liabilities	-	(1,677)	(1,677)
Provisions	-	(73)	(73)
Provisions	(143)	143	-
Pension asset	77	(77)	-
<b>Net assets</b>	<b>5,047</b>	<b>-</b>	<b>5,047</b>

**Government grants income**

The Company recognised £6,252,000 of UK Government grants under the Coronavirus Job Retention Scheme during the 11 months ended 30 November 2020. This was offset against the wages and salaries expense for the period. However, under FRS 101 grants related to income should be presented either separately or under a general heading such as 'Other income', and are not to be deducted in reporting the related expense. Wages and salaries within cost of sales for the 11 months ended 30 November 2020 have therefore been restated to exclude £6,252,000 of UK Government grants received under the Coronavirus Job Retention Scheme, which is now presented on a separate line, Other income, in the income statement.

**Measurement convention**

The financial statements are prepared on the historical cost basis.

**Other items**

In the financial statements, the Company has elected to provide some further disclosures, reported as 'Other items', in order to present its financial results in a way that demonstrates the performance of continuing operations.

Other items are items of financial performance which management believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Company. The Company separately reports items such as gain or loss on disposals of investments, impairments of investments, cost of restructuring programmes, certain impairments, and other exceptional items as Other items. Should these items be reversed, disclosure of this would also be as Other items.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Company 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.

**Notes** *(continued)***1 Accounting policies, judgements and estimates** *(continued)***d) Significant accounting policies**

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Revenue recognition policy**

The Company operates contracts with a varying degree of complexity across its service lines, so a range of methods is used for the recognition of revenue based on the principles set out in IFRS 15. Revenue represents income recognised in respect of services provided during the period based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

IFRS 15 provides a single, principles based five-step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods, services and construction contracts.

*Step 1 - Identify the contract(s) with a customer*

For all contracts with customers, the Company determines if the arrangement creates enforceable rights and obligations. This assessment results in certain Framework arrangements or Master Service Agreements ("MSAs") not meeting the definition of contracts under IFRS 15 unless they specify the minimum quantities to be ordered. Usually the work order and any change orders together with the Framework or MSA will constitute the IFRS 15 contract.

*Duration of contract*

The Company frequently enters into contracts with customers which contain extension periods at the end of the initial term, automatic annual renewals, and/or termination for convenience and break clauses that could impact the actual duration of the contract. As the term of the contract impacts the period over which amortisation of contract assets and revenue from performance obligations may be recognised, the Company applies judgement to assess the impact that such clauses have in determining the relevant contract term. In forming this judgement, management considers certain influencing factors including the amount of discount provided, the presence of significant termination penalties in the contract, and the relationship, experience and performance of contract delivery with the customer and/or the wider industry, in understanding the likelihood of extension or termination of the contract.

*Contract modifications*

A contract modification takes place when the amendment creates new enforceable rights and obligations or changes the existing price or scope (or both) of the contract, and the modification has been approved. Contract modifications can be approved in writing, by oral agreement, or implied by customary business practices.

If the parties to the contract have not approved a contract modification, revenue is recognised in accordance with the existing contractual terms. If a change in scope has been approved but the corresponding change in price is still being negotiated, the Company estimates the change to the total transaction price.

Contract modifications are accounted for as a separate contract if the contract scope changes due to the addition of distinct goods or services and the change in contract price reflects the standalone selling price of the distinct goods or services. The facts and circumstances of any modification are considered in isolation as these are specific to each contract and may result in different accounting outcomes.

*Step 2 - Identify the performance obligations in the contract*

Performance obligations are the contractual promises by the Company to transfer distinct goods or services to a customer. For arrangements with multiple components to be delivered to customers such as in the Company's integrated facilities management contracts, the Company applies judgement to consider whether those promised goods or services are:

- i. distinct and accounted for as separate performance obligations;
- ii. combined with other promised goods or services until a bundle is identified that is distinct; or
- iii. part of a series of distinct goods or services that are substantially the same and have the same pattern of transfer over time i.e. where the customer is deemed to have simultaneously received and consumed the benefits of the goods or services over the life of the contract, the Company treats the series as a single performance obligation.

**Notes** *(continued)***1 Accounting policies, judgements and estimates** *(continued)***Step 3 - Determine the transaction price**

At contract inception, the total transaction price is determined, being the amount to which the Company expects to be entitled and has rights under the contract. This includes the fixed price stated in the contract and an assessment of any variable consideration, up or down, resulting from e.g. discounts, rebates, service penalties. Variable consideration is typically estimated based on the expected value method and is only recognised to the extent it is highly probable that a subsequent change in its estimate would not result in a significant revenue reversal.

**Step 4 - Allocate the transaction price to the performance obligations in the contract**

The Company allocates the total transaction price to the identified performance obligations based on their relative stand-alone selling prices. This is predominantly based on an observable price or a cost plus margin arrangement.

**Step 5 - Recognise revenue when or as the entity satisfies its performance obligations**

For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. Where revenue is recognised over time, the Company applies the relevant output or input revenue recognition method for measuring progress that depicts the Company's performance in transferring control of the goods or services to the customer.

Certain long-term contracts use output methods based upon surveys of performance completed, appraisals of results achieved, or milestones reached which allow the Company to recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services under the contract.

Under the input method, measured progress and revenue are recognised in direct proportion to costs incurred where the transfer of control is most closely aligned to the Company's efforts in delivering the service.

Where deemed appropriate, the Company will utilise the practical expedient within IFRS 15, allowing revenue to be recognised at the amount which the Company has the right to invoice, where that amount corresponds directly with the value to the customer of the Company's performance obligations completed to date.

If performance obligations do not meet the criteria to recognise revenue over time, revenue is recognised at the point in time when control of the goods or services passes to the customer. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria. Sales of goods are recognised when goods are delivered and control has passed to the customer.

**Long-term complex contracts**

The Company has a number of long-term complex contracts which are predominantly integrated facilities management arrangements. Typically, these contracts involve the provision of multiple service lines, with a single management team providing an integrated service. Such contracts tend to be transformational in nature where the business works with the customer to identify and implement cost saving initiatives across the life of the contract.

Management considers the majority of services provided within integrated facilities management contracts meet the definition of a series of distinct goods and services that are substantially the same and have the same pattern of transfer over time. The series constitutes services provided in distinct time increments (e.g. monthly or quarterly) and therefore the Company treats the series of such services as one performance obligation.

The Company also delivers major project-based services under long-term complex contracts that include performance obligations under which revenue is recognised over time as value from the service is transferred to the customer. This may be where the Company has a legally enforceable right to remuneration for the work completed to date, or at milestone periods, and therefore revenue will be recognised in line with the associated transfer of control or milestone dates.

**Repeat service-based contracts (single and bundled contracts)**

The Company operates a number of single or joint-service line arrangements where repeat services meet the definition of a series of distinct services that are substantially the same. They have the same pattern of transfer of value to the customer as the series constitutes core services provided in distinct time increments (e.g. monthly or quarterly). The Company therefore treats the series of such services as one performance obligation.

**Short-term service-based arrangements**

The Company delivers a range of other short-term service based performance obligations and professional services work for which revenue is recognised at the point in time when control of the service has transferred to the customer. This may be at the point when the customer obtains control of the service in a contract with customer-specified acceptance criteria e.g. the delivery of a strategic operating model or report.

**Notes** *(continued)***1 Accounting policies, judgements and estimates** *(continued)***Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all conditions attaching to the grant will be complied with. Government grants that compensate the Company for expenses incurred are recognised in the income statement as Other income, over the periods necessary to match the grant with the related costs. Any repayment of grants is charged to the income statement to reverse amounts recognised as Other income, at the point when the Directors have taken the decision to repay the amount to the government and the intention to repay has been communicated to the government.

**Other revenue**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**Accrued income and deferred income**

The Company's customer contracts include a diverse range of payment schedules which are often agreed at the inception of long-term contracts under which it receives payments throughout the term of the arrangement. Payments for goods and services transferred at a point in time may be at the delivery date, in arrears or part payment in advance.

Where revenue recognised at the period end date is more than amounts invoiced, the Company recognises accrued income for the difference. Where revenue recognised at the period end date is less than amounts invoiced, the Company recognises deferred income for the difference.

Where price step-downs are required in a contract and output is not decreasing, revenue is deferred from initial periods to subsequent periods in order for revenue to be recognised on a consistent basis.

Providing the option for a customer to obtain extension periods or other services at a significant discount may lead to a separate performance obligation where a material right exists. Where this is the case, the Company allocates part of the transaction price from the original contract to deferred income which is then amortised over the discounted extension period or recognised immediately when the extension right expires.

**Foreign currency**

The financial statements are prepared in the functional currency applicable to the business. Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

Non-monetary items are measured in terms of historical cost in a foreign currency and are not retranslated.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 Company intends to settle its current tax assets and liabilities on a net basis.

#### Goodwill

Goodwill arising on acquisitions before the date of transition to FRS 101 has been retained at the previous UK GAAP value at that date, subject to being subsequently tested for impairment. It is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement for the period and is not subsequently reversed.

#### Other intangible assets

Software and development expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably.

Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are reviewed for impairment annually, or more frequently when there is an indication that they may be impaired. Amortisation expense is charged to administrative expenses in the income statement on a straight-line basis over its useful life.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged so as to write off the cost less expected residual value of the assets over their estimated useful lives and is calculated on a straight-line basis as follows:

Properties	50 years or lease term if shorter
Plant and vehicles	2-10 years

The Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Investments in subsidiaries

Investments in subsidiaries are shown at cost less any provision for impairment. Investments in subsidiaries are reviewed on an ongoing basis for any indication of impairment and, if any such indication exists, the investment's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying value of an asset exceeds its recoverable amount.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs represent materials, direct labour and overheads incurred in bringing the inventories to their present condition and location. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and estimated selling costs. Provision is made for obsolete, slow moving or defective items where appropriate.

#### Financial instruments – classification and measurement

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. The Company derecognises financial assets and liabilities only when the contractual rights and obligations are transferred, discharged or expire.

Financial assets comprise cash and cash equivalents, and trade and other receivables. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All of the Company's cash flows from customers are solely payments of principal and interest, and do not contain a significant financing component. Financial assets generated from all of the Company's revenue streams are therefore initially measured at their transaction price and are subsequently remeasured at amortised cost.

Financial liabilities comprise trade and other payables. These are measured at initial recognition at fair value and subsequently at amortised cost.

#### Financial instruments – impairment of financial assets

The Company recognises a loss allowance for expected credit losses ("ECLs") on all receivable balances from customers subsequently measured at amortised cost, using a lifetime credit loss approach. Under this approach, the Company recognises a loss allowance based on lifetime ECLs at each reporting date. ECLs are calculated on the basis of historic and forward-looking data on default risk which is applied to customers with common risk characteristics such as sector type.

**Notes** *(continued)***1 Accounting policies, judgements and estimates** *(continued)***Leases**

The Company has various lease arrangements primarily for properties. At inception of a lease contract, the Company assesses whether the contract conveys the right to control the use of an identified asset for a certain period of time and whether it obtains substantially all the economic benefits from the use of that asset, in exchange for consideration. The Company recognises a lease liability and a corresponding right-of-use asset with respect to all lease arrangements in which it is a lessee, except low-value leases and short-term leases of 12 months or less, costs for which are recognised as an operating expense within the income statement as they are incurred.

A right-of-use asset is capitalised on the balance sheet at cost which comprises the present value of future lease payments determined at the inception of the lease adjusted for any lease payments made at or before the commencement date, in addition to an estimate of costs to remove or restore the underlying asset. The Company has taken advantage of a practical expedient to exclude certain initial direct costs from the initial cost recognised for right of use assets. Where a lease incentive is receivable, the amount is offset against the right-of-use asset at inception. Right-of-use assets are depreciated using the straight-line method over the shorter of the estimated life of the asset or the lease term and are reviewed for impairment to account for any loss when events or changes in circumstances indicate the carrying value may not be fully recoverable.

The lease liability is initially measured at amortised cost using the effective interest rate method to calculate the present value of future lease payments and is subsequently increased by the associated interest cost and decreased by lease payments made. The effective interest rate is based on estimates of relevant incremental borrowing costs. Lease payments made are apportioned between an interest charge and a capital repayment amount. Lease payments comprise fixed lease rental payments only, with the exception of vehicle leases for which the associated service costs are also included. Lease liabilities are classified between current and non-current on the balance sheet.

The lease term comprises the non-cancellable period in addition to the determination of the enforceable period which is covered by an option to extend the lease, where it is reasonably certain that the option will be exercised, and the period covered by the option to terminate the lease to a point in time where no more than an 'insignificant penalty' is incurred. The Company assesses an insignificant penalty with reference to the wider economics of the lease including any investment in non-transferable leasehold improvements which may result in an impairment charge should the lease be terminated.

A modification to a lease which changes the lease payment amount (e.g. due to a renegotiation or market rent review) or amends the term of the lease, results in a reassessment of the lease liability with a corresponding adjustment to the right-of-use asset.

**Intra-group financial instruments**

Where the Company enters into financial guarantee contracts, to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

**Retirement benefit costs**

The Company participates in defined benefit schemes. The Company accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only.

For the defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date by qualified actuaries. Actuarial gains and losses on obligations, the return on scheme assets (excluding interest) and the effect of the asset ceiling (if applicable) are recognised in full in the period in which they occur. They are recognised in the statement of comprehensive income.

Current service cost and past service cost are recognised in the income statement, in administrative expenses, whilst the net interest cost is recognised in net finance costs. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.



31 March 2021

**Notes** *(continued)***1 Accounting policies, judgements and estimates** *(continued)*

The Company's net obligation in respect of defined benefit schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount using market yield on a high-quality corporate bond and deducting the fair value of any scheme assets. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan, where the Company has the unconditional right to the surplus, or reductions in future contributions to the plan. Any asset recognised is net of tax as the associated tax is not considered to be an income tax.

The Company operates a number of defined contribution retirement benefit schemes for all qualifying employees. Payments to the defined contribution and stakeholder pension schemes are charged as an expense as they fall due.

**Provisions and contingent liabilities**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where management expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Onerous contract provisions ("OCPs") arise when the unavoidable costs of meeting contractual obligations exceed the remuneration expected to be received. Unavoidable costs include total contract costs together with a rational allocation of shared costs that can be directly linked to fulfilling contractual obligations which have been systematically allocated to OCPs on the basis of key cost drivers, except where this is impracticable and contract revenue is used as a proxy for activity. The provision is calculated as the lower of the termination costs payable for an early exit and the expected net cost to fulfil the Company's unavoidable contract obligations. Where a customer has an option to extend a contract and it is likely that such an extension will be made, the expected net cost arising during the extension period is included within the calculation. However, where a profit can be reasonably expected in the extension period, no credit is taken on the basis that such profits are uncertain given the potential for the customer to either not extend or offer an extension under lower pricing terms.

No provisions are recognised and only a disclosure in the financial statements is made for contingent liabilities. Contingent liabilities are possible obligations dependent on whether some uncertain future event occurs, or where a present obligation exists but payment is not probable, or the amount of payment cannot be measured reliably.

**e) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements under FRS 101 requires management to make judgements, estimates and assumptions that affect amounts recognised for assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the reporting period. Actual results may differ from these judgements, estimates and assumptions.

**Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, made by management in the process of applying the Company's accounting policies, that have the most significant effect on the amounts recognised in the Company's financial statements.

**Revenue recognition**

The Company's revenue recognition policies, which are set out under Revenue recognition in Note 1d), are central to how the Company measures the work it has performed in each financial period.

Due to the size and complexity of the Company's contracts, management is required to form a number of key judgements in the determination of the amount of revenue and profits to record, and related balance sheet items such as contract assets, accrued income and deferred income to recognise. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised. These judgements are inherently subjective and may cover future events such as the achievement of contractual performance targets and planned cost savings or discounts.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

For certain contracts, key judgements were made concerning contract extensions and amendments which, for example, directly impact the timing of revenue recognition in addition to the phasing of upfront payments to, or from customers which are deferred to the balance sheet and unwound over the expected contract term. Management considers this to be an area of judgement due to the determination of whether a modification represents a separate contract based on its assessment of the stand-alone selling price, rather than a termination of the existing contract and establishment of a new contract for which the revised contract price would be recognised from the date of modification.

#### *Recoverability of trade receivables and accrued income*

The Company has material amounts of billed and unbilled work outstanding at 31 March 2021. Receivables are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any allowance for impairment, to ensure that amounts recognised represent the recoverable amount. The Company recognises a loss allowance for ECLs on all receivable balances from customers using a lifetime credit loss approach and includes specific allowance for impairment where there is evidence that the Company will not be able to collect amounts due from customers, subsequent to initial recognition. Management applies judgement on specific allowances for impairment based on the information available at each reporting date which includes information about past events, current conditions and forecasts of the future economic condition of customers. The judgement on specific allowance for impairments on receivables as at 31 March 2021 has included an assessment of COVID-19 impacts.

#### *Recoverability of amounts owed by Group undertakings*

The Company has material amounts owed by Group undertakings. The judgement as to whether an amount has become irrecoverable is an assessment made by the Directors in the determination of the expected total credit loss recognised under IFRS 9. This assessment takes into consideration Group solvency and access to Group funding by the debtor. The Directors consider the full amount owed to be recoverable under IFRS 9.

#### *Other items*

'Other items' are items of financial performance which management believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Company. Determining whether an item should be classified within other items requires judgement as to whether an item is or is not part of the underlying performance of the Company.

### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Provisions and contingent liabilities*

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

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities judgement is applied and re-evaluated at each reporting date. The Company recognised provisions at 31 March 2021 of £73,000 (30 November 2020: £143,000). Further details are included in Note 18.

The Company has disclosed a contingent liability in relation to a cyber incident. On 13 May 2020, Interserve Group Limited ("IGL") announced it was subject to a cyber-attack which affected elements of IGL's IT systems (including enterprise resource planning and human resource systems), including elements related to Interserve. The Information Commissioner's Office (the "ICO") has advised IGL that it considers it likely that IGL or members of IGL (which could include the Company) are in breach or likely to be in breach of certain articles of the UK GDPR and likely to be subject to regulatory action in respect of the matter which could result in a remedial order or fine. Management cannot predict the results of the ICO investigation and therefore the Company is unable to reliably estimate any meaningful settlement amount at the reporting date. It has therefore been disclosed as a contingent liability due to uncertainty regarding the amount of the liability. Further details are included in Note 22.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of its value in use. The value in use calculations involves an estimation of the future cash flows and the selection of appropriate discount rates to use in order to calculate present values.

The carrying value of goodwill is £3,113,000 (30 November 2020: £3,372,000) at the balance sheet date (see Note 10). A sensitivity analysis has been performed and management have concluded that no reasonably foreseeable change in the key assumptions would result in an impairment.

#### Deferred tax assets

The Company has recognised deferred tax assets of £2,673,000 (30 November 2020: £2,646,000), refer to Note 17. Management has assessed recovery of these assets with reference to the Company's medium-term forecasts. Recovery of these assets is subject to the Company generating taxable profits in future years.

### 2 Revenue

The Company derives all of its revenue from the provision of services to customers based in the UK.

### 3 Operating loss

Operating loss is stated after charging/(crediting):

	4 months ended 31 March 2021 £000	11 months ended 30 November 2020 £000
Other items	306	16,915
Restructuring costs	5	-
Impairment of goodwill	259	16,024
Impairment of right-of-use assets	42	-
Insurance write-off	-	891
Depreciation of property, plant and equipment (Note 12 and Note 20)	195	1,149
Amortisation of other intangible assets (Note 11)	10	24
Other income, as restated <sup>1</sup>	(1,738)	(6,252)

Note:

1. Wages and salaries for the 11 months ended 30 November 2020 (Note 5) have been restated to exclude UK Government grants received under the Coronavirus Job Retention Scheme, which is now presented on a separate line, Other income, in the income statement. See Note 1c.

Goodwill was impaired by £259,000 in the current period. The impairment of £16,024,000 recognised during the previous period related to the reassessment of the value-in-use of certain contracts.

Right-of-use assets were impaired by £42,000 (11 months ended 30 November 2020: £nil).

The £891,000 insurance write-off in the prior period related to Group Employer and Public Liability insurance.

For the period ended 31 March 2021, £1,738,000 (11 months ended 30 November 2020: £6,252,000) was received, which represents UK Government grants received under the Coronavirus Job Retention Scheme relating to furloughed employees working for the Company.

### 4 Auditor's remuneration

The auditor's remuneration was borne by Mitiefm (Holdings) Limited, formerly Interservefm (Holdings) Ltd, in both the current and previous periods. No recharge (11 months ended 30 November 2020: £nil) was made to the Company.

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Mitie Group plc.

## Notes (continued)

### 5 Staff numbers and costs

During the period an average of 3,228 (11 months ended 30 November 2020: 4,987) employees (including Directors) were employed by the Company.

The aggregate payroll costs incurred by the Company were as follows:

	4 months ended 31 March 2021 £000	Restated <sup>1</sup> 11 months ended 30 November 2020 £000
Wages and salaries	24,114	86,110
Social security costs	1,880	5,838
Pension costs	593	1,825
<b>Total</b>	<b>26,587</b>	<b>93,773</b>

Note:

1. Balances for the 11 months ended 30 November 2020 have been restated to exclude UK Government grants received under the Coronavirus Job Retention Scheme, which is now presented on a separate line, Other income, in the income statement. See Note 1c.

### 6 Directors' remuneration

The following Directors were also directors or employees of another Group company. They were remunerated by the company shown. It is not practicable to allocate their remuneration between their services as Directors of this Company and as directors or employees of other Group companies.

Director	Remunerated by	Disclosed by
M Burholt	Mitie FM Limited, formerly Interserve (Facilities Management) Ltd	Mitie FM Limited, formerly Interserve (Facilities Management) Ltd
P G Clark	Mitiefm Services Limited, formerly Interservefm Ltd	Mitiefm Services Limited, formerly Interservefm Ltd
P J G Dickinson	Mitie Limited	Mitie Limited
S Johnston	Mitiefm Services Limited, formerly Interservefm Ltd	Mitiefm Services Limited, formerly Interservefm Ltd
S C Kirkpatrick	Mitie Limited	Mitie Limited
J P Flanagan	Mitie FM Limited, formerly Interserve (Facilities Management) Ltd	Mitie FM Limited, formerly Interserve (Facilities Management) Ltd

## Notes (continued)

### 7 Finance income

	4 months ended 31 March 2021 £000	11 months ended 30 November 2020 £000
Interest receivable and similar income from Group undertakings	-	186
Net interest on defined benefit pension scheme assets and liabilities (Note 19)	-	1
Total	<u>-</u>	<u>187</u>

### 8 Finance costs

	4 months ended 31 March 2021 £000	11 months ended 30 November 2020 £000
Interest payable and similar expenses on loans and overdrafts	259	9
Interest on lease liabilities (Note 20)	51	146
Total	<u>310</u>	<u>155</u>

## Notes (continued)

### 9 Tax

	4 months ended 31 March 2021 £000	11 months ended 30 November 2020 £000
<i>Analysis of (credit)/charge in the period</i>		
<i>UK corporation tax at 19% (11 months ended 30 November 2020: 19%)</i>		
Current tax on profit for the period	7	186
Adjustments in respect of prior periods	11	(380)
Total current tax	18	(194)
<i>Deferred tax (see Note 17)</i>		
Origination and reversal of temporary timing differences	2	598
Adjustments in respect of prior periods	(29)	186
Total deferred tax	(27)	784
Total (credit)/charge for the period	(9)	590
	4 months ended 31 March 2021 £000	11 months ended 30 November 2020 £000
<i>Reconciliation of effective tax rate</i>		
Loss before tax	(434)	(15,325)
Tax using the UK corporation tax rate of 19% (11 months ended 30 November 2020: 19%)	(82)	(2,912)
Restatement of opening deferred tax balances	-	(382)
Items not deductible for tax purposes	48	1,010
(Utilisation)/recognition of previously unrecognised tax losses	(6)	1,139
Impairment of goodwill	49	1,929
Adjustments in respect of prior periods	(18)	(194)
Total tax (credit)/charge	(9)	590

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. This change is no longer occurring and as a consequence a credit of £nil (11 months ended 30 November 2020: £382,000) has been included in the tax credit. Deferred tax assets (Note 17) reflect this change.

The main rate of UK corporation tax will remain at 19% until 1 April 2023 when it will increase to 25%. The increased rate has not been used to calculate the deferred tax assets as it was not substantively enacted at the balance sheet date. When substantively enacted, the increased rate of UK corporation tax is expected to increase the Company's deferred tax assets by £417,000.

## Notes (continued)

### 10 Goodwill

	£000
<b>Cost</b>	
At 1 December 2020	28,726
<b>At 31 March 2021</b>	<b>28,726</b>
<b>Amortisation and impairment</b>	
At 1 December 2020	25,354
Impairment charge for the period	259
<b>At 31 March 2021</b>	<b>25,613</b>
<b>Net book value</b>	
At 1 December 2020	3,372
<b>At 31 March 2021</b>	<b>3,113</b>

### 11 Other intangible assets

	Software £000
<b>Cost</b>	
At 1 December 2020	1,734
Disposals	(96)
<b>At 31 March 2021</b>	<b>1,638</b>
<b>Amortisation</b>	
At 1 December 2020	1,716
Charge for the period	10
Disposals	(88)
<b>At 31 March 2021</b>	<b>1,638</b>
<b>Net book value</b>	
At 1 December 2020	18
<b>At 31 March 2021</b>	<b>-</b>

Intangibles are amortised over their useful life of 3 years.

## Notes (continued)

### 12 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

	31 March 2021 £000	30 November 2020 £000
Owned property, plant and equipment	524	522
Right-of-use assets (Note 20)	1,700	1,874
<b>Total</b>	<b>2,224</b>	<b>2,396</b>

The table below relates to owned property, plant and equipment.

	Properties £000	Plant and vehicles £000	Total £000
<b>Cost</b>			
At 1 December 2020 <sup>1</sup>	405	4,250	4,655
Additions	-	65	65
<b>At 31 March 2021</b>	<b>405</b>	<b>4,315</b>	<b>4,720</b>
<b>Accumulated depreciation</b>			
At 1 December 2020 <sup>1</sup>	106	4,027	4,133
Charge for the period	1	62	63
<b>At 31 March 2021</b>	<b>107</b>	<b>4,089</b>	<b>4,196</b>
<b>Net book value</b>			
At 1 December 2020 <sup>1</sup>	299	223	522
<b>At 31 March 2021</b>	<b>298</b>	<b>226</b>	<b>524</b>

Note:

1. Brought forward balances have been re-presented to an alternative format.



## Notes (continued)

### 13 Investment in subsidiaries

The Company has the following investments in Group undertakings.

	Shares in Group undertakings £000
<b>Cost</b>	
At 1 January 2020	43,744
At 30 November 2020	43,744
<b>At 31 March 2021</b>	<b>43,744</b>
<b>Provisions for impairment</b>	
At 1 January 2020	(38,459)
At 30 November 2020	(38,459)
<b>At 31 March 2021</b>	<b>(38,459)</b>
<b>Net book value</b>	
At 30 November 2020	5,285
<b>At 31 March 2021</b>	<b>5,285</b>

Company name	Country of incorporation	Class of shares held	Ownership
Insitu Cleaning Company Limited*	England and Wales	Ordinary	100%
Lancaster Office Cleaning Company Limited*	England and Wales	Ordinary	100%
Knightsbridge Guarding Holdings Limited*	England and Wales	Ordinary (all classes)	100%
Mitie Hospital Services Limited*	England and Wales	Ordinary	100%
Mitie Building Services (UK) Limited*	England and Wales	Ordinary	100%
Mitie Integrated Services Limited*	England and Wales	Ordinary	100%
Mitie Catering Services Limited*	England and Wales	Ordinary (all classes)	100%
Mitie Fire Services Limited*	England and Wales	Ordinary	100%
Phoenix Fire Services Limited*	England and Wales	Ordinary	100%
Mitie Project Services Limited*	England and Wales	Ordinary	100%
Central Window Cleaning Company Limited*	England and Wales	Ordinary	100%
Hi-tech Cleaning Solutions Limited*	England and Wales	Ordinary	100%
Phonotas Services Limited*	England and Wales	Ordinary	100%
Retail Cleaning Services Limited*	England and Wales	Ordinary (all classes)	100%
Mitie Security (Knightsbridge) Limited	England and Wales	Ordinary	100%

\* Held directly by the Company.

The registered office of all companies listed above is Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG with the exception of Hi-tech Cleaning Solutions Limited, which is at 15 Canada Square, Canary Wharf, London, E14 5GL. Hi-tech Cleaning Solutions Limited is currently in liquidation.

*Mitie FS (UK) Limited*  
*Annual report and financial statements*  
*31 March 2021*

**Notes** *(continued)*

**14 Inventories**

	<b>31 March 2021</b>	30 November 2020
Raw materials and consumables	<b>608</b>	601
	<b>608</b>	601

**15 Trade and other receivables**

	<b>31 March 2021 £000</b>	Restated <sup>1</sup> 30 November 2020 £000
Trade receivables	<b>13,565</b>	17,137
Amounts owed by Group undertakings	<b>22,485</b>	22,882
Prepayments	<b>32</b>	164
Accrued income	<b>6,384</b>	6,130
Other receivables	<b>895</b>	332
Total	<b>43,361</b>	46,645

**Note:**

1. Balances as at 30 November 2020 have been re-presented to an alternative format. See Note 1c.

In the opinion of the Directors, the fair value does not materially differ from the carrying value.

Amounts owed by Group undertakings are repayable on demand.

## Notes (continued)

### 16 Trade and other payables

	31 March 2021 £000	Restated <sup>1</sup> 30 November 2020 £000
Trade payables	3,162	2,939
Amounts owed to Group undertakings	34,254	31,607
Other taxes and social security	1,972	5,733
Accruals	14,358	12,264
Other payables	750	415
<b>Total</b>	<b>54,496</b>	<b>52,958</b>

Note:

1. Balances as at 30 November 2020 have been re-presented to an alternative format. See Note 1c.

Included within amounts owed to Group undertakings above, is £11,431,000 (30 November 2020: £12,600,000) relating to a loan bearing interest at 5% per annum (30 November 2020: 5% per annum).

Amounts due to Group undertakings are repayable on demand.

### 17 Deferred tax assets

Deferred tax assets are attributable to the following:

	31 March 2021 £000	30 November 2020 £000
Property, plant and equipment	2,568	2,520
Other timing differences	105	126
	<b>2,673</b>	<b>2,646</b>

Movement in deferred tax during the period

	1 December 2020 £000	Recognised in income £000	31 March 2021 £000
Property, plant and equipment	2,520	48	2,568
Other timing differences	126	(21)	105
	<b>2,646</b>	<b>27</b>	<b>2,673</b>

## Notes (continued)

### 17 Deferred tax assets (continued)

#### Movement in deferred tax during the prior period

	1 January 2020 £000	Recognised in income £000	30 November 2020 £000
Property, plant and equipment	2,291	229	2,520
Tax losses carried forward	1,020	(1,020)	-
Other timing differences	119	7	126
	<u>3,430</u>	<u>(784)</u>	<u>2,646</u>

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. This change is no longer occurring and as a consequence a credit of £nil (2020: £382,000) has been included in the tax charge. The deferred tax assets disclosed above reflect this change.

The Company has £14,144,000 of tax losses (30 November 2020: £14,175,000) upon which no deferred tax has been recognised.

### 18 Provisions

	Property provision £000	Insurance provision £000	Total £000
At 1 December 2020	(117)	260	143
Reclassification	190	-	190
Utilised in the period	-	(260)	(260)
<b>At 31 March 2021</b>	<b><u>73</u></b>	<b><u>-</u></b>	<b><u>73</u></b>
Included in non-current liabilities	73	-	73
<b>Total</b>	<b><u>73</u></b>	<b><u>-</u></b>	<b><u>73</u></b>

The insurance provision related to specific public liability claim cases that were paid in the current period.

The property provision represents obligations in relation to dilapidations.

## Notes (continued)

### 19 Retirement benefit schemes

#### Interserve Scheme Part C ("IPS-C")

The Interserve Scheme Part C was formed to transfer Support Services members out of the Interserve Group Pension Scheme to Interserve Scheme Part C as part of the acquisition. The transfer was completed via a Flexible Apportionment Arrangement on 28 February 2020, which was approved by The Pensions Regulator. From this date the Company has no further obligations or commitments in respect of the other elements of the Interserve Pension Scheme.

There are active members within the Interserve Scheme Part C, but no deferred or pensioner members. Contributions are set based upon funding valuations carried out every three years. Following the Flexible Apportionment Arrangement, the first triennial valuation will be carried out at 31 December 2020. If there is a shortfall in Scheme assets against the funding target, then the Group and Trustees will agree on deficit contributions to meet this deficit over a period.

The Interserve Scheme Part C has been valued for the purposes of FRS 101 by Lane, Clark and Peacock LLP, independent actuaries, using information projected from the Interserve Group Pension Scheme's triennial valuation as at 31 March 2019. The Company's share of the Scheme's assets has been estimated at each accounting date from projections of the Scheme's triennial valuation as at 31 March 2019.

Actuarial gains and losses are recognised in full in the period in which they occur. As permitted by FRS 101, actuarial gains and losses are recognised outside profit or loss and presented in other comprehensive income. The asset recognised in the balance sheet represents the Company's share of the Fund's assets less the present value of its defined benefit obligations in the Fund. The cost of providing benefits is determined using the Projected Unit Credit Method. The Company has an unconditional right to a fund of the surplus assuming the gradual settlement of the Interserve Scheme liabilities over time until all members have left the section. Accordingly, there is no restriction on the surplus.

#### Principal accounting assumptions at the balance sheet date

Key assumptions used for IAS 19 valuation:

	31 March 2021 %	30 November 2020 %
Discount rate	2.1	1.5
CPI price inflation	2.5	2.0
RPI price inflation	3.25	3.0
General salary increases	3.3	2.8
Pension increase assumptions		
- CPI (min 0%)	2.5	2.1
- CPI (min 0%, max 5%)	2.5	2.1
- CPI (min 0%, max 2.5%)	1.9	1.7

Post-retirement life expectancy:

	31 March 2021 Years <sup>1</sup>	30 November 2020 Years <sup>1</sup>
Male currently aged 65	86.3 / 84.7	86.2 / 84.6
Female currently aged 65	88.3 / 86.8	88.3 / 86.7
Male aged 65 in 20 years' time	87.3 / 85.7	87.3 / 85.7
Female aged 65 in 20 years' time	89.6 / 88.0	89.5 / 87.9

Note:

1. For standard / manual members.

## Notes (continued)

### 19 Retirement benefit schemes (continued)

#### Sensitivity of defined benefit obligations to key assumptions

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

Change in assumption:	31 March 2021 Increase/ (decrease) £000	30 November 2020 Increase/ (decrease) £000
0.5% increase in price inflation	48	47
0.5% increase in discount rate	(48)	(47)
1 year Increase in life expectancy	16	16

#### Amounts recognised in the financial statements

Amounts recognised in the income statement are as follows.

	4 months ended 31 March 2021 £000	11 months ended 30 November 2020 £000
Current service cost	(9)	(22)
Net interest income	-	1
Recognised in profit/(loss) before tax	<u>(9)</u>	<u>(21)</u>

Amounts recognised in the statement of comprehensive income are as follows.

	4 months ended 31 March 2021 £000	11 months ended 30 November 2020 £000
Actuarial gains/(losses) arising due to changes in financial assumptions	12	(31)
Actuarial gains/(losses) arising from liability experience	1	(476)
Returns on scheme assets, excluding interest income	(43)	622
Recognised in OCI before tax	<u>(30)</u>	<u>115</u>

## Notes (continued)

### 19 Retirement benefit schemes (continued)

The amounts included in the balance sheet are as follows.

	31 March 2021 £000	30 November 2020 <sup>1</sup> £000
Fair value of scheme assets	591	614
Present value of defined benefit obligations	(534)	(537)
Net pension asset	<u>57</u>	<u>77</u>

Note:

1. Balances as at 30 November 2020 have been re-presented to be consistent with current period disclosures.

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

	£000	£000 <sup>1</sup>
At 1 December/January 2020	537	-
Current service cost	9	22
Interest cost	3	7
Contributions from scheme members	1	2
Actuarial (gains)/losses arising due to changes in financial assumptions	(12)	31
Actuarial (gains)/losses arising from experience	(1)	476
Benefits paid	(3)	(1)
At 31 March 2021/30 November 2020	<u>534</u>	<u>537</u>

Note:

1. Balances for the 11 months ended 30 November 2020 have been re-presented to be consistent with current period disclosures.

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

	£000	£000 <sup>1</sup>
At 1 December/January 2020	614	-
Interest income	3	8
Actuarial (losses)/gains on assets	(43)	622
Other tax on remeasurement of retirement benefit surplus	11	(41)
Contributions from sponsoring companies	8	24
Contributions from scheme members	1	2
Benefits paid	(3)	(1)
At 31 March 2021/30 November 2020	<u>591</u>	<u>614</u>

Note:

1. Balances for the 11 months ended 30 November 2020 have been re-presented to be consistent with current period disclosures.

## Notes (continued)

### 19 Retirement benefit schemes (continued)

Fair values of the assets held by the schemes were as follows.

	31 March 2021 £000	30 November 2020 <sup>1</sup> £000
Government bonds	280	320
Corporate bonds	64	65
Property	41	39
Diversified growth fund	190	179
Cash	16	11
Total fair value of assets	<u>591</u>	<u>614</u>

Note:

1. Balances as at 30 November 2020 have been re-presented to be consistent with current period disclosures.



## Notes (continued)

### 20 Leases

#### Right-of-use assets

	Properties £000	Plant and vehicles £000	Total £000
At 1 January 2020 <sup>1</sup>	1,768	1,702	3,470
Additions	442	-	442
Transfers	-	(1,696)	(1,696)
Depreciation	(339)	(3)	(342)
At 30 November 2020 <sup>1</sup>	1,871	3	1,874
Depreciation	(131)	(1)	(132)
Impairment	(42)	-	(42)
At 31 March 2021	1,698	2	1,700

Note:

1. Brought forward balances have been re-presented to an alternative format.

#### Lease liabilities

	£000	£000
At 1 December/January 2020	1,980	2,177
Interest expense related to lease liabilities	51	146
Repayment of lease liabilities (including interest)	(197)	(343)
At 31 March 2021/30 November 2020	1,834	1,980
Current	244	303
Non-current	1,590	1,677

#### Maturity analysis-contractual undiscounted cash flows

	31 March 2021 £000	30 November 2020 £000
Less than one year	376	398
One to five years	1,120	1,418
More than five years	954	798
Total	2,450	2,614

#### Amounts recognised in the income statement

	31 March 2021 £000	30 November 2020 £000
Depreciation of right-of-use assets	(132)	(342)
Impairment of right-of-use assets	(42)	-
Low-value lease expense	(31)	(44)
Operating profit impact	(205)	(386)
Interest on lease liabilities	(51)	(146)
Profit before tax impact	(256)	(532)

## Notes (continued)

### 21 Equity

Share capital authorised and fully paid	31 March 2021 Number	30 November 2020 Number	31 March 2021 £000	30 November 2020 £000
<b>Ordinary shares</b>				
Ordinary shares at £1 each	<u>17,293,100</u>	<u>17,293,100</u>	<u>17,293</u>	<u>17,293</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### Retained losses

This comprises the retained earnings and losses of the Company, less amounts distributed to the Company's shareholder.

### 22 Contingent liabilities

#### Cyber incident

On 13 May 2020, Interserve Group Limited ("IGL") announced that it was subject to a cyber-attack. The attack affected elements of Interserve's IT systems (including enterprise resource planning and human resource systems), including elements related to Interserve. Once the cyber-attack was discovered, IGL commenced work with the National Cyber Security Centre and strategic response team to investigate, contain and remedy the situation.

The attack was reported to the ICO on 5 May 2020. The ICO has advised IGL that it considers it likely that IGL or members of the Interserve Group (which could include Interserve) are in breach or likely to be in breach of certain articles of the UK GDPR and that IGL or members of the Interserve Group (which could include Interserve) are likely to be subject to regulatory action in respect of the matter which could result in a remedial order or fine.

The share purchase agreement ("SPA") entered into for the acquisition of Interserve gives the Group the benefit of indemnity protection provided by How Group Limited, a subsidiary of IGL, for a two-year period from the Interserve acquisition date. This is expected to be sufficient to cover any penalty imposed by the ICO in relation to Interserve entities, however, the results of the ICO investigation cannot be predicted and the Group may be liable to pay a penalty that exceeds the level of indemnity cover of £40 million.

Management understands that the ICO investigation is ongoing. However, whilst any fine is likely to be issued within the two-year period covered by the SPA indemnity, the Company is unable to reliably estimate the amount of any potential fine at the reporting date.

#### Contractual disputes

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

#### Employment claims

The Company is, from time to time, party to employment disputes, claims, and other potential liabilities which arise in the ordinary course of business. The Directors do not anticipate that any of the current matters will give rise to settlements, either individually or in aggregate, which will have a material adverse effect on the Company's financial position.

## Notes (continued)

### 22 Contingent liabilities (continued)

The Company is party with other Group undertakings to cross-guarantees of certain of each other's liabilities.

	31 March 2021 £000	30 November 2020 £000
Performance bonds	111	111

### 23 Related parties

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries within the Group.

### 24 Subsequent events

There were no material post balance sheet events that require adjustment or disclosure.

### 25 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Mitiefm Services Limited, formerly Interservefm Ltd, which is the immediate parent company incorporated in England and Wales. The ultimate controlling party is Mitie Group plc, a company incorporated in Scotland with its registered office at 35 Duchess Road, Rutherglen, Glasgow, G73 1AU. Mitie Group plc is the parent company of the largest and smallest groups into which the accounts of the Company are consolidated. The consolidated financial statements of Mitie Group plc are available to the public and may be obtained from the Company Secretary at Level 12 The Shard, 32 London Bridge Street, London, SE1 9SG or from [www.mitie.com](http://www.mitie.com).