REGISTERED NUMBER: 02329448 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Period 1 January 2020 to 30 November 2020

for

Mitie FS (UK) Limited

Contents of the Financial Statements for the Period 1 January 2020 to 30 November 2020

Mitie FS (UK) Limited

Company Information
for the Period 1 January 2020 to 30 November 2020

DIRECTORS:	P J G Dickinson Mrs 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
REGISTERED NUMBER:	02329448 (England and Wales)
AUDITORS:	Grant Thornton UK LLP St John's House Haslett Avenue West Crawley RH10 1HS

Mitie FS (UK) Limited

Strategic Report
for the Period 1 January 2020 to 30 November 2020

The directors present their strategic report for the period 1 January 2020 to 30 November 2020.

Mitie FS (UK) Limited, previously Interserve FS (UK) Limited, was acquired by Mitie Group Plc on the 30th November 2020, at which date the accounting period ended. The following period ends 31st March 2021 in line with Mitie Group companies.

PRINCIPAL ACTIVITY

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 sector. 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. The company is a wholly owned subsidiary of MitieFM Services Limited, formerly Interservefm Ltd.

REVIEW OF BUSINESS

The Company's turnover for the period was £131,233k (31/12/19: £209,182k). The Company's loss from ordinary activities before taxation for the period was £15,325k (31/12/19: £3,164k). No dividends were proposed and paid during the period (31/12/19 £nil). No dividends are proposed.

Financial performance is assessed through the key measures of turnover and operating profit, as per the statement of total comprehensive income. Mitie is dedicated to delivering sustainable shareholder value by working in partnership with its clients.

On Saturday 2 May 2020 the main ERP accounting system used by all the UK legal entities in the Division suffered an external cyber security attack which prevented access to the system for a period of 4 months until a suitable backup was recovered. Due to the robust off line procedures and controls put in place during the outage, the financial ledgers were able to be fully rebuilt and these trading statements fully incorporate the trading during this outage period and the balance sheet accurately reflect the assets and liabilities of the company.

On 25 June 2020, Mitie Group plc announced the proposed merger with Interserve Support Services. Completion of the transaction was subject to certain conditions precedent including approval by the Competition and Markets Authority and the Pensions Regulator. Approval was given and the merger was completed on 30 November 2020.

The date for the production of the financial statements was subsequently changed to this 30 November 2020 transaction date. The financial statements will then be changed to align with the Mitie year end of 31 March for future financial periods.

Key Financial and Non-Financial Performance Indicators

The Mitie Services division, of which the Company forms a part, use a scorecard of financial and non-financial key performance indicators (KPIs) to measure critical aspects of performance, which align to the Company's strategic objectives. The KPIs are applied to the most relevant tier, whether that be contract or the division as a whole. These primary targets are to deliver substantial future work and generate strong cash conversion, alongside the wellbeing of everyone working for the Company.

There is future workload for the Company of £249,604k (31/12/19: £238,072k). The Mitie Support Services division uses cash conversion as the principle KPI to assess business performance and prospects. The cash conversion KPI for 30/11/20 was 123% for the division (31/12/19: 156%), these figures demonstrate a consistent and strong cash generation performance which has been considered in the going concern review and in the ongoing management of the Company. The number of Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORS) in the Company for the period was 6 (31/12/19: 10) and the Company employee voluntary turnover in the period has been 14% (31/12/19: 21%).

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks and uncertainties affecting the company are considered to relate to market change due to the ongoing impact of Covid-19 and Brexit, and financial risks. These risks are discussed below.

Strategic risks

COVID-19

The COVID-19 pandemic has had an unprecedented impact on businesses and economic activity across the world. Almost every business has seen 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.

The Company has implemented a process of assessing the impact of the crisis, including the government imposed lockdown measures, seeking to establish new ways of working through the first phase and then starting to look at longer term plans as 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 initiated, government support schemes are being utilised and working groups have been established at the Group level to monitor ongoing impacts and to direct actions.

Impact of the UK leaving the European Union ('Brexit')

The lack of clarity of the impact of Brexit on the UK may adversely affect our ability to plan and invest, as well as the availability of labour and materials. The impact of Brexit may also influence the decisions taken by both public and private sector clients on 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.

The directors have considered the impact that Brexit may have on the company and considered these in short and longer-term planning. The main areas of risk are related to labour mobility and thus the number of EU nationals within our workforce in the medium to long term, as well as the increase in cost on movement of goods across borders. The Company welcomed the UK Government's agreement with the European Union and the introduction of the 'EU Settlement Scheme'.

The directors believe that this provides significant protections, both for the existing EU workforce within the company, but also will ensure that there is not a material impact on our ability to hire future talent. It is also important to note that the existing number of EU citizens working within the company is relatively small in proportion to other national groups.

The directors are implementing processes to understand and mitigate the impact of increased supply chain costs and have contingency plans in place on material contracts to manage any supply chain disruption.

The company has some small contracts within the EU. Changes to operating parameters arising from the EU-UK Trade and Co-operation Agreement are not expected to have a material impact.

FINANCIAL RISK MANAGEMENT

The company has exposure to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The Board has policies for managing each of these risks and they are summarised below. The directors are satisfied that given the nature of this company, there are no other significant risks and uncertainties to consider.

Inflation risk
A proportion of the company's revenue and costs are linked to inflation. The majority of contracts allow any inflationary movement to be passed on to the end customer allowing the company to maintain its margin.

Liquidity risk
The company seeks to maintain sufficient facilities to ensure access to funding for our current and anticipated future requirements, determined from budgets and medium-term plans.

Finance risk
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 Mitie Group plc financing arrangements.

ENVIRONMENTAL IMPACT
It is the Group's policy to conduct its operations in an environmentally sustainable manner in order to protect the environment for future generations. In implementing its policy the Group seeks, through its operating companies to: comply with relevant environmental legislation and regulation, prevent pollution, the use of natural resources, minimisation of waste and emissions, promote environmental awareness to its employees, and to monitor and improve its environmental performance.

ANTI-BRIBERY AND CORRUPTION
As part of the Group's commitment to compliance in anti-bribery and competition laws, it has established training programmes in place. This provides practical help and guidance on the legal position in a variety of situations in which employees may find themselves, such as when it is and is not appropriate to accept a gift or offer hospitality, practical tips to avoid involvement in facilitation payments and how best to act if faced with a conflict of interest.

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 30 November 2020 to ensure that the Company can meet its liabilities as they fall due.

On 30 November 2020, Mitie Group plc and its subsidiaries (the 'Group') announced the completion of the acquisition of Interservefm (Holdings) Limited. The going concern assessment has therefore been performed for the combined entity.

In adopting the going concern basis, the Directors have considered the Company's business activities as set out on page 2 and the principal risks and uncertainties as set out on pages 4 to 5.

The Directors have carried out an assessment on the Company's ability 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 based on the Group's Five Year Cash Flow model ('the Group cash flow model'), which 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 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 are repayable in December 2022 and the remaining £30.0m in December 2024. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis. Mitie 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 have also completed reverse stress tests against the Group cash flow model to assess the point at which the covenants, or facility headroom, would be breached. The sensitivities considered have been chosen after considering the Group's principal risks and uncertainties.

The primary financial risks 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 acquisition, not being delivered;
- Downturn in cash generation: this reflects the risks of customers delaying payments due to liquidity constraints, or the removal of ancillary debt facilities.

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

- Reviewing how the Group has traded since the impact of COVID-19 started, up to the end of March 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. For example, revenue would need to decline by approximately 20% in FY 21/22 compared to the base case, which is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that in a COVID-hit year, Mitie's revenue excluding Interserve declined by only 1.6% in FY20/21.

- 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.

Based on these assessments, 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 these financial statements. In addition, in respect of material uncertainty, the Directors consider that this is remote.

SECTION 172(1) STATEMENT
Section 172 of the Companies Act requires directors to take the following matters into consideration in their decision making: the likely consequences of any decision in the long term; the interests of employees and shareholders; the need to build relationships with other key stakeholders, including customers and suppliers; the impact of the company's operations on the communities and environment they operate in; and the benefits of maintaining a reputation for high standards of business conduct.

When considering key or strategic matters the Directors have regard for their duties owed on a company basis and not just on a Divisional or Group basis. The Directors have access to expert legal advice through the Group's panel of internal and external legal advisors when considering such matters. The Directors also receive updates and refreshers on their duties and responsibilities as directors from the Group's legal advisors.

The Directors of the company meet on a regular basis as part of the senior Leadership team, and matters are regularly tabled, which the Directors should have regard to under Section 172, at their meetings and they recognise that the success of the company is dependent on the way it works with its key stakeholders. When making decisions, particularly of a strategic nature, the Directors have regard to the likely long-term impact of these decisions and also their responsibilities and duties to the company's shareholders and other stakeholders. The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the company, and the company's shareholders, creditors, employees and other stakeholders having regard to those matters. The following explains how the Directors have done this for the period 1st January 2020 to the date of this Report.

The Directors of the company are committed to operating in accordance with the Group's values and to considering the interests of all its stakeholders in the decisions they make.

Shareholders

Following the Interserve Group's Deleveraging in March 2019 the directors of the company have made key decisions relating to the provision of guarantees and security to the Interserve Group in respect of its re-financing, including its most recent financing facilities; restructuring of the company's inter-company loans with the Interserve Group; re-alignment of the company's existing guarantees to the Group banking facilities from Interserve Plc to Interserve Group Limited; the going concern of the company and the guarantee arrangements in respect of a number of the Company's PFI contracts.

On 25th June 2020 the proposed merger of Interserve Support Services with Mitie Group Plc ("Mitie") was announced (the "Transaction") and the Transaction completed on 30th November 2020. As the company forms part of Interserve Support Services, the Directors have made key decisions in respect of the Transaction, including statutory matters; amendments to the Interserve Pension Scheme; release of obligations relating to Loan Notes and the entering into Mitie's financing facilities & banking arrangements.

Employees

The Directors recognise that engagement with the company's employees is key to ensuring the success of the company and to maintain its competitive advantage and to meet the challenges of the uncertain and changing environment the company operates in. The Directors recognise that the success of the company is dependent on the company's employees' commitment to the company and through them demonstrating the values of the Group. The Directors also need to retain their key people and recruit, and train effective new people where necessary. The health, safety and wellbeing of the company's employees is fundamental to the way the company operates.

The Directors undertake regular site visits to review operations, health and safety performance and to engage with employees across the business. The Directors also actively promoted the Your Voice Employee Engagement Survey at the end of 2019 and other employee engagement initiatives. As a result of the engagement initiatives, robust action planning was in place during 2020 to support feedback from employees to the Your Voice survey.

On 25th June 2020 Interserve Group announced the Transaction to all of its employees. Following the announcement, a dedicated area was set up on the Interserve Intranet and employee portal to provide employees with regular updates on the Transaction and to give employees the opportunity to submit their questions on the Transaction. A specific page on Frequently Asked Questions was established and regularly updated to help support employees during this time. Updates on the Transaction were provided by the Directors at the monthly wider leadership team meetings between July and November 2020, with managers tasked with cascading the updates to their teams.

Interserve Support Services colleagues will be included in Mitie's annual engagement survey for 2021. As part of the integration efforts, ad hoc pulse surveys will be carried out throughout the year to gauge levels of engagement specifically during integration. The first pulse survey was conducted in February 2021 with good levels of engagement, especially from former Interserve Support Services colleagues, with around 70% proud to work for Mitie. Action plans are being developed to address over 1,500 comments received in the free text section of the survey around what more can be done to engage colleagues in integration.

Community

The Directors recognise that it is vital that the company engages with the local communities in which the company operates and that strong community relationships are key.

The Directors continue to support the Group's initiative allowing staff to proactively work with customers and suppliers to support local community causes and charities. The directors actively support a range of charitable giving and partnership. During the first national Covid-19 lockdown in 2020 a number of employees volunteered their time and resources to help support their local communities and the NHS.

As part of the Mitie Group of companies, the Directors will have the opportunity to work with the Mitie Foundation, through which Mitie offers a range of volunteering activities for employees, including in schools, academies and colleges, in prisons and with ex-offenders and with people with disabilities.

Environment

The directors recognise that Sustainability is a key part of the company's core values as a business, so engagement in relation the environment in which the company operates is a key part of its operations.

The directors will also join Mitie's industry-leading "Plan Zero" commitment, pledging that Mitie will reach a net zero carbon emissions by 2025. Plan Zero is focused around three key pillars, encompassing the key areas of environmental impact for the business, with specific targets to eliminate carbon emissions from power and transport, eradicate non-sustainable waste and enhance inefficient buildings to meet the highest environmental standards.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

The company engages with its stakeholders and understanding their needs is fundamental to how we do business and plan for the future. We are in regular and open dialogue with all stakeholder groups to ensure their views are taken into account so that we can continue to deliver best-in-class services. The feedback we receive from our engagement actively helps inform and shape the way in which we deliver our services. We employ a range of methods to ensure that we act upon the results of our engagement processes and these are explored below. We are always looking to build upon the strong relationships that exist with those we interact with to create better outcomes for all.

The company has several formal processes in place to ensure we maintain the highest standards of customer service and performance across the business. On a broad level, we conduct regular customer surveys of all key stakeholders which feeds in to developing our offering year-on-year. Our customer experience team engages on resulting actions and interventions, ensuring we adapt with our customers' changing needs.

The company has a strong and loyal supply chain with whom we work collaboratively to deliver best-in-class service for our customers. As such, payment terms and timing of payments to our valued supplier partners remains a key area of focus across the business and one which we continue to take very seriously.

Following the announcement of the Transaction on 25th June 2020, regular communications were issued to Customers to provide them with updates on the Transaction. Specific communications were also provided to the majority of suppliers and relationship owners were in dialogue with key suppliers regarding the Transaction.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

Mitie FS (UK) Limited have operated in accordance with group controls and processes in relation to: Anti-Bribery, Competition Compliance, GDPR, Delegated Authorities, Remuneration Committee, Risk Committee, Customer Engagement, and Employee Engagement. This was in advance of the Transaction.

Following the completion of the Transaction in November 2020, the company is a wholly owned subsidiary of Mitie. Mitie fully complies with the UK Corporate Governance Code and these principles apply as appropriate throughout the group.

EMPLOYEE INVOLVEMENT & DISABLED EMPLOYEES

The group recognises the importance of good communications and ensures that employees are informed of matters affecting them as appropriate.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment within the group may continue.

ON BEHALF OF THE BOARD:

J M Williams

J M Williams - Director

29 May 2021

Report of the Directors
for the Period 1 January 2020 to 30 November 2020

The directors present their report with the financial statements of the company for the period ended 30/11/20.

PRINCIPAL ACTIVITY
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 sector. 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.

Certain requirements of the Strategic Report, including the principal risks and uncertainties of the company, the S172 disclosures and going concern are not included within the report of the Directors as they are shown in the Strategic Report on pages 2 - 11.

DIVIDENDS
A dividend of £nil was proposed and paid during the period (31/12/19: £nil). No further dividends are proposed.

DIRECTORS
Mrs S Johnston has held office during the whole of the period from 1 January 2020 to the date of this report.

Other changes in directors holding office are as follows:

P J G Dickinson - appointed 30 November 2020
S C Kirkpatrick - appointed 30 November 2020
J W Lambert - resigned 30 November 2020
Mrs L C Mawdsley - resigned 30 November 2020

J M Williams was appointed as a director after 30 November 2020 but prior to the date of this report.

M S Burholt , P G Clark and J P Flanagan ceased to be directors after 30 November 2020 but prior to the date of this report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report and the Report of the Directors 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 profit or loss 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 accounting 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.

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 and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors confirm that:

(1) So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(2) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant 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 the provisions of s418 of the Companies Act 2006.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations.

AUDITORS
The auditors, Grant Thornton UK LLP, were re-appointed following the Annual General Meeting to conduct the audit for the period ending 30 November 2020.

It is proposed that Grant Thornton LLP will be reappointed as statutory auditors to the company for the period ending 31st March 2021.

ON BEHALF OF THE BOARD:

J M Williams

J M Williams - Director

29 May 2021

Independent Auditors' 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 January 2020 to 30 November 2020, which comprise the Income Statement, the Statement of Other 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 (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 30 November 2020 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.

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 year 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

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.

Auditors' 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. 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, 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.

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 of recognition of revenue; the completeness of contract accruals and associated contract costs; the completeness of contract related provisions and other legal claims and through management override of controls. We also considered the risk of fraud to be higher within the period impacted by the cyber breach described in the Strategic Report.

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 Note 22 of the financial statements which may have resulted in non-compliance with GDPR regulation during the 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 of contract accounting and associated provisions;
-Performing additional substantive testing over the completeness and accuracy of data recorded during the period impacted by the cyber breach;
-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;
-Gaining 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; and
-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.

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 of recognition of revenue, the completeness of contract accruals and associated contract costs, the completeness of contract related provisions and other legal claims, judgemental areas of the valuation of investments in subsidiary undertakings and through management override of controls in the preparation of the financial statements. We also communicated within the team in respect of the risk of fraud being higher within the period impacted by the cyber breach described in the Strategic Report.

Independent Auditors' Report to the Members of
Mitie FS (UK) Limited

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.

Grant Thornton UK LLP

Jonathan Maile BSc (Hons) FCA (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
St John's House
Haslett Avenue West
Crawley
RH10 1HS

29 May 2021

Mitie FS (UK) Limited

Statement of Total Comprehensive Income
for the Period 1 January 2020 to 30 November 2020

	Notes	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
TURNOVER	3	131,233	209,182
Cost of sales		(124,748)	(199,546)
GROSS PROFIT		6,485	9,636
Administrative expenses		(4,927)	(6,635)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		1,558	3,001
Exceptional items	5	(891)	(398)
Impairment of intangible assets		(16,024)	(5,777)
OPERATING LOSS		(15,357)	(3,174)
Interest receivable and similar income	6	186	261
Other finance income	21	1	-
		(15,170)	(2,913)
Interest payable and similar expenses	7	(155)	(251)
LOSS BEFORE TAXATION	8	(15,325)	(3,164)
Tax on loss	9	(590)	152
LOSS FOR THE FINANCIAL PERIOD		(15,915)	(3,012)

The notes form part of these financial statements

Mitie FS (UK) Limited

Statement of Total Comprehensive Income for the Period 1 January 2020 to 30 November 2020

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
LOSS FOR THE FINANCIAL PERIOD	(15,915)	(3,012)
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on pension scheme	115	-
Income tax relating to item that will not be reclassified to profit or loss	(41)	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	74	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(15,841)	(3,012)

The notes form part of these financial statements

Mitie FS (UK) Limited

Balance Sheet
30 November 2020

	Notes	30/11/20 £'000	31/12/19 £'000
FIXED ASSETS			
Owned			
Intangible assets	10	3,390	19,522
Tangible assets	11	522	982
Right-of-use			
Tangible assets	11, 18	1,874	3,470
Investments	12	5,285	5,285
		11,071	29,259
CURRENT ASSETS			
Stocks	13	601	800
Debtors	14	49,291	71,794
Cash in hand		311	576
		50,203	73,170
CREDITORS			
Amounts falling due within one year	15	(54,484)	(78,720)
NET CURRENT LIABILITIES		(4,281)	(5,550)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,790	23,709
CREDITORS			
Amounts falling due after more than one year	16	(1,677)	(1,940)
PROVISIONS FOR LIABILITIES	19	(143)	(881)
PENSION ASSET	21	77	-
NET ASSETS		5,047	20,888

The notes form part of these financial statements

continued...

Mitie FS (UK) Limited

Balance Sheet - continued
30 November 2020

	Notes	30/11/20 £'000	31/12/19 £'000
CAPITAL AND RESERVES			
Called up share capital	20	17,293	17,293
Retained earnings		(12,246)	3,595
SHAREHOLDERS' FUNDS		5,047	20,888

The financial statements were approved by the Board of Directors and authorised for issue on 29 May 2021 and were signed on its behalf by:

J M Williams

J M Williams - Director

29 May 2021

The notes form part of these financial statements

Mitie FS (UK) Limited

Statement of Changes in Equity
for the Period 1 January 2020 to 30 November 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	17,293	6,607	23,900
Changes in equity			
Total comprehensive loss	-	(3,012)	(3,012)
Balance at 31 December 2019	17,293	3,595	20,888
Changes in equity			
Total comprehensive loss	-	(15,841)	(15,841)
Balance at 30 November 2020	17,293	(12,246)	5,047

The notes form part of these financial statements

1. STATUTORY INFORMATION

Mitie FS (UK) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation
Mitie FS (UK) Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operation and its principal activities are set out in the strategic report on pages 2 to 11.

These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis and are presented in sterling which is the functional currency of the company.

The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Interserve Group Limited and subsequently following the sale it is included in the consolidated accounts of Mitie Group PLC. Details of the parent whose consolidated financial statements the company is included are shown in note 24 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under this standard in relation to business combinations, non-current assets held for sale, financial instruments, revenue from contracts with customers, capital management, presentation of comparative information in respect of share capital and certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

continued...

2. ACCOUNTING POLICIES - continued

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 30 November 2020 to ensure that the Company can meet its liabilities as they fall due.

On 30 November 2020, Mitie Group plc and its subsidiaries (the "Group") announced the completion of the acquisition of Interservefm (Holdings) Limited. The going concern assessment has therefore been performed for the combined entity.

In adopting the going concern basis, the Directors have considered the Group's business activities as set out on pages 2 to 3 and the principal risks and uncertainties as set out on pages 4 to 5.

The Directors have carried out an assessment on the Group's ability to continue as a going concern for the period of at least 12 months from the date of approval of the financial statements. This assessment has involved the review of medium-term cash forecasts based on the Group's Five Year Cash Flow model ("the Group cash flow model"), which 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 are repayable in December 2022 and the remaining £30.0m in December 2024. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis. Mitie 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 have also completed reverse stress tests against the Group cash flow model to assess the point at which the covenants, or facility headroom, would be breached. The sensitivities considered have been chosen after considering the Group's principal risks and uncertainties.

continued...

2. **ACCOUNTING POLICIES - continued**

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 acquisition, not being delivered;
- Downturn in cash generation: this reflects the risks of customers delaying payments due to liquidity constraints, or the removal of ancillary debt facilities.

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

- Reviewing how the Group has traded since the impact of COVID-19 started, up to the end of March 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. For example, revenue would need to decline by approximately 20% in FY 21/22 compared to the base case, which is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that in a COVID-hit year, Mitie's revenue excluding Interserve declined by only 1.6% in FY20/21.
- 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.

Based on these assessments, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of these financial statements. In addition, in respect of material uncertainty, the Directors consider that this is remote.

continued...

2. ACCOUNTING POLICIES - continued

Critical accounting judgements and key sources of estimation uncertainty
In the preparation of the financial statements, management make certain judgements and estimates that impact the financial statements. While these judgements are continually reviewed the facts and circumstances underlying these judgements may change resulting in a change to the estimates that could impact the results of the company. Both critical accounting judgements and the key sources of estimation uncertainty are discussed in more detail below:

Revenue recognition
The Company's revenue recognition policies are central to how the Company measures the work it has performed in each financial year.
Due to the size and complexity of the Company's contracts, the Directors are 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 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.

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. The Directors consider 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.

Operating profit before exceptional items
'Exceptional items' are items of financial performance which are items of financial performance which are non-recurring, significant in size and nature and which the Directors believe 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 exceptional items requires judgement as to whether an item is or is not part of the underlying performance of the Company.
An analysis of the amounts included in exceptional items is detailed in Note 5.

Recoverability of trade receivables and accrued income
The Company has material amounts of billed work outstanding at 30 November 2020. 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 expected credit losses (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. The Directors apply judgement on specific allowances for impairment based on the information available at each reporting date which includes an assessment of current disputes with customers over commercial positions, and where information suggests customers are facing significant financial difficulties.

continued...

2. **ACCOUNTING POLICIES - continued**

The judgement on specific allowance for impairments on receivables at 30 November 2020 has included an assessment of COVID-19 impacts.

Investments

The valuation of the investments is based upon forecast profitability and related cash flows of the investments and discounting of these to net present value. The forecasts are based upon the directors estimation of factors that will impact the profitability and cash flows which involve significant estimation and uncertainty. The discount rate is based upon the Group discount rate and whilst it is the directors view that this is an appropriate discount factor, there could be factors that impact the individual investments which could require an adjustment to the discount rate.

IFRS 16 - Determining the lease term of contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Directors apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, the Directors consider all relevant factors that create an economic incentive to exercise either the renewal or termination option. After the commencement date, the Directors reassess the lease term if there is a significant event or change in circumstances that is within the Company's control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Pension scheme

Directors' best estimates are based upon an assessment, with advice from the schemes' actuaries, of key financial and demographic assumptions.

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.

continued...

2. **ACCOUNTING POLICIES - continued**

Turnover

Turnover represents sales to United Kingdom customers, excluding value added tax, and all arises from the principal activities of the company. Turnover for such services is accounted for over time in the accounting period when services are rendered. Fee arrangements from services include fixed fee arrangements (where the customer pays a regular invoice to reflect the service provided), one-off additional fees for the performance of a specific service and certain variable fee arrangements which are dependent on achieving required KPIs.

For fixed fee arrangements, turnover is recognised based on the actual services provided to date as the provision and consumption of service occur simultaneously. Turnover for one-off additional fees are recognised when the associated performance obligations have been met (i.e. completion of service) and variable consideration is recognised using a most likely amount approach on a contract by contract basis. Variable consideration is only recognised in the accounts to the extent that it is highly probable that the amount will not be subject to a significant reversal when the uncertainty is resolved.

The company has determined that no significant financing component exists in respect of the service revenue streams. This has been determined because the period from when the service is rendered to the date the invoice is paid will be less than one year.

Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the company's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the statement of total comprehensive income and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP value at that date, subject to being subsequently tested for impairment. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal. Goodwill arising on the acquisition of shares in associated undertakings is included within investments in associated undertakings.

The level of non-controlling interests in the acquired company is initially measured at the minorities' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

continued...

2. ACCOUNTING POLICIES - continued

Computer software
Amortisation is provided on all intangible assets other than goodwill, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows;

Asset category	% per annum
Computer software	33.3%

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

continued...

2. **ACCOUNTING POLICIES - continued**

Tangible fixed assets
Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows;

Asset category	**% per annum**
Freehold buildings	2%
Long leasehold	lease period
Plant and machinery	10% - 50%
Motor vehicles	25%
Computer equipment	20% - 50%

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Impairment of tangible and intangible assets
At each balance sheet date, the company reviews the carrying amounts of its tangible and intangibles 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of total comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating) unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

continued...

2. **ACCOUNTING POLICIES - continued**

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. 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 years and it further excludes items that are never taxable or deductible.

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 the deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of 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 on tax laws and rates 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 in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and 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.

continued...

2. **ACCOUNTING POLICIES - continued**

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in statement of total comprehensive income.

Exceptional items
Exceptional items are those that the company consider to be non-recurring and significant in size or in nature. Exceptional items include: the costs associated with restructuring, relocation, and pension settlement.

Financial instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a 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 at bank and in hand, and trade and other debtors. 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 at bank and in hand 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. 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. 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.

Financial liabilities comprise trade and other creditors, and financing liabilities. These are measured at initial recognition at fair value and subsequently at amortised cost. Financing liabilities are stated at the amount of the net proceeds after deduction of transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account.

Borrowings
Company borrowings are principally denominated in sterling, these borrowings are on floating rates.

Fixed asset investments
Fixed asset investments, including investments in subsidiaries, are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

continued...

2. ACCOUNTING POLICIES – continued

Long term contracts

Long term contracts are assessed on a contract by contract basis and reflected in the statement of total comprehensive income by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty.

Retirement benefit costs

The Company participates in a defined benefit scheme. 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. 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.

Defined benefit pension costs (including curtailments) are recognised in the profit or loss, in administrative expenses whilst the net interest cost is recognised in interest payable and similar expenses.

The retirement benefit liability 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.

Current service cost and past service cost are recognised in profit and loss, 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.

The aggregate pension cost incurred by the company for the period for these arrangements was £2,316k (2018: £2,249k). There were no amounts due to or from the schemes at either period end.

continued...

2. **ACCOUNTING POLICIES - continued**

Leases
For any new contracts entered into on or after 1 January 2019, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the right-of-use asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;

- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the company has the right to direct the use of the identified asset throughout the period of use; and

- the company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use;

The company calculates the outstanding liability for existing operating leases using its incremental borrowing rate at date of transition.

Measurement and recognition of leases as a lessee
At lease commencement date, the company recognises a right-of-use asset and a lease liability on the balance sheet. The lease liability is measured at an amount equal to the present value of future lease payments over the lease term, and subsequently adjusted for interest and lease payments. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, an estimate of any costs to dismantle and remove the asset at the end of the lease, payments made at or before lease commencement date, less any incentives received. The right-of-use asset is measured at cost less accumulated depreciation.

The company is required to reassess the lease liability for changes in cash flows that are the result of contractual clauses that have been a part of the contract since inception. The liability will, therefore, be reassessed for changes in lease term due to extension or termination options being exercised, variable lease payments that are dependent on an index or a rate, the exercise of a purchase option and changes in amounts expected to be paid under a residual value guarantee. The company also assesses the right-of-use asset for Impairment when such indicators exist.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The company has applied the recognition exemption available for short-term leases (lease term of 12 months or less) and leases of low-value assets; £5,000 or less. Where this exemption has been applied, lease payments are recognised as a straight-line operating expense over the lease term.

The company has taken certain practical expedients available under the IFRS 16 Standard:

Separation of lease components from non-lease components:

continued...

2. **ACCOUNTING POLICIES - continued**

The company has elected not to separate lease components from associated non-lease components on vehicle leases, and instead account for these as a single lease component. The service costs on leased vehicles are regarded as a non-lease component, and incorporated into the fixed rental payments.

Initial direct costs:
Costs incurred in negotiating or securing a lease arrangement form part of the initial measurement of the right of use asset. The company has taken a practical expedient to exclude such costs from the right of use assets recognised under IFRS 1

Onerous lease provisions:
The company has applied IAS 37 Provisions, Contingent Liabilities and Contingent Assets to assess whether leases are onerous as an alternative to performing an impairment review. The right-of-use asset is adjusted at date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application. Thereafter the right-of-use asset is tested for impairment if events indicate that the carrying value may not be recoverable.

Provisions and contingent liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, 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 statement of total comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using an appropriate rate that takes into account 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 finance cost.

Contingent liabilities are disclosed in the notes to the financial statements in respect of guarantees given to the company's subsidiaries, associated undertakings, joint ventures and pension scheme. Due to the nature of the guarantees it would be difficult to reliably measure the company's potential obligation and the company considers it unlikely that there will be requirement to make a financial settlement as a result of these guarantees.

3. **TURNOVER**

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
United Kingdom	131,233	209,182
	131,233	209,182

continued...

4. EMPLOYEES AND DIRECTORS

Employees

	30/11/20	31/1219
Staff costs during the period (excluding directors):	£'000	£'000
Wages and salaries	79,858	116,214
Social security costs	5,838	8,670
Other pension costs	1,825	2,685
	87,521	27,569

The average number of employees during the period was 4,987 (31/12/19: 5,944).

The following Directors are also Directors or employees of another Group company. They are/were remunerated by the company shown. It is not considered 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
S C Kirkpatrick	Mitie Limited	Mitie Limited
P J G Dickinson	Mitie Limited	Mitie Limited
L Mawdsley	Mitie FM Services Limited*	Mitie FM Services Limited*
J Lambert	Mitie FM Services Limited*	Mitie FM Services Limited*
P Clark	Mitie FM Services Limited*	Mitie FM Services Limited*
S Johnston	Mitie FM Services Limited*	Mitie FM Services Limited*
M Burholt	Mitie FM Limited**	Mitie FM Limited**

*formerly known as Interservefm Limited
**formerly known as Interserve (Facilities Management) Limited

continued...

5. EXCEPTIONAL COSTS

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
Restructuring costs	-	397
Relocation	-	1
Insurance	891	-
Total	891	398

In 2019, the restructuring costs related to a redundancy programme completed at mid-year and Interserve's group wide performance improvement plan, Fit for Growth, aimed at improving margin performance to industry norms.

Relocation costs related to the transfer of employees to our new centralised office in Birmingham.

The £891k insurance cost in the current period relates to the write off of Group Employer and Public Liability insurance.

The exceptional items have reduced the tax charge to the statement of total comprehensive income by £169k (31/12/19: £76k).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
Group interest income	186	261

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
Other interest payable	9	5
Interest expense on leases	146	246
	155	251

continued...

8. LOSS BEFORE TAXATION

	30/11/ 20	31/12 /19
	£'000	£'000
Profit before taxation is stated after charging/(crediting)		
Depreciation of tangible assets	1,146	2,466
Amortisation of intangible assets	24	22
Hire of plant and machinery	992	677
Exceptional costs (note 5)	891	398
Impairment of intangible assets	16,024	5,777
Audit of these financial statements*	-	-

*Audit fees of £58,548 were borne by Mitie FM Services Limited for 30/11/20 (31/12/19: £59,178).

9. TAXATION

Analysis of tax expense/(income)

	Period 1/1/20 to 30/11/20	Year Ended 31/12/19
	£'000	£'000
Current tax:		
Corporation Tax	186	585
Prior year Tax Adjustment	(380)	(632)
Total current tax	(194)	(47)
Deferred tax:		
Deferred tax - current year	598	(193)
Deferred tax - prior period adjustment	186	88
Total deferred tax	784	(105)
Total tax expense/(income) in statement of total comprehensive income	590	(152)

continued...

9. **TAXATION - continued**

Factors affecting the tax expense
The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
Loss before income tax	(15,325)	(3,164)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(2,912)	(601)
Effects of:		
Expenditure not allowable for tax purposes	1,010	970
Generation /(utilisation) of previously unrecognised tax losses	1,139	-
Impairment of Goodwill	1,929	-
Prior Period adjustment	(194)	(544)
Change in deferred tax rate	(382)	23
Tax expense/(income)	590	(152)

Tax effects relating to effects of other comprehensive income

	1/1/20 to 30/11/20		
	Gross £'000	Tax £'000	Net £'000
Actuarial gain/(loss) on pension scheme	115	(41)	74

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 £382k (2019: £Nil) has been included in the tax expense. The deferred tax asset at 30 November 2020 reflects this change.

continued...

10. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Computer software £'000	Totals £'000
COST			
At 1 January 2020	28,726	2,018	30,744
Additions	-	33	33
Disposals	-	(172)	(172)
Impairments	-	(145)	(145)
At 30 November 2020	28,726	1,734	30,460
AMORTISATION			
At 1 January 2020	9,330	1,892	11,222
Amortisation for period	-	24	24
Eliminated on disposal	-	(200)	(200)
At 30 November 2020	9,330	1,716	11,046
IMPAIRMENT	16,024	-	16,024
NET BOOK VALUE			
At 30 November 2020	3,372	18	3,390
At 31 December 2019	19,396	126	19,522

Impairment of intangibles
The company tests annually for impairment against the value of intangibles held.

The recoverable amounts of the Cash Generating Units (CGU's) are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to direct costs during the period. Management estimates discounts rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in direct costs are based on past practices and expectations of future changes in the market. The Company has conducted a sensitivity analysis on the impairment test of each CGU.

The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following three years based on an estimated growth rate of 1.9% (31/12/19: 2%). This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 11.3% (31/12/19: 11.0%).

The value in use calculated by the Company using the cash flow forecasts and discount rates above for the intangible items was considerably less than the amount held because the trading outlook period for these contracts within this legal entity has now reduced to two years which resulted in an impairment of £16,024k. The Company has conducted a sensitivity analysis on the impairment test of each CGU.

Sensitivity analysis was carried out on the intangible items. If the growth rate was reduced or increased by 1% then the impairment showed no change because the outlook period for these intangible items is only 2 years. If the discount rate increases by 1% then the impairment increases by £35k and if the discount rate reduced by 1% the impairment deceases by £36k.

continued...

11. TANGIBLE FIXED ASSETS

	Freehold property £'000	Short leasehold £'000	Plant and machinery £'000
COST			
At 1 January 2020	420	2,205	12,545
Additions		491	434
Disposals	(15)	(49)	(9,525)
At 30 November 2020	405	2,647	3,454
DEPRECIATION			
At 1 January 2020	99	437	11,911
Charge for period	9	370	742
Eliminated on disposal	(3)	(31)	(9,402)
At 30 November 2020	105	776	3,251
NET BOOK VALUE			
At 30 November 2020	300	1,871	203
At 31 December 2019	321	1,768	634

	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST			
At 1 January 2020	3,074	1,188	19,432
Additions	-	18	943
Transfer	(3,010)	-	(3,010)
Disposals	(42)	(423)	(10,054)
At 30 November 2020	22	783	7,311
DEPRECIATION			
At 1 January 2020	1,377	1,156	14,980
Charge for period	1	27	1,149
Transfer	(1,314)	-	(1,314)
Eliminated on disposal	(42)	(422)	(9,900)
At 30 November 2020	22	761	4,915
NET BOOK VALUE			
At 30 November 2020	-	22	2,396
At 31 December 2019	1,697	32	4,452

continued...

11. TANGIBLE FIXED ASSETS - continued

Right of Use Assets
The NBV as at 30/11/20 for Right of Use assets included in tangible assets above is £1,874k (31/12/19: £3,470k).

12. INVESTMENTS

	Shares in group undertaking £'000
COST	
At 1 January 2020 and 30 November 2020	43,744
PROVISIONS	
At 1 January 2020 and 30 November 2020	38,459
NET BOOK VALUE	
At 30 November 2020	5,285
At 31 December 2019	5,285

continued...

12. INVESTMENTS - continued

Impairment of investments

The company tests annually for impairment against the value of investments.

The recoverable amounts of the Cash Generating Units (CGU's) are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to direct costs during the period. Management estimates discounts rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in direct costs are based on past practices and expectations of future changes in the market. The Company has conducted a sensitivity analysis on the impairment test of each CGU.

The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following three years based on an estimated growth rate of 1.9% (2019: 2%). This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 11.3% (2019: 11.0%).

The cost of investment shown has a considerable value in use in excess of its value at cost and hence the sensitivity analysis had no impairment impact.

The subsidiaries of the company at 30/11/20 are shown below. All are incorporated in England and Wales at Level 12, The Shard, London SE1 9SG.

Name of Company	Nature of business	% ownership
Institu Cleaning Company Limited	Provision of facilities management services	100%
Lancaster Office Cleaning Company Limited	Dormant Company	100%
Knightsbridge Guarding Holdings Limited	Holding Company	100%
KGL Business Services Limited	Dormant Company	100%
Mitie Hospital Services Limited	Dormant Company	100%
Mitie Building Services (UK) Limited	Dormant Company	100%
Mitie Integrated Services Limited	Provision of facilities management services	100%

continued...

12. **INVESTMENTS - continued**

Mitie Catering Services Limited	Provision of catering services	100%
Mitie Initial Fire Services Limited	Dormant Company	100%
JNC Fire Protection Limited	Provision of fire prevention services	40%
Phoenix Fire Services Limited	Provision of fire prevention services	100%
Mitie Project Services Limited**	Provision of building services	100%
Benchmark Carpet Care Limited	Dormant Company	100%
Central Window Cleaning Company Limited	Dormant Company	100%
Hi-tech Cleaning Solutions Limited	Dormant Company	100%
Phonotas Services Limited	Dormant Company	100%
Retail Cleaning Services Limited	Dormant Company	100%
St. James Cleaning and Support Services Limited	Dormant Company	100%
Mitie Security (Knightsbridge) Limited***	Provision of security services	100%

**Formally known as Modus FM Limited
***Formally known as Knightsbridge Guarding Limited

13. **STOCKS**

	30/11/20	31/12/19
	£'000	£'000
Stocks	601	800

The carrying amount of inventories pledged as security for liabilities is nil.

14. **DEBTORS**

	30/11/20	31/12/19
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	17,137	20,928
Amounts owed by group undertakings	22,882	37,353
Other debtors	332	149
Prepayments and accrued income	6,294	9,934
	46,645	68,364
Amounts falling due after more than one year:		
Deferred tax asset	2,646	3,430
Aggregate amounts	49,291	71,794

continued...

14. DEBTORS - continued

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

Deferred Taxation

	01/01/2020	Recognised in income	Recognised in Equity	30/11/20
	£'000	£'000	£'000	£'000
Tangible Fixed Assets	2,291	229	-	2,520
Other Timing Differences	119	7	-	126
Tax loses Carried forward	1,020	(1,020)	-	-
	3,430	(784)	-	2,646

	01/01/2019	Recognised in income	Recognised in Equity	31/12/19
	£'000	£'000	£'000	£'000
Tangible Fixed Assets	2,218	73	-	2,291
Other Timing Differences	88	31	-	119
Tax loses Carried forward	1,020	-	-	1,020
	3,326	104	-	3,430

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 £382k (2019: £Nil) has been included in the tax expense. The deferred tax asset at 30 November 2020 reflects this change.

The company has £14,175k of tax losses (2019: £8,175k) upon which no deferred tax has been recognised.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30/11/20	31/12/19
	£'000	£'000
Bank loans and overdrafts (see note 17)	-	2,119
Leases (see note 17)	303	1,437
Trade creditors	2,939	5,759
Amounts owed to group undertakings	31,607	44,335
Corporation tax	673	1,324
Social security and other taxes	5,733	6,164
Other creditors	415	541
Accruals and deferred income	12,814	17,041
	54,484	78,720

continued...

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

The intercompany loan included in amounts due to group undertaking exists with Mitie Treasury Management Limited. Interest is charged at 5% and the loan is repayable on demand.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30/11/20	31/12/19
	£'000	£'000
Leases (see note 17)	1,677	1,940

17. FINANCIAL LIABILITIES - BORROWINGS

	30/11/20	31/12/19
	£'000	£'000
Current:		
Bank overdrafts	-	2,119
Leases (see note 18)	303	1,437
	303	3,556
Non-current:		
Leases (see note 18)	1,677	1,940

Terms and debt repayment schedule

	1 year or less	2-5 years	Totals
	£'000	£'000	£'000
Leases	303	1,677	1,980

continued...

18. LEASING

Right of use assets	Short leasehold	Motor vehicles	Fixtures & fittings	Total
	£'000	£'000	£'000	£'000
COST				
As at 1 January 2020	2,205	3,010	10	5,225
Additions	442	-	-	442
Transfer	-	(3,010)	-	(3,010)
As at 30 November 2020	2,647	-	10	2,657
DEPRECIATION				
As at 1 January 2020	437	1,314	4	1,755
Charge for year	339	-	3	342
Transfer	-	(1,314)	-	(1,314)
As at 30 November 2020	776	-	7	783
NET BOOK VALUE				
As at 30 November 2020	1,871	-	3	1,874
As at 31 December 2019	1,768	1,696	6	3,470

Lease liabilities

Minimum lease payments fall due as follows:	30/11/20
	£'000
Within one year	398
Between one and five years	1,418
After five years	798
Total minimum lease payments	2,614
Future finance charges	(634)
Present value of lease liabilities	1,980

continued...

19. PROVISIONS FOR LIABILITIES

	Property Provision	Insurance Provision	Contract Provision	Total Provision
Short term provisions	£'000	£'000	£'000	£'000
As at 01/01/2020	580	205	96	881
Utilised during the year	(770)	-	(96)	(866)
Charge to the income statement for the year	-	55	-	55
As at 30/11/2020	(190)	260	-	70

	Property Provision	Insurance Provision	Contract Provision	Total Provision
Long term provisions	£'000	£'000	£'000	£'000
As at 01/01/2020	-	-	-	-
Utilised during the year	-	-	-	-
Charge to the income statement for the year	73	-	-	73
As at 30/11/2020	73	-	-	73

The property provision represents obligations in relation to dilapidations.

The insurance provision above, relates to specific public liability claim cases that have been accrued for and expect to be processed or paid in a future period. The movements in the period relate to specific insurance provisions being utilised as and when the insurance liabilities are due.

The contract provision relates to an onerous contract exited in early 2017 which has been successfully demobilised with settlement payments outstanding at 31 December 2019.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30/11/20 £'000	31/12/19 £'000
17,293,000	Ordinary shares	£1	17,293	17,293

There is a single class of shares which rank pari passu. There are no restrictions in place.

Retained earnings are the profits since inception generated by a company that are not distributed as dividends to the shareholders.

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21. EMPLOYEE BENEFIT OBLIGATIONS

This pension commitment has been valued for the purposes of FRS101 by Lane, Clark and Peacock LLP, independent actuaries, using information projected from the Pension Fund's triennial valuation as at 31 March 2019. The Company's share of the Fund's assets has been estimated at each accounting date from projections of the Funds triennial valuations as at 31 March 2019.

Actuarial gains and losses are recognised in full in the period in which they occur. As permitted by FRS101, 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 asset 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 Interserve Scheme Part C scheme 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 182 active members within the Interserve Scheme, with 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 Company has an unconditional right to refund of 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.

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	30/11/20	31/12/19
	£'000	£'000
Current service cost	22	-
Net interest from net defined benefit asset/liability	(1)	-
Past service cost	-	-
	21	-
Actual return on plan assets	21	-

continued...

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	30/11/20	31/12/19
	£'000	£'000
Current service cost	22	-
Contributions by scheme participants	2	-
Interest cost	7	-
Income tax on pension surplus	41	-
Benefits paid	(1)	-
Remeasurements:		
Actuarial (gains)/losses from changes in financial assumptions	31	-
Actuarial (gains) / losses from experience on defined benefit obligation	476	-
	578	-

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

	Defined benefit pension plans	
	30/11/20	31/12/19
	£'000	£'000
Interest on asset	8	-
Contributions by employer	24	-
Contributions by scheme participants	2	-
Actual return on assets less interest on assets	21	-
Benefits paid	(1)	-
Other experience	601	-
	655	-

continued...

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	30/11/20	31/12/19
	£'000	£'000
Actuarial gains/(losses) from changes in financial assumptions	(31)	-
Actuarial (gains) / losses from experience on defined benefit obligation	(476)	-
Return on scheme assets excluding interest income	622	-
	115	-

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	30/11/20	31/12/19
	£'000	£'000
Alternative investments	191	-
Liability drive investments	341	-
Corporate bonds	69	-
Infrastructure	42	-
Cash	12	-
	655	-

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	30/11/20	31/12/19
Discount rate	1.50%	-
CPI price inflation	2.00%	-
RPI price inflation	3.00%	-
Salary increases	2.80%	-
Pension increase - CPI (min 0%)	2.10%	-
Pension increase - CPI (min 0%, max 5%)	2.10%	-
Pension - CPI (min 0%, max 2.5%)	1.70%	-

continued...

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

Post-retirement mortality (expectancy of life in years) for standard / manual members

Valuation at	30/11/20	31/12/19
Retiring today:		
Males currently aged 65	86.2 / 84.6	-
Females currently aged 65	88.3 / 86.7	-
Retiring in 20 years		
Males aged 65 in 20 years time	87.3 / 85.7	-
Females aged 65 in 20 years time	89.5 / 87.9	-

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	30/11/20 Change	30/11/20 Change	31/12/19 Change	31/12/19 Change
Assumption:	%	£'000	%	£'000
Price inflation	+0.5	47	-	-
Discount rate	+0.5	(47)	-	-
Post retirement mortality	1 year	16	-	-

continued...

22. CONTINGENT LIABILITIES

Cyber incident
In May 2020, Interserve Group Limited ('IGL') experienced a cyber incident which had a significant impact on a number of the group's operating IT systems, including those of the Support Services division. On becoming aware of the cyber-attack, IGL's crisis response was launched, and its business continuity plans were implemented. There was no material impact on the provision of services to the Division's customers. The Directors understand that IGL complied with all its notification obligations under applicable data privacy law, including to the Information Commissioner's Office (the 'ICO').

The ICO informed IGL during May 2020 that a formal investigation had been initiated and subsequently the ICO gave notice, on 12 June 2020, to IGL that it considers it likely that IGL and / or members of the Support Services Division are in breach or likely to be in breach of certain articles of the UK GDPR.

The share purchase agreement ('SPA') entered into for the acquisition of the Interserve Support Services Division gives the Company the benefit of indemnity protection provided by How Group Limited for a two-year period from the ISV FM acquisition date. This is expected to be sufficient to cover any penalty imposed by the ICO, 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.

The Directors understand that following periodic updates from IGL's legal team, IGL is cooperating fully with the ICO and that the investigation is progressing. However, whilst any fine is likely to be issued within the two-year period covered by the SPA indemnity, as the Company is not party to the relevant discussions with the ICO, the Directors are unable to reliably estimate any meaningful settlement amount 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.

Financial commitments
The Company has provided financial and performance guarantees, issued by financial institutions on its behalf, amounting to £111k as at 30 November 2020. At 31 December 2019, the Company gave guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings amounting to £328k.

continued...

23. RELATED PARTY DISCLOSURES

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. ULTIMATE CONTROLLING PARTY

Mitiefm Services Ltd, a company registered in England and Wales, is the company regarded by the directors as the immediate parent company.

As at 30 November 2020, Mitie Group plc, a company registered in Scotland was the company regarded by the directors as the ultimate parent company and controlling party and was the smallest and largest group for which group financial statements were prepared. A copy of the financial statements of Mitie Group plc can be obtained via the Mitie website at www.mitie.com.