

## **Mitiefm Services Limited**

Annual report and financial statements

Registered number 02820560

31 March 2022



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## Company information

### Directors

P J G Dickinson  
J M Williams

### Secretary

Mitie Company Secretarial Services Limited

### Registered office

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

### Auditor

BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

## Strategic report

Mitiefm Services Limited, (the "Company"), is an indirect subsidiary of Mitie Group plc. Mitie Group plc, together with its subsidiaries, comprise the "Group".

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

### Review of the business

The principal activity of the Company is the provision of back-office support services to companies within the Group and the holding of investments in a number of Group companies that provide facilities management services to a range of customers. There have not been any significant changes in the Company's principal activities in the year under review.

The results for the comparative period ended 31 March 2021 and the balance sheet at that date constitute a shortened accounting period of four months.

As shown in the income statement on page 16, the Company's revenue was £41,031,000 (4 months ended 31 March 2021: £17,271,000) and the loss for the year was £4,631,000 (4 months ended 31 March 2021: £2,596,000).

### Key performance indicators

The Group manages its operations on a divisional basis. For this reason, the Directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the Company. The performance of the Group's divisions is discussed in the Mitie Group plc annual report and accounts 2022 which does not form part of this report.

### Principal risks and uncertainties

The Company is part of the Group and manages its risks in line with the Group's enterprise risk management framework. Details of this framework and information on the principal risks and uncertainties are given in the Mitie Group plc annual report and accounts 2022. The Directors have reviewed the Company's financial objectives alongside the risk profile for the Company and the significant risks and uncertainties have been detailed below.

## Strategic report (continued)

### **Strategic risks**

#### *Economic and political uncertainties*

The Company's performance may be affected by general economic conditions and other financial and political factors outside the Company's control. An economic slowdown may result in decreased project work and discretionary spend or descope of services by customers, which can lead to an impact on the Company's financial performance.

Post COVID-19, demand for goods and services and economic growth has started to recover. However, this recovery has caused prices to increase due to global supply and demand issues, and such pressures may continue in the medium term. Recent political conflicts have compounded the risk further with additional price increases being experienced, for example in relation to fuel and energy.

The Group, of which the Company is a part, derives most of its revenue from a client base in the UK, with limited exposure to the wider global economy in respect of demand for services. However, the costs of delivery are exposed to global inflationary impacts. The Group continues to monitor the impact of the current economic and political challenges on the cost of delivering its services to ensure mitigating actions, such as using contractual protections to pass on such cost increases, minimise the Group's exposure to this and associated risks.

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

- mix of long-term contract portfolio in both the public and private sectors;
- continual development of new and innovative solutions via Connected Workspace;
- focus on higher margin growth opportunities;
- regular reviews of the sales pipeline;
- increasing spread of client base, reducing reliance on individual customers;
- strategic account management programme;
- dedicated Finance, Risk and Intelligence Hub specialists scanning environment;
- utilising contract mechanisms to recharge cost increases; and
- leveraging buying power to help mitigate the increase in cost of goods and services.

#### *Competitive advantage*

The Company's performance could be impacted by a failure to maintain competitive advantage resulting in the loss of key clients, an over reliance on a particular sector, or a failure to produce bids which are financially viable.

The year has witnessed many achievements for the Company, including but not limited to the proactive management to support the COVID-19 recovery.

Despite such achievements, the Company recognises the importance of staying focussed and continually reviewing ongoing challenges, such as the threats posed from new entrants, market saturation across the sectors, growing competition as well as the ongoing effects from COVID-19, all of which have the potential to impact profit margins and disrupt the Company's operations.

In the next financial year, the Company will continue to monitor the changing external environment as well as market coverage. Furthermore, it will continue to develop and deliver competitive bids, along with maintaining obligations towards the delivery of a quality service for existing clients.

## Strategic report (continued)

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

- Bid Committee approval for complex bids;
- robust risk assessment of bids – Commercial, Legal and Operational;
- detailed contracting guidelines in place;
- clear delegated authorities register;
- strategic account management programme;
- KPI/SLA formal reviews with customers;
- sales and CRM teams focused on developing pipeline across all major sectors;
- improved CRM capabilities with active relationship management;
- focus on Customer Satisfaction (Net Promoter Score and soliciting feedback);
- review of any loss-making contracts to ensure learnings are identified and applied to future bids;
- sales and pipeline management information to track and measure growth, wins and losses;
- win/loss debriefing process to take learnings for future bidding activities;
- Chief Government & Strategy Officer coordinating all interfaces with the Cabinet Office;
- focus on high-margin opportunities with growth potential, for example technology-led solutions;
- development of new and innovative service offerings; and
- Sales Academy.

### *Business resilience*

The Company's performance may be affected if it fails to effectively respond to a global event and/or catastrophic event at a key business location, resulting in significant business interruption.

During the year, the Company's commitment to ensuring its organisational resilience and viability has continued, despite uncertainty relating to COVID-19, post Brexit issues, increasing cyber-threats and more recent geopolitical events and the associated implications. During the year, the Company has taken additional steps to ensure its ability to respond to disruptive events is not hindered by a failure to plan. Extra controls have been rolled out to tackle the Company's response to a sustained period off-line owing to a cyber-attack and additional measures have been introduced to safeguard operational practices which could be compromised owing to an issue with one or more of the Company's major suppliers and/or service providers.

The Company remains committed to enhancing its planning and response capability to minimise the impact from any significant business interruption and improve the speed of recoverability. The Company recognises that as the business grows, the risks associated with a sustained period of downtime increase. In the next financial year, the Company will be launching a series of targeted training modules to all business area leads with responsibility for critical and business continuity management. As well as reinforcing the importance of planning in order to prevent panic, the modules will also focus on the need to plan for disruptive events associated with sustainability risk management, ensuring that colleagues are prepared for all eventualities and are well placed to support customers and other third parties engaged in the Company's activities, as required.

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

- key policies and associated operating procedures in place;
- dedicated specialist teams including Risk, Information Systems, Finance, Occupational Health, Supply Chain and Intelligence Hub;
- maintained and updated crisis and business continuity plans for key activities across all Group operations, including key service providers;
- disaster recovery framework embedded and managed;
- regular testing of crisis management and business continuity, including dedicated Executive Management scenario testing;
- stringent governance controls including oversight from Risk Committee, with regular reporting to the Audit Committee and board;
- close monitoring of supply chain to ensure continuity of critical supplies;
- internal and external compliance audits;
- operating in accordance with ISO 22301-2019 and 31000-2018; and
- continuous horizon scanning via the Intelligence Hub with regular alerts to teams on potential threats and significant events.

## Strategic report (continued)

### **Financial risks**

#### *Reliance on material counterparties*

In accordance with Group policies, before accepting a new customer, the Company uses external credit scoring systems to assess the potential customer's credit quality and define an appropriate credit limit which is reviewed regularly.

### **Operational risks**

#### *Third-party management*

The Company's performance could be impacted by a failure to manage strategic third-party relationships, or a catastrophic event and/or failure involving a third-party partner.

During the year, many sectors have been impacted by shortfalls in key products and materials. This in turn has led to delayed or reduced deliveries, mis-picks of products, short notice substitutions and short-term unavailability of key products and materials. During this period, the Company has continued to work closely with supply chain partners to ensure it was operating at its most effective to reduce the impact from this disruption. At an account level there were ongoing reviews of key products and materials, and clients were continually kept abreast of developments.

A Procurement and Supply Chain ("PSC") Insight's initiative was introduced to keep both clients and the Company informed of the changing environment.

The Company will continue to proactively monitor developments with both the internal and external landscapes, paying particular attention to the ongoing issues still being experienced from both COVID-19 and Brexit, combined with the impact of inflation, which continues to affect all businesses. Particular focus will continue to remain on Supplier Risk Management and Supplier Health.

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

- key policies and associated operating procedures, including Supply Management Framework;
- dedicated Procurement and Commercial teams;
- Mitie First approach adopted;
- defined service level agreements and key performance indicators;
- ongoing spending review;
- dedicated risk management and assurance procedures (including targeted QHSE assurance programme and internal audit) to ensure internal controls are operating effectively;
- ongoing review of third-party business continuity arrangements with regular reporting to the Group Risk team; and
- PSC Insights introduced.

### **Regulatory risks**

#### *Regulatory*

The Company's performance could be impacted by a failure to comply with applicable laws and regulations.

During the year, there were notable changes to the Company's external environment in terms of regulatory updates, and in the main these continued to be related to COVID-19 (e.g. mandatory vaccination requirements and end of furlough), Brexit (e.g. new immigration laws), and corporate governance requirements. As a consequence, a number of related activities took place throughout the year to ensure the Company and the Group remained legally compliant.

Next year, the Company does not envisage the pace of legislative change altering and will continue to proactively scan the external operating environment as well as assess the impact of changes, as they arise. Uncertainty still remains around legislation yet to be passed and the impact of this on the Company. There are still unknowns associated with both the knock-on impact of Brexit as well as COVID-19 from a regulatory perspective.

## Strategic report (continued)

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

- specialist legal and QHSE expertise aligned to business units;
- Code of Conduct for all employees;
- independent whistleblowing system available to all employees to report any concerns;
- Group-wide policies updated for changes to laws and regulations and maintained in the online Information Management System;
- regular and thorough internal and external regulatory audits;
- training and awareness materials communicated to employees via the Group's digital Learning Hub and monitoring of completion performed, especially for mandatory courses;
- regular monitoring of legal and regulatory changes by Group functions including Company Secretariat, Legal and QHSE;
- financial governance and controls in place;
- commercial governance and controls in place; and
- establishment of Internal Control Declaration framework ongoing to align with potential UK legislation requirements.

### People risks

#### Health, Safety and Environment

The Company's performance could be impacted by a failure to maintain high standards in relation to health, safety, and environmental ("HSE") practices.

The Company's HSE key performance indicators have been broadly positive.

The Company continues to monitor developments in relation to COVID-19 to ensure business interruptions are kept to a minimum and productivity in a safe environment is maximised. The Company contributes to the Group's live COVID-19 risk register, which is regularly reviewed and consulted on. Focus remains on ensuring that appropriate steps are taken to safeguard the physical and mental wellbeing of colleagues, suppliers and others involved in the Company's operations. The recovery phase of the pandemic has been welcomed across the Group with the Company proactively prioritising and supporting colleagues, clients, and subcontracting partners with getting Britain back to business.

The Company remains vigilant in terms of flexible responses should a change in direction be required due to a COVID variant triggering a new wave or should there be a requirement for other courses of action relating to the pandemic. Continual horizon scanning, reviewing and assessment via our Intelligence Hub continues to play a pivotal role in helping to maintain the Company's resilience.

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

- a comprehensive QHSE strategy in place and under continual review for effectiveness;
- major cultural HSE programme, LiveSafe, continuing, with clear rules, engagement and training for staff;
- regular training and communication delivered throughout the Group, in accordance with the LiveSafe principles. LiveSafe e-learning training programme sets out HSE expectations including 'stop the job' supported by key safety message from the Group's Chief Executive, Phil Bentley;
- health and safety management system certified to ISO 45001 and environmental system to ISO 14001;
- fully integrated incident recording, monitoring and reporting system;
- regular HSE reviews conducted at Group and business unit level;
- clear and standardised KPIs to monitor progress and improvements;
- targeted QHSE procedural audit programme;
- themes and root causes monitored from the results of audits to target specific actions, including training;
- QHSE function 'Plan Zero Champions' as part of the Plan Zero programme to promote strategy and good practice in environmental management;
- health and wellbeing framework integrated into the business;
- COVID-19 Working Group;
- COVID-19 risk assessment and technical compliance processes in place and regularly reviewed;
- ultraviolet light disinfection system and thermal imaging in place to mitigate against spread of COVID-19;
- insurance cover in place to cover employers' liability, public liability and motor fleet insurance;
- focused zero harm weeks concentrating on pertinent subjects to further strengthen the Group's QHSE culture; and
- ongoing review of QHSE team ensuring maintenance of competencies and correct provision of support and guidance across the Group.



## Strategic report (continued)

### *Employees*

The Company's performance could be impacted by an inability to recruit, retain and reward suitably talented employees.

During the year, the Company has witnessed large-scale impacts to the UK labour market as the economy began to recover from COVID-19. This was compounded by the broader implications of Brexit which had the potential to compromise the availability of labour and key skills. During the reporting period, the Company has continued to work hard to minimise disruption caused by this evolving external landscape. During the year, the Company took positive action to retain talent, through the provision of enhanced benefits for all colleagues including free shares, enhanced maternity pay, the addition of sabbaticals/career breaks, life assurance, virtual GP, and a salary advance scheme (the ability to draw down pay earned ahead of pay day). Additionally, to ensure compliance with the EU Settlement Scheme, the Company worked closely with impacted colleagues to ensure that they were assisted and guided through the process effectively.

The Company will continue to proactively monitor developments in relation to the labour market as well as any further implications resulting from COVID-19, such as workforce fatigue. The Group will be seeking to launch a company-wide employee value proposition campaign, a career band framework as well as a cost-of-living campaign.

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

- consistent HR resourcing process and system across the Group;
- process in place for online training and development, with access to online learning for all colleagues;
- consistent process to manage both temporary and permanent recruitment;
- training and development programmes for senior leadership;
- developed talent identification, management and development framework;
- improved performance management framework;
- HR structure streamlined and working in close partnership with the business;
- induction programme, mandatory for new starters;
- regular communications from leadership team, including Executive Management country-wide roadshows;
- specific plans developed to address results of employee survey;
- competitive remuneration, terms and conditions;
- regular employee offers;
- succession plans in place for critical roles, especially for senior leadership;
- attraction strategy developed and deployed;
- enhanced benefits such as free shares, life assurance, virtual GP, and a salary advance scheme; and
- new careers site launched during the year attracting more than 128,000 new and unique viewers.

### **Financial risk management**

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

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The Company's requirement for additional funding is managed as part of the Group's financing arrangements.

### **Section 172 statement**

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

### **Stakeholders**

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

## Strategic report (continued)

| Stakeholder                     | Engagement activity   | Important issues discussed   |
|---------------------------------|---|--|
| Customers                       | <ul style="list-style-type: none"> <li>- Management of customer relationships by divisional leadership</li> </ul>   | <ul style="list-style-type: none"> <li>- Customer satisfaction</li> <li>- Labour market constraints</li> <li>- Governance and transparency</li> <li>- Social value</li> </ul>  |
| Shareholders                    | <ul style="list-style-type: none"> <li>- Regular senior leadership meetings</li> </ul>  | <ul style="list-style-type: none"> <li>- Financial performance</li> <li>- Integration programme following completion of the Group's acquisition of Interserve Facilities Management ("Integration Programme")</li> <li>- Environmental, Social and Governance matters</li> </ul> |
| Communities and the environment | <ul style="list-style-type: none"> <li>- Mitie Foundation</li> <li>- Local community events</li> <li>- Employee volunteering</li> </ul>   | <ul style="list-style-type: none"> <li>- Social value</li> <li>- Reduction in carbon emissions</li> </ul>  |
| Employees                       | <ul style="list-style-type: none"> <li>- All employee teams meetings</li> <li>- Internal communications updates through weekly Recap and monthly Download updates</li> <li>- Pulse surveys</li> <li>- Designated Group non-executive director, Jennifer Duvalier</li> </ul> | <ul style="list-style-type: none"> <li>- Integration Programme</li> <li>- Reward and recognition</li> <li>- Remuneration and benefits</li> <li>- Career opportunities and development</li> </ul>   |
| Suppliers                       | <ul style="list-style-type: none"> <li>- Global supplier portal</li> </ul>  | <ul style="list-style-type: none"> <li>- Integration Programme</li> <li>- Responsible procurement</li> </ul>   |

### ***Consequences of any decision in the long-term***

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

The Group acquired Interserve Facilities Management ("Interserve"), of which the Company was part, on 30 November 2020.

During the year, the Directors were involved in establishing an experienced integration team which implemented a robust governance structure to ensure all aspects of the Integration Programme were closely managed and measured. Risk areas were highlighted and escalated as appropriate. The Integration Programme completed at the end of November 2021 as planned.

### ***Having regard to the interests of employees***

The Group has several mechanisms to engage with employees and the Directors are committed to ensuring that the results are considered in decision making.

The Directors regularly engaged with employees during the year on employee-related matters including reward and recognition matters and the Integration Programme through various mechanisms, including an annual employee survey, regular pulse surveys and the work carried out by Jennifer Duvalier, as the designated Group non-executive director for the workforce.

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

#### ***Suppliers***

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

#### ***Customers***

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

## Strategic report (continued)

The Directors monitor the Net Promoter Score, a customer loyalty metric that measures how likely a customer is to recommend a product or service to a friend, to ensure customers' sentiment remains positive.

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

The Directors are supportive of the Group's initiatives to improve the impact of the operations of the Company on the community and the environment. One of the Group's directors is a member of the Group's Social Value and Responsible Business Committee. The committee provides oversight and governance for all of the Group's social value and responsible business initiatives, ensuring that they are aligned to the Group's purpose, promises and values. The committee was in place throughout the year.

### ***Maintaining a high standard of business conduct***

#### ***Ethical business practice***

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

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

#### ***Good governance***

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

Details of how the Group complies with the UK Corporate Governance Code can be found in the Mitie Group plc annual report and accounts 2022.

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

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

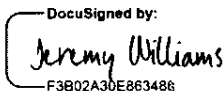
### **Future developments**

The Directors expect the general level of activity to remain consistent in the forthcoming year.

### **Subsequent events**

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

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
F3B02A30E863486

**J M Williams**

Director

16 December 2022

## Directors' report

The Directors present the annual report and audited financial statements of Mitiefm Services Limited for the year ended 31 March 2022.

In preparing this Directors' report, the Directors have complied with Section 414C(11) of the Companies Act 2006 by including certain disclosures required by Section 416(4) within the Strategic report.

### Going concern

The Company's business activities, together with the factors likely to affect its future development and position are set out in the Strategic report. The financial statements have been prepared on a going concern basis. See Note 1c.

### Directors

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

|                 | <b>Date of resignation</b> |
|-----------------|----------------------------|
| P G Clark       | 1 April 2021               |
| P J G Dickinson |                            |
| S C Kirkpatrick | 27 August 2021             |
| J M Williams    |                            |

### Directors' indemnity

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

### Dividends

No dividend was declared or paid during the year (4 months ended 31 March 2021: £nil).

### Employees

The Company recognises the importance of good communications and employee relationships. The Group communicates with employees via multiple channels, including: regular employee engagement surveys, periodic pulse surveys and feedback on actions taken; communications platforms including Minet, MitiePeople.com, and social media; Group-level board and management engagement including Townhall meetings and local site visits, and Voice of the People sessions led by a Group non-executive director; global company updates; promotion of improved share incentive plan through different communication channels, including Recap, Download and Minet; annual individual performance reviews and training; confidential whistleblowing service; and direct access to the Group's Chief Executive Officer.

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

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

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

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

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

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

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

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

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

## **Independent auditor's report to the members of Mitiefm Services Limited**

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year 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.

We have audited the financial statements of Mitiefm Services Limited (the "Company") for the year ended 31 March 2022 which comprise the Income statement, the Balance sheet, the Statement of changes in equity and the 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 FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

### **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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

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.

### **Conclusions relating to going concern**

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.

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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and financial statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

### **Other Companies Act 2006 reporting**

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.

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.

## Independent auditor's report to the members of Mitiefm Services Limited (continued)

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

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

### Auditor's responsibilities for the audit of the financial statements

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

#### *Extent to which the audit was 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates, through discussion with management and our knowledge of the industry. We focussed on significant laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice), Health and Safety, the Bribery Act 2010 and tax legislations.
- We considered compliance with these laws and regulations through discussions with management and, where applicable Mitie Group plc in-house legal counsel. Our procedures also included reviewing minutes from Mitie Group plc board meetings, reviewing minutes of Mitie Group plc audit committee meetings and reviewing Mitie Group plc internal audit reports to identify any instances of non-compliance with laws and regulations.
- We assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. In addressing the risk of fraud including management override of controls and improper revenue recognition, we tested the appropriateness of journal entries made throughout the year by applying specific criteria.
- We performed detailed testing of the entity's year end adjusting entries and journals throughout the year, investigated any that appeared unusual as to nature or amount; assessed whether the judgements made in accounting estimates were indicative of a potential bias and tested the application of cut-off and revenue recognition.
- We identified areas at risk of management bias and challenged key estimates and judgements applied by Management in the financial statements to assess their appropriateness.
- We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Independent auditor's report to the members of Mitiefm Services Limited (continued)

### Use of our report

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

DocuSigned by:

*Nigel Harker*

58384ECB0AAE48C

**Nigel Harker** (Senior Statutory Auditor)  
for and on behalf of BDO LLP, Statutory Auditor  
Gatwick, UK  
16 December 2022

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



Mitiefm Services Limited  
Annual report and financial statements  
31 March 2022

## Income statement

|                                 | <i>Note</i> | <b>Year<br/>ended<br/>31 March<br/>2022<br/>£000</b> | <b>4 months<br/>ended<br/>31 March<br/>2021<br/>£000</b> |
|---------------------------------|-------------|--|--|
| <b>Revenue</b>                  | 2           | <b>41,031</b>  | 17,271   |
| Cost of sales                   |             | <b>(29,694)</b>                                      | (16,199)   |
| Other income                    | 3           | <b>3</b>   | 14   |
| <b>Gross profit</b>             |             | <b>11,340</b>  | 1,086  |
| Administrative expenses         |             | <b>(12,924)</b>                                      | -  |
| Other items                     | 3           | <b>1,319</b>   | (1,271)  |
| <b>Operating loss</b>           | 3           | <b>(265)</b>   | (185)  |
| Finance costs                   | 7           | <b>(7,582)</b>                                       | (2,348)  |
| <b>Loss before tax</b>          |             | <b>(7,847)</b>                                       | (2,533)  |
| <b>Tax</b>                      | 8           | <b>3,216</b>   | (63)   |
| <b>Loss for the year/period</b> |             | <b>(4,631)</b>                                       | (2,596)  |

The notes on pages 19 to 39 form an integral part of the financial statements.

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

There were no items of other comprehensive income recognised during the current year or prior period. Accordingly, no statement of comprehensive income has been prepared.

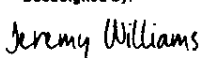
Mitiefm Services Limited  
Annual report and financial statements  
31 March 2022

## Balance sheet

|                                      | Note | 2022<br>£000     | 2021<br>£000     |
|--------------------------------------|------|------------------|------------------|
| <b>Non-current assets</b>            |      |                  |                  |
| Property, plant and equipment        | 10   | 1,779            | 4,762            |
| Investment in subsidiaries           | 11   | 136,322          | 136,322          |
| Investment in joint ventures         | 12   | 51               | 51               |
| Other receivables                    | 13   | 414              | -                |
| Deferred tax assets                  | 15   | 3,398            | 3,240            |
| <b>Total non-current assets</b>      |      | <b>141,964</b>   | <b>144,375</b>   |
| <b>Current assets</b>                |      |                  |                  |
| Trade and other receivables          | 13   | 45,528           | 36,874           |
| Current tax receivable               |      | 3,484            | 643              |
| Cash and cash equivalents            |      | 268              | 1,978            |
| <b>Total current assets</b>          |      | <b>49,280</b>    | <b>39,495</b>    |
| <b>Current liabilities</b>           |      |                  |                  |
| Trade and other payables             | 14   | (429,761)        | (412,654)        |
| Deferred income                      |      | (2)              | (699)            |
| Lease liabilities                    | 17   | (1,933)          | (3,995)          |
| Provisions                           | 16   | (693)            | (720)            |
| <b>Total current liabilities</b>     |      | <b>(432,389)</b> | <b>(418,068)</b> |
| <b>Net current liabilities</b>       |      | <b>(383,109)</b> | <b>(378,573)</b> |
| <b>Non-current liabilities</b>       |      |                  |                  |
| Trade and other payables             | 14   | -                | (351)            |
| Lease liabilities                    | 17   | (263)            | (2,144)          |
| Provisions                           | 16   | (1,999)          | (2,153)          |
| <b>Total non-current liabilities</b> |      | <b>(2,262)</b>   | <b>(4,648)</b>   |
| <b>Net liabilities</b>               |      | <b>(243,407)</b> | <b>(238,846)</b> |
| <b>Equity</b>                        |      |                  |                  |
| Share capital                        | 18   | 15,000           | 15,000           |
| Retained losses                      | 18   | (258,407)        | (253,846)        |
| <b>Total equity</b>                  |      | <b>(243,407)</b> | <b>(238,846)</b> |

The notes on pages 19 to 39 form an integral part of the financial statements.

The financial statements of Mitiefm Services Limited, company number 02820560, were approved by the Board of Directors and authorised for issue on 16 December 2022 and were signed on its behalf by:

DocuSigned by:  
  
F3B02A30E863486

**J M Williams**  
Director

## Statement of changes in equity

|                                       | Share<br>capital<br>£000 | Retained<br>losses<br>£000 | Total<br>equity<br>£000 |
|---------------------------------------|--------------------------|----------------------------|-------------------------|
| At 1 December 2020                    | 15,000                   | (251,250)                  | (236,250)               |
| Loss for the period                   | -                        | (2,596)                    | (2,596)                 |
| <b>Total comprehensive expense</b>    | -                        | (2,596)                    | (2,596)                 |
| <b>At 31 March 2021</b>               | <b>15,000</b>            | <b>(253,846)</b>           | <b>(238,846)</b>        |
| Loss for the year                     | -                        | (4,631)                    | (4,631)                 |
| <b>Total comprehensive expense</b>    | -                        | (4,631)                    | (4,631)                 |
| Share-based payments                  | -                        | 67                         | 67                      |
| Deferred tax                          | -                        | 3                          | 3                       |
| <b>Total transactions with owners</b> | -                        | 70                         | 70                      |
| <b>At 31 March 2022</b>               | <b>15,000</b>            | <b>(258,407)</b>           | <b>(243,407)</b>        |

The notes on pages 19 to 39 form an integral part of the financial statements.

## Notes to the financial statements

### 1 Accounting policies, judgements and estimates

#### a) General information

Mitiefm Services Limited, (the "Company"), is a private company limited by shares and is incorporated and domiciled in the United Kingdom. Details of the Company's activities are set out in the Strategic report. The Company's financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. All amounts have been rounded to the nearest thousand pounds, unless otherwise indicated.

The Company is exempt, by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The Company's ultimate parent undertaking, Mitie Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Mitie Group plc have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. They are available to the public and may be obtained from [www.mitie.com](http://www.mitie.com).

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

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("UK-adopted International Accounting Standards"), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

On 31 December 2020, International Financial Reporting Standards ("IFRS") as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. In preparing these financial statements in accordance with FRS 101, the Company transitioned to UK-adopted International Accounting Standards (as described above) in its financial statements for the period ended 31 March 2021. This change constituted a change in accounting framework. However, there was no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

#### c) Basis of preparation

##### Going concern

The financial statements have been prepared on a going concern basis. The Company participates in the Group's centralised treasury arrangements and shares banking arrangements with Mitie Group plc, its ultimate parent, and with fellow subsidiaries. The Directors have received a letter of support from the directors of Mitie Group plc to confirm the 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 year ended 31 March 2022 to ensure that the Company can meet its liabilities as they fall due.

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

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

## Notes to the financial statements (continued)

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

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

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

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

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

- a downturn in revenues—this reflects the risks of not being able to deliver services to existing customers, or contracts being terminated or not renewed;
- a deterioration of gross margin—this reflects the risks of contracts being renegotiated at lower margins, or planned cost savings not being delivered;
- an increase in costs—this reflects the risks of a shortfall in planned overhead cost savings, including the margin enhancement initiatives not being delivered, or other cost increases such as sustained higher cost inflation; and
- a downturn in cash generation—this reflects the risks of customers delaying payments due to liquidity constraints, the removal of ancillary debt facilities or any substantial one-off settlements related to commercial issues.

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

- all stress test scenarios would require a very severe deterioration compared to the Base Case Forecasts. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 39% in H1 FY24, compared to the Base Case Forecasts, which is considered to be very severe given the high proportion of the Group's revenue that is fixed in nature and the fact that even in the COVID-hit year ended 31 March 2021, the Group's revenue excluding Interserve declined by only 1.6%; and
- in the event that the Group's results started to trend significantly below those included in the Base Case Forecasts, additional mitigation actions have been identified that would be implemented, which are not factored into the stress test scenarios. These include the short-term scaling down of capital expenditure, overhead efficiency/reduction measures including cancellation of discretionary bonuses and reduced discretionary spend, asset disposals and reductions in cash distributions.

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

Based on this assessment, and their enquiries of the directors of Mitie Group plc, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of the Company's financial statements for the year ended 31 March 2022. Accordingly, the financial statements have been prepared on a going concern basis.

## Notes to the financial statements (continued)

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

#### FRS 101 exemptions

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

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

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

- IFRS 2 *Share-based Payment* in respect of Group settled share-based payments; and
- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments: Disclosures*.

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

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

#### Measurement convention

The financial statements are prepared on the historical cost basis.

#### Other items

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

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

Separate presentation of these items is intended to enhance understanding of the financial performance of the Company in the period and the extent to which results are influenced by material unusual and/or non-recurring items. Further detail of Other items is set out in Note 3.

#### d) Significant accounting policies

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

## Notes to the financial statements (continued)

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

#### Government grants

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

#### Finance costs

Finance costs consist of interest and other costs that are incurred in connection with the borrowing of funds. Finance costs are recognised in the income statement in the period in which they are incurred.

#### Taxation

Tax in the income statement represents the sum of current tax and deferred tax.

Current tax is based on taxable profit or loss for the year. Taxable profit or loss differs from the accounting profit or loss 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. Current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

## Notes to the financial statements (continued)

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

#### Intangible assets

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

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

#### Property, plant and equipment

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

|                     |                                   |
|---------------------|-----------------------------------|
| Land and buildings: | 50 years or lease term if shorter |
| Plant and vehicles: | 2-10 years                        |

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

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

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

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

#### Investments in subsidiaries

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

#### Investments in joint ventures

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



## Notes to the financial statements (continued)

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

#### Financial instruments

##### **Classification and measurement**

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

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

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

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

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### **Impairment of financial assets**

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

## Notes to the financial statements (continued)

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

#### Leases

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

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

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

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

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

#### Provisions and contingent liabilities

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

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

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

#### Share-based payments

The Company participates in a number of Group executive and employee share option schemes. For grants of share options and awards, the fair value as at the date of grant is calculated using the appropriate valuation model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report and accounts.

#### Retirement benefit costs

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

## Notes to the financial statements (continued)

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

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

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

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

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

#### *Other items*

'Other items' are items of financial performance which management believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Company. Determining whether an item should be classified within Other items requires judgement as to whether an item is or is not part of the underlying performance of the Company. An analysis of the amounts included in Other items is detailed in Note 3.

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

The Company has material amounts of billed and unbilled work outstanding at 31 March 2022. Receivables are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any allowance for impairment, to ensure that amounts recognised represent the recoverable amount. The Company recognises a loss allowance for ECLs on all receivable balances from customers using a lifetime credit loss approach and includes specific allowance for impairment where there is evidence that the Company will not be able to collect amounts due from customers, subsequent to initial recognition. Management applies judgement on specific allowances for impairment based on the information available at each reporting date which includes information about past events, current conditions and forecasts of the future economic condition of customers.

#### *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. Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for the Company to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

**Notes to the financial statements (continued)****1 Accounting policies, judgements and estimates (continued)****Key sources of estimation uncertainty**

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

**Provisions and contingent liabilities**

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

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities, judgement is applied and re-evaluated at each reporting date. The Company recognised provisions at 31 March 2022 of £2,692,000 (2021: £2,873,000). Further details are included in Note 16.

**Investments**

The Company has investments in subsidiaries of £136,322,000 (2021: £136,322,000) at the balance sheet date (see Note 11). Determining whether an investment is impaired requires an estimation of its recoverable amount. The recoverable amount involves an estimation of the future cash flows and the selection of appropriate discount rates to use in order to calculate the present values.

**Deferred tax assets**

The Company has recognised deferred tax assets of £3,398,000 (2021: £3,240,000), refer to Note 15. Management has assessed recovery of these assets with reference to the Group's medium-term forecasts. Recovery of these assets is subject to the generation of taxable profits by the Group in future years.

**2 Revenue**

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

**3 Operating loss**

Operating loss is stated after charging/(crediting):

|   | <b>Year ended<br/>31 March<br/>2022<br/>£000</b> | <b>4 months ended<br/>31 March<br/>2021<br/>£000</b> |
|---|--|--|
| Integration costs   | <b>1,122</b>                                     | 1,271  |
| Release of liabilities  | <b>(2,441)</b>                                   | -  |
| <b>Other items</b>  | <b>(1,319)</b>                                   | 1,271  |
| Depreciation of property, plant and equipment (Note 10 and Note 17) | <b>2,588</b>                                     | 1,671  |
| Other income  | <b>(3)</b>                                       | (14)   |

During the year ended 31 March 2022, costs of £1,122,000 were incurred associated with the Group's integration programme (4 months ended 31 March 2021: £1,271,000). A gain of £2,441,000 was recognised in the income statement due to the release of certain payables during the year (4 months ended 31 March 2021: £nil).

For the year ended 31 March 2022, £3,000 (4 months ended 31 March 2021: £14,000) was received, which represents UK Government grants received under the Coronavirus Job Retention Scheme relating to furloughed employees working for the Company.

**Notes to the financial statements (continued)****4 Auditor's remuneration**

The auditor's remuneration was borne by Mitie Group plc (4 months ended 31 March 2021: Mitiefm (Holdings) Limited) and no allocation or recharge (4 months ended 31 March 2021: £nil) was made to the Company.

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

**5 Staff numbers and costs**

In the current year an average of 73 (4 months ended 31 March 2021: 513) employees (including Directors) were employed by the Company.

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

|                                     | <b>Year<br/>ended<br/>31 March<br/>2022<br/>£000</b> | <b>4 months<br/>ended<br/>31 March<br/>2021<br/>£000</b> |
|-------------------------------------|--|--|
| Wages and salaries                  | <b>2,432</b>   | 8,032  |
| Share-based payments                | <b>67</b>  | -  |
| Social security costs               | <b>304</b>   | 791  |
| Termination and redundancy payments | <b>7</b>   | 1  |
| Pension costs                       | <b>171</b>   | 472  |
|                                     | <b><u>2,981</u></b>                                  | <b><u>9,296</u></b>                                      |

**6 Directors' remuneration**

|   | <b>Year<br/>ended<br/>31 March<br/>2022<br/>£000</b> | <b>4 months<br/>ended<br/>31 March<br/>2021<br/>£000</b> |
|---|--|--|
| Directors' emoluments                                 | -  | 102  |
| Company contributions to money purchase pension plans | -  | 12   |

**Notes to the financial statements (continued)****6 Directors' remuneration (continued)**

In respect of the highest paid Director:

|   | <b>Year ended<br/>31 March<br/>2022<br/>£000</b> | <b>4 months ended<br/>31 March<br/>2021<br/>£000</b> |
|---|--|--|
| Emoluments and amounts receivable under long term incentive schemes | -  | 88   |
| Company contributions to money purchase pension plans               | -  | 11   |

**Number of Directors**

|  | <b>Year ended<br/>31 March<br/>2022</b> | <b>4 months ended<br/>31 March<br/>2021</b> |
|--|---|---|
| Retirement benefits are accruing to the following number of Directors under:<br>Money purchase schemes | -                                       | 2   |

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

| <b>Director</b> | <b>Remunerated by</b> | <b>Disclosed by</b> |
|-----------------|-----------------------|---------------------|
| P J G Dickinson | Mitie Limited         | Mitie Limited       |
| S C Kirkpatrick | Mitie Limited         | Mitie Limited       |
| J M Williams    | Mitie FM Limited      | Mitie FM Limited    |

**7 Finance costs**

|   | <b>Year ended<br/>31 March<br/>2022<br/>£000</b> | <b>4 months ended<br/>31 March<br/>2021<br/>£000</b> |
|---|--|--|
| Interest payable and similar expenses   | 793  | 20   |
| Interest payable to Group undertakings  | 6,656  | 2,222  |
| Interest on lease liabilities (Note 17) | 133  | 106  |
|   | <b>7,582</b>                                     | <b>2,348</b>   |

## Notes to the financial statements (continued)

### 8 Tax

|  | Year<br>ended<br>31 March<br>2022<br>£000 | 4 months<br>ended<br>31 March<br>2021<br>£000 |
|--|---|---|
| <i>Analysis of (credit)/charge in the year/period</i>                            |   |   |
| <i>UK corporation tax at 19% (4 months ended 31 March 2021: 19%)</i>             |   |   |
| Current tax on loss for the year/period  | (2,328)                                   | -   |
| Adjustments in respect of prior periods  | (733)                                     | -   |
| Total current tax credit   | (3,061)                                   | -   |
| <i>Deferred tax (see Note 15)</i>  |   |   |
| Origination and reversal of temporary timing differences                         | 531                                       | 4   |
| Change in statutory tax rate   | (680)                                     | -   |
| Adjustments in respect of prior periods  | (6)                                       | 59  |
| Total deferred tax (credit)/charge   | (155)                                     | 63  |
| Total (credit)/charge for the year/period  | (3,216)                                   | 63  |
|  |   |   |
|  | Year<br>ended<br>31 March<br>2022<br>£000 | 4 months<br>ended<br>31 March<br>2021<br>£000 |
| <i>Tax recognised directly in equity</i>   |   |   |
| Deferred tax   | (3)                                       | -   |
| Total tax recognised directly in equity  | (3)                                       | -   |
|  |   |   |
|  | Year<br>ended<br>31 March<br>2022<br>£000 | 4 months<br>ended<br>31 March<br>2021<br>£000 |
| <i>Tax reconciliation</i>  |   |   |
| Loss before tax  | (7,847)                                   | (2,533)                                       |
| Tax using the UK corporation tax rate of 19% (4 months ended 31 March 2021: 19%) | (1,491)                                   | (481)   |
| Items not taxable for tax purposes   | (307)                                     | -   |
| Adjustments in respect of employee share options                                 | 1   | -   |
| Generation or previously unrecognised tax losses                                 | -   | 485   |
| Change in statutory tax rate   | (680)                                     | -   |
| Adjustments in respect of prior periods  | (739)                                     | 59  |
| Total tax (credit)/charge  | (3,216)                                   | 63  |

The UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This change has been substantively enacted at the balance sheet date and has therefore been incorporated into the deferred tax balances contained in these financial statements.

## Notes to the financial statements (continued)

### 9 Intangible assets

|                         | <b>Software<br/>£000</b> |
|-------------------------|--------------------------|
| <b>Cost</b>             |                          |
| At 1 April 2021         | 8,079                    |
| Disposal                | (7,542)                  |
|                         | <hr/>                    |
| <b>At 31 March 2022</b> | <b>537</b> <hr/>         |
| <b>Amortisation</b>     |                          |
| At 1 April 2021         | 8,079                    |
| Disposal                | (7,542)                  |
|                         | <hr/>                    |
| <b>At 31 March 2022</b> | <b>537</b> <hr/>         |
| <b>Net book value</b>   |                          |
| At 1 April 2021         | <hr/> -                  |
|                         | <hr/>                    |
| <b>At 31 March 2022</b> | <hr/> - <hr/>            |



## Notes to the financial statements (continued)

### 10 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

|                                     | 2022<br>£000 | 2021<br>£000 |
|-------------------------------------|--------------|--------------|
| Owned property, plant and equipment | 22           | 133          |
| Right-of-use assets (Note 17)       | 1,757        | 4,629        |
| <b>Total</b>                        | <b>1,779</b> | <b>4,762</b> |

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

|  | Land and<br>buildings<br>£000 | Plant and<br>vehicles<br>£000 | Total<br>£000 |
|--|-------------------------------|-------------------------------|---------------|
| <b>Cost</b>                                    |                               |                               |               |
| At 1 April 2021                                | 1,207                         | 6,010                         | 7,217         |
| Additions                                      | -                             | 1                             | 1             |
| Disposals                                      | -                             | (192)                         | (192)         |
| <b>At 31 March 2022</b>                        | <b>1,207</b>                  | <b>5,819</b>                  | <b>7,026</b>  |
| <b>Accumulated depreciation and impairment</b> |                               |                               |               |
| At 1 April 2021                                | 1,195                         | 5,889                         | 7,084         |
| Charge for the year                            | -                             | 79                            | 79            |
| Disposals                                      | -                             | (159)                         | (159)         |
| <b>At 31 March 2022</b>                        | <b>1,195</b>                  | <b>5,809</b>                  | <b>7,004</b>  |
| <b>Net book value</b>                          |                               |                               |               |
| At 1 April 2021                                | 12                            | 121                           | 133           |
| <b>At 31 March 2022</b>                        | <b>12</b>                     | <b>10</b>                     | <b>22</b>     |

**Notes to the financial statements (continued)****11 Investment in subsidiaries**

The Company has the following investments in Group undertakings.

|                         | Shares in<br>Group<br>undertakings<br>£000 |
|-------------------------|--|
| <b>Cost</b>             |  |
| At 1 December 2020      | 313,659                                    |
| At 31 March 2021        | 313,659                                    |
| <b>At 31 March 2022</b> | <b>313,659</b>                             |
| <b>Impairment</b>       |  |
| At 1 December 2020      | 177,337                                    |
| At 31 March 2021        | 177,337                                    |
| At 31 March 2022        | <b>177,337</b>                             |
| <b>Net book value</b>   |  |
| At 31 March 2021        | 136,322                                    |
| <b>At 31 March 2022</b> | <b>136,322</b>                             |

Details of all investments in subsidiary undertakings have been provided below. Investments held directly by the Company have been indicated.

| Company   | Country of incorporation | Class of shares held   | Proportion of<br>nominal value<br>of class |
|---|--------------------------|------------------------|--|
| Building & Property Trustees Ltd <sup>1</sup>               | United Kingdom           | Ordinary               | 100%                                       |
| Central Window Cleaning Company Limited<br>(in liquidation) | United Kingdom           | Ordinary               | 100%                                       |
| Hi-tech Cleaning Solutions Limited (in liquidation)         | United Kingdom           | Ordinary               | 100%                                       |
| Insitu Cleaning Company Limited                             | United Kingdom           | Ordinary               | 100%                                       |
| Interserve Saudi Arabia LLC (in liquidation) <sup>2</sup>   | Kingdom of Saudi Arabia  | Ordinary               | 100%                                       |
| Knightsbridge Guarding Holdings Limited                     | United Kingdom           | Ordinary (all classes) | 100%                                       |
| Lancaster Office Cleaning Company Limited                   | United Kingdom           | Ordinary               | 100%                                       |
| Mitie (Defence) Limited <sup>1</sup>                        | United Kingdom           | Ordinary               | 100%                                       |
| Mitie (Facilities Services) Limited <sup>1</sup>            | United Kingdom           | Ordinary               | 100%                                       |
| Mitie (Facilities Services-Slough) Limited                  | United Kingdom           | Ordinary and deferred  | 100%                                       |
| Mitie Building Services (UK) Limited (in liquidation)       | United Kingdom           | Ordinary               | 100%                                       |
| Mitie Catering Services Limited                             | United Kingdom           | Ordinary (all classes) | 100%                                       |
| Mitie Fire Services Limited (in liquidation)                | United Kingdom           | Ordinary               | 100%                                       |
| Mitie FM Limited <sup>1</sup>                               | United Kingdom           | Ordinary               | 100%                                       |
| Mitie FS (UK) Limited <sup>1</sup>                          | United Kingdom           | Ordinary               | 100%                                       |

## Notes to the financial statements (continued)

### 11 Investment in subsidiaries (continued)

| Company   | Country of incorporation | Class of shares held      | Proportion of nominal value of class |
|---|--------------------------|---------------------------|--------------------------------------|
| Mitie Hospital Services Limited (in liquidation)  | United Kingdom           | Ordinary                  | 100%                                 |
| Mitie Integrated Services Limited                 | United Kingdom           | Ordinary                  | 100%                                 |
| Mitie Project Services Limited                    | United Kingdom           | Ordinary                  | 100%                                 |
| Mitie Security (Knightsbridge) Limited            | United Kingdom           | Ordinary                  | 100%                                 |
| Phoenix Fire Services Limited                     | United Kingdom           | Ordinary                  | 100%                                 |
| Phonotas Services Limited (in liquidation)        | United Kingdom           | Ordinary                  | 100%                                 |
| Retail Cleaning Services Limited (in liquidation) | United Kingdom           | "A" Shares and "B" Shares | 100%                                 |

Notes:

1. Held directly by the Company.

2. 90% is held directly by the Company.

The registered office of all companies listed above is Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG with the exception of those that are in liquidation, the registered office of which is 30 Finsbury Square, London, EC2A 1AG, and the following.

| Company   | Registered office address                            |
|---|--|
| Hi-tech Cleaning Solutions Limited (in liquidation) | 10 Fleet Place, London, EC4M 7QS                     |
| Interserve Saudi Arabia LLC (in liquidation)        | PO Box 26982, Riyadh, 11595, Kingdom of Saudi Arabia |

### 12 Investment in joint ventures

| Cost               | Investment in joint ventures<br>£000 |
|--------------------|--------------------------------------|
| At 1 December 2020 | 51                                   |
| At 31 March 2021   | 51                                   |
| At 31 March 2022   | 51                                   |
| Net book value     |                                      |
| At 1 April 2021    | 51                                   |
| At 31 March 2022   | 51                                   |

Details of the Company's significant holdings in undertakings other than subsidiary undertakings have been provided below.

| Company  | Country of incorporation | Class of shares held | Proportion of nominal value of class |
|--|--------------------------|----------------------|--------------------------------------|
| Interserve Rezayat Company LLC (in liquidation) <sup>1</sup> | Kingdom of Saudi Arabia  | 10 Saudi Riyals      | 50%                                  |

Note:

1. Held directly by the Company.

The registered office of the undertakings listed above is as follows.

| Company   | Registered office address  |
|---|--|
| Interserve Rezayat Company LLC (in liquidation) | Unit 6 and 7, Al Amani Center, Anas Bin Malik Road, Building Number 2727, Additional number 8114, Riyadh, Postal Code 133, Kingdom of Saudi Arabia |

## Notes to the financial statements (continued)

### 13 Trade and other receivables

|                                    | 2022<br>£000  | 2021<br>£000  |
|------------------------------------|---------------|---------------|
| Trade receivables                  | 8,433         | 8,221         |
| Amounts owed by Group undertakings | 34,848        | 25,593        |
| Prepayments                        | 604           | 2,385         |
| Accrued income                     | -             | 417           |
| Other receivables                  | 2,057         | 258           |
|                                    | <u>45,942</u> | <u>36,874</u> |
| Current                            | 45,528        | 36,874        |
| Non-current                        | 414           | -             |

Management considers that the carrying amount of trade and other receivables approximates their fair value. Trade and other receivables are interest-free.

Amounts owed by Group undertakings are repayable on demand.

### 14 Trade and other payables

|                                    | 2022<br>£000   | 2021<br>£000   |
|------------------------------------|----------------|----------------|
| Trade payables                     | 15             | 1,214          |
| Amounts owed to Group undertakings | 418,530        | 396,262        |
| Other taxes and social security    | 958            | 1,082          |
| Accruals                           | 3,348          | 5,851          |
| Other payables                     | 6,910          | 8,596          |
|                                    | <u>429,761</u> | <u>413,005</u> |
| Current                            | 429,761        | 412,654        |
| Non-current                        | -              | 351            |

Trade and other payables are interest-free except as noted below.

Amounts owed to Group undertakings are repayable on demand. Included within these amounts are £144,050,000 (2021: £123,000,000) relating to interest-bearing loans at 5% per annum (2021: 5% per annum) and £216,135,000 (2021: £216,135,000) relating to interest-free loans.

## Notes to the financial statements (continued)

### 15 Deferred tax assets

Deferred tax assets are attributable to the following:

|                                | 2022<br>£000 | 2021<br>£000 |
|--------------------------------|--------------|--------------|
| Accelerated capital allowances | 3,234        | 3,125        |
| Share options                  | 18           | -            |
| Short-term timing differences  | 146          | 115          |
|                                | <u>3,398</u> | <u>3,240</u> |

Movements in deferred tax were as follows.

|                                | 1 April 2021<br>£000 | Recognised in income<br>£000 | Recognised in equity<br>£000 | 31 March 2022<br>£000 |
|--------------------------------|----------------------|------------------------------|------------------------------|-----------------------|
| Accelerated capital allowances | 3,125                | 109                          | -                            | 3,234                 |
| Share options                  | -                    | 15                           | 3                            | 18                    |
| Short-term timing differences  | 115                  | 31                           | -                            | 146                   |
|                                | <u>3,240</u>         | <u>155</u>                   | <u>3</u>                     | <u>3,398</u>          |

|                                | 1 December 2020<br>£000 | Recognised in income<br>£000 | 31 March 2021<br>£000 |
|--------------------------------|-------------------------|------------------------------|-----------------------|
| Accelerated capital allowances | 3,098                   | 27                           | 3,125                 |
| Short-term timing differences  | 205                     | (90)                         | 115                   |
|                                | <u>3,303</u>            | <u>(63)</u>                  | <u>3,240</u>          |

Deferred tax has been calculated using tax rates that were substantively enacted at the balance sheet date (see Note 8).

The Company has £65,806,000 tax losses (2021: £75,566,000) upon which no deferred tax has been recognised.

## Notes to the financial statements (continued)

### 16 Provisions

|                                 | Insurance<br>reserve<br>£000 | Other<br>provisions<br>£000 | Total<br>£000 |
|---------------------------------|------------------------------|-----------------------------|---------------|
| At 1 April 2021                 | 2,400                        | 473                         | 2,873         |
| Charged to the income statement | 518                          | -                           | 518           |
| Utilised in the year            | (685)                        | (14)                        | (699)         |
| <b>At 31 March 2022</b>         | <b>2,233</b>                 | <b>459</b>                  | <b>2,692</b>  |
| Current                         | 670                          | 23                          | 693           |
| Non-current                     | 1,563                        | 436                         | 1,999         |

The insurance reserve provides for the self-insured element of fleet and liability claims and a claim typically settles over three to five years. This includes a provision for claims that are expected but have not yet been reported.

Other provisions are predominantly for specified ex-civil servants who are entitled to additional monthly payroll to support their pension arrangements in the event of being made redundant before retirement age.

### 17 Leases

| Right-of-use assets                                 | Plant and<br>vehicles<br>£000 |              |
|---|-------------------------------|--------------|
| At 1 December 2020                                  | 6,199                         |              |
| Modifications to lease terms                        | 39                            |              |
| Depreciation  | (1,609)                       |              |
| At 31 March 2021                                    | 4,629                         |              |
| Modifications to lease terms                        | (363)                         |              |
| Depreciation  | (2,509)                       |              |
| <b>At 31 March 2022</b>                             | <b>1,757</b>                  |              |
| Lease liabilities                                   |                               |              |
|   | £000                          | £000         |
| At 1 April 2021/December 2020                       | 6,139                         | 8,129        |
| Modifications to lease terms                        | (606)                         | 39           |
| Interest on lease liabilities                       | 133                           | 106          |
| Repayment of lease liabilities (including interest) | (3,470)                       | (2,135)      |
| <b>At 31 March 2022/2021</b>                        | <b>2,196</b>                  | <b>6,139</b> |
| Current   | 1,933                         | 3,995        |
| Non-current   | 263                           | 2,144        |

**Notes to the financial statements (continued)****17 Leases (continued)**

|  | <b>2022</b><br><b>£000</b>   | <b>2021</b><br><b>£000</b>   |
|--|--|--|
| <b>Maturity analysis-contractual undiscounted cash flows</b> |  |  |
| Less than one year   | <b>1,969</b>   | 4,172  |
| One to five years  | <b>276</b>   | 2,196  |
| More than five years   | -  | 15   |
|  | <b>2,245</b>   | <b>6,383</b>   |
|  |  |  |
|  | <b>Year ended</b><br><b>31 March</b><br><b>2022</b><br><b>£000</b> | <b>4 months ended</b><br><b>31 March</b><br><b>2021</b><br><b>£000</b> |
| <b>Amounts recognised in the income statement</b>            |  |  |
| Depreciation of right-of-use assets                          | <b>(2,509)</b>   | (1,609)  |
| Short-term lease expense                                     | <b>(1,048)</b>   | (42)   |
|  |  |  |
| <b>Operating loss impact</b>                                 | <b>(3,557)</b>   | (1,651)  |
| Interest on lease liabilities                                | <b>(133)</b>   | (106)  |
|  |  |  |
| <b>Loss before tax impact</b>                                | <b>(3,690)</b>   | (1,757)  |

**18 Equity**

| <b>Share capital</b>                  | <b>2022</b><br><b>Number</b> | <b>2021</b><br><b>Number</b> | <b>2022</b><br><b>£000</b> | <b>2021</b><br><b>£000</b> |
|---------------------------------------|------------------------------|------------------------------|----------------------------|----------------------------|
| Redeemable ordinary shares of £1 each | <b>15,000,000</b>            | 15,000,000                   | <b>15,000</b>              | 15,000                     |
| Ordinary shares of US\$0.01 each      | <b>6,158</b>                 | 6,158                        | -                          | -                          |
| Deferred shares of £1 each            | <b>2</b>                     | 2                            | -                          | -                          |
|                                       | <b>15,006,160</b>            | 15,006,160                   | <b>15,000</b>              | 15,000                     |

The Company may redeem all or some of the redeemable ordinary shares, at par.

The deferred shares can be repurchased at any time for an aggregate consideration of 0.001p. Deferred shareholders are not entitled to attend and vote at any general meeting. They shall not be entitled to any participation in the profits or the assets of the Company. On a winding up the deferred shareholders are entitled to the amount paid after the ordinary shareholders have been paid £100,000,000 per ordinary share.

**Retained losses**

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

## Notes to the financial statements (continued)

### 19 Related parties

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

### 20 Subsequent events

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

### 21 *Ultimate parent company and parent company of larger group*

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