

REGISTERED NUMBER: 02820560 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements for the Period 1 January 2020 to 30 November 2020
for
Mitiefm Services Limited

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Mitiefm Services Limited

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for the Period 1 January 2020 to 30 November 2020

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Mitiefm Services Limited

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

DIRECTORS:

P J G Dickinson
S C Kirkpatrick
J M Williams

SECRETARY:

Mitie Company Secretarial Services
Limited

REGISTERED OFFICE:

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

REGISTERED NUMBER:

02820560 (England and Wales)

AUDITORS:

Grant Thornton UK LLP
St John's House
Haslett Avenue West
Crawley
RH10 1HS

Mitiefm Services Limited

Strategic Report

for the Period 1 January 2020 to 30 November 2020

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

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

PRINCIPAL ACTIVITY

The principal activity is the provision of a comprehensive range of facilities and asset management and services to both public and private sector clients. Mitiefm Services Limited, was a wholly owned subsidiary of Building & Property (Holdings) Limited, following its sale on the 30 November 2020 it became a wholly owned subsidiary of Mitiefm Holdings Limited, formerly Interservefm Holdings Limited.

REVIEW OF BUSINESS

The Company's turnover for the period was £43,066k (31/12/19: £44,355k). The Company's loss from ordinary activities before taxation for the period was £55,621k (31/12/2019: £82,014k). No dividends were proposed and paid during the period (31/12/19: nil). No dividends are proposed.

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

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

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

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

Key Financial and Non-Financial Performance Indicators

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

Mitiefm Services Limited

Strategic Report

for the Period 1 January 2020 to 30 November 2020

Key Financial and Non-Financial Performance Indicators - continued

There is not a future workload for the Company as it does not trade. The Support Services division uses cash conversion as the principle KPI to assess business performance and prospects. The cash conversion KPI for 30/11/20 was 123% for the division (31/12/19: 156%), these figures demonstrate a consistent and strong cash generation performance which has been considered in the going concern review and in the ongoing management of the Company. The number of Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORS) in the Company for the period was nil (31/12/19: nil) and the Company employee voluntary turnover in the period has been 16% (31/12/19: 21%).

PRINCIPAL RISKS AND UNCERTAINTIES

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

Strategic risks

COVID-19

The COVID-19 pandemic has had an unprecedented impact on businesses and economic activity across the world. Almost every business has seen uncertainty in revenues, supplies and employee availability. Failure to monitor, respond to and plan for the ongoing and any future impacts of the COVID-19 pandemic, in particular the effect on employees, customers and the supply chain, could result in severe consequences for the financial health and reputation of the Company's business.

The Company has implemented a process of assessing the impact of the crisis, including the government imposed lockdown measures, seeking to establish new ways of working through the first phase and then starting to look at longer term plans as the UK lockdown starts to ease and business activity returns to more normal levels. To manage the risk, crisis management and business continuity plans have been initiated, government support schemes are being utilised and working groups have been established at the Group level to monitor ongoing impacts and to direct actions.

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

The lack of clarity of the impact of Brexit on the UK may adversely affect our ability to plan and invest, as well as the availability of labour and materials. The impact of Brexit may also influence the decisions taken by both public and private sector clients on which activities should be outsourced and the amount of discretionary spend available for outsourcing activities. This may result in fewer opportunities for the Company and have a consequential negative impact on our financial performance.

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

Mitiefm Services Limited

Strategic Report

for the Period 1 January 2020 to 30 November 2020

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

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

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

FINANCIAL RISK MANAGEMENT

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

Inflation risk

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

Liquidity risk

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

Finance risk

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

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

ENVIRONMENTAL IMPACT

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

ANTI-BRIBERY AND CORRUPTION

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

Mitiefm Services Limited

Strategic Report

for the Period 1 January 2020 to 30 November 2020

GOING CONCERN

The financial statements have been prepared on a going concern basis. The Company participates in the Group's centralised treasury arrangements and shares banking arrangements with Mitie Group plc, its ultimate parent, and with fellow subsidiaries. The Directors have received a letter of support from the directors of Mitie Group plc to confirm provision of adequate financial resources to the Company for a period of not less than twelve months from the date of approval of the Company's statutory financial statements for the period ended 30 November 2020 to ensure that the Company can meet its liabilities as they fall due.

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

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

The Directors have carried out an assessment on the Company's ability to continue as a going concern for the period of at least 12 months from the date of approval of the financial statements. This assessment has involved the review of medium-term cash forecasts based on the Group's Five Year Cash Flow model ('the Group cash flow model'), which includes the ongoing impact of COVID-19 on each of the Group's operations. These base case forecasts indicate that the debt facilities currently in place are adequate to support the Group over the going concern assessment period.

The Group's principal debt financing arrangements are a £250m revolving credit facility, which expires on 16 December 2022 of which £241.4m was undrawn at 31 March 2021, and £151.5m of US private placement notes (being the repayment amount after taking account of the cross-currency swaps hedging the principal amount), of which £121.5m are repayable in December 2022 and the remaining £30.0m in December 2024. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis. Mitie currently operates within the terms of its agreements with its lenders, with net cash as at 31 March 2021 on a pre IFRS 16 basis of £19.7m and liquidity headroom in excess of £400m. The base case forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the going concern assessment period.

The Directors have also completed reverse stress tests against the Group cash flow model to assess the point at which the covenants, or facility headroom, would be breached. The sensitivities considered have been chosen after considering the Group's principal risks and uncertainties.

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

- A downturn in revenues: this reflects the risks of not being able to deliver services to existing customers, or contracts being terminated or not renewed;

Mitiefm Services Limited

Strategic Report

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GOING CONCERN - continued

- A deterioration of gross margin: this reflects the risks of contracts being renegotiated at lower margins, or planned cost savings not being delivered;
- Lack of planned overhead savings: this reflects the risks of planned overhead cost savings, including the integration synergies identified as a result of the Interserve acquisition, not being delivered;
- Downturn in cash generation: this reflects the risks of customers delaying payments due to liquidity constraints, or the removal of ancillary debt facilities.

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

- Reviewing how the Group has traded since the impact of COVID-19 started, up to the end of March 2021 and in light of the continued easing of UK lockdown measures and anticipated economic recovery.
- All reverse stress test scenarios would require a very severe deterioration compared to the base case. For example, revenue would need to decline by approximately 20% in FY 21/22 compared to the base case, which is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that in a COVID-hit year, Mitie's revenue excluding Interserve declined by only 1.6% in FY20/21.
- In the event that results started to trend significantly below those included in the Group cash flow model, additional mitigation actions have been identified that would be implemented, which are not factored into the reverse stress test scenarios. These include cancellation of discretionary bonuses and reduced discretionary spend, including capital investments.

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

SECTION 172(1) STATEMENT

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

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

Mitiefm Services Limited

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

SECTION 172(1) STATEMENT - continued

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

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

Shareholders

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

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

Employees

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

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

Mitiefm Services Limited

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

SECTION 172(1) STATEMENT - continued

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

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

Community

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

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

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

Environment

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

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

Mitiefm Services Limited

Strategic Report

for the Period 1 January 2020 to 30 November 2020

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

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

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

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

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

EMPLOYEE INVOLVEMENT & DISABLED EMPLOYEES

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

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

ON BEHALF OF THE BOARD:

J M Williams

J M Williams - Director

29 May 2021

Mitiefm Services Limited

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

The directors present their report with the financial statements of the company for the period 1 January 2020 to 30 November 2020.

Certain requirements of the Strategic Report, including the principal risks and uncertainties of the company, the S172 disclosures and going concern are not included within the report of the Directors as they are shown in the Strategic Report on pages 2 - 9.

PRINCIPAL ACTIVITY

The principal activity for Mitiefm Services Ltd's subsidiary undertakings is the provision of a comprehensive range of asset management and maintenance services to both public and private sector clients. The principal risks and uncertainties faced by its subsidiaries are discussed in detail in the financial statements of the subsidiaries and do not form part of these financial statements.

DIVIDENDS

A dividend of nil was paid during the period (31/12/19: nil).

DIRECTORS

The directors who have held office during the period from 1 January 2020 to the date of this report are as follows:

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

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

P G Clark ceased to be a director after 30 November 2020 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.

Mitiefm Services Limited

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors confirm that:

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

(2) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITORS

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

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

ON BEHALF OF THE BOARD:

J M Williams

J M Williams - Director

29 May 2021

Independent Auditors' Report to the Members of
Mitiefm Services Limited

Opinion

We have audited the financial statements of Mitiefm Services Limited (the 'company') for the period from 1 January 2020 to 30 November 2020, which comprise the Income Statement, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

**Independent Auditors' Report to the Members of
Mitiefm Services Limited**

Conclusions relating to going concern

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

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Independent Auditors' Report to the Members of
Mitiefm Services Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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

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

Independent Auditors' Report to the Members of
Mitiefm Services Limited

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

How we obtained an understanding of the legal and regulatory framework

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

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

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

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

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas of recognition of revenue. We also considered the risk of fraud to be higher within the period impacted by the cyber breach described in the Strategic Report.

- Our audit procedures included:

Independent Auditors' Report to the Members of
Mitiefm Services Limited

- Making enquiries of management concerning the company's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations. We also enquired with management and those charged with governance whether they were aware of any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected, or alleged fraud. We were informed of the cyber breach disclosed in Note 21 of the financial statements which may have resulted in non-compliance with GDPR regulation during the period.

- Gaining an understanding of the controls that management has in place to prevent and detect fraud;

- Challenging significant accounting assumptions, estimates and judgements made by management, including those relevant to the valuation of investments in subsidiary undertakings;

- Performing additional substantive testing over the completeness and accuracy of data recorded during the period impacted by the cyber breach;

- Using data interrogation software and our understanding of the company to identify and test large or unusual journal entries which may indicate a higher risk of fraud;

- Gaining an understanding of and testing significant identified related party transactions;

- Assessing the extent of compliance with the relevant laws and regulations as part of our audit procedures on the related financial statement item; and

- Performing audit procedures to consider the compliance of disclosures in the financial statements with applicable financial reporting requirements.

- Our audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;

- Knowledge of the industry in which the company operates; and

- Understanding of the relevant legal and regulatory frameworks specific to the company including: the provisions of the applicable legislation; the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and the applicable statutory provisions.

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

- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas of recognition of revenue, and through management override of controls in the preparation of the financial statements. We also communicated within the team in respect of the risk of fraud being higher within the period impacted by the cyber breach described in the Strategic Report.

Independent Auditors' Report to the Members of
Mitiefm Services Limited

Use of our report

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

Grant Thornton UK LLP

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

29 May 2021

Mitiefm Services LimitedStatement of Total Comprehensive Income
for the Period 1 January 2020 to 30 November 2020

	Notes	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
TURNOVER	3	43,066	44,355
Cost of sales		<u>(45,396)</u>	<u>(43,990)</u>
GROSS (LOSS)/PROFIT		(2,330)	365
Administrative expenses		<u>(1,891)</u>	<u>(4,732)</u>
OPERATING LOSS BEFORE EXCEPTIONAL ITEMS		(4,221)	(4,367)
Exceptional items	5	102	(1,517)
Amounts written off investments	6	<u>(44,544)</u>	<u>(62,771)</u>
OPERATING LOSS		(48,663)	(68,655)
Interest payable and similar expenses	7	<u>(6,958)</u>	<u>(13,359)</u>
LOSS BEFORE TAXATION	8	(55,621)	(82,014)
Tax on loss	9	<u>(2,882)</u>	<u>62</u>
LOSS FOR THE FINANCIAL PERIOD		(58,503)	(81,952)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(58,503)</u>	<u>(81,952)</u>

The notes form part of these financial statements

Mitiefm Services Limited (Registered number: 02820560)Balance Sheet
30 November 2020

	Notes	30/11/20 £'000	31/12/19 £'000
FIXED ASSETS			
Owned			
Intangible assets	10	-	53
Tangible assets	11	202	243
Right-of-use			
Tangible assets	11, 18	9,546	16,441
Investments	12	<u>136,373</u>	<u>180,917</u>
		<u>146,121</u>	<u>197,654</u>
CURRENT ASSETS			
Stocks	13	101	-
Debtors	14	101,799	95,648
Cash in hand		<u>1,549</u>	<u>-</u>
		103,449	95,648
CREDITORS			
Amounts falling due within one year	15	<u>(478,493)</u>	<u>(163,322)</u>
NET CURRENT LIABILITIES		<u>(375,044)</u>	<u>(67,674)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(228,923)	129,980
CREDITORS			
Amounts falling due after more than one year	16	(4,565)	(307,522)
PROVISIONS FOR LIABILITIES	19	<u>(2,951)</u>	<u>(394)</u>
NET LIABILITIES		<u>(236,439)</u>	<u>(177,936)</u>
CAPITAL AND RESERVES			
Called up share capital	20	15,000	15,000
Retained earnings		<u>(251,439)</u>	<u>(192,936)</u>
SHAREHOLDERS' FUNDS		<u>(236,439)</u>	<u>(177,936)</u>

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

J M Williams

J M Williams - Director

The notes form part of these financial statements

Mitiefm Services LimitedStatement of Changes in Equity
for the Period 1 January 2020 to 30 November 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	15,000	(110,984)	(95,984)
Changes in equity			
Total comprehensive income	-	(81,952)	(81,952)
Balance at 31 December 2019	15,000	(192,936)	(177,936)
Changes in equity			
Total comprehensive income	-	(58,503)	(58,503)
Balance at 30 November 2020	15,000	(251,439)	(236,439)

The notes form part of these financial statements

Mitiefm Services Limited

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

1. STATUTORY INFORMATION

Mitiefm Services Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

Mitiefm Services Ltd is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operation and its principal activities are set out in the strategic report on pages 2 to 9.

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

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

The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Mitie Group Plc. Details of the parent whose consolidated financial statements the company is included are shown in note 23 to the financial statements.

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

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IAS 7 Statement of Cash Flows.

Going concern

The financial statements have been prepared on a going concern basis. The Company participates in the Group's centralised treasury arrangements and shares banking arrangements with Mitie Group plc, its ultimate parent, and with fellow subsidiaries. The Directors have received a letter of support from the directors of Mitie Group plc to confirm provision of adequate financial resources to the Company for a period of not less than twelve months from the date of approval of the Company's statutory financial statements for the period ended 30 November 2020 to ensure that the Company can meet its liabilities as they fall due.

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

Mitiefm Services Limited

Notes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020

2. ACCOUNTING POLICIES - continued

Going concern – continued

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

The Directors have carried out an assessment on the Company's ability to continue as a going concern for the period of at least 12 months from the date of approval of the financial statements. This assessment has involved the review of medium-term cash forecasts based on the Group's Five Year Cash Flow model ('the Group cash flow model'), which includes the ongoing impact of COVID-19 on each of the Group's operations. These base case forecasts indicate that the debt facilities currently in place are adequate to support the Group over the going concern assessment period.

The Group's principal debt financing arrangements are a £250m revolving credit facility, which expires on 16 December 2022 of which £241.4m was undrawn at 31 March 2021, and £151.5m of US private placement notes (being the repayment amount after taking account of the cross-currency swaps hedging the principal amount), of which £121.5m are repayable in December 2022 and the remaining £30.0m in December 2024. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis. Mitie currently operates within the terms of its agreements with its lenders, with net cash as at 31 March 2021 on a pre IFRS 16 basis of £19.7m and liquidity headroom in excess of £400m. The base case forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the going concern assessment period.

The Directors have also completed reverse stress tests against the Group cash flow model to assess the point at which the covenants, or facility headroom, would be breached. The sensitivities considered have been chosen after considering the Group's principal risks and uncertainties.

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

- A downturn in revenues: this reflects the risks of not being able to deliver services to existing customers, or contracts being terminated or not renewed;
- A deterioration of gross margin: this reflects the risks of contracts being renegotiated at lower margins, or planned cost savings not being delivered;
- Lack of planned overhead savings: this reflects the risks of planned overhead cost savings, including the integration synergies identified as a result of the Interserve acquisition, not being delivered;

Mitiefm Services Limited

Notes to the Financial Statements - continued for the Period 1 January 2020 to 30 November 2020

2. ACCOUNTING POLICIES - continued

- Downturn in cash generation: this reflects the risks of customers delaying payments due to liquidity constraints, or the removal of ancillary debt facilities.

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

- Reviewing how the Group has traded since the impact of COVID-19 started, up to the end of March 2021 and in light of the continued easing of UK lockdown measures and anticipated economic recovery.

- All reverse stress test scenarios would require a very severe deterioration compared to the base case. For example, revenue would need to decline by approximately 20% in FY 21/22 compared to the base case, which is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that in a COVID-hit year, Mitie's revenue excluding Interserve declined by only 1.6% in FY20/21.

- In the event that results started to trend significantly below those included in the Group cash flow model, additional mitigation actions have been identified that would be implemented, which are not factored into the reverse stress test scenarios. These include cancellation of discretionary bonuses and reduced discretionary spend, including capital investments.

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

Critical accounting judgements and key sources of estimation uncertainty

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

Operating profit before exceptional items

"Exceptional items" are items of financial performance which the Directors believe should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Company. Determining whether an item should be classified within exceptional items requires judgement as to whether an item is or is not part of the underlying performance of the Company.

Mitiefm Services Limited

Notes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020

2. ACCOUNTING POLICIES - continued

Recoverability of amounts owed by Group undertakings

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

Investments

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

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

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

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

Accounting standards that are newly effective in the current period

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

Turnover

Turnover represents the recharge of centralised Services to the Mitie Support Services division. The costs relate to HR, IT, HSE and Finance departments who all provide support to the Support Services Division.

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**2. ACCOUNTING POLICIES - continued****Computer software amortisation**

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

Asset category	% per annum
Computer software	20 - 33.3%

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

Tangible fixed assets

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

Asset category	% per annum
Long leasehold	lease period
Plant and machinery	10% - 50%
Fixtures and fittings	10% - 50%
Computer equipment	10% - 50%

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

Impairment of tangible and intangible assets

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

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

Mitiefm Services Limited

Notes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020

2. ACCOUNTING POLICIES - continued

Impairment of tangible and intangible assets - continued

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating) unit in prior years. A reversal of an impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the statement of total comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Mitiefm Services Limited

Notes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020

2. ACCOUNTING POLICIES - continued

Taxation -continued

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

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

Leases

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the company has the right to direct the use of the identified asset throughout the period of use; and
- the company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use;

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

Measurement and recognition of leases as a lessee

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

Mitiefm Services Limited

Notes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020

2. ACCOUNTING POLICIES - continued

Leases - continued

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

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

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

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

Separation of lease components from non-lease components:

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

Initial direct costs:

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

Onerous lease provisions:

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

Mitiefm Services Limited

Notes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020

2. ACCOUNTING POLICIES - continued

Foreign currencies

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

Exceptional items

Exceptional items are those that the company consider to be non-recurring and significant in size or in nature. Exceptional items include: the costs of redundancy programmes and performance improvement plans.

Financial instruments

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

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

Cash at bank and in hand include cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All of the Company's cash flows from customers are solely payments of principal and interest, and do not contain a significant financing component. Financial assets generated from all of the Company's revenue streams are therefore initially measured at their transaction price and are subsequently remeasured at amortised cost. The Company recognises a loss allowance for expected credit losses ("ECLs") on all receivable balances from customers subsequently measured at amortised cost, using a lifetime credit loss approach. ECLs are calculated on the basis of historic and forward-looking data on default risk which is applied to customers with common risk characteristics such as sector type.

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

Mitiefm Services Limited

Notes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020

2. ACCOUNTING POLICIES - continued

Fixed asset investments

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

Pensions

For defined contribution scheme the amount charged to the statement of total comprehensive income in respect of pension costs and other post retirement benefits is the contribution payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of total comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using an appropriate rate that takes into account the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**3. TURNOVER**

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

An analysis of turnover by geographical market is given below:

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
United Kingdom	<u>43,066</u>	<u>44,355</u>
	<u>43,066</u>	<u>44,355</u>

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**4. EMPLOYEES AND DIRECTORS**

No directors are members of a defined benefit pension scheme (31/12/19: no directors).

During the period Messrs P Dickinson and S Kirkpatrick were remunerated for their services to the group by Mitie Limited. It is not considered practicable to allocate their remuneration between the companies of which they are directors.

	30/11/20	31/12/19
	£'000	£'000
Staff costs during the period (including directors):		
Wages and salaries	18,835	21,231
Social security costs	1,453	2,430
Other pension costs	8,493	9,867
	<u>28,781</u>	<u>33,528</u>

The average number of administrative employees during the period was 385 (31/12/19: 519 employees).

Directors' emoluments

	30/11/20	31/12/19
	£'000	£'000
Emoluments	1,202	1,336
Pension contributions	<u>112</u>	<u>111</u>
Emoluments	<u>1,314</u>	<u>1,447</u>
Highest paid director:	£'000	£'000
Emoluments	626	395
Pension contributions	<u>53</u>	<u>7</u>

No directors are members of a defined benefit pension scheme (31/12/19: no directors).

During the period Messrs P Dickinson and S Kirkpatrick were remunerated for their services to the group by Mitie Limited. It is not considered practicable to allocate their remuneration between the companies of which they are directors.

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**5. EXCEPTIONAL COSTS**

	30/11 /20 £'000	31/12 /19 £'000
Fit for growth costs	(160)	630
Restructuring costs	58	887
	<hr/>	<hr/>
(Credit)/expense	<u>(102)</u>	<u>1,517</u>

The Fit for Growth costs relate to Interserve's group wide performance improvement plan which is aimed at improving margin performance throughout the period.

The restructuring costs relate to both the relocation of staff to the new Interserve centralised office based in Birmingham and also IT, Finance and admin costs relating to the sale of the Industrial business.

The exceptional costs increased the tax charge to the statement of total comprehensive income by £19k (2019: £288k reduction in tax charge).

6. AMOUNTS WRITTEN OFF INVESTMENTS

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
Impairment of investments	<u>44,544</u>	<u>62,771</u>

The outcome of the annual test on the Company's Investments resulted in an Impairment of Mitie FS (UK) Limited holding value by £44,544k (2019: £62,771)

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
Other interest expense	19	26
Interest payable	6,374	12,431
Interest expense on leases	<u>565</u>	<u>902</u>
	<u>6,958</u>	<u>13,359</u>

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**8. LOSS BEFORE TAXATION**

	30/11/20	31/12/19
Operating Loss before taxation is stated after charging:	£'000	£'000
Amortisation of intangible assets	21	63
Depreciation of tangible assets	7,955	9,268
Hire of plant and equipment	51	24
Impairment of investments	44,544	62,771
Auditors remuneration - audit fee *	<u>-</u>	<u>-</u>

* Mitie FM Services Limited, bore the audit fee for its subsidiary companies and its immediate parent undertaking. The charge for Mitiefm Services Limited was £5,000 (31/12/19: £5,000).

9. TAXATION**Analysis of tax expense/(income)**

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
Current tax:		
Corporation Tax	-	(3,365)
Prior year Tax Adjustment	<u>3,297</u>	<u>3,591</u>
Total current tax	<u>3,297</u>	<u>226</u>
Deferred tax:		
Current Period	(380)	(169)
Prior Period Adjustment	<u>(35)</u>	<u>(119)</u>
Total deferred tax	<u>(415)</u>	<u>(288)</u>
Total tax expense/(income) in statement of total comprehensive income	<u>2,882</u>	<u>(62)</u>

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**9. TAXATION - continued****Factors affecting the tax expense**

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

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
Loss before income tax	<u>(55,621)</u>	<u>(82,014)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(10,568)	(15,583)
Effects of:		
Write down value of share investment	8,463	11,927
Expenditure not allowable for tax purposes	6	102
Reduction in statutory tax rate on deferred tax balances	(344)	20
Adjustment in respect of previous periods	3,262	3,472
Generation of unrecognised tax losses	<u>2,063</u>	<u>-</u>
Tax expense/ (income)	<u>2,882</u>	<u>(62)</u>

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. This change is no longer occurring and as a consequence a credit of £344k (2019: £Nil) has been included in the tax expense. The deferred tax asset at 30 November 2020 reflects this change.

10. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 January 2020	8,111
Disposals	(7)
Impairments	<u>(25)</u>
At 30 November 2020	<u>8,079</u>
AMORTISATION	
At 1 January 2020	8,058
Amortisation for period	<u>21</u>
At 30 November 2020	<u>8,079</u>
NET BOOK VALUE	
At 30 November 2020	<u>-</u>
At 31 December 2019	<u>53</u>

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**11. TANGIBLE FIXED ASSETS**

	Long leasehold £'000	Plant and machinery £'000	Fixtures and fittings £'000
COST			
At 1 January 2020	1,997	46	1,165
Additions	15	92	-
Disposals	(805)	(6)	(299)
At 30 November 2020	<u>1,207</u>	<u>132</u>	<u>866</u>
DEPRECIATION			
At 1 January 2020	1,996	25	921
Charge for period	1	9	108
Eliminated on disposal	(802)	(6)	(240)
At 30 November 2020	<u>1,195</u>	<u>28</u>	<u>789</u>
NET BOOK VALUE			
At 30 November 2020	<u>12</u>	<u>104</u>	<u>77</u>
At 31 December 2019	<u>1</u>	<u>21</u>	<u>244</u>
	Motor Vehicles £'000	Computer equipment £'000	Totals £'000
COST			
At 1 January 2020	25,032	5,191	33,431
Additions	1,483	55	1,645
Disposals	(6,670)	(152)	(7,932)
Transfer	<u>3,010</u>	<u>-</u>	<u>3,010</u>
At 30 November 2020	<u>22,855</u>	<u>5,094</u>	<u>30,154</u>
DEPRECIATION			
At 1 January 2020	8,635	5,170	16,747
Charge for period	7,807	30	7,955
Eliminated on disposal	(4,410)	(152)	(5,610)
Transfer	<u>1,314</u>	<u>-</u>	<u>1,314</u>
At 30 November 2020	<u>13,346</u>	<u>5,048</u>	<u>20,406</u>
NET BOOK VALUE			
At 30 November 2020	<u>9,509</u>	<u>46</u>	<u>9,748</u>
At 31 December 2019	<u>16,397</u>	<u>21</u>	<u>16,684</u>

Right of Use Assets

The NBV as at 30/11/20 for Right of Use assets included in tangible assets above is £9.906k (31/12/19: £16,441k).

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**12. INVESTMENTS**

	Shares in Group Undertakings £'000	Interest in joint venture £'000	Totals £'000
COST			
At 1 January 2020 and 30 November 2020	<u>313,659</u>	<u>51</u>	<u>313,710</u>
PROVISIONS			
At 1 January 2020	132,793	-	132,793
Provision for period	<u>44,544</u>	<u>-</u>	<u>44,544</u>
At 30 November 2020	<u>177,337</u>	<u>-</u>	<u>177,337</u>
NET BOOK VALUE			
At 30 November 2020	<u>136,322</u>	<u>51</u>	<u>136,373</u>
At 31 December 2019	<u>180,866</u>	<u>51</u>	<u>180,917</u>

Impairment of investments

The company tests annually for impairment against investments held.

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

The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following three years based on an estimated growth rate of 1.4% (2019: 2%). This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 11.3% (2019: 11.0%).

The value in use calculated by the Company using the cash flow forecasts and discount rates above was considerably less than the amount held which resulted in an impairment of its investment of £44,544k.

Sensitivity analysis was carried out on the value in use calculations. If the growth rate was reduced by 1% then the impairment increases by £2,527k and if the growth rate increased by 1% the impairment decreases £3,249k. If the discount rate increases by 1% then the impairment increases by £2,426k and if the discount rate reduced by 1% the impairment decreases by £2,899k.

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**12. INVESTMENTS - continued**

The company's subsidiary undertakings and other investments are:

Subsidiary undertakings	Country of incorporation/ registration and operation	Activity	Percentage of ordinary shares held
Mitie (Defence) Limited	England and Wales	Management and maintenance services	100%
Mitie FM Limited	England and Wales	Management and maintenance services	100%
Building & Property Trustees Limited	England and Wales	Dormant	100%
Mitie (Facilities Services) Limited	England and Wales	Dormant	100%
Mitie FS (UK) Limited	England and Wales	Contract cleaning and related services	100%
Axiam Limited*	England and Wales	Dormant	50%
Landmarc Solutions Limited*	England and Wales	Dormant	100%
Mitie (Facilities Services-Slough) Limited**	England and Wales	Management and maintenance services	100%
Mitie Catering Services Limited***	England and Wales	Catering services	100%
Mitie Integrated Services Limited***	England and Wales	Support services	100%
Knightsbridge Guarding Holdings Limited***	England and Wales	Holding company	100%
Mitie Project Services Limited***	England and Wales	Maintenance and facilities services	100%
Phoenix Fire Services Limited***	England and Wales	Fire suppression and detection systems	100%
MSS Facilities Management Limited***	England and Wales	Dormant	100%
Mitie Building Services (UK) Limited***	England and Wales	Dormant	100%

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**12. INVESTMENTS – continued**

Subsidiary undertakings	Country of incorporation/ registration and operation	Activity	Percentage of ordinary shares held
Mitie Hospital Services Limited***			
	England and Wales	Dormant	100%
Mitie Fire Services Limited***	England and Wales	Dormant	100%
Insitu Cleaning Company Limited***	England and Wales	Dormant	100%
Benchmark Carpet Care Limited***	England and Wales	Dormant	100%
Central Window Cleaning Company Limited***	England and Wales	Dormant	100%
Hi-Tech Cleaning Solutions Limited***	England and Wales	Dormant	100%
Phonotas Services Limited***	England and Wales	Dormant	100%
Retail Cleaning Services Limited***	England and Wales	Dormant	100%
St James Cleaning and Support Services Limited***	England and Wales	Dormant	100%
Lancaster Office Cleaning Company Limited***	England and Wales	Dormant	100%
KGL Business Services Limited***	England and Wales	Dormant	100%
Perception UK LLP***	England and Wales	Dormant	100%
		Manned guarding security services	
Mitie Security (Knightsbridge) Limited*****	England and Wales		100%
Lancaster Payroll Company Limited*****	England and Wales	Dormant	100%
Lancaster Employment Business Limited*****	England and Wales	Dormant	100%

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**12. INVESTMENTS – continued****Joint Ventures**

Landmarc Support Services Limited*	England and Wales	Management and maintenance services	49%
PriDE (SERP) Limited*	England and Wales	Management and maintenance services	50%
Landmarc Pension Scheme Trustees Limited*****	England and Wales	Corporate trustee of pension scheme	49%
Sussex and Estates Facilities LLP****	England and Wales	Facilities management services	35%

* Companies owned through Mitie (Defence) Limited

** Companies owned through Mitie (Facilities Services) Limited

*** Companies owned through Mitie FS (UK) Limited

**** Companies owned through Mitie (Facilities Management) Limited

***** Companies owned through Knightsbridge Guarding Holdings Limited

***** Companies owned through Landmarc Support Services Limited

***** Companies owned through Lancaster Office Cleaning Company Limited

All of the above subsidiary undertakings and joint ventures have the following registered office:

Registered office: Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG

Entity	Latest Year End	Total Comprehensive	
		Net Assets	Income
	£'000	£'000	£'000
Landmarc Support Services Limited	31 March 2019	5,328	2,287
PriDE (SERP) Limited	31 March 2019	27	1
Sussex Estates and Facilities LLP	31 July 2019	2,530	2,429

13. STOCKS

	30/11/20	31/12/19
	£'000	£'000
Stocks	<u>101</u>	<u>-</u>

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**14. DEBTORS**

	30/11/20 £'000	31/12/19 £'000
Amounts falling due within one year:		
Trade debtors	10,594	7,221
Amounts owed by group undertakings	85,237	80,673
Other debtors	520	665
Corporation tax	643	2,372
Prepayments and accrued income	<u>1,502</u>	<u>1,829</u>
	<u>98,496</u>	<u>92,760</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>3,303</u>	<u>2,888</u>
Aggregate amounts	<u>101,799</u>	<u>95,648</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand. Intra group trade balances are amounts arising from the company trading with other entities within the group.

Deferred Taxation

	01/01/2020 £'000	Recognised in income £'000	30/11/2020 £'000
Tangible Fixed Assets	2,651	447	3,098
Other Timing Differences	<u>237</u>	<u>(32)</u>	<u>205</u>
	<u>2,888</u>	<u>415</u>	<u>3,303</u>

	01/01/2019 £'000	Recognised in income £'000	31/12/2019 £'000
Tangible Fixed Assets	2,485	166	2,651
Other Timing Differences	<u>115</u>	<u>122</u>	<u>237</u>
	<u>2,600</u>	<u>288</u>	<u>2,888</u>

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. This change is no longer occurring and as a consequence a credit of £344k (2019: £Nil) has been included in the tax expense. The deferred tax asset at 30 November 2020 reflects this change.

The company has £60,021k of tax losses (2019: £30,415k) upon which no deferred tax has been recognised.

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30/11/20 £'000	31/12/19 £'000
Bank loans and overdrafts (see note 17)	-	62,869
Leases (see note 17)	6,047	8,090
Trade creditors	14,895	2,940
Amounts owed to group undertakings	448,205	69,482
Social security and other taxes	435	8,104
Other creditors	4,850	5,686
Accruals and deferred income	4,061	6,151
	<u>478,493</u>	<u>163,322</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand. Intra group trade balances are amounts arising from the company trading with other entities within the group.

The intercompany loan exists with Mitie Treasury Management Limited. Interest is payable at 5% and the loan is repayable on demand.

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

	30/11/20 £'000	31/12/19 £'000
Leases (see note 17)	4,214	8,679
Amounts owed to group undertakings	-	298,492
Other creditors	351	351
	<u>4,565</u>	<u>307,522</u>

17. FINANCIAL LIABILITIES - BORROWINGS

	30/11/20 £'000	31/12/19 £'000
Current:		
Bank overdrafts	-	62,869
Leases (see note 18)	6,047	8,090
	<u>6,047</u>	<u>70,959</u>
Non-current:		
Leases (see note 18)	4,214	8,679

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**17. FINANCIAL LIABILITIES - BORROWINGS - continued**

Terms and debt repayment schedule

	1 year or less £'000	2-5 years £'000	Totals £'000
Leases	<u>6,047</u>	<u>4,214</u>	<u>10,261</u>

Bank facilities have been presented net where an offset arrangement is in place. Interest is charged on the bank overdrafts at LIBOR plus 2% up to 30 November 2017 and LIBOR plus 5.5% from 1 December 2017.

18. LEASING

Right of use assets	Plant & machinery	Motor vehicles	Fixtures & fittings	Total
	£'000	£'000	£'000	£'000
COST				
As at 1 January 2020	25	25,032	37	25,094
Additions	2	1,483	-	1,485
Disposals	-	(6,310)	-	(6,310)
Transfer	-	<u>3,010</u>	-	<u>3,010</u>
As at 30/11/20	<u>27</u>	<u>23,215</u>	<u>37</u>	<u>23,279</u>
DEPRECIATION				
As at 1 January 2020	7	8,635	10	8,652
Charge for period	1	7,807	9	7,817
Elimination on disposal	-	(4,410)	-	(4,410)
Transfer	-	<u>1,314</u>	-	<u>1,314</u>
As at 31 December 30/11/20	<u>8</u>	<u>13,346</u>	<u>19</u>	<u>13,373</u>
NET BOOK VALUE				
As at 30/11/20	<u>19</u>	<u>9,869</u>	<u>18</u>	<u>9,906</u>
As at 31/12/19	<u>18</u>	<u>16,397</u>	<u>27</u>	<u>6,442</u>

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**18. LEASING - continued****Lease liabilities**

	30/11/20
Minimum lease payments fall due as follows:	
	£'000
Within one year	6,397
Between one and five years	4,328
After five years	<u>44</u>
Total minimum lease payments	10,769
Future finance charges	<u>(508)</u>
Present value of lease liabilities	<u><u>10,261</u></u>

19. PROVISIONS FOR LIABILITIES

	Restructuring Provision	Insurance Provision	Other Provision	Total Provision
	£'000	£'000	£'000	£'000
As at 1 January 2020	194	-	200	394
Utilised during the period	(194)	-	-	(194)
Charge to the income statement for the period	<u>-</u>	<u>2,400</u>	<u>351</u>	<u>2,751</u>
As at 30/11/20	<u><u>-</u></u>	<u><u>2,400</u></u>	<u><u>551</u></u>	<u><u>2,951</u></u>

The restructuring provision relates to Interserve's group wide performance improvement plan, Fit for Growth, aimed at improving margin performance to industry norms which were outstanding at 31 December 2019.

The other provision consists of two provisions. The first is a provision 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. The second relates to a provision for rebates receivable which potentially may not be claimable.

Mitiefm Services LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**20. CALLED UP SHARE CAPITAL**

	30/11/20	31/12/19
Authorised		
100 Deferred shares of £1 each	100	100
6,200 Ordinary shares of US\$0.01 each	62	62
15,000,000 Redeemable ordinary shares of £1 each	15,000,000	15,000,000
 Allotted, called up and fully paid		
2 Deferred shares of £1 each	2	2
6,158 Ordinary shares of US\$0.01 each	62	62
15,000,000 Redeemable ordinary shares of £1 each	15,000,000	15,000,000

The redeemable ordinary shares of £1 each rank pari passu with the ordinary shares and are repayable by the company on demand, at par.

Deferred shares

Deferred shareholders are not entitled to attend and vote at any general meeting.

The deferred shares can be repurchased at any time for an aggregate consideration of 0.001p.

The shareholders of the deferred shares 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 earnings are the profits since inception generated by a company that are not distributed as dividends to the shareholders.

Mitiefm Services Limited

Notes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020

21. CONTINGENT LIABILITIES

Cyber incident

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

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

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

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

Contractual disputes

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

Employment claims

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

Financial commitments

The Company has provided financial and performance guarantees, issued by financial institutions on its behalf, amounting to £nil as at 30 November 2020. At 31 December 2019, the Company gave guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings amounting to £319,188k.

Mitiefm Services Limited

Notes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020

22. RELATED PARTY DISCLOSURES

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

23. ULTIMATE CONTROLLING PARTY

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