

Mitie Security Limited

Annual Report and Financial Statements

Registered number 01013210

31 March 2020



Contents

Company information	1
Strategic report	2
Directors' report	7
Statement of Directors' responsibilities in respect of the annual report and financial statements	9
Independent auditor's report to the members of Mitie Security Limited	10
Profit and loss account	12
Balance sheet	13
Statement of changes in equity	14
Notes	15

Company information

Directors

P J G Dickinson
J Towse

Secretary

Mitie Company Secretarial Services Limited

Registered office

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

Auditor

BDO UK LLP
Statutory Auditor
Two Snowhill
Birmingham
B4 6GA

Strategic report

Mitie Security Limited (the "Company") is part of the Mitie group of companies (the "Group"), the ultimate parent company being Mitie Group plc.

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

Review of the business

The principal activity of the Company continued to be to act as a provider of a mix of security services to keep people, buildings and assets safe. There have not been any significant changes in the Company's principal activities in the year under review.

On 31 March 2020, the Company acquired the trade and net assets of Vision Security Group Limited, a fellow Mitie Group Company.

As shown in the Company's profit and loss account on page 12, the Company's turnover was £377,132,000 (2019: £355,071,000) and the profit after tax was £10,979,000 (2019: £25,928,000).

Key performance indicators

The Group manages its operations on a divisional basis. For this reason, the Company's Directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the Mitie Group plc annual report and accounts for the year ended 31 March 2020 which does not form part of this report.

Principal risks and uncertainties

The Company is part of the Mitie Group and manages its risks within the Mitie Group Risk Framework. Details of the principal risks and uncertainties are given in the Mitie Group plc annual report and accounts for the year ended 31 March 2020. The Directors have reviewed the financial risk management objectives and policies of the Company in light of the Group Risk Framework. The Directors do not believe there to be any significant risks other than those detailed below.

Key risks include:

Strategic Risks

COVID-19

The COVID-19 pandemic has already 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 once the UK lockdown starts to ease and business activity returns to more normal levels. To manage the risk, crisis management and business continuity plans have been initiated, government support schemes are being utilised and working groups have been established at the Mitie Group level to monitor ongoing impacts and to direct actions.

Strategic report *(continued)*

Strategic Risks *(continued)*

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. As the Company's client base is within the UK, we are particularly exposed to uncertainties in the ongoing negotiations for the UK to leave the European Union. This may result in changes to the regulatory framework as well as, for example, restrictions in the supply of materials. In particular, new rules around immigration and rules around non-UK nationals working in the UK may adversely impact the supply of labour for our business.

The impact of the Brexit negotiations 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.

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

- i) a dedicated Chief Government and Strategy Officer and team;
- ii) dedicated account managers to focus on growing integrated strategic accounts;
- iii) a drive for greater customer retention and higher Net Promoter Scores through improvements in customer service; and
- iv) regular reviews of sales opportunities by all business sales leaders.

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

Financial Risks

Reliance on material counterparties

The Company depends on significant counterparties, including clients, suppliers, banks and insurers, to maintain its business. The failure of a key business partner could affect the business. This risk is mitigated by limiting the dependency on any one partner.

Operational Risks

Significant health, safety or environmental incidents

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

System, process or control failure

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

Attracting and retaining skilled people

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

Financial risk management

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

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

Strategic report (continued)

Section 172 statement

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

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

Stakeholders

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

Stakeholder	Engagement activity	Areas of interest identified
Customers	- Management of customer relationships by divisional leadership - Net Promoter Score programme	- Customer satisfaction - Governance and transparency - Social value
Shareholder	- Regular senior leadership meetings	- Financial performance - People and culture
Communities and the environment	- The Mitie Foundation - Local community events - Employee volunteering	- Social Value - Reduction in carbon emissions
Employees ¹	- Upload engagement survey - Townhall meetings and Team Talk Live - Back to Floor sessions	- Reward and recognition - Remuneration and benefits - Career opportunities and development
Suppliers	- Supplier conferences and workshops - Global supplier portal	- Responsible procurement - Prompt payment code

Note:

1. The Company's workforce is employed through another Group company.

Consequences of any decision in the long term

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

Example: During the year the Board decided to consolidate Mitie's Security and Cleaning divisions under a single 'Business Services' management team. The Directors, through Mitie's governance framework, were a part of this decision-making process which balanced matters such as the opportunities to work more efficiently for clients, the challenges and benefits of moving to shared operating platforms and the impact of the consolidation on employees.

Strategic report (continued)

Section 172 statement (continued)

Having regard to the interests of employees

Mitie has a number of mechanisms to engage with employees and the Directors are committed to ensuring that the results are considered in decision making. Two examples of how Directors engage with employees are Mitie's annual Upload survey, the annual benchmark of employee engagement measurement, and the work carried out by Jennifer Duvalier, a member of Mitie's Board, as designated non-executive director for the workforce. Jennifer provides the Board with an update on her activities undertaken in respect of this role at every Mitie Board meeting which is then cascaded to senior managers and Directors in the Group.

Example: In the first half of 2019/20, Mitie joined the Living Wage Foundation as a Recognised Service Provider. Mitie is committed to raising the pay of its people, and now provides a Real Living Wage bid to clients. All staff directly employed in Mitie locations are paid at least the Living Wage.

Example: In response to the Upload results, the Directors were part of the decision to roll out several new reward and recognition initiatives and now has a Celebration Hub where all colleagues can go to recognise and celebrate each other's achievements in a variety of ways.

Fostering business relationships with suppliers, customers and others

Suppliers

The Directors aim to ensure the Company's suppliers adhere to Mitie's supplier code of conduct and selects a supply chain according to how Mitie can best support SME's and local enterprises.

Mitie recently launched a new vendor on-boarding platform which reduces the risk of engaging with non-compliant suppliers and makes it easier to communicate with existing suppliers. With suppliers in mind, the new system makes on-boarding easy and straight forward and provides the Directors the peace of mind that suppliers will be compliant, safe and meet the needs of customers. Further, the portal is fully integrated with SAP, which means suppliers are able to check invoice status.

Customers

Customers are at the heart of the business and therefore the Directors consider that getting closer to customers and thus becoming more responsive to their needs, is important. To support this, Mitie implemented the Net Promoter Score ("NPS") in 2018 which is carried out annually and uses direct customer feedback to inform a company's activity.

The NPS score for the Company has increased year on year demonstrating the focus on customer service is having the right impact.

Example: The interests of customers were considered when discussing the divisional restructure, including the ability to sell bundled services more efficiently to customers.

Impact of operations on the community and the environment

The Directors are supportive of Mitie's initiatives to improve the impact of operations of the Company on the community and the environment.

Example: The Directors have been involved in Mitie's Plan Zero commitment, pledging that the company will reach net zero carbon emissions by 2025. This will involve the removal of all single-use materials from its business by embracing the circular economy through initiatives such as closed-loop paper recycling and only using natural, non-toxic and biodegradable cleaning products.

Example: Several contracts within the Company are committed to the Mitie Foundation's Ready2Work initiative, an eight week, on-the-job work experience programme that gives selected candidates the chance to work within a Mitie business, with one of our clients or a partner organisation, with the ultimate goal of helping them secure full time employment. The Company now has several candidates working on those contracts.

Strategic report *(continued)*

Section 172 statement *(continued)*

Maintaining a high standard of business conduct

Ethical business practice

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

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

Good governance

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

Details of how Mitie complies with the UK Corporate Governance Code can be found in the Mitie Group plc annual report and accounts 2020.

The need to act fairly as between members of the company

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

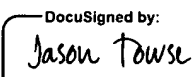
Future developments

Despite the COVID-19 pandemic the Directors still expect the forthcoming years performance to be strong, although the level of uncertainty in forecasts have increased compared to previous years. The company's underlying strategy remains unchanged with a focus on growing the core guarding business through our key sectors, being Retail, Government related contracts and the Defence sector, although we have a sharp focus supporting the government and our clients' needs during the COVID-19 crisis and beyond, including supporting the mobilisation and running of many of the COVID-19 Testing centres across the UK. The Directors also continue to focus on growing our Technology business whose contactless services are key in a post COVID-19 world.

Post balance sheet events

Subsequent events have been disclosed in Note 24.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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J Towse
Director

25 November 2020

Directors' report

The Directors present the Annual report and audited financial statements of Mitie Security Limited for the year ended 31 March 2020.

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

Going concern

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

COVID-19 and current trading

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

The COVID-19 pandemic has had limited impact on the performance for the year ended 31 March 2020, however it has continued to impact the business through the start of FY20/21. The demand for security services remain strong and we continue to support our clients in delivering critical services across the UK. The company has been successful in being awarded and mobilising COVID-19 Testing centres which has mitigated any downside from furlough or office closures. We expect our performance to be in line with last year or better at this stage, however the level of uncertainty in forecasts remain high.

Directors

The Directors who held office during the year were:

P J G Dickinson

J Towse

Directors' indemnity

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

Dividends

No dividend was declared or paid in the year (2019: £39,354,000).

	2020	2019
	£	£
Ordinary (per share)	-	2,071.32

Directors' report *(continued)*

Environment

The Group endeavours to identify, monitor and manage the impact of their activities on the environment and is fully committed to environmental accountability and protection. The Company operates in accordance with Group policies which are described in the Group's annual and sustainability reports which do not form part of this report.

Political contributions

The Company made no political donations nor incurred any political expenditure during the year (2019: £nil).

Disclosure of information to auditor

Each Director who is the Director of the Company at the date of approval of these financial statements confirms that:

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

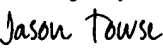
Other information

An indication of likely future developments in the business, discussion of financial risk management, and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on pages 2 to 6.

Auditor

Pursuant to Section 487 of the Companies Act 2006, BDO UK LLP have been reappointed as the auditor.

By order of the Board

DocuSigned by:

D7097651796243B...
J Towse
Director

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

25 November 2020

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

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Mitie Security Limited

Opinion

We have audited the financial statements of Mitie Security Limited for the year ended 31 March 2020 which comprise the Profit and Loss Account, the Balance Sheet and the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework*.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors' 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.

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

Independent auditor's report to the members of Mitie Security Limited *(continued)*

Matters on which we are required to report by exception

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 and Directors' report.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Jonathan Gilpin (Senior Statutory Auditor)
for and on behalf of BDO UK LLP, Statutory Auditor
Two Snowhill
Birmingham, B4 6GA

25 November 2020

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

Profit and loss account

	Note	2020 £000	2019 ¹ £000
Turnover	2	377,132	355,071
Cost of sales		(341,330)	(316,836)
Gross profit		35,802	38,235
Administrative expenses		(23,159)	(17,784)
Operating profit	3	12,643	20,451
Dividends from shares in Group undertakings		-	6,982
Interest receivable and similar income	6	263	1,088
Interest payable and similar expenses	7	(313)	(198)
Profit before tax		12,593	28,323
Tax	8	(1,614)	(2,395)
Profit for the year		10,979	25,928

Note:

1. The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.

The notes on pages 15 to 41 form an integral part of the financial statements.

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

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

Balance sheet

	Note	2020 £000	2019 ¹ £000
Non-current assets			
Goodwill	9	3,004	3,004
Tangible fixed assets ²	10	3,545	549
Investments in subsidiaries	11	4,189	4,189
Deferred tax asset	16	1,201	402
Total non-current assets		11,939	8,144
Current assets			
Inventories	12	501	14
Debtors	13	116,632	78,774
Cash at bank and in hand		30,658	41,394
Total current assets		147,791	120,182
Current liabilities			
Creditors	14	(133,742)	(116,162)
Deferred income	15	(3,721)	(4,010)
Lease liabilities ³	17, 20	(523)	-
Provisions	18	(1,288)	(969)
Total current liabilities		(139,274)	(121,141)
Net current assets/(liabilities)		8,517	(959)
Non-current liabilities			
Lease liabilities ³	17, 20	(2,079)	-
Deferred income	15	(55)	(130)
Total non-current liabilities		(2,134)	(130)
Net assets		18,322	7,055
Capital and reserves			
Called up share capital	19	19	19
Share premium account	19	1	1
Profit and loss account	19	18,302	7,035
Shareholders' funds		18,322	7,055

Note:

- The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
- Tangible fixed assets at 31 March 2020 includes £2,472,000 of additional right-of-use assets recognised under IFRS 16. See Note 20.
- Lease liabilities at 31 March 2020 include £523,000 of additional current lease liabilities and £2,079,000 of additional non-current lease liabilities recognised under IFRS 16. See Notes 17 and 20.

The notes on pages 15 to 41 form an integral part of the financial statements.

The financial statements of Mitie Security Limited, company number 01013210, were approved by the Board of Directors and authorised for issue on 25 November 2020 and were signed on its behalf by:

DocuSigned by:

Jason Towse

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J TOWSE
Director

Statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity ¹ £000
Adjusted balance at 1 April 2018	19	1	20,187	20,207
Profit for the year	-	-	25,928	25,928
Total comprehensive income	-	-	25,928	25,928
Share-based payments	-	-	249	249
Tax on share-based payments	-	-	25	25
Dividends paid	-	-	(39,354)	(39,354)
At 31 March 2019	19	1	7,035	7,055
At 1 April 2019	19	1	7,035	7,055
Profit for the year	-	-	10,979	10,979
Total comprehensive income	-	-	10,979	10,979
Share-based payments	-	-	316	316
Tax on share-based payments	-	-	(30)	(30)
Other movements	-	-	2	2
At 31 March 2020	19	1	18,302	18,322

Note:

1. The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option which has resulted in no impact on the Company's opening equity. Under this option, the comparative information is not restated. See Note 1.

The notes on pages 15 to 41 form an integral part of the financial statements.

Notes

1 Accounting policies, judgements and estimates

a) General information

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

The Company is exempt, by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The Company's ultimate parent undertaking, Mitie Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Mitie Group plc, which are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from www.mitie.com.

b) Statement of compliance with FRS 101

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

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

c) Basis of preparation

Going concern

The financial statements have been prepared on a going concern basis. The Company participates in the Group's centralised treasury arrangements and shares banking arrangements with Mitie Group plc, its ultimate parent, and with fellow subsidiaries. The Directors have received a letter of support from the directors of Mitie Group plc to confirm provision of adequate financial resources to the Company for a period of not less than twelve months from the date of approval of the Company's statutory financial statements for the year ended 31 March 2020 to ensure that the Company can meet its liabilities as they fall due.

Going concern assessments have been performed for two scenarios: (1) Mitie Group plc and its subsidiaries (the "Group") on a standalone basis; and (2) assuming that the acquisition of Interservefm (Holdings) Limited ("Interserve Facilities Management") by Mitie Group plc (together the "Enlarged Group"), which obtained shareholder approval at a General Meeting convened on 23 November 2020, is completed before 31 March 2021. The forecasts prepared for the Group's going concern assessment are also used as part of the Enlarged Group's going concern assessment, and therefore the assumptions applied for the purposes of these two assessments are consistent.

As part of the going concern assessments, the directors of Mitie Group plc have considered modelling through to March 2022 performed using a number of different scenarios, including a base case, a Reasonable Worst Case ("RWC") downside scenario and reverse stress tests, all in the context of the COVID-19 pandemic.

The forecasts for Interserve Facilities Management, included in the forecasts for the Enlarged Group, have been subject to reviews by the directors of Mitie Group plc and external professional advisors, and, where possible, have been reviewed against actual results to assess the accuracy of forecasts. These reviews resulted in some adjustments to the forecasts for Interserve Facilities Management that were included in the forecasts for the Enlarged Group, including the base case. The directors of Mitie Group plc also considered the nature of contingent liabilities relating to Interserve Facilities Management, and the nature of the warranties and escrow arrangements in place, particularly in relation to the cyber incident.

The COVID-19 pandemic is having an impact on the Group's and Enlarged Group's business. In some instances, this has led to an increase in demand for services from areas such as supermarkets, online retailers and COVID-19 NHS Nightingale hospitals. Conversely, discretionary variable works and engineering projects have seen a significant slowdown, and many offices and retail outlets have been closed during lockdown, impacting revenues.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

c) Basis of preparation (continued)

Going concern (continued)

In undertaking the going concern assessments for both the Group and the Enlarged Group, the directors of Mitie Group plc have considered the RWC downside scenario, which takes into account the potential impact of COVID-19. The RWC downside scenario assumes that the second COVID-19 lockdown announced by the Government on 31 October 2020 ultimately results in a three month lockdown, with an impact more severe than the first COVID-19 lockdown resulting in revenue for the Group and the Enlarged Group being approximately 10% lower than that recognised in the first COVID-19 lockdown. As a result of the restrictions to date and those assumed to occur over the following months, the revenue for the Group and the Enlarged Group is assumed to decline by approximately 20% in the year to 31 March 2021, with variable works and projects being most significantly impacted. Revenue for the Group and the Enlarged Group in the year to 31 March 2022 is expected to remain approximately 10% below revenue for the year to 31 March 2020. In addition, the RWC downside scenario assumes that working capital, inclusive of bad debts, excluding the HMRC "Time to Pay" deferral, comes under pressure in the year to 31 March 2021, resulting in a net negative cash flow impact of approximately £115m in Mitie and approximately £20m in Interserve Facilities Management. It is assumed that this dynamic slowly reverses to normalised levels from April 2021 and into the year to 31 March 2022.

The RWC downside scenario also factors in the actions that are within the Group's and the Enlarged Group's control that would be taken in response to the revenue reduction, to mitigate the profit and cash flow impacts, including reducing the labour force to reflect revenue reduction, cost saving initiatives to reduce overheads, deferral of non-essential costs and uncommitted capital expenditure, pay reductions for the Board and many employees for a period of time, and the deferral of tax payments.

The Group's and Enlarged Group's principal debt financing arrangements are, and will be, a £250m revolving credit facility, which expires on 16 December 2022, and £151.5m of US private placement notes (being the repayment amount based on the original dollar exchange rates when issued), 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. Bank consent, required in respect of the acquisition of Interserve Facilities Management, has already been received and Mitie currently operates within the terms of its agreements with its lenders.

If the Group's or the Enlarged Group's results were to be in line with the base case or the RWC downside scenario, it would not be in breach of its financial covenants for a period of no less than 12 months from the date of approval of the Company's audited financial statements for the year ended 31 March 2020.

The directors of Mitie Group plc have also completed reverse stress tests on the base case scenario, but for the Enlarged Group only. This is on the basis that they already consider the RWC downside to be a remote scenario for both the Group and the Enlarged Group, and that it is likely that the acquisition of Interserve Facilities Management will complete before 31 March 2021.

The reverse stress tests for the Enlarged Group assessed the point at which the covenants, or facility headroom, would be breached, based on sensitivities to the financial measures listed below. The financial measures considered have been chosen after giving consideration to the Principal risks and uncertainties detailed in Mitie's annual report and accounts for the year ended 31 March 2020 and considered in the Viability Statement in the same annual report. In particular, the primary financial risks related to COVID-19 are expected to impact the Enlarged Group in the following ways:

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

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

c) Basis of preparation (continued)

Going concern (continued)

As a result of completing this assessment, the directors of Mitie Group plc considered the likelihood of the reverse stress scenarios arising to be remote. In all reverse stress scenarios, the point at which the covenants were breached was beyond that already considered in the RWC, which is itself considered a remote scenario. In reaching the conclusion of remote, the directors of Mitie Group plc considered the following:

- current trading is performing above the base case;
- the reverse stress test scenario would require a decline in revenue for the Enlarged Group of over 30% in the second half of the year to 31 March 2021 against the base case. In the year to 31 March 2022 the required revenue decline for the Enlarged Group would have to exceed 25% compared to the base case. These scenarios are considered to be remote given the high proportion of public sector and 'fixed billing' revenue;
- the RWC downside scenario for both the Group and the Enlarged Group assumes that the impact from the second COVID-19 lockdown would be more severe than the first, resulting in revenues being an additional 10% lower than experienced in the first COVID-19 lockdown, despite the Government's need to ensure national economic activity is supported through any future restrictions. Also, in that scenario it would be expected to see increased opportunities from COVID-19 testing and vaccinations, meaning that the implied revenue decline in other areas of the business is even greater than the overall additional 10% assumed in the RWC downside scenario; and
- in the event that results started to trend significantly below the base case, 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, temporary pay cuts and reduced investments in discretionary areas of spend.

Each of the reverse stress test scenarios would result in a breach of covenants, rather than a breach of liquidity headroom.

Based on these assessments, the directors of Mitie Group plc have a reasonable expectation that the Group and the Enlarged Group have adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of the condensed consolidated financial statements for the six months ended 30 September 2020 on 18 November 2020. In addition, in respect of material uncertainty, the directors consider that this is remote. The directors of Mitie Group plc note that in making an assessment over the remoteness of the COVID-19 assumptions, significant judgement has been applied.

Based on this assessment, and their enquiries of the directors of Mitie Group plc, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of the Company's audited financial statements for the year ended 31 March 2020. Accordingly, the financial statements have been prepared on a going concern basis.

FRS 101 exemptions

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

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- the statement of compliance with Adopted IFRSs;
- certain disclosures required by IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15");
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosure in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

c) Basis of preparation (continued)

FRS 101 exemptions (continued)

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

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

Accounting standards that are newly effective in the current year

With the exception of IFRS 16 which is discussed below, there are no new and mandatorily effective standards in the year that would have a material impact on the financial statements.

Adoption of IFRS 16

The Company adopted IFRS 16 with a date of initial application of 1 April 2019 using the modified retrospective approach whereby the right-of-use asset on transition equalled the lease liability, before the reclassification and adjustment of associated balance sheet items. The comparative information for the year ended 31 March 2019 has not been restated and continues to be reported under IAS 17.

The Company applied the following practical expedients available on transition to IFRS 16, to leases previously classified as operating leases:

- grandfathered the definition of a lease on transition and applied IFRS 16 only to those contracts that were previously identified as containing a lease. Contracts previously identified as not containing leases under IAS 17 and IFRIC 4 were not reassessed;
- relied on the Company's previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review;
- not to recognise right-of-use assets and liabilities for leases of low value or for which the lease term ends within 12 months of the date of initial application, on a lease-by-lease basis;
- a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term in a similar class of underlying asset); and
- the use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

IFRS 16 eliminates the classification of leases as either operating or finance leases as required by IAS 17 and introduces a single accounting model. The Company changed its accounting policies and updated its internal processes and controls relating to leasing. The new definition of a lease has been applied to contracts entered into from 1 April 2019.

Lease accounting policy

The Company has various lease arrangements for properties. At inception of a lease contract, the Company assesses whether the contract conveys the right to control the use of an identified asset for a certain period of time and whether it obtains substantially all the economic benefits from the use of that asset, in exchange for consideration. The Company recognises a lease liability and a corresponding right-of-use asset with respect to all lease arrangements in which it is a lessee.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

c) Basis of preparation (continued)

Lease accounting policy (continued)

A right-of-use asset is capitalised on the balance sheet at cost which comprises the present value of future lease payments determined at the inception of the lease adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred in addition to an estimate of costs to remove or restore the underlying asset. Where a lease incentive is receivable, the amount is offset against the right-of-use asset at inception. Right-of-use assets are depreciated using the straight-line method over the shorter of estimated life of the asset or the lease term and are reviewed for impairment to account for any loss when events or changes in circumstances indicate the carrying value may not be fully recoverable. Right-of-use assets exclude low-value leases and short-term leases of 12 months or less, costs for which are recognised as an operating expense within the profit and loss account as they are incurred.

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

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

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

Impact on transition

The impact on the Company's opening balance sheet at 1 April 2019 as a result of the adoption of IFRS 16 was as follows:

	£000
Net assets at 31 March 2019	7,055
Reclassification of rental prepayments	(200)
Right-of-use assets recognised ¹	2,721
Reclassification of accruals	300
Lease liabilities recognised	(2,817)
Adjustment to dilapidations provision as a result of adopting the Company's incremental borrowing rate	(4)
Net assets at 1 April 2019	7,055

Note:

- The right-of-use assets recognised are included within tangible fixed assets. The amounts stated above exclude the finance leases already capitalised at the date of transition to IFRS 16.

The following is a reconciliation of operating lease commitments at 31 March 2019 to lease liabilities recognised at 1 April 2019:

	£000
Operating lease commitments at 31 March 2019	562
Discount using the incremental borrowing rate at 1 April 2019	(28)
Discounted operating lease commitments	534
Reclassification of accruals	300
Reassessment of lease terms including extension and termination options reasonably certain to be exercised	1,983
Lease liabilities recognised at 1 April 2019	2,817

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

c) Basis of preparation (continued)

Measurement convention

The financial statements are prepared on the historical cost basis.

d) Significant accounting policies

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

Revenue recognition policy

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

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

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

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

Duration of contract

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

Contract modifications

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

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

Contract modifications are accounted for as a separate contract if the contract scope changes due to the addition of distinct goods or services and the change in contract price reflects the standalone selling price of the distinct goods or services. If the price of additional distinct goods or services is not commensurate with the standalone selling prices for those goods or services, then this is considered a termination of the original contract and the creation of a new contract which is accounted for prospectively from the date of modification. Where new goods or services are not distinct from those in the original contract, then these are considered to form part of the original contract with any update to pricing recognised as a cumulative catch up to revenue. The facts and circumstances of any modification are considered in isolation as these are specific to each contract and may result in different accounting outcomes.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Step 2 - Identify the performance obligations in the contract

Performance obligations are the contractual promises by the Company to transfer distinct goods or services to a customer. For arrangements with multiple components to be delivered to customers, judgement is applied to consider whether those promised goods or services are:

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

Step 3 - Determine the transaction price

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

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

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

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

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

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

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

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

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

Repeat service-based contracts (single and bundled contracts)

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

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Short-term service-based arrangements

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

Other revenue

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

Contract costs

The Company incurs pre-contract expenses (e.g. legal costs) when it is expected to enter into a new contract. The incremental costs to obtain a contract with a customer are recognised within contract assets if it is expected that those costs will be recoverable. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period.

Contract fulfilment costs

Costs incurred to ensure that the project or programme has appropriate organisational, operational and technical infrastructures, and mechanisms in place to enable the delivery of full services under the contract target operating model, are defined as contract fulfilment costs. Only costs which meet all three of the criteria below are included within contract assets on the balance sheet:

- i. the costs directly relate to the contract (e.g. direct labour, materials, sub-contractors);
- ii. the Company is building an asset that that will subsequently be used to deliver contract outcomes; and
- iii. the costs are expected to be recoverable i.e. the contract is expected to be profitable after amortising the capitalised costs.

Contract fulfilment costs covered within the scope of another accounting standard, such as inventories, intangible assets, or tangible fixed assets are not capitalised as contract fulfilment assets but are treated in accordance with the other standard.

Amortisation and impairment of contract assets

The Company amortises contract assets (pre-contract costs and contract fulfilment costs) on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer. The expense is recognised in the profit and loss account in the period.

A capitalised pre-contract cost or contract fulfilment cost is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use.

Management is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. In determining the estimated amount of consideration, management uses the same principles as it does to determine the contract transaction price which includes estimates around variable consideration. An impairment is recognised immediately where such losses are forecast.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Accrued income and deferred income

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

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

Certain arrangements with customers include a contractual obligation to make redundancies for which the Company is reimbursed for the costs incurred. Revenue is not recognised on these transactions. Instead, the Company expenses all redundancy costs in the period they are incurred and any reimbursement credit is matched against the associated cost included in the profit and loss account up to the value of the redundancy cost incurred. Any cash payments received from the customer in excess of the reimbursement cost of redundancy are deferred over the contract term and unwound in line with the other services being delivered.

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

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

Finance costs

Finance costs consist of interest and other costs that are incurred in connection with the borrowing of funds. Finance costs are recognised in the profit and loss account in the period in which they are incurred, with the finance charges relating to the direct cost of debt issue spread over the period to redemption using the effective interest method.

Foreign currency

The financial statements are prepared in the functional currency applicable to the business. Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Non-monetary items that are measured in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed for impairment at least annually. Any impairment is recognised immediately in the profit and loss account for the period and is not subsequently reversed.

Other Intangible assets

Other intangible assets identified in a business acquisition are capitalised at fair value as at the date of acquisition.

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

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

Investments in subsidiaries

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

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Tangible fixed assets

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

Leasehold improvements	period of the lease
Plant and vehicles	2-10 years

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

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

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

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

Inventories

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

Financial instruments

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 (e.g. government or non-government).

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Financial instruments (continued)

The Company uses a non-recourse customer invoice discounting facility ('CID' facility) under which certain trade receivable balances are sold to the Company's relationship banks. The arrangement with the banks is such that the customers remit cash directly to the Company and the Company transfers the collected amounts to the banks. The trade receivables are sold without recourse to the Company, and therefore the trade receivable balance is derecognised.

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

Included within the Company's trade creditors balance are amounts relating to payments due to UK suppliers who make use of bank provided supply chain finance arrangements to allow supplier early payment. Amounts are settled in accordance with each suppliers' normal payments terms and payments continue to be classified within cash generated by operations. The Company does not receive any additional guarantees and does not pay any interest in relation to these amounts.

Intra-group financial instruments

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Dividends

Dividends are recognised when they become legally receivable. This is when approved by the shareholders of the Company.

Share-based payments

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

Save As You Earn ("SAYE") options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

e) Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the Company's accounting policies

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

Revenue recognition

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

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

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

Recoverability of trade debtors and accrued income

The Company has material amounts of billed and unbilled work outstanding at 31 March 2020. Debtors are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any allowance for impairment, to ensure that amounts recognised represent the recoverable amount. The Company recognises a loss allowance for ECLs on all receivable balances from customers using a lifetime credit loss approach and includes specific allowance for impairment where there is evidence that the Company will not be able to collect amounts due from customers, subsequent to initial recognition. Management applies judgement on specific allowances for impairment based on the information available at each reporting date which includes an assessment of current disputes with customers over commercial positions, and where information suggests customers are facing significant financial difficulties. The judgement on specific allowance for impairments on receivables as at 31 March 2020 has included an assessment of COVID-19 impacts.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

e) Critical accounting judgements and key sources of estimation uncertainty (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. This assessment takes into consideration Group solvency and access to Group funding by the debtor. The Directors consider the full amount owed to be recoverable under IFRS 9.

Adoption of IFRS 16

Lease liabilities are measured at amortised cost using the effective interest rate method. The key judgement applied by management in the adoption of IFRS 16 at 1 April 2019 related to the assessment of the incremental borrowing rate (IBR) used to discount future lease rentals to present value. The IBR has been considered on a lease by lease basis and the weighted average rate applied by the Company at transition was 3.5%.

Key sources of estimation uncertainty

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

Provisions and contingent assets and liabilities

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

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities judgement is applied and re-evaluated at each reporting date. The Company recognised provisions at 31 March 2020 of £1,288,000 (2019: £969,000). Further details are included in Note 18.

Deferred tax assets

The Company has recognised deferred tax assets of £1,201,000 (2019: £402,000), refer to Note 16. The Directors have assessed recovery of these assets with reference to the Company's medium-term forecasts. Recovery of these assets is subject to the Company generating taxable profits in future years.

Impairment of goodwill

In assessing the key sources of estimation uncertainty, the Directors no longer consider impairment of goodwill as a key source of estimation. The Directors do not consider that any reasonably foreseeable change in this source of estimation would have a material impact on the Company's financial statements.

Notes (continued)

2 Turnover

The Company derives all of its turnover from the provision of services to customers based in the UK and other EU countries.

	2020 £000	2019 £000
By geographical market:		
United Kingdom	376,867	354,904
European Union	265	167
	<u>377,132</u>	<u>355,071</u>

3 Auditors remuneration

The audit fee for the year of £125,000 (2019: £42,000) was borne by Mitie Group plc and no amount was allocated or recharged to the Company in the year.

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

4 Staff numbers and costs

There were no persons employed by the Company (including Directors) during the year ended 31 March 2020 and 31 March 2019. 11,054 employees that worked for Mitie Security Limited but were employed by another Group company and the associated costs were allocated to the Company for cost recharging purposes (2019: 10,864). The aggregate payroll costs incurred by the Company for allocated employees were as follows:

	2020 £000	2019 £000
Wages and salaries	238,779	231,794
Share-based payments	316	249
Social security costs	21,897	20,827
Termination and redundancy payments	268	366
Pension costs	5,030	3,350
	<u>266,290</u>	<u>256,586</u>

Notes (continued)

5 Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	417	225
Company contributions to money purchase pension plans	17	17
	<u>434</u>	<u>242</u>

	Number of Directors 2020	2019
Retirement benefits are accruing to the following number of Directors under Money Purchase scheme	1	1
	<u>1</u>	<u>1</u>

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

Director	Remunerated by	Disclosed by
P J G Dickinson	Mitie Limited	Mitie Limited

6 Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable and similar income from Group undertakings	263	1,088
Total interest receivable and similar income	<u>263</u>	<u>1,088</u>

7 Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on working capital facility	229	185
Unwind of discount on provisions	-	13
Interest on lease liabilities ¹	84	-
Total interest payable and similar expenses	<u>313</u>	<u>198</u>

Note:

1. The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1. Interest expense on the Company's lease liabilities increased by £84,000 as a result of adoption of IFRS 16 for the year ended 31 March 2020. See Note 20.

Notes (continued)

8 Taxation

	2020 £000	2019 £000
<i>Analysis of charge in the year</i>		
UK corporation tax at 19% (2019: 19%)		
Current tax on profit for the period	1,493	2,495
Adjustments in respect of prior periods	89	(182)
Total current tax	<u>1,582</u>	<u>2,313</u>
<i>Deferred tax (see note 16)</i>		
Origination and reversal of temporary timing differences	93	23
Reduction in statutory tax rate	-	(2)
Restatement of opening deferred tax balances	(49)	-
Adjustments in respect of prior periods	(12)	61
Total deferred tax	<u>32</u>	<u>82</u>
Total charge for the year	<u><u>1,614</u></u>	<u><u>2,395</u></u>
	2020 £000	2019 £000
<i>Tax recognised directly in equity</i>		
Deferred tax	30	(25)
Total tax recognised directly in equity	<u><u>30</u></u>	<u><u>(25)</u></u>
	2020 £000	2019 £000
<i>Reconciliation of effective tax rate</i>		
Profit before taxation	12,593	28,323
Tax using the UK corporation tax rate of 19% (2019: 19%)	2,393	5,381
Reduction in statutory tax rate on deferred tax balances	-	(2)
Restatement of opening deferred tax balances	(49)	-
Items not deductible for tax purposes	30	12
Adjustment in respect of intercompany loan waiver	-	(1,431)
Adjustment in respect of notional interest	(543)	(164)
Fair value adjustments	(406)	-
Non-taxable income from shares in Group undertakings	-	(1,326)
Adjustment in respect of employee share options	112	46
Adjustments in respect of prior periods	77	(121)
Total tax charge	<u><u>1,614</u></u>	<u><u>2,395</u></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 £49,000 (2019: £ nil) has been included in the tax charge. The UK deferred tax assets at 31 March 2020 reflect this change.

Notes (continued)

9 Goodwill

	£000
Cost	
At 1 April 2019	10,461
At 31 March 2020	<u>10,461</u>
Amortisation and impairment	
At 1 April 2019	7,457
At 31 March 2020	<u>7,457</u>
Net book value	
At 1 April 2019	3,004
At 31 March 2020	<u>3,004</u>

10 Tangible fixed assets

Tangible fixed assets comprise owned and leased assets.

	2020 £000
Owned tangible fixed assets	1,073
Right-of-use assets (See note 20)	2,472
At 31 March 2020	<u>3,545</u>

The below relates to owned tangible fixed assets.

	Leasehold property £000	Plant & vehicles £000	Total £000
Cost			
At 1 April 2019	139	2,775	2,914
Additions	412	314	726
Other movements	27	-	27
Disposals	(15)	(713)	(728)
Transfers from another Group company	-	119	119
At 31 March 2020	<u>563</u>	<u>2,495</u>	<u>3,058</u>
Accumulated depreciation and impairment			
At 1 April 2019	64	2,301	2,365
Depreciation charge for the year	41	275	316
Disposals	(11)	(709)	(720)
Other movements	24	-	24
At 31 March 2020	<u>118</u>	<u>1,867</u>	<u>1,985</u>
Net book value			
At 1 April 2019	75	474	549
At 31 March 2020	<u>445</u>	<u>628</u>	<u>1,073</u>

Notes (continued)

11 Investments in subsidiaries

The Company has the following investments in Group undertakings:

	Shares in Group undertakings £000
Cost	
At 1 April 2018	4,203
At 1 April 2019	4,203
At 31 March 2020	4,203
Provisions for impairment	
At 1 April 2018	14
At 1 April 2019	14
At 31 March 2020	14
Net book value	
At 31 March 2019	4,189
At 31 March 2020	4,189

Company name	Country of incorporation	Class of shares held	Ownership
Mitie Aviation Security Limited*	England and Wales	Ordinary	99.9%
Procius Limited*	England and Wales	Ordinary (all classes)	100%
UK CRBS Limited*	England and Wales	Ordinary (all classes)	100%

*Held directly by the Company.

The registered office of the subsidiaries is Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG.

Notes (continued)

12 Inventories

	2020 £000	2019 £000
Raw materials and consumables	501	14
	<u>501</u>	<u>14</u>

13 Debtors

	2020 £000	2019 £000
Trade debtors	46,554	27,634
Amounts owed by Group undertakings	32,316	23,669
Prepayments	5,126	4,521
Accrued income	31,251	22,233
Other debtors	1,385	717
Total	<u>116,632</u>	<u>78,774</u>
Due within one year	<u>116,632</u>	<u>78,774</u>

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

Amounts owed by Group undertakings are repayable on demand.

Included within amounts owed from Group undertakings above is £13,550,000 (2019: £7,720,000) relating to loans bearing interest at 5% per annum (2019: 5% per annum).

Notes (continued)

14 Creditors

	2020 £000	2019 £000
Trade creditors	11,977	8,989
Amounts owed to Group undertakings	56,596	63,013
Other taxes and social security	26,061	15,547
Corporation tax	5,113	3,425
Accruals	27,431	21,010
Other creditors	6,564	4,178
Total	133,742	116,162
Due within one year	133,742	116,162

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

Amounts owed to Group undertakings are repayable on demand.

15 Deferred income from contracts with customers

	2020 £000	2019 £000
Included within current liabilities	3,721	4,010
Included within non-current liabilities	55	130
Total	3,776	4,140

Notes (continued)

16 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2020 £000	2019 £000
Tangible fixed assets	836	272
Share-based payments	16	87
Provisions	349	43
Net tax assets	<u>1,201</u>	<u>402</u>

Movement in deferred tax during the year

	1 April 2019 £000	Recognised in income £000	Recognised in equity £000	Transferred from another Group company £000	31 March 2020 £000
Tangible fixed assets	272	(21)	-	585	836
Share-based payments	87	(41)	(30)	-	16
Provisions	43	30	-	276	349
	<u>402</u>	<u>(32)</u>	<u>(30)</u>	<u>861</u>	<u>1,201</u>

Movement in deferred tax during the prior year

	1 April 2018 £000	Recognised in income £000	Recognised in equity £000	Transferred from another Group company £000	31 March 2019 £000
Tangible fixed assets	348	(76)	-	-	272
Share-based payments	95	(33)	25	-	87
Provisions	16	27	-	-	43
	<u>459</u>	<u>(82)</u>	<u>25</u>	<u>-</u>	<u>402</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 deferred tax balances are now valued using the 19% corporation tax rate. The opening deferred tax balances, previously valued using the 17% rate, have therefore been restated by £49,000 in the current period, with all of this adjustment being recognised in income.

Notes (continued)

17 Lease liabilities

	2020 £000	2019 £000
Lease liabilities ¹ (Note 20)	2,602	-
Total	2,602	-
Included in current liabilities	523	-
Included in non-current liabilities	2,079	-
Total	2,602	-

Note:

1. The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option resulting in the inclusion of an additional £2,602,000 lease liabilities at 31 March 2020, of which £523,000 is held within current liabilities. Under this option, the comparative information is not restated. See Note 1.

18 Provisions

	Insurance excess provision £000	Dilapidations provision £000	Total £000
At 1 April 2019	805	164	969
Impact of change in accounting policy ¹	-	4	4
Amounts recognised in the profit and loss account	(84)	-	(84)
Transferred from another Group company	399	-	399
At 31 March 2020	1,120	168	1,288

Note:

1. The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.

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

The dilapidations provision relates to the legal obligation for a leased property to be returned to the landlord in the contracted condition at the end of the lease period. This cost would include repairs of any damage and wear and tear.

Notes (continued)

19 Capital and reserves

Share capital authorised and fully paid

	2020 Number	2019 Number	2020 £000	2019 £000
Ordinary shares				
Ordinary shares at £1 each	<u>19,000</u>	<u>19,000</u>	<u>19</u>	<u>19</u>
	<u><u>19,000</u></u>	<u><u>19,000</u></u>	<u><u>19</u></u>	<u><u>19</u></u>

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

Share premium account

The share premium account represents the premium arising on the issue of equity shares.

Profit and loss account

The profit and loss account comprises the retained earnings and losses of the Company, less amounts distributed to the Company's shareholder.

Dividends

The following dividends were recognised during the period:

	2020 £000	2019 £000
£nil (2019: £2,071) per qualifying ordinary share	<u>-</u>	<u>39,354</u>
	<u><u>-</u></u>	<u><u>39,354</u></u>

Notes (continued)

20 Leases

The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. The details of adjustments made on transition and the related accounting policy is contained in Note 1.

	Property £000
Right-of-use assets	
At 1 April 2019	2,721
Depreciation	(249)
At 31 March 2020	2,472

	£000
Lease liabilities	
At 1 April 2019	2,817
Interest expense related to lease liabilities	84
Repayment of lease liabilities (including interest)	(299)
At 31 March 2020	2,602

	2020 £000
Maturity analysis-contractual undiscounted cash flows	
Less than one year	598
One to five years	1,194
More than five years	1,212
Total undiscounted lease liabilities at 31 March 2020	3,004
Lease liabilities included in the balance sheet at 31 March 2020	2,602
Current	523
Non-current	2,079

	2020 £000
Amounts recognised in the profit and loss account	
Depreciation of right-of-use assets	(249)
Operating profit impact	(249)
Interest on lease liabilities	(84)
Profit before taxation impact	(333)

Notes (continued)

21 Contingent Liabilities

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

	2020 £000	2019 £000
Bank Overdrafts and Loans	227,600	264,051
Performance bonds	3,203	590

22 Acquisition of business

On 31 March 2020 the Company acquired the business of Vision Security Group Limited, a fellow Mitie Group Company. This was by way of a purchase of trade and assets. The business provides security services including integrated security systems, manned guarding and key holding services.

If the acquisition had occurred on 1 April 2019, turnover would have been £174,353,000 and net profit before tax would have been £5,626,000.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities:

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Tangible fixed assets	119
Deferred tax asset	861
Inventory	122
Trade and other debtors	45,463
Cash	9,952
Trade and other creditors	(30,847)
Deferred income	(1,482)
Provisions	(399)
Net identifiable assets and liabilities	23,789
Total consideration	23,789

Notes (continued)

23 Related parties

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

24 Subsequent events

Since the balance sheet date, the Company acquired the trade and net assets of Mitie Client Services Limited a fellow Mitie Group Company. This transfer of trade occurred on 30 April 2020.

On 25 June 2020, the Group announced that it had signed a conditional share purchase agreement to acquire the entire issued share capital of Interservefm (Holdings) Limited. On 4 November 2020, Mitie announced that it had renegotiated the terms of the acquisition and entered into an amendment agreement. The consideration for the acquisition will comprise the issuance of c. 248 million ordinary shares, representing c. 17.5% of the share capital of Mitie Group plc, and a cash payment of £120m. The acquisition is classified as a class 1 transaction under the Listing Rules of the Financial Conduct Authority and was therefore conditional upon, amongst other things, the approval of the shareholders of Mitie Group plc at a General Meeting which was obtained on 23 November 2020.

25 Ultimate parent company and parent company of larger group

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