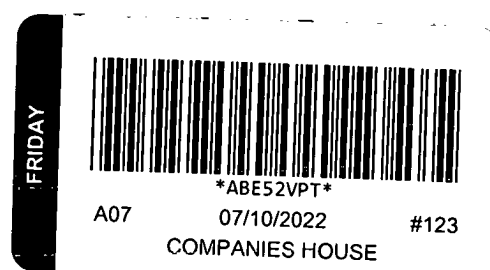


## **Mitie Shared Services Limited**

Annual report and financial statements

Registered number 01597821

31 March 2022



## Contents

Company information	1
Strategic report	2
Directors' report	9
Statement of Directors' responsibilities in respect of the Annual report and financial statements	11
Independent auditor's report to the members of Mitie Shared Services Limited	12
Income statement	15
Balance sheet	16
Statement of changes in equity	17
Notes	18

## Company information

### Directors

P J G Dickinson  
M R Peacock

### Secretary

Mitie Company Secretarial Services Limited

### Registered office

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

### Auditor

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

## Strategic report

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

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

### Review of the business

The principal activity of the Company is to provide back-office support services to companies within the Group, including managing and recharging property overheads and fleet costs, and providing services such as accounts payable, employee services and information systems. There has not been any significant changes in the Company's principal activities in the year under review.

As shown in the Income statement account on page 15, the Company's revenue was £98,735,000 (2021: £69,324,000) and the loss for the year was £15,774,000 (2021: £14,270,000, as restated). During the year, the Company revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service ("SaaS") arrangements in response to the International Financial Reporting Interpretations Committee ("IFRIC") agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements resulting in a restatement of certain prior year balances (see Note 1).

### Key performance indicators

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

### Principal risks and uncertainties

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

### Strategic risks

#### *Economic and political uncertainties*

The Company's performance may be affected by general economic conditions and other financial and political factors outside the Company's control. An economic slowdown may result in an adverse impact on the Company's financial performance.

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

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

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

- continual development of new and innovative solutions via Connected Workspace;
- increasing spread of client base, reducing reliance on individual customers;
- strategic account management programme;
- dedicated Finance, Risk and Intelligence Hub specialists scanning environment;
- utilising contract mechanisms to recharge cost increases;
- digital supplier platform providing greater visibility of, and ability to manage, supply chain; and
- leveraging buying power to help mitigate the increase in cost of goods and services.

## Strategic report (continued)

### *Business resilience*

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

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

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

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

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

### *Financial risks*

#### *Reliance on material counterparties*

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

### *Operational risks*

#### *Third-party management*

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

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

During the year, the Company integrated onto the new Group digital supply chain platform ("DSP") to better manage supply chain and associated risks. This has resulted in a structured review of all suppliers and subcontractors, which has seen subcontractors (by spend) fully accredited on a best-in-class Quality, Health, Safety and Environment ("QHSE") accreditation platform (Safe Contractor). A further Procurement and Supply Chain ("PSC") Insight's initiative was also introduced to keep both clients and the Company informed of the changing environment.

## Strategic report (continued)

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

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

- key policies and associated operating procedures, including Supply Management Framework;
- dedicated Procurement and Commercial teams;
- Mitie First approach adopted;
- Project Forté driven improvements under Supply Chain Management workstream, including enhanced supplier audits, improved invoicing capabilities, master service agreements and job automation;
- rigorous on-boarding framework integrated into business utilising the DSP;
- defined service level agreements and key performance indicators;
- ongoing spending review;
- dedicated risk management and assurance procedures (including targeted QHSE assurance programme and internal audit) to ensure internal controls are operating effectively;
- ongoing review of third-party business continuity arrangements with regular reporting to the Group Risk team;
- DSP facilitating supplier health and risk checks as well as invoice processing; and
- PSC Insights introduced.

### **Regulatory risks**

#### *Regulatory*

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

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

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

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

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

## Strategic report (continued)

### *People risks*

#### *Health, Safety and Environment*

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

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

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

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

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

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

### *Employees*

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

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

## Strategic report (continued)

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

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

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

### Financial risk management

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

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



## Strategic report (continued)

### Section 172 statement

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

### Stakeholders

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

Stakeholder	Engagement activity	Important issues discussed
Shareholder	<ul style="list-style-type: none"> <li>- Regular senior leadership meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Financial performance</li> <li>- Integration programme following completion of the Group's acquisition of Interserve Facilities Management ("Integration Programme")</li> <li>- Environmental, Social and Governance matter</li> </ul>
Communities and the environment	<ul style="list-style-type: none"> <li>- Mitie Foundation</li> <li>- Local community events</li> <li>- Employee volunteering</li> </ul>	<ul style="list-style-type: none"> <li>- Social value</li> <li>- Reduction in carbon emissions</li> </ul>
Employees <sup>1</sup>	<ul style="list-style-type: none"> <li>- All employees teams meetings</li> <li>- Internal communications updates through weekly Recap and monthly Download updates</li> <li>- Pulse surveys</li> <li>- Designated non-executive director, Jennifer Duvalier</li> </ul>	<ul style="list-style-type: none"> <li>- Integration Programme</li> <li>- Reward and recognition.</li> <li>- Remuneration and benefits</li> <li>- Career opportunities and development</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- Global supplier portal</li> </ul>	<ul style="list-style-type: none"> <li>- Integration Programme</li> <li>- Responsible procurement</li> </ul>

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.

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

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

### Having regard to the interests of employees

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

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

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

#### Suppliers

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

A new digital supplier platform was deployed during the year, which enabled a more strategic approach to surveying the Group's suppliers on a proactive basis.

## Strategic report (continued)

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

#### ***Customers***

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

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

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

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

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

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

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

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

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

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

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

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

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

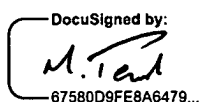
### ***Future developments***

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

### ***Subsequent events***

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

Approved by the Board and signed on its behalf by:

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**M R Peacock**  
Director  
28 July 2022

## Directors' report

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

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.

### Directors

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

	Date of appointment	Date of resignation
P J G Dickinson		
S C Kirkpatrick		27 August 2021
M R Peacock	26 August 2021	

### Directors' indemnity

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

### Dividends

No dividend was declared or paid during the year (2021: £nil).

### Employees

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

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

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

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

### 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.

## Directors' report (continued)

### Disclosure of information to auditor

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

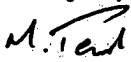
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditor is aware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

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

### Auditor

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

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
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**M R Peacock**

*Director*

28 July 2022

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

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

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

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

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

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

# Independent auditor's report to the members of Mitie Shared Services Limited

## Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mitie Shared Services Limited (the "Company") for the year ended 31 March 2022 which comprise the Income statement, the Balance sheet, the Statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Conclusions relating to going concern

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

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

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

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other Companies Act 2006 reporting

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

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

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

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.

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

### Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual report and 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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

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

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

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

### Use of our report

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

DocuSigned by:

*Nigel Harker*

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

28 July 2022

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



Mitie Shared Services Limited  
Annual report and financial statements  
31 March 2022

## Income statement

	<i>Note</i>	<b>2022</b> <b>£000</b>	Restated <sup>1</sup> 2021 £000
<b>Revenue</b>	<b>2</b>	<b>98,735</b>	69,324
Cost of sales		<b>(98,670)</b>	(67,114)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>65</b>	2,210
Administrative expenses		<b>(2,363)</b>	(939)
Other items	<b>3</b>	<b>(7,721)</b>	(10,714)
		<hr/>	<hr/>
<b>Operating loss</b>	<b>3</b>	<b>(10,019)</b>	(9,443)
Finance costs	<b>7</b>	<b>(7,988)</b>	(7,112)
		<hr/>	<hr/>
<b>Loss before tax</b>		<b>(18,007)</b>	(16,555)
Tax	<b>8</b>	<b>2,233</b>	2,285
		<hr/>	<hr/>
<b>Loss for the year</b>		<b>(15,774)</b>	(14,270)
		<hr/> <hr/>	<hr/> <hr/>

**Note:**

1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for Software as a Service ("SaaS") arrangements as a result of the International Financial Reporting Interpretations Committee ("IFRIC") agenda decision (refer to Note 1).

The notes on pages 18 to 36 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.

Mitie Shared Services Limited  
Annual report and financial statements  
31 March 2022

## Balance sheet

	Note	2022 £000	Restated <sup>1</sup> 2021 £000
<b>Non-current assets</b>			
Intangible assets <sup>1</sup>	9	41,641	27,357
Property, plant and equipment	10	93,576	73,820
Other receivables	11	500	-
Deferred tax assets	13	406	962
<b>Total non-current assets</b>		<b>136,123</b>	<b>102,139</b>
<b>Current assets</b>			
Trade and other receivables	11	161,555	24,424
Current tax receivable <sup>1</sup>		5,137	5,051
Cash and cash equivalents		3,189	1,186
<b>Total current assets</b>		<b>169,881</b>	<b>30,661</b>
<b>Current liabilities</b>			
Trade and other payables	12	(305,921)	(133,362)
Lease liabilities	15	(23,440)	(20,774)
Provisions	14	(1,017)	(3,567)
<b>Total current liabilities</b>		<b>(330,378)</b>	<b>(157,703)</b>
<b>Net current liabilities</b>		<b>(160,497)</b>	<b>(127,042)</b>
<b>Non-current liabilities</b>			
Lease liabilities	15	(64,246)	(52,249)
Provisions	14	(1,813)	-
<b>Total non-current liabilities</b>		<b>(66,059)</b>	<b>(52,249)</b>
<b>Net liabilities</b>		<b>(90,433)</b>	<b>(77,152)</b>
<b>Equity</b>			
Share capital	16	-	-
Retained losses	16	(90,433)	(77,152)
<b>Total equity</b>		<b>(90,433)</b>	<b>(77,152)</b>

Note:

1. The comparatives as at 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision (refer to Note 1).

The notes on pages 18 to 36 form an integral part of the financial statements.

The financial statements of Mitie Shared Services Limited, company number 01597821, were approved by the Board of Directors and authorised for issue on 28 July 2022 and were signed on its behalf by:

DocuSigned by:  
  
 67580D9FE8A6479...  
**M R Peacock**  
 Director

Mitie Shared Services Limited  
Annual report and financial statements  
31 March 2022

## Statement of changes in equity

	Share capital £000	Retained losses £000	Total equity £000
At 1 April 2020, as previously reported	-	(59,432)	(59,432)
Change in accounting policy for SaaS arrangements <sup>1</sup>	-	(4,770)	(4,770)
At 1 April 2020, as restated <sup>1</sup>	-	(64,202)	(64,202)
Loss for the year, as restated <sup>1</sup>	-	(14,270)	(14,270)
<b>Total comprehensive expense, as restated<sup>1</sup></b>	-	(14,270)	(14,270)
<b>Transactions with owners</b>			
Share-based payments	-	1,320	1,320
<b>Total transactions with owners</b>	-	1,320	1,320
<b>At 31 March 2021, as restated<sup>1</sup></b>	-	(77,152)	(77,152)
Loss for the year	-	(15,774)	(15,774)
<b>Total comprehensive expense</b>	-	(15,774)	(15,774)
<b>Transactions with owners</b>			
Share-based payments	-	2,360	2,360
Deferred tax	-	133	133
<b>Total transactions with owners</b>	-	2,493	2,493
<b>At 31 March 2022</b>	-	(90,433)	(90,433)

Note:

1. The comparatives as at 1 April 2020, as at, and for the year ended, 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision (refer to Note 1).

The notes on pages 18 to 36 form an integral part of the financial statements.

## Notes

### 1 Accounting policies, judgements and estimates

#### a) General information

Mitie Shared Services Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in the United Kingdom. Details of the Company's activities are set out in the Strategic report.

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

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

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

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

#### c) Basis of preparation

##### Going concern

The financial statements have been prepared on a going concern basis. The Company participates in the Group's centralised treasury arrangements and shares banking arrangements with Mitie Group plc, its ultimate parent, and with fellow subsidiaries. The Directors have received a letter of support from the directors of Mitie Group plc to confirm provision of adequate financial resources to the Company for a period of not less than twelve months from the date of approval of the Company's statutory financial statements for the year ended 31 March 2022 to ensure that the Company can meet its liabilities as they fall due.

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

The Group's principal debt financing arrangements as at 31 March 2022 were a £150m revolving credit facility, of which £141.5m was undrawn as at 31 March 2022, and £151.5m of US private placement ("USPP") notes (being the repayment amount after taking account of the cross-currency swaps hedging the principal amount), of which £121.5m is due to mature in December 2022. The revolving credit facility was put in place in October 2021, maturing in October 2025 (with an option to extend for a further year, subject to lenders' approval), on significantly more favourable terms than the previous facility. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis.

The issue of £120.0m of new USPP notes has also been agreed, under a delayed funding arrangement in December 2022, avoiding any overlap with the existing £121.5m of notes that mature in the same month. The new notes are split equally between 8-year, 10-year and 12-year maturities, and will be issued with an average coupon that is significantly below the current coupon. The remaining £30m of USPP notes are due to mature in December 2024, which is outside the Going Concern Assessment Period.

The Group currently operates within the terms of its agreements with its lenders, with consolidated net cash (i.e. net cash adjusted for covenant purposes, with appropriate adjustments for leases) of £147.7m as at 31 March 2022. The Base Case Forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the Going Concern Assessment Period.

## Notes (continued)

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

#### Going concern

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

The primary financial risks related to adverse changes in the economic environment and/or a deterioration in commercial or operational conditions are listed below. These risks have been considered in the context of any potential further impact of COVID-19, as well as the potential impact of the Russian invasion of Ukraine.

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

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

- all stress test scenarios would require a very severe deterioration compared to the Base Case Forecasts. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 34% in the year ending 31 March 2023, compared to the Base Case Forecasts, that are based on mid-single digit underlying revenue growth (which excludes COVID-19 related revenues). A 34% decline in revenue is considered to be very severe given the high proportion of the Group's revenue that is fixed in nature and the fact that even in a COVID-19 impacted year, the Group's revenue excluding Interserve declined by only 1.6%; and
- in the event that the Group's results started to trend significantly below those included in the Base Case Forecasts, additional mitigation actions have been identified that would be implemented, which are not factored into the reverse stress test scenarios. These include the short-term scaling down of capital expenditure, overhead efficiency/reduction measures including cancellation of discretionary bonuses and reduced discretionary spend, asset disposals and reductions in cash distributions and share buybacks.

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

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

#### FRS 101 exemptions

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

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

## Notes (continued)

### 1 Accounting policies, judgements and estimates (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;
- 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

The following amendments became effective during the year ended 31 March 2022.

##### **IFRS 16 COVID-19 Related Rent Concessions**

On 28 May 2020, the IASB issued COVID-19 Related Rent Concessions amendments to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic.

The Company has not received COVID-19 related rent concessions during the year and therefore these amendments do not impact the Company.

#### Measurement convention

The financial statements are prepared on the historical cost basis.

#### Other items

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

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

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

#### Prior year restatement

During the year, the Company revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service ("SaaS") arrangements in response to the International Financial Reporting Interpretations Committee ("IFRIC") agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below.

SaaS arrangements are service contracts providing the Company with the right to access the provider's cloud-based application software over the contract period. Previously, the Company's accounting policy was to capitalise the upfront configuration and customisation costs in implementing SaaS arrangements and to subsequently amortise them over their useful economic lives.

In response to the clarification provided by the IFRIC agenda decision, the Company has changed its accounting policy such that distinct upfront configuration and customisation costs incurred in implementing SaaS arrangements are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

The change in accounting policy has been accounted for retrospectively and, accordingly, the comparative information as at 1 April 2020 and as at, and for the year ended, 31 March 2021 have been restated as summarised below.

## Notes (continued)

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

	As previously reported £000	Impact of changes in accounting policy £000	As restated £000
<b>As at 1 April 2020</b>			
Intangible assets	29,652	(5,738)	<b>23,914</b>
Current tax receivable	2,858	968	<b>3,826</b>
Other	(91,942)	-	<b>(91,942)</b>
<b>Net liabilities</b>	<b>(59,432)</b>	<b>(4,770)</b>	<b>(64,202)</b>
Retained losses	(59,432)	(4,770)	(64,202)
<b>Total equity</b>	<b>(59,432)</b>	<b>(4,770)</b>	<b>(64,202)</b>
<b>Year ended 31 March 2021</b>			
Revenue	69,324	-	<b>69,324</b>
Cost of sales	(67,114)	-	<b>(67,114)</b>
<b>Gross profit</b>	<b>2,210</b>	<b>-</b>	<b>2,210</b>
Admin expenses	(1,477)	538	<b>(939)</b>
Other items	(10,714)	-	<b>(10,714)</b>
<b>Operating loss</b>	<b>(9,981)</b>	<b>538</b>	<b>(9,443)</b>
Finance costs	(7,112)	-	<b>(7,112)</b>
<b>Loss before tax</b>	<b>(17,093)</b>	<b>538</b>	<b>(16,555)</b>
Tax	2,369	(84)	<b>2,285</b>
<b>Loss for the year</b>	<b>(14,724)</b>	<b>454</b>	<b>(14,270)</b>
<b>31 March 2021</b>			
Intangible assets	32,557	(5,200)	<b>27,357</b>
Current tax receivable	4,167	884	<b>5,051</b>
Other	(109,560)	-	<b>(109,560)</b>
<b>Net liabilities</b>	<b>(72,836)</b>	<b>(4,316)</b>	<b>(77,152)</b>
Retained losses	(72,836)	(4,316)	(77,152)
<b>Total equity</b>	<b>(72,836)</b>	<b>(4,316)</b>	<b>(77,152)</b>

## Notes (continued)

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

#### d) Significant accounting policies

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

#### Taxation

Tax in the income statement 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 accounting profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

#### Intangible assets

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

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



## Notes (continued)

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

#### Property, plant and equipment

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

Land and buildings:	50 years or lease term if shorter
Plant and vehicles:	3-10 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.

#### Financial instruments

##### *Classification and measurement*

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

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

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

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

#### 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.

## Notes (continued)

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

#### Provisions and contingent liabilities

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

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

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

#### Leases

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

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

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

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

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

## Notes (continued)

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

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

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

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

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

#### *Other items*

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

#### *Recoverability of trade receivables*

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

#### *IFRS 16 – Determining the lease term of contracts with renewal and termination options*

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

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

## Notes (continued)

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

#### Key sources of estimation uncertainty

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

#### Provisions and contingent liabilities

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

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities, judgement is applied and re-evaluated at each reporting date. The Company recognised provisions at 31 March 2022 of £2,830,000 (2021: £3,567,000). Further details are included in Note 14.

### 2 Revenue

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

### 3 Operating loss

Operating loss is stated after charging:

	2022 £000	Restated <sup>1</sup> 2021 £000
<b>Other items</b>	<b>7,721</b>	<b>10,714</b>
<i>Integration and restructuring costs</i>	<b>1,484</b>	7,622
<i>Digital supplier platform</i>	<b>4,637</b>	-
<i>Divestment costs</i>	-	47
<i>Impairment of intangible assets (Note 9)</i>	<b>1,600</b>	2,954
<i>Share-based payments</i>	-	91
Depreciation of property, plant and equipment (Note 10 and Note 15)	<b>26,726</b>	23,188
Amortisation of intangible assets <sup>1</sup> (Note 9)	<b>3,958</b>	6,067
Impairment of intangible assets (Note 9)	<b>757</b>	1,246

Note:

1. Amortisation of intangible assets for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision (refer to Note 1).

During the year ended 31 March 2022, costs of £1,484,000 (2021: £7,622,000) were incurred associated with the Group's integration and restructuring programmes.

Costs of £4,637,000 incurred in the implementation of a new digital supplier platform resulted in a step change in the Company's supply chain management capabilities. This implementation, which is transformational in nature, is expected to be completed during the year ending 31 March 2023.

An impairment loss of £1,600,000 (2021: £2,954,000) was recognised during the year in respect of certain intangible assets no longer expected to generate future economic benefits for the Company.

**Notes (continued)****4 Auditor's remuneration**

The auditor's remuneration was borne by Mitie Group plc (2021: Mitie Group plc) and no allocation or recharge (2021: £nil) was made to the Company.

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

**5 Staff numbers and costs**

There were no persons employed by the Company (including Directors) during the year ended 31 March 2022 and 31 March 2021. However, 723 employees worked for the Company but were employed by another Group company and the associated costs were allocated to the Company for cost recharging purposes (2021: 374). The aggregate payroll costs incurred by the Company for allocated employees were as follows:

	2022 £000	2021 <sup>1</sup> £000
Wages and salaries	29,896	14,464
Share-based payments	2,360	1,320
Social security costs	4,125	2,343
Termination and redundancy payments	71	-
Pension costs	3,326	1,540
	<b>39,778</b>	<b>19,667</b>

Note:

1. Balances for year ended 31 March 2021 have been re-presented to be consistent with current year disclosures.

**6 Directors' remuneration**

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

Director	Remunerated by	Disclosed by
M R Peacock	Mitie Limited	Mitie Limited
P J G Dickinson	Mitie Limited	Mitie Limited
S C Kirkpatrick	Mitie Limited	Mitie Limited

**7 Finance costs**

	2022 £000	2021 £000
Interest payable to Group undertakings	5,287	4,605
Interest on lease liabilities	2,652	2,470
Unwinding of discounts on provisions	49	37
Total	<b>7,988</b>	<b>7,112</b>

**Notes (continued)****8 Tax**

	2022 £000	Restated <sup>1</sup> 2021 £000
<i>Analysis of credit in the year</i>		
Current tax on loss for the period	(2,720)	(1,246)
Adjustments in respect of prior periods	(202)	(1,427)
Total current tax credit	(2,922)	(2,673)
<i>Deferred tax (see Note 13)</i>		
Origination and reversal of temporary timing differences	566	(747)
Change in statutory tax rate	(193)	-
Adjustments in respect of prior periods	316	1,135
Total deferred tax charge	689	388
Total credit for the year	(2,233)	(2,285)

## Note:

1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision (refer to Note 1).

	2022 £000	2021 £000
<i>Tax recognised directly in equity</i>		
Deferred tax	133	-
Total tax recognised directly in equity	133	-

	2022 £000	Restated <sup>1</sup> 2021 £000
<i>Tax reconciliation</i>		
Loss before tax	(18,007)	(16,555)
Tax using the UK corporation tax rate of 19% (2021: 19%)	(3,421)	(3,145)
Items not deductible for tax purposes	1,643	1,013
Super deduction	(382)	-
Adjustments in respect of employee share options	6	138
Change in statutory tax rate	(193)	-
Adjustments in respect of prior periods	114	(291)
Total tax credit	(2,233)	(2,285)

## Note:

1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision (refer to Note 1).

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

## Notes (continued)

### 9 Intangible assets

	<b>Restated<sup>1</sup></b>
<b>Cost</b>	<b>Software</b>
	<b>£000</b>
At 1 April 2021 <sup>1</sup>	46,545
Additions	20,599
Disposals	(2,396)
<b>At 31 March 2022</b>	<b>64,748</b>
<b>Amortisation</b>	
At 1 April 2021 <sup>1</sup>	19,188
Charge for the year	3,958
Impairment	2,357
Disposals	(2,396)
<b>At 31 March 2022</b>	<b>23,107</b>
<b>Net book value</b>	
At 1 April 2021	27,357
<b>At 31 March 2022</b>	<b>41,641</b>

**Note:**

1. The comparatives as at 1 April 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision (refer to Note 1). In addition, these balances have been re-presented in an alternative format.

Intangibles are amortised over their useful lives of between 3 and 5 years.

Assets under construction as at 31 March 2022 was £35,440,000 (2021: £17,720,000).

## Notes (continued)

### 10 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	2022 £000	2021 £000
Owned property, plant and equipment	13,044	9,527
Right-of-use assets (Note 15)	80,532	64,293
<b>Total</b>	<b>93,576</b>	<b>73,820</b>

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

	Land and buildings £000	Plant and vehicles <sup>1</sup> £000	Total £000
<b>Cost</b>			
At 1 April 2021	12,893	14,669	27,562
Additions	-	6,707	6,707
Disposal	(4,924)	-	(4,924)
Reclassification <sup>2</sup>	(2,612)	2,612	-
<b>At 31 March 2022</b>	<b>5,357</b>	<b>23,988</b>	<b>29,345</b>
<b>Accumulated depreciation and impairment</b>			
At 1 April 2021	10,010	8,025	18,035
Charge for the year	189	3,001	3,190
Disposal	(4,924)	-	(4,924)
Reclassification <sup>2</sup>	(1,371)	1,371	-
<b>At 31 March 2022</b>	<b>3,904</b>	<b>12,397</b>	<b>16,301</b>
<b>Net book value</b>			
At 1 April 2021	2,883	6,644	9,527
<b>At 31 March 2022</b>	<b>1,453</b>	<b>11,591</b>	<b>13,044</b>

Notes:

- Balances as at 1 April 2021 have been re-presented to an alternative format.
- The Company has reviewed the amounts presented within property, plant and equipment to ensure they appropriately reflect the value of assets still in continuing use in the business. This resulted in certain reclassifications between cost and accumulated depreciation but this had no impact on the total net book value of the balances reported.

Assets under construction as at 31 March 2022 was £857,000 (2021: £1,480,000).



## Notes (continued)

### 11 Trade and other receivables

	2022 £000	2021 £000
Trade receivables	4,822	1,223
Amounts owed by Group undertakings	142,627	13,893
Prepayments	9,077	7,314
Other receivables	5,529	1,994
<b>Total</b>	<b>162,055</b>	<b>24,424</b>
Current	161,555	24,424
Non-current	500	-

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.

### 12 Trade and other payables

	2022 £000	2021 £000
Trade payables	12,275	7,921
Amounts owed to Group undertakings	256,039	106,025
Other taxes and social security	989	912
Accruals	35,490	18,474
Other payables	1,128	30
<b>Total</b>	<b>305,921</b>	<b>133,362</b>

Amounts owed to Group undertakings are repayable on demand.

Included within amounts owed to Group undertakings above is £114,300,000 (2021: £94,900,000) relating to interest-bearing loans at 5% per annum (2021: 5% per annum).

## Notes (continued)

### 13 Deferred tax assets

Deferred tax assets/(liabilities) are attributable to the following:

	2022 £000	2021 £000
Accelerated capital allowances	(554)	790
Share options	941	149
Short-term timing differences	19	23
	<u>406</u>	<u>962</u>

Movements in deferred tax were as follows.

	1 April 2021 £000	Recognised in income £000	Recognised in equity £000	31 March 2022 £000
Accelerated capital allowances	790	(1,344)	-	(554)
Share options	149	659	133	941
Short-term timing differences	23	(4)	-	19
	<u>962</u>	<u>(689)</u>	<u>133</u>	<u>406</u>

	1 April 2020 £000	Recognised in income £000	31 March 2021 £000
Accelerated capital allowances	1,294	(504)	790
Share options	37	112	149
Short-term timing differences	19	4	23
	<u>1,350</u>	<u>(388)</u>	<u>962</u>

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

**Notes (continued)****14 Provisions**

	Insurance reserve £000	Dilapidations provision £000	Restructuring provision £000	Total £000
At 1 April 2021	526	1,515	1,526	3,567
Charged to the income statement	752	-	-	752
Utilised in the year	-	(134)	(666)	(800)
Released to the income statement	-	(120)	(618)	(738)
Unwinding of discount	-	49	-	49
<b>At 31 March 2022</b>	<b>1,278</b>	<b>1,310</b>	<b>242</b>	<b>2,830</b>
Current	447	328	242	1,017
Non-current	831	982	-	1,813

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

The dilapidations provision relates to the legal obligation for leased properties 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.

The restructuring provision related to costs of organisational change associated with the Group's property transformation programme.

## Notes (continued)

### 15 Leases

Right-of-use assets	Properties £000	Plant and vehicles £000	Total £000
At 1 April 2020	22,667	43,291	65,958
Additions	-	23,521	23,521
Impairment	(2,552)	-	(2,552)
Modifications to lease terms	(151)	(1,462)	(1,613)
Depreciation	(2,296)	(18,725)	(21,021)
At 31 March 2021	17,668	46,625	64,293
Additions	-	33,442	33,442
Modifications to lease terms	(83)	6,443	6,360
Depreciation	(1,699)	(21,838)	(23,537)
Impairment	(26)	-	(26)
At 31 March 2022	15,860	64,672	80,532

Lease liabilities	2022 £000	2021 £000
At 1 April 2021/2020	73,023	71,202
Additions	34,148	24,442
Modifications to lease terms	4,936	(1,613)
Interest on lease liabilities	2,652	2,470
Repayment of lease liabilities (including interest)	(27,073)	(23,478)
At 31 March 2022/2021	87,686	73,023
Current	23,440	20,774
Non-current	64,246	52,249

Maturity analysis-contractual undiscounted cash flows	2022 £000	2021 £000
Less than one year	26,049	22,924
One to five years	57,350	42,711
More than five years	12,202	14,552
Total	95,601	80,187

## Notes (continued)

### 15 Leases (continued)

	2022 £000	2021 <sup>1</sup> £000
<b>Amounts recognised in the income statement</b>		
Depreciation of right-of-use assets	(23,537)	(21,021)
Impairment of right-of-use assets	(26)	(2,552)
Short-term lease expense	(27)	(927)
<b>Operating loss impact</b>	<b>(23,590)</b>	<b>(24,500)</b>
Interest on lease liabilities	(2,652)	(2,470)
<b>Loss before tax impact</b>	<b>(26,242)</b>	<b>(26,970)</b>

Note:

1. Balances for year ended 31 March 2021 have been re-presented to be consistent with current year disclosures.

### 16 Equity

Share capital	2022 Number	2021 Number	2022 £000	2021 £000
Ordinary shares of £1 each	300	300	-	-
	<u>300</u>	<u>300</u>	<u>-</u>	<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.

#### Retained losses

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

### 17 Contingent liabilities

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

	2022 £000	2021 £000
Bank overdrafts and loans	179,827	174,489
Performance bonds	2,025	2,530

### 18 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.

### 19 Subsequent events

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

## Notes (continued)

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

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