

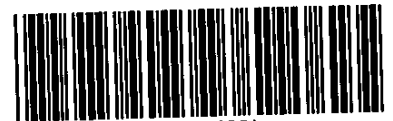


Creating the workplaces of tomorrow, today

Mitie Group plc
Annual Report and Accounts
2023



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THURSDAY



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The Exceptional, Every Day

We are the UK's leading facilities management company. Our expertise, care, technology, insight and focus on sustainability create amazing work environments, helping our customers to be exceptional, every day.

Strategic report

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Creating a 'Great Place to Work'

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Creating value for customers through 'Science of Service®'

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Committed to 'Decarbonisation Delivered'

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A record year

Mitie has delivered a good financial performance and made further progress against its strategic priorities in FY23. Thanks to the hard work of our 64,000 colleagues, the Group has achieved a record level of revenue, grown earnings and continued to focus on delivering shareholder returns.

Financial

Revenue, including share of joint ventures and associates ¹	KPI	Operating profit before other items ^{1,2,3}	KPI	Basic earnings per share before other items ^{1,2}	KPI	Dividend per share	KPI
£4,055m		£162m		9.5p		2.9p	
+1.5%		-2.9%		+3.3%		+61.1%	
FY22: £3,997m		FY22: £167m		FY22: 9.2p		FY22: 1.8p	
Group revenue ¹		Operating profit ^{1,3}		Free cash flow	KPI	Average daily net debt	KPI
£3,945m		£117m		£66m		£84m	
+1.1%		+62.3%		-£81m		+£59m	
FY22: £3,903m		FY22: £72m		FY22: £147m		FY22: £25m	

Non-Financial

Employee engagement	KPI	Net Promoter Score	KPI	Females in senior leadership team	KPI	Carbon emissions ⁴ (tonnes CO ₂ e)	KPI
57%		+42		28%		21,115	
+7ppt		+3pt		+4ppt		+2.5%	
FY22: 50%		FY22: +39		FY22: 24%		FY22: 20,596	

➕ Details of our full KPIs on pages 20 to 23

Alternative Performance Measures (APMs)

The Group's performance measures continue to include some measures which are not defined or specified under IFRS. A reconciliation of the APMs to the equivalent IFRS measures is provided in the Appendix – Alternative Performance Measures on pages 212 to 215.

1. From continuing operations.

2. Other items are as described in Note 4 to the consolidated financial statements.

3. Operating profit includes share of profit after tax from joint ventures and associates.

4. Scope 1 and 2 UK only emissions.

At a glance

Our vision

The Exceptional, Every Day

Our purpose

Our expertise, care, technology, insight and focus on sustainability create amazing work environments, helping our customers to be exceptional, every day.

What we do

Mitie is the UK's leading facilities management company. We offer a range of services to the public and private sectors, including engineering, energy, security, cleaning, custody, landscaping and waste management. We take care of our customers' people and buildings, and we are transforming facilities management to be more flexible, safe, sustainable and attractive to all. We are differentiated by our cloud-based proprietary technology.

Our core services

Mitie holds leading positions in each of its core services



Cleaning & Hygiene

Mitie is the largest provider of cleaning and hygiene services in the UK, with 15,000 highly trained colleagues, focusing on quality, excellence and technology-led innovation.

➔ Find out more on page 27



Security

Mitie is the largest intelligence and technology-led security provider in the UK, employing 16,000 colleagues. We offer integrated, risk-based security solutions such as lone worker protection, guarding, fire and security systems, and mobile security.



Technical Services

Mitie is the UK's largest provider of 'hard services' and technology-enabled solutions. Our Technical Services division employs 9,800 colleagues, including 1,000 locally based mobile specialist engineers across the UK.

Customer type FY23

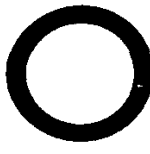
Revenue including share of joint ventures and associates



	%
● Government	54
● Non-government	46

Total order book £m

Including share of joint ventures and associates



	£m
● 1 year	2,771
● 1-2 years	1,897
● >2 years	5,022

Pipeline

£14.7bn

Total order book

£9.7bn

We deliver the exceptional, every day through our five business divisions



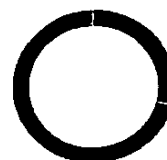
➤ Find out more on page 60

Business Services

We keep some of the UK's biggest companies, across a diverse range of sectors (including financial and professional services, manufacturing, telecoms, retail and transport), clean, safe and secure.

• Cleaning & Hygiene • Security • Office services

Revenue FY23



£1,172m
29%



➤ Find out more on page 62

Technical Services

We provide the full range of key technology-backed engineering, maintenance, repair and mechanical and electrical systems project activities, energy, carbon and water management services, air-conditioning/disinfection solutions and digital workplace services.

• Engineering services • Projects • Decarbonisation

Revenue FY23



£1,154m
29%



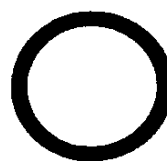
➤ Find out more on page 64

Central Government & Defence

A leading provider of facilities management services to UK Government departments, as well as the Ministry of Defence in the UK and deployments overseas.

• Cleaning & Hygiene • Security
• Office services • Engineering services
• Decarbonisation

Revenue FY23



£828m
20%



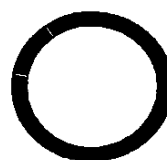
➤ Find out more on page 66

Communities

A leading provider of mainly integrated facilities management services to public sector customers, with a focus on community environments in healthcare, schools and universities, emergency services and local authorities.

• Cleaning & Hygiene • Security
• Portering • Engineering services • Decarbonisation

Revenue FY23



£490m
12%



➤ Find out more on page 67

Specialist Services

Care & Custody

We provide high-quality, critical public services in immigration, criminal justice and secure healthcare.

Landscapes

A leading provider of landscaping services, focused on both horticultural and winter services.

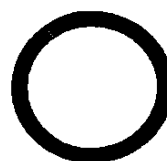
Waste Management

A leading national waste management business providing innovative waste reduction and treatment solutions.

Spain

We provide a wide range of facilities management services to customers in Spain, including cleaning, passenger assistance, customer support and information, and management of luggage trolleys.

Revenue FY23

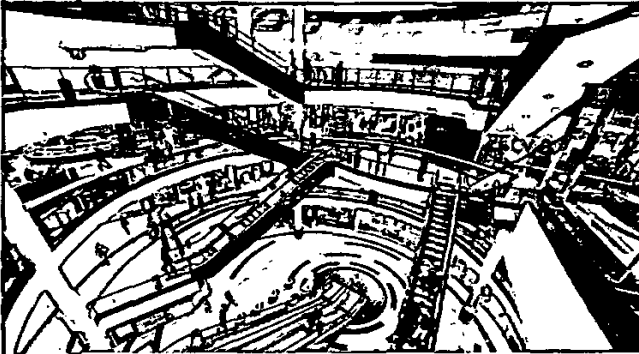


£411m
10%

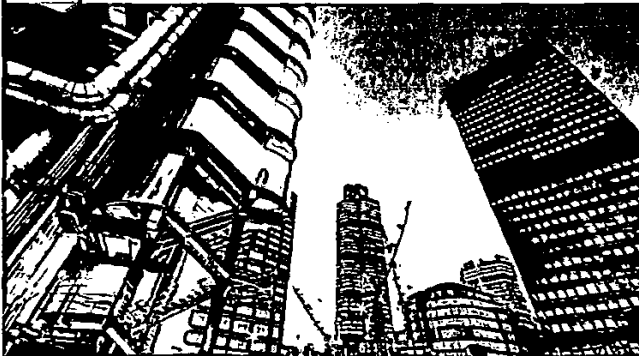
Our customers

A loyal and diverse blue-chip customer base

Retail, logistics and shopping centres



Corporate and iconic buildings



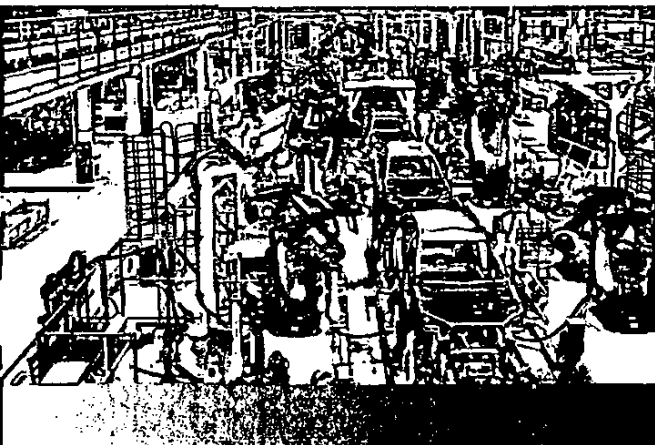
Public sector and critical security environments



Transport and aviation

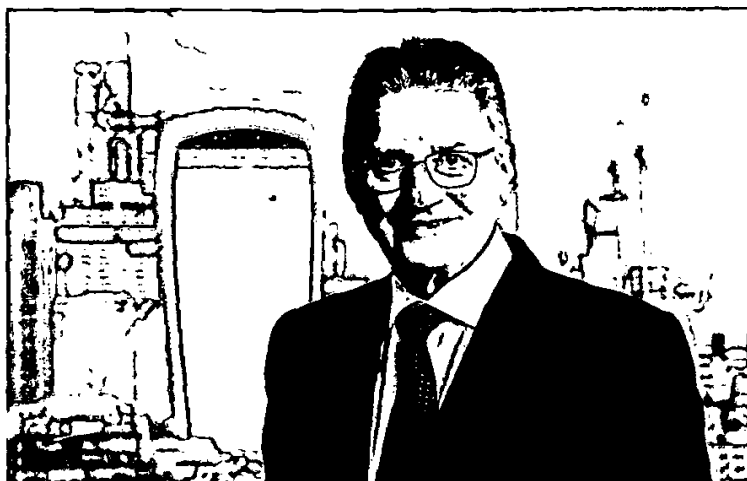


Manufacturing



Chairman's statement

Moving from strength to strength



Thanks to the hard work of our exceptional Mitie colleagues, I am delighted to report to you that we have delivered a record level of revenue and grown earnings. It is a privilege to work alongside such talented individuals, at Board level and across the whole organisation.



Derek Mapp
Chairman

Annual General Meeting

Mitie intends to hold its Annual General Meeting (AGM) on 25 July 2023 at Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG. This is an important event in our corporate calendar, providing an opportunity for our Board to engage with shareholders. Shareholders will be able to attend the meeting in person, or view the meeting via a live webcast. Shareholders can also ask questions via email to investorrelations@mitie.com. Instructions on how to register and join the webcast are set out in the Notice of AGM.

Dear Mitie Shareholder

When I wrote to you last year, we were re-establishing our 'normal' everyday lives, both in the workplace and at home, following the pandemic. Of course, the legacy of prolonged periods of disruption is that much has moved on and facilities management is no exception. Indeed, many of us have permanently adopted new hybrid ways of working and that has challenged employers to re-assess how they utilise their workspaces and attract and retain talent.

Your company has been at the forefront of advances in property technology ('prop tech'), having made significant investments over the past five years to develop a leading cloud-based technology platforms.

Our 'Science of Service' approach means that we are well-positioned to support our new and existing customers with innovative solutions, to create safe, clean, sustainable and efficient workspaces that promote wellbeing and collaborative working.

We have also been pursuing opportunities for growth in the decarbonisation sector, through our in-house capabilities and strategic acquisitions. Having made significant progress with our own Net Zero ambitions, we are using our expertise and technology to help our customers to advance their own sustainability agendas. Our work in this area over the past year has ranged from installing sensors in our customers' buildings in order to monitor occupancy and utilisation, to installing solar photovoltaic (PV) panels and 'living walls'.

The year has not been without its challenges, given the ongoing war in Ukraine and wider macroeconomic uncertainties. We have therefore had to work harder, not only to replace the significant revenue streams from short-term Covid work in the prior year, but to manage inflationary pressures. We have also continued to focus on cost-efficiencies and delivering above-expectation synergies from the integration of Interserve, which we acquired with your support in November 2020.

Thanks to the hard work of our exceptional Mitie colleagues, I am delighted to report to you that we have achieved a new record this year, with revenue exceeding £4bn for the first time (FY22: £3,997m). We have also increased basic earnings per share before other items by 3.3% to 9.5p (FY22: 9.2p).

It is a privilege to work alongside such talented individuals, at Board level and across the whole organisation. Over the coming year I will continue to support and challenge the executive leadership team to drive greater performance, cash generation and returns for our shareholders as the business moves from strength to strength.

'One Mitie'

All of our 64,000 colleagues have contributed to our progress this year, and I would like to extend my heartfelt thanks to everyone at Mitie for their hard work – we simply would not be where we are today without them.

We strive to attract and retain talented colleagues. Mitie's core values define the behaviours of our people and underpin our vision to deliver The Exceptional, Every Day. An important element of our culture has been to establish a 'One Mitie' way of operating across the business, because we know this leads to consistent, high-quality information flows and better service delivery to our customers.

Our culture is collaborative and supportive, and it continues to evolve as we embrace new ways of working. We recognise that the cost-of-living crisis has made life very difficult for many people, especially our colleagues on the frontline. To help ease those financial pressures, we implemented a £10 million Winter Support package during the year.

We have also continued to develop market-leading benefits for our colleagues, ranging from our employee discounts portal, 'Mideals', to life insurance for all colleagues and participation in our share incentive scheme. You can read more about this on page 40.

Supporting communities and the environment

Through the work we do, we make a positive difference to the lives of millions of people, and we take that responsibility very seriously. Climate action and job creation, and the creation of social value, lie at the heart of our agenda.

We aim to support communities through our significant investment in diversity and inclusion projects, such as the Mitie Foundation, which has continued to break down barriers to employment through the delivery of its Ready2Work Military programme and its new Beyond Bars programme.

We have a well-developed Equality, Diversity & Inclusion (ED&I) strategy, and I am delighted that Mitie has been named as one of the UK's top 50 most inclusive employers in 2022/23, for the fifth year running.

Having worked throughout the year to develop our carbon reduction plan, we also received validation from the prestigious Science Based Targets initiative (SBTi) in April 2023. We have set ambitious targets to be Net Zero carbon for our operations by 2025, and to decarbonise our supply chain by 2035, ahead of the SBTi validated target of 2046. Our fleet of 3,200 fully electric vehicles, one of the largest in the UK, is a good example of our commitment to a cleaner environment. For more details on Mitie's ESG strategy, targets and achievements see pages 37 to 59.

Our strategy

We have made further progress against our strategic priorities this year: accelerating growth, enhancing margins and generating cash, underpinned by our 'capability enablers' – Science of Service, Great Place to Work and Decarbonisation Delivered. You can read more in the Chief Executive's strategic review on pages 12 to 17.

As part of our strategy to accelerate growth, we completed three bolt-on acquisitions during the year, including Custom Solar, which enhances our decarbonisation offering to our customers, and 8Point8 and P2ML, which deliver greater scale and capability to Mitie Telecoms. Since the year end, we have completed two further acquisitions, Linx International Group and R H Irving Industrials, both of which enhance our intelligence and technology-led fire and security offering.

We have a number of margin enhancement initiatives that are underway or were completed during the year, including the implementation of Coupa, our digital supplier platform, and Forté, the digital platform to automate scheduling in Technical Services. We expect these initiatives to deliver further meaningful benefits to profitability in FY24.

Board composition

It was with great sadness that we announced the death of Baroness Philippa Courtie in December 2022. Philippa joined the Board of Mitie in November 2017 as a Non-Executive Director and served on the Audit and Nomination Committees. She made an enormous contribution with her enthusiasm and expertise and will be remembered for helping to establish Mitie as the ESG leader in the FM industry. Philippa was the first Chair of our ESG Committee and was also a Trustee and Chair of the Mitie Foundation. She is greatly missed.

We feel passionately that the composition of our Board should reflect wider society and comprise a diverse range of skills and experience in order to promote strong governance. In April 2022, we welcomed Chet Patel and Salma Shah as new Non-Executive Directors. Chet and Salma both joined the Remuneration Committee, with Chet also joining the Audit Committee. Salma also joined the ESG Committee and was subsequently appointed as its Chair in January 2023. In March 2023, Chet and Salma joined the Nomination Committee. Chet has extensive experience in the B2B service environment, promoting sales and growth strategies, while Salma brings a wealth of public sector expertise.

Stakeholder engagement

It is the Board's duty to understand the needs of all of our stakeholders, and to act on their feedback. This year, the Board has engaged extensively with Mitie's different stakeholder groups, with a particular focus on our colleagues.

A high proportion of our colleagues work for us on the frontline, and we never stop learning how to improve our two-way communications. Our colleague listening strategy is focused on hearing from and acting on colleague feedback and, this year, we have refreshed the Board's approach. Jennifer Duvalier, our Non-Executive Director responsible for workforce engagement, has undertaken a full programme of in-person and virtual employee listening sessions, in which other Board members participated.

Our Board members also attend the many ED&I events run with our diversity networks across Mitie, and the Board has travelled extensively around the UK to meet colleagues over the past

year. This culminated in our flagship annual 'Team Talk Live' employee engagement festival in February 2023. Mitie's annual employee engagement survey, Upload, indicated that our colleagues feel more engaged than ever. Further details about Jennifer's role and the Upload survey are on pages 400 and 42, respectively.

Finally, I have also welcomed the opportunity, alongside my fellow Board members, to meet with Mitie's major shareholders once again this year to discuss governance and related matters during our annual Chairman's roadshow. See page 32 for details of our stakeholder engagement.

Capital allocation


Your business has delivered a record performance during the year and has a robust financial position. With a focus on maximising shareholder returns, our capital allocation plans prioritise investment in strategic high growth, high margin bolt-on acquisitions, dividend progression towards our 30%–40% target ratio and the return of surplus cash to shareholders via share buybacks, underpinned by a maximum leverage of 1x (average net debt/EBITDA). The Board has also taken the decision to purchase shares for all employee incentive schemes (FY23: £38m), to eliminate the otherwise dilutive effect to shareholders of issuing new shares to fulfil the schemes.

The Board is recommending a final dividend of 2.2p per share which, when added to the 0.7p dividend paid in respect of the first six months of the year, takes the total dividend for FY23 to 2.9p per share, a 61% increase on the prior year (FY22: 1.8p). This represents a payout ratio of 30% (FY22: 20%). The final dividend will be paid on 4 August 2023.

Consistent with our capital allocation strategy, and reflecting the strength of our balance sheet, the Board announced a new £50m share buyback programme in April 2023, following on from an initial £50m programme completed in FY23.

In closing, this is my sixth year as Chair of your company. I am incredibly proud of the journey we have been on together, and the significant progress achieved over the past year. I would like to thank my Board members for their ongoing support and commitment, as well as all our shareholders, customers, clients, colleagues and partners, for all they do to make Mitie the company it is today.

Derek Mapp
Chairman

DocuSigned by:

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Creating a 'Great Place to Work'

Mitie is a place of opportunity, where all our people can flourish and grow, and where achievements are recognised. We offer market-leading benefits and reward people for a job well done. In FY23, Mitie was again recognised as a UK Top Employer for the fifth year running – showcasing our dedication to creating a 'Great Place to Work'.

➔ Find out more on pages 38 to 42

Shani's story

I knew I wanted to change careers, but as a mum of six, I had to find something that gave me the balance I needed. When my youngest child started school, it was the ideal opportunity to find something I wanted to do. In my new role I liaise with suppliers, am responsible for health and safety within the stores and work closely with the engineers to identify the relevant parts needed to complete a job.

I would recommend the apprenticeship path. It's not just for young people, and it's an amazing way to build on your skills and drive your career forward.

The thing that makes me most proud working for Mitie is the inclusion, the diversity and the opportunities for career development.

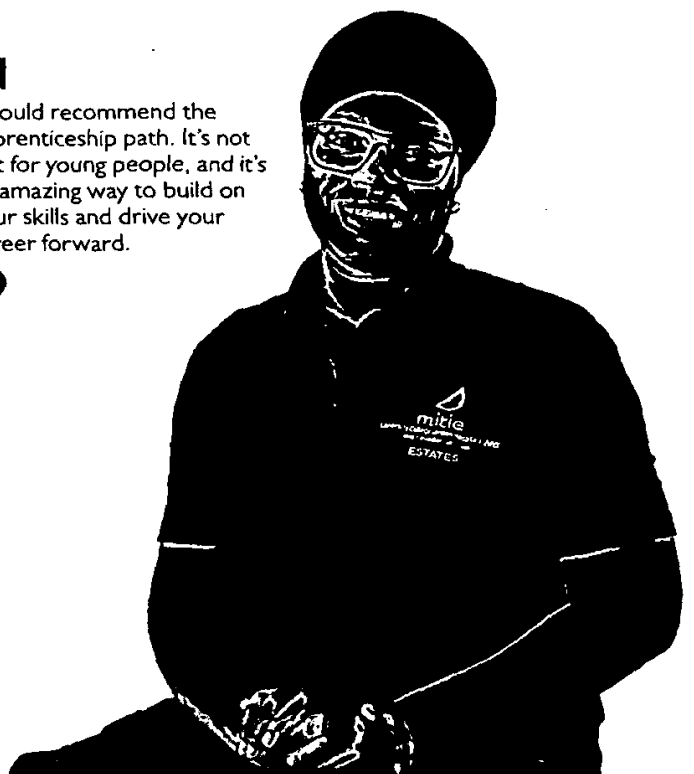
Having completed her Level 2 Facility Services apprenticeship, Shani is now successfully using her skills and passion for engineering to keep hospitals running smoothly in her role as an Apprentice Stores Person.



Scan me!
Watch Shani's story



I would recommend the apprenticeship path. It's not just for young people, and it's an amazing way to build on your skills and drive your career forward.



Elvedin's story

I started as a security officer and was quickly asked to act as a relief supervisor. I was often asked to go to various sites that were experiencing issues and act as a troubleshooter. This led to a permanent supervisor position.

I knew that I wanted to progress within the organisation and took the opportunity to complete a Level 3 Management Apprenticeship. It was tough, juggling studying with full-time work. Due to the pandemic, it also took longer than planned to complete the course – but I got there! As challenging as it was, I learned so many skills that I was able to take back to the workplace, including better communication with our customers and better management of my team.



Scan me!
Watch Elvedin's story



My manager coached and trained me in the practical skills I needed to work in management. This year, I started my current role of Operations Manager. I can't believe how far I've come!



Beth's story

After I'd had my daughter, I was keen to find a role that would give me the flexibility I needed to work around nursery and childcare. I was also keen to work in an office environment where I could indulge my passion – numbers! My role at Mitie is very varied – no two days are the same. I get involved with a lot of finance work, payroll and quotes. I've learned so much since I've been here.

I work part-time, four days a week. There's a culture of flexibility and trust within my team. I know that if I need to take some time away – perhaps for childcare or if I have an emergency at home – my manager understands – as long as I make the time up and I get my job done, it's no problem.

I'm proud to work for Mitie – it's such a well-recognised brand.



Scan me!
Watch Beth's story



I was recently 'Employee of the Month' – what I valued was the recognition of the additional work I had put in. It made me feel that the role I perform is important.



Seven compelling

reasons to invest

Mitie is the UK's leading facilities management company with a market share almost twice the size of our next largest competitor, operating in a highly fragmented market. We have a loyal blue-chip customer base across the public and private sectors, and a diverse service offering differentiated by our cloud-based, proprietary technology.

Our margin-accretive growth strategy is focused on delivering mid-to-high single digit revenue growth; driving the operating margin towards 4.5%–5.5%; generating sustainable free cash flow; and achieving a return on invested capital (ROIC) in excess of 20% in the medium term.



1

Scale, diversification and market leadership

- The UK's leading facilities management company with a market share of 10%, almost twice the size of our next largest competitor
- Operating in a highly fragmented market with many smaller peers, creating opportunities for consolidation
- Market leader across our core businesses of Cleaning & Hygiene, Security and Technical Services
- Sector expertise across central government, defence, retail, manufacturing, transport and logistics
- Long-term relationships with a diversified, blue-chip customer base

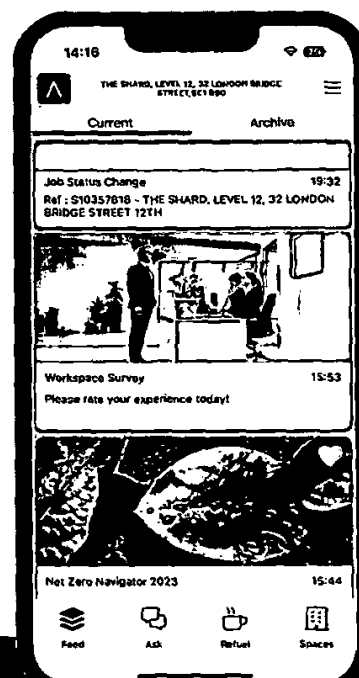
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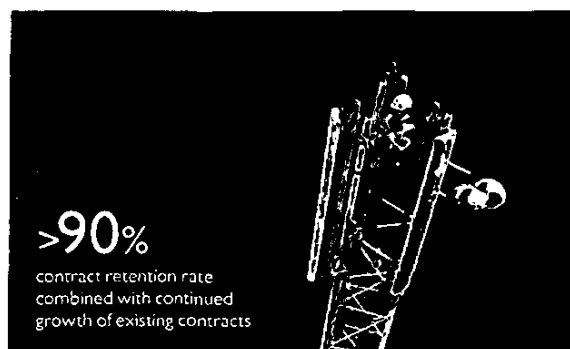
Differentiated technology offering

- Unique cloud-based proprietary technology differentiates our customer offering and drives adoption, loyalty and retention
- Customers get real-time visibility of workstreams on their sites, automated service requests and asset performance reports

+42 NPS

Customer satisfaction score





3

Sustainable revenue growth

- Targeting mid-to-high single digit revenue growth (ahead of low-single digit market growth)
- Proven track record in winning and retaining contracts and increasing our market share
- Transitioning towards higher-growth, higher-margin activities through bolt-on acquisitions in the telecoms, decarbonisation and security technology sectors

4

Driving margin expansion

- Targeting an operating margin of 4.5%–5.5%
- Delivering cost synergies and improved margins from acquisitions
- Operational excellence initiatives driving enhanced contract profitability
- Transforming our strategic supply chain management
- Creating a lean overhead structure

5

Cash generation and robust balance sheet

- Attractive free cash flow and low covenant leverage
- BBB investment grade credit rating
- Long-term funding at competitive rates, with a balanced maturity profile



6

Making a positive and lasting impact on society

- Industry-leading, ambitious targets set across all areas of environment, social and governance (ESG)
- Creating a 'Great Place to Work' and prioritising the wellbeing of our people
- Developing a skilled workforce that can deliver meaningful employment opportunities

2025 NET ZERO

carbon target

7

Enhancing returns

- Targeting a ROIC >20% over the medium term
- Progressing towards a dividend payout ratio of 30%–40%
- Purchasing shares for all employee incentive schemes to eliminate the dilutive effect of new share issuance
- Active share buyback programme
- Bolt-on acquisitions to drive future earnings growth

Chief Executive's strategic review

A record year and continued strategic progress



Mitie's performance in FY23 has surpassed the Board's expectations. The business has been transformed over the last six years, and we have made further significant progress this year against each of our strategic pillars. We are now the largest facilities management business in the UK, and our unrelenting ambition is to drive the business to reach its full potential, not just financially but also through its positive contribution to the environment and society.



Phil Bentley
Chief Executive Officer

Overview

Mitie's journey over the past six years has been transformative. The first few years focused on improving customer service, increasing employee engagement, divesting non-core assets and strengthening the balance sheet. Once achieved, these were the foundations for the second phase of our strategy to build scale and drive operational leverage from the Interserve acquisition in 2020. Our strategic focus since then has been on delivering returns.

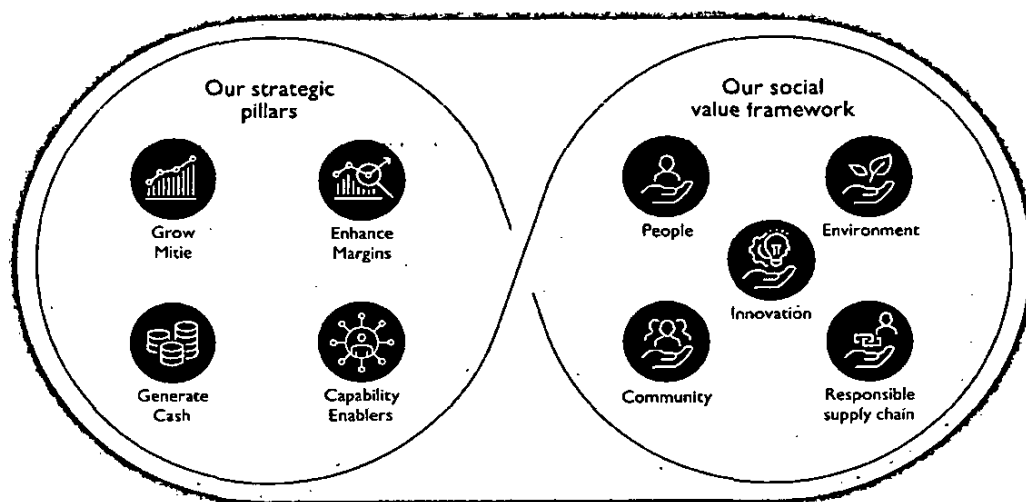
We are now the largest facilities management business in the UK, and our unrelenting ambition is to drive the business to reach its full potential, not just financially but also through its positive contribution to the environment and society. Despite the challenging macroeconomic environment, we have made significant progress against our strategic priorities this year, delivering a record level of revenue and growth in earnings per share, and continuing to strengthen our ESG credentials. We have a strong platform for future growth, and we are well-positioned to benefit from the opportunities that lie ahead for the business.

Delivering on our strategic priorities

We have continued to make progress this year against each of the strategic pillars we set out in June 2021: Grow Mitie, Enhance Margins and Generate Cash, underpinned by our three Capability Enablers – 'Science of Service', 'Great Place to Work' and 'Decarbonisation Delivered'.

Our strategy targets mid-to-high single digit revenue growth, an operating margin before other items of 4.5%–5.5%, sustainable free cash flow and a return on invested capital (ROIC) in excess of 20% over the medium term. We will continue building our technology-led offering across our three core business areas of Cleaning & Hygiene, Security and Technical Services, where we already hold market-leading positions, alongside complementary services such as Landscapes, Waste and Care & Custody. We are also expanding our presence in the high-growth areas of decarbonisation, security technology and telecoms infrastructure, both through our in-house capabilities and our acquisitions strategy.

Mitie's three capability enablers are our differentiators, giving us a competitive edge to win new business, cross-sell our services and continue to build strong, long-term relationships with blue-chip customers across the public and private sectors. We aspire to be a trusted partner to every single one of our customers, and our talented colleagues are our ambassadors. That is why we strive to ensure our 64,000-strong team has the skills, expertise and resources to deliver The Exceptional, Every Day.



Find out more about our social value framework on pages 37 to 59



Grow Mitie

Our priority is to grow Mitie, both organically and through targeted 'bolt-on' acquisitions focused on the higher-growth, higher-margin sectors of decarbonisation, security technology and telecoms infrastructure.

During FY23, we were awarded new contract wins of £1.9bn TCV (FY22: £2.1bn). This included contracts with Dublin Airport, the Department for Work and Pensions (DWP), Hammerson, the Home Office, Lloyds Banking Group, National Air Traffic Services (NATS) and National Grid.

Following a full and extensive re-tender process, we were retained as the strategic partner to the Ministry of Defence (MOD) for its overseas military base in Cyprus and the Landmarc 'Training Estates' contract. In total, £2.4bn TCV of contracts were renewed or extended in FY23 (FY22: £1.7bn), including with Deloitte, the DWP, the MOD, Sainsbury's, Manchester Airport Group and Vodafone. Our renewal rate was again over 90%, which is testament to the strength of our customer relationships, quality of service and competitiveness on pricing.

For any new or re-tendered contract, we have robust internal bidding processes in place, including the review of all contracts valued at more than £3m by our Bid Committee, comprising members of the executive leadership team. We are continually improving our approach to ensure our capabilities and the competitive cost-to-serve afforded by our scale are reflected in our bids.

We also continue to leverage our expertise by cross-selling services and insourcing work formerly contracted out to third parties, wherever opportunities are identified. In FY23, £43.5m of cross-selling revenue from projects was delivered by Technical Services (including a number of decarbonisation projects), and by Waste, Landscapes and Security.

Mitie's projects business brings together around 2,300 colleagues in our project delivery teams, predominantly across Technical Services and Central Government & Defence, and contributed £0.8bn to FY23 Group revenue, an 18% increase compared with the prior year. Our projects capabilities extend across all aspects of workplace effectiveness, including mechanical and electrical packages, fire and security hardware, and energy decarbonisation. There are significant growth opportunities in this area, given the wider trend towards employers wanting to create inspirational workplaces post Covid, and the regulatory requirements for buildings to meet energy efficiency standards. The projects business includes Mitie Telecoms and our decarbonisation offering, as described below.

During FY22 and FY23, we completed seven strategic bolt-on acquisitions, including three businesses at a total cost of £20m (P2ML, 8point8 and Custom Solar) in FY23. We have completed two further acquisitions since the year end, Linx International Group and R H Irving Industrials, for a total consideration of £21m, both of which strengthen our capabilities in the intelligence and technology-led security market.

The acquisitions of P2ML and 8point8 in H1 FY23 were combined with DAEL Telecoms (acquired in FY22) to create Mitie Telecoms, one of the UK's largest telecoms infrastructure businesses, which is benefiting from the roll-out of 5G and the decommissioning of Huawei assets. Our services include both infrastructure projects and network coverage for special events, such as music festivals. During the year, we partnered with Cellnex, Digital Mobile Spectrum Limited (DMSL) and H3G, and extended relationships with BT, Vodafone and VMO2, such that we are now working with all of the mobile network operators.

We are also focused on building on our Plan Zero offering (Mitie's own Net Zero commitment) to deliver decarbonisation for our customers. The acquisitions of Custom Solar in H1 FY23 and Rock Power Connections (acquired in FY22) have facilitated the rapid expansion of our capabilities in this area. We have been awarded contracts from existing Mitie customers, including ABP, the DWP and Amazon, for electric vehicle (EV) charging infrastructure and solar panels.

The FY22 and FY23 acquisitions contributed £98m to Group revenue in FY23 and approximately 2ppt of our underlying growth (excluding Covid work). While these bolt-on acquisitions will deliver future growth for the Group, they have required investment during the year to win new contracts and are therefore only expected to contribute to Group profitability from FY24.

Chief Executive's strategic review continued



Enhance Margins

We are targeting an operating profit margin, before other items, of 4.5%–5.5% in the medium term. This will be achieved through growth in the higher margin projects business, as well as our ongoing package of savings and efficiencies, from delivering the Interserve synergies, driving operational excellence, rolling out Coupa (our digital supplier platform), implementing Forté (the digital platform to automate scheduling in Technical Services) and undertaking overhead cost savings.

Notwithstanding inflationary headwinds, we achieved an operating margin of 4.0% in FY23 (3.8%, excluding Covid work), reflecting an increase of 1.7ppt over the two-year period since acquiring Interserve (which operated on a margin around 1.0ppt below that of Mitie).

In FY23, we have delivered an incremental £41m of savings through our margin enhancement initiatives. These cost-saving initiatives materially exceeded the cost of the Winter Support package (£8m), the relatively limited inflationary increases that we were unable to pass on to customers (£7m), and the delay in achieving the full benefits from Forté (£4m).

A significant proportion of these savings has come from Interserve cost synergies. In FY23, we delivered an incremental £21m of synergies,

driven by further reductions in headcount and procurement savings. In aggregate, since December 2020, we now expect to deliver total synergies of £55m (previous guidance £50m), significantly ahead of our initial expectation of £30m at the time of acquisition.

- Our operational excellence initiatives delivered an incremental £7m of savings in FY23, largely from the portfolio of former Interserve contracts where efficiencies are being delivered from the roll-out of our workforce management system (Workplace+), reduced agency cleaning hours and harmonising processes for mobile technicians.

We have continued to digitalise, rationalise and simplify our third-party supplier base. In FY23, we saved an incremental £7m from the roll-out of Coupa to Business Services, Communities, Landscapes, Care & Custody and the Corporate Centre, which together account for 60% of our total third-party spend. We have also reduced our supplier base, from 12,000 to 8,300 suppliers, and we remain on track to meet our target of 6,000 suppliers in FY24.

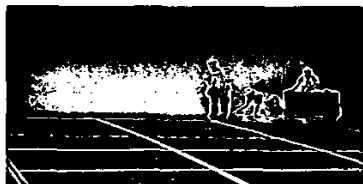
Forté went live in the first half of the year. After an initial period of stabilisation, which resulted in some short-term operational challenges, service level performance has returned to 'pre-Forté' levels, and is improving daily. The delay in getting the system to full capacity held back the cumulative benefit from Forté savings to £9m in FY23, although we expect to meet our full planned savings run rate of £15m in FY24, as previously communicated.

We are also continuing to make progress with the handful of under-performing contracts in Communities which we acquired with Interserve. Six of the contracts showed improved performance during the year, with two contracts now contributing to Group profitability. One contract remains particularly challenging and only showed a marginal improvement in performance (£8.4m loss in FY23 compared to £8.7m in the prior year). The majority of the remaining under-performing contracts will be at, or close to, break even by the end of FY24, with the final contract expected to achieve profitability in FY26, after productivity improvements and re-sets to pricing.

During the second half of the year, we expanded our suite of margin enhancement initiatives. This phase of the programme addresses our Target Operating Model and includes the outsourcing of further HR and Payroll, Finance and IT functions, consolidation of systems and processes, and optimisation of our organisational structure. The Target Operating Model initiatives delivered £6m of savings in FY23 and are expected to deliver a further £20m of savings in FY24.

The costs to deliver the margin enhancement initiatives outlined above are reflected in 'cash other items' of £24m in FY23 (FY22: £27m), which include £8m of costs associated with the Target Operating Model (for redundancies, systems testing, project resources, and dual running).

Expanding our presence in high-growth markets through in-house expertise and strategic acquisitions



Decarbonisation

- Growth driven by sustainability strategies, including demand for renewable energy and EV charging infrastructure
- Custom Solar acquired in FY23
- 12,000 kW of EV charging installed
- 140,000 m² of solar panels delivered



Security technology

- Growth driven by demand for data-driven insights and risk-based security solutions
- R H Irving Industrials and Linx International acquired post year end
- Well placed to support customers preparing to meet the requirements of Martyn's Law



Telecoms infrastructure

- Growth driven by the decommissioning of Huawei assets and roll out of 5G
- P2ML and 8point8 acquired in FY23
- Awarded significant portion of Government's Shared Rural Network programme
- Working with all major network providers



Labour and third-party cost inflation totalled £170m. Approximately £163m of these rising costs were recovered from our customer base via contract re-pricing.



Generate Cash

Our ability to translate revenue into earnings growth and free cash flow is integral to the success of our strategy, including our ability to reinvest for future growth and increase shareholder returns while maintaining a robust balance sheet position.

During FY23, we generated a free cash inflow of £66m, compared with £147m in the prior year. This reduction reflects the £45m impact from the decision to terminate the invoice discounting facility and a higher working capital outflow arising from replacing Covid-related contracts on 30-day payment terms with revenue on longer payment terms.

Our performance during the year, combined with our forecast future cash flows, provides confidence in the delivery of our capital allocation policy. This sets out a proactive but disciplined use of resources to pursue bolt-on acquisition opportunities, return cash to shareholders via share buybacks and dividends, and purchase shares for our employee incentive schemes to

eliminate the otherwise dilutive effect of issuing new shares to fulfil vesting awards.

In FY23, we invested £20m in acquisitions in the telecoms and decarbonisation sectors and returned £117m to shareholders via dividends paid (FY22 final and FY23 interim dividends), share buybacks and the purchase of 50m shares at a total cost of £38m for employee incentive schemes. Our leverage of 0.4x average net debt/ EBITDA gives us significant headroom within which to maintain our capital allocation activities.



Capability Enablers

Our strategic pillars of growth, margin enhancement and cash generation are underpinned by three capability enablers: the Science of Service; creating a 'Great Place to Work'; and Decarbonisation Delivered.

The Science of Service

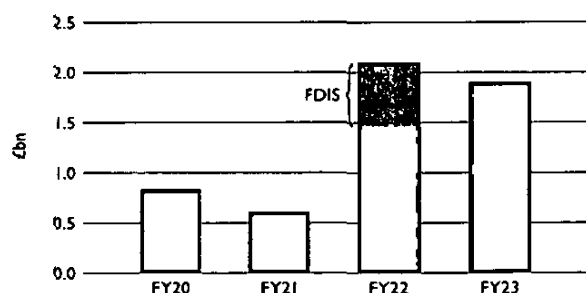
Over the past five years, we have made substantial investments to develop leading cloud-based platforms for facilities management. Our 'Science of Service' approach allows us to put cutting-edge technology at the forefront of all our services, providing customers with innovative solutions to create safe, clean, sustainable and energy efficient spaces. This technology sets Mitie apart from its competitors and creates a strong

platform from which to win and retain customers, and to be recognised as a trusted partner for their businesses.

Forté is our industry-leading digital platform to automate workflow in Technical Services. Forté incorporates a suite of Connected Workspace products, including ESME (our AI-driven chatbot), Ania (our workplace app) and MOZAIC (our AI/ Machine Learning analytics suite), which are revolutionising the way our people work by enabling our customers and their employees to seamlessly connect to workplace services. They have been adopted by 40 customers to date, with over 14,000 registered users reporting and tracking workflow across their estates.

We have developed an application, combining virtual reality and the Internet of Things, which enables our remote and on-site engineers to collaborate through our Connected Engineer headset. This aims to improve fault detection and diagnosis, deliver cost savings on planned maintenance activities and improve the overall customer experience. We have also been expanding our use of Machine Learning models to provide holistic digital solutions to support our customers with their workplace and decarbonisation strategies, using software such as Building Management Systems (BMS) and Building Information Modelling (BIM).

£1.9bn TCV new contract wins¹



¹ Includes secured variable and project work

£2.4bn TCV new contract renewals and extensions¹



NATS

nationalgrid



Home Office

EUROPEAN

Defence Infrastructure Organisation

daa

BBC



Deloitte.

LYDDON BANKING GROUP

Sainsbury's

vodafone

Chief Executive's strategic review continued

We have introduced some of these technologies to customers such as the BBC and Deloitte, where a 'partnership technology roadmap' has been integral both to securing recent contract extensions and to deploying our workplace consultancy services. We have also grown our Connected Branches service for Lloyds Banking Group, with 460 branches having been fitted with our remote connectivity products to reduce energy consumption, and a further 100 in progress. In the public sector, customers such as Sellafield, the Department for Transport (DfT), the DWP and Ofcom are implementing our technology to improve the workplace experience for their employees and increase productivity.

Mitie operates the UK's leading intelligence and technology-led security business, identifying and assessing threats through its intelligence network and dedicated Intelligence Hub in Northampton. This technology provides significant advantages in winning, transforming and retaining contracts across multiple sectors, including the retail, financial services, and transport and aviation sectors.

Furthermore, Mitie is at the forefront of the acceleration of technology within the cleaning and hygiene sector. In early 2022, we opened the Cleaning and Hygiene Centre of Excellence (CHCoE) in Birmingham to showcase our tech-enabled solutions to existing and potential customers. Our robotic cleaners deliver a consistent level of cleaning, day and night, while

reducing the use of water and electricity by identifying the most efficient route around a building. They are commonplace in high-traffic environments such as railway stations, and in NHS settings, and can be combined with footfall monitors to create a 'demand-led' pattern of cleaning activity. We have also developed leading technology to improve the air quality in a range of settings, including offices and transport hubs, using UVC air disinfection systems.

Creating a 'Great Place to Work'
Our ambition is to be the destination 'employer of choice' in the facilities management industry. We will achieve this by creating a 'Great Place to Work', empowering our 64,000 colleagues by developing their skills, providing meaningful career opportunities and ensuring that they are suitably recognised and rewarded for their contribution. This, in turn, enables us to continue delivering outstanding customer service.

We are an industry leader in the provision of benefits to our frontline colleagues. During the year we launched a £10m Winter Support package of new benefits to help our colleagues through the cost-of-living crisis, including one-off bonuses, the removal of fees for using salary finance, retail discounts and additional free shares. We have also expanded our 'Choices' platform to our hourly-paid colleagues, so that they can take advantage of discounts on everyday products and services.


The positive steps that we have taken to create a 'Great Place to Work' have been reflected in the results of our latest annual employee engagement survey. Some 84% of our full-time employees participated (54% of all colleagues), our highest participation rate to date. Our overall Mitie engagement score rose to a record level of 57% of colleagues 'fully engaged', a 7ppt increase on last year's score, and a 24ppt increase since we introduced an annual survey in 2018.

Decarbonisation Delivered
The third enabler to our strategy is to support an increasing number of public and private sector clients to define and deliver their own Net Zero strategies through our growing decarbonisation capabilities.

During H1 FY23, we completed the acquisition of Custom Solar, which specialises in solar photovoltaic panel installation, further strengthening our suite of decarbonisation services. This complements our FY22 acquisitions of Rock Power Connections, which delivers high-voltage power connections (including for electric vehicles), and Biotecture, which installs living walls for interior and exterior urban spaces.

Our decarbonisation business revenue increased by 65% to £145m (FY22: £88m), through cross-selling these capabilities to existing customers. Rock is now working with five of the UK's leading sustainable energy providers, including Gridserve and Roadchef, to install fast EV charging points in a variety of settings,

Capability Enablers: Business momentum underpinned by our technology, our focus on sustainability and our colleagues



Science of Service™

- CHCoE and Merlin for Cleaning launched
- Remote launched
- 18,000 sensors remotely monitoring customer sites
- Partnership technology roadmaps introduced for customers

14k
Connected Workplace users across 40 customers

➤ Find out more on page 18



Decarbonisation Delivered™

- Energy optimisation programme implemented across Mitie's estate
- 2,800 EV charge points installed
- Net Zero targets validated by SBTi
- 2023 'Net Zero Carbon Strategy' (edie)
- 2023 'Solar Project of Year' (GivEnergy)

3,200
EVs in operation (one of the largest UK fleets)

➤ Find out more on page 24



Great Place to Work

- New Employee Value Proposition (EVP)
- Industry leading benefits package
- £10m Winter Support package

MyVoice MySlice MyStory
MyCareer MyAchievement
MyWellbeing MyCommunity

57%
employee engagement (+7ppt YoY)

➤ Find out more on page 8

including motorway service stations, petrol stations and destination hubs such as garden and shopping centres. In addition, we continue to develop heat decarbonisation plans for five central government bodies across over 100 buildings, and to provide other services, such as LED lighting installation and energy consumption management, for our customers.

Financial highlights

Our financial results for the year ended 31 March 2023 are encouraging and we have made further progress against each of our strategic priorities. We entered the year with the challenge of replacing almost £450m of short-term and higher-margin Covid-related contract revenue. Thanks to the hard work of our 64,000 colleagues and our technology-led approach, we have achieved this, and more.

Group revenue

Group revenue, including share of joint ventures and associates, from continuing operations of £4,055m was 1.5% better than the prior year (FY22: £3,997m), even after the completion of short-term Covid work (FY22: £448m), representing our highest ever revenue. Excluding the Covid-related contracts, underlying revenue growth was 14%. This increase is broadly attributable to organic growth of 7% (including net contract wins and losses, contract growth and projects), contract re-pricing of 5% and acquisitions of 2%.

Profitability

Basic earnings per share before other items grew by 3.3% to 9.5p (FY22: 9.2p). EPS benefited from the refinancing of debt instruments and share buybacks, which more than offset the small reduction in operating profit before other items to £162m compared with the prior year (FY22: £167m) due to the completion of the higher margin Covid work. Basic earnings per share after other items more than tripled to 6.8p (FY22: 2.2p), reflecting a £60m reduction in Other items after tax to £37m (FY22: £97m).

Financial position

We generated £117m of cash from operations (FY22: £264m), leading to £66m of free cash flow (FY22: £147m) in FY23, which helped us to maintain a strong balance sheet with leverage (average net debt/EBITDA) of only 0.4x.

Our average net debt was £84m (FY22: £25m), reflecting the implementation of the capital allocation policy announced last year and our decision to terminate the customer invoice discounting facility. Closing net debt at 31 March 2023 increased to £44m (FY22: £27m net cash).



FY24 has started positively. Since the start of the year, we have won and extended a number of significant new contracts and we have a healthy pipeline of new opportunities, combined with the full year benefit from major contracts won and extended in the final months of FY23.



Phil Bentley
Chief Executive Officer

Capital allocation

Mitie is cash generative and has a strong, stable and flexible balance sheet to support future growth and increased returns to shareholders.

The Group has made a number of targeted bolt-on acquisitions over the last two years, focused on the higher-growth, higher-margin sectors of decarbonisation, security technology and telecoms infrastructure. The Board believes that value-accretive acquisitions represent an increasingly important route through which Mitie can accelerate growth and build on its earnings and cash generation platform for the future.

Having reinstated the dividend last year, post Covid, the Board's intention has been to increase the dividend payout ratio to 30%–40%, and thereafter deliver dividend growth in line with earnings growth. In light of the Group's robust financial position and continued progress against its strategy, the Board is therefore recommending a final dividend of 2.2p per share which, when added to the dividend paid in respect of the first six months of the year, takes the total dividend for FY23 to 2.9p per share (FY22: 1.8p). This represents a payout ratio of 30% (FY22: 20% payout). The final dividend will be paid on 4 August 2023.

In April 2023, the Board announced its decision to purchase shares to satisfy all employee incentive schemes, eliminating the otherwise dilutive effect of issuing new shares to fulfil vesting awards. The majority of our share schemes are satisfied

through the Company's Employee Benefit Trust (EBT), while Save As You Earn (SAYE) schemes are satisfied through treasury shares, in order to mitigate unnecessary stamp duty costs for the employee.

Consistent with this approach, 50m shares were purchased through the EBT, including 4m shares for our employee Winter Support package, at a total cost of £38m in FY23. We expect share purchases through the EBT to reduce significantly to c.15m shares in FY24 and FY25, as specific incentives put in place in respect of the Interserve acquisition mature.

The Board also announced in April 2023 a new £50m share buyback programme for FY24, following on from the initial £50m programme executed in the first half of FY23. The first £25m tranche of the new programme is underway and includes the purchase of 15m shares to be held in treasury for our 2020 SAYE scheme, which vests in December 2023. The remaining shares purchased from the first tranche will be cancelled. The timing of the second tranche of the new programme will be dependent on M&A opportunities and will include the additional 15m shares required for the vesting of the 2020 SAYE scheme (30m shares in total), with all remaining shares being cancelled.

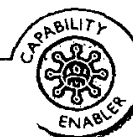
Outlook

FY24 has started positively. Since the start of the year, we have won and extended a number of significant new contracts and we have a healthy pipeline of new opportunities, combined with the full year benefit from major contracts won and extended in the final months of FY23.

We will continue our disciplined approach to bidding for contracts, even if it is challenging to maintain renewal rates at the current level, and we will continue to seek growth opportunities, both organically and through strategic bolt-on acquisitions in the decarbonisation, security technology and telecoms infrastructure sectors. We have already completed two acquisitions in FY24, both of which strengthen our capabilities as the UK's leading intelligence and technology-led security provider.

We also expect to deliver further progress in FY24 on our ongoing programme of margin enhancement initiatives, including increased synergies from the Interserve acquisition, and efficiencies across our labour, third-party and overhead cost base, which will more than offset inflationary headwinds.

This positive momentum carried forward into the new financial year gives the Board confidence in meeting its growth expectations for FY24. Mitie is cash generative and has a strong, stable and flexible balance sheet to support future growth opportunities and increased returns to shareholders.



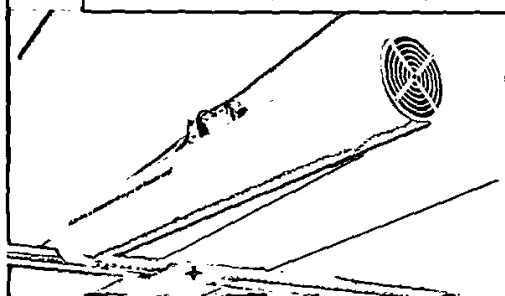
Creating value for customers through Science of Service®

Mitie's Science of Service® approach consolidates our position as the UK's leading facilities management company. It combines industry-leading innovation with data-driven insight to deliver real and lasting impact for our customers. Powered by technology, driven by data and made exceptional by people, Mitie's services benefit customers, enhance lives and contribute to a more sustainable future.

➔ Find out more on pages 15 and 16



**Managing risk and
maximising productivity**



Following the pandemic, a major railway company wanted an air disinfection system to reduce the spread of airborne bacteria and viruses in high-traffic areas, such as public toilets. Mitie partnered with Luxibel, a global provider of UVC air disinfection systems, to provide cutting-edge air-cleansing technology. The units use the power of UVC light, which is scientifically proven to kill 99.9999% of airborne pathogens. Our Connected Workspace team installed Luxibel units in 13 stations across the UK. Our customer sees the presence of the units as an essential part of providing reassurance and confidence, to both the public and colleagues, that it has modern, highly effective health and safety measures in place.

13

major UK railway stations now have high-tech UVC air disinfection units installed by Mitie



Scan me!
See more about how we
are managing risk and
maximising productivity



**Enhancing workspaces
and customer experiences**



With the increase in hybrid working, a government department wanted to optimise its workspace for its diverse workforce – making sure it was doing everything to attract and retain the very best talent.

Using Sphere, our workplace effectiveness app, we analysed data collated from employees on three aspects of their workspace: physical, sensory and emotional. Our data findings allowed our specialists to understand how the existing office design negatively impacted employee productivity, wellbeing and attitudes to the work environment. Our workplace design team identified and implemented solutions, including better-designed collaborative spaces and environmental sensors to monitor and control comfort levels, improving the employee experience for our customer.

350+

government department employees surveyed on their workplace experience using Sphere



Scan me!
See more about how we
are enhancing workspaces
and customer experiences

160m m²

hospital space we clean
every year



Creating healthier and more hygienic spaces

Mitie supports 40 NHS trusts, providing a portfolio of specialist services, including advanced cleaning solutions, with a strong focus on patient safety and comfort. We play a crucial role in creating a positive healthcare experience.

We use advanced technology to monitor and deliver effective cleaning, freeing our colleagues to concentrate on high-traffic touchpoints in harder-to-reach areas. Our robots are increasingly common across our NHS sites, making sure floors are hygienic and clean, while handheld devices facilitate intelligent and efficient job allocation, with the nearest cleaner alerted to areas needing attention. Cleaning alerts are also triggered by footfall monitors, which register the busiest locations throughout the day.



Scan me!
See more about how we
are creating healthier and
more hygienic workspaces



Accelerating the path to Net Zero

Our Plan Zero team helped a telecoms company to reduce its carbon emissions. Our customer was already investing in solar- and wind-powered base stations, sustainable end-user devices and energy-efficient data centres, but wanted our expertise to meet its sustainability ambitions more quickly.

We audited 90 of our customer's buildings to determine energy usage and efficiency. We optimised the lighting, heating and air conditioning to operate at the highest energy efficiency rating and installed remote sensors to monitor and control office and data centre temperatures. As a result, we achieved £10m of energy cost savings for our customer and improved comfort levels for their staff.

£10m

energy cost savings we achieved
for a customer



Scan me!
See more about how we
are accelerating the path to
Net Zero



Protecting people, property and assets



One of our real estate customers wanted a modern, tech-enabled service across its properties in Central London.

We delivered a joined-up security service, using our world-class remote security monitoring and analysis to support our highly trained frontline security officers. This enabled us to provide risk- and intelligence-based protection, and made it simpler to provide information to the police.

All systems are now centrally managed at our dedicated Intelligence Hub, enabling us to allocate resources based on real-time data on the risks and threats affecting the customer's business. This resulted in a reduction in the number of incidents and improved response times.

24/7

protection provided by
Mitie's technology-backed
security solutions



Scan me!
See more about how we
are protecting people,
property and assets

Key performance indicators

Monitoring our progress

Mitie's key performance indicators (KPIs) are reviewed by the Board and Executive Committee to monitor performance against the Group's most important priorities. These include measures for evaluating financial and non-financial performance, balancing the interests of all stakeholders, including our shareholders, customers, colleagues and local communities.

In FY23, the Group successfully replaced all of the prior year's revenue from short-term Covid work, to deliver revenue and basic EPS before other items growth of 1.5% and 3.3%, respectively. The small reduction in operating profit before other items compared with the prior year reflects the higher-margin, flexible nature of Covid work. Excluding Covid work,

underlying revenue increased by 14% and operating profit before other items increased by 44%. The FY22 comparator includes the first full year of Interserve (acquired November 2020).

A detailed review of performance can be found in the Chief Executive's strategic review and the Finance review.

Financial

Revenue (£m)

From continuing operations, including share of joint ventures and associates

FY23	£4,055m
FY22	£3,997m
FY21	£2,529m
FY20	£2,103m
FY19	£2,017m

Description

Revenue growth from continuing operations reflects the health of the order book, the ability to upsell and cross-sell, and our contract win and retention rates, alongside Mitie's broader reputation in the sector. Mitie's target is to achieve mid-to-high single digit revenue growth annually over the medium term.

Our achievement

Revenue, including share of joint ventures and associates of £4,055m, a new record for the Group, reflects 1.5% growth, having successfully replaced all short-term Covid-related contract revenue from the prior year. This was achieved through contract wins, extensions and renewals, growth in projects work, contract re-pricing and the contribution from acquisitions. Excluding the £15m of Covid work in FY23 (FY22: £448m), underlying revenue increased by 14%.

➔ Find out more on page 68



1.5%
increase from
previous year

Operating profit (£m) and margin (%) before other items

From continuing operations

FY23	£162.1m	4.0%
FY22	£166.9m	4.2%
FY21	£58.8m	2.3%
FY20	£78.1m	3.7%
FY19	£73.1m	3.6%

Description

Operating profit and the operating profit margin before other items reflect the profit we generate after deducting the cost of goods sold and operating expenses. Profitability can be enhanced by delivering higher-margin project work, improving operational efficiencies, and reducing our cost base. Mitie's target is to achieve an operating margin of 4.5%–5.5% over the medium term.

A reconciliation of operating profit before other items from continuing operations to the equivalent statutory measure is provided in Appendix – Alternative Performance Measures on pages 212 to 215.

Our achievement

Operating profit before other items reduced by 2.9%, and the operating margin decreased by 0.2ppt due to the completion of higher-margin Covid work. Excluding the contribution from Covid work, operating profit before other items increased by 44% to £155m and the operating profit margin improved by 0.8ppt to 3.8% compared with the prior year, benefiting from revenue growth and margin enhancement initiatives.

➔ Find out more on page 69



4.0%
Operating margin
FY22 4.2%

Basic EPS before other items (p)

From continuing operations

FY23	9.5p
FY22	9.2p
FY21	3.1p
FY20	7.3p
FY19	7.6p

Description

Basic earnings per share (EPS) before other items represents our profit after tax from continuing operations, before other items, divided by the weighted average number of shares in the year. Our strategy focuses on creating value for shareholders and is expected to improve EPS over the medium term.

A reconciliation of basic EPS before other items to the equivalent statutory measure is provided in Appendix – Alternative Performance Measures on pages 212 to 215. EPS for FY20 and FY19 has been restated for the bonus element of the 2020 Rights Issue.

Our achievement

Basic EPS before other items increased by 3.3% to 9.5p, benefiting from the re-financing of debt instruments and share buybacks, which more than offset the small reduction in operating profit before other items compared to the prior year.

➔ Find out more on page 70



3.3%
increase from
previous year

Dividend per share (p) and payout ratio (%)

From continuing operations

FY23	2.9p	30%
FY22	1.8p	20%
FY21	0p	0%
FY20	0.7p	10%
FY19	2.1p	28%

Description

Dividend per share (DPS) represents the amount of our profit after tax and before other items from continuing operations that is paid out to shareholders (as an interim and final dividend), divided by the weighted average number of shares in the year. The dividend payout ratio reflects the percentage of this profit that is paid out as dividends. We are targeting a payout ratio of 30%–40% over the medium term, with dividends growing in line with earnings growth thereafter.

DPS for FY20 and FY19 has been restated for the bonus element of the 2020 Rights Issue.

Our achievement

DPS increased by 61.1% to 2.9p, reflecting a payout ratio of 30%. This increase in the payout ratio reinforces our confidence in continuing to deliver against our strategic priorities, including the ability to generate sustainable free cash flow from which to pay dividends.

➔ Find out more on page 7



61.1%
increase from
previous year

Linked to our strategic pillars



Grow Mitie



Margin enhancement



Generate cash



Capability enablers



Linked to remuneration

Free cash flow (£m)



FY23	£65.7m
FY22	£146.6m
FY21	£(24.5)m
FY20	£30.5m
FY19	£30.9m

£80.9mreduction from
previous year

Description

Free cash flow represents the cash we generate from our operations, after movements in working capital, that is available to reinvest in our business for organic and acquisition-led future growth or to return to shareholders. Mitie's target is to deliver sustainable free cash flow.

A reconciliation of free cash flow to the equivalent statutory measure is provided in Appendix – Alternative Performance Measures on pages 212 to 215. Free cash flow in FY22 has been restated to exclude the purchase of own shares (FY22: £13.8m).

Our achievement

Free cash flow of £65.7m is £80.9m below the prior year. Within this cash inflow there was a cash outflow from working capital of £38.8m, largely as a result of the decision to terminate the invoice discounting facility, investments required to support the growth of the projects businesses and the completion of the Covid contracts, which were on more favourable payment terms than the contracts that have replaced them.

[Find out more on page 71](#)

Average daily net debt (£m) and leverage ratio (x)



FY23	£84.3m	0.4x
FY22	£24.7m	0.1x
FY21	£47.1m	0.5x
FY20	£327.6m	2.7x

£59.6mincrease from
previous year

Description

Average daily net debt reflects how much we owe our debt providers, and how well we have managed our debt over the course of the year. The leverage ratio is calculated as average daily net debt divided by EBITDA before other items from continuing operations. We aim to maintain a leverage ratio of no greater than 1x, through cash generation, working capital discipline and appropriate capital allocation.

Comparative data is not presented for FY19 as the financials for this year were prepared on a pre-IFRS 16 basis.

Our achievement

Average daily net debt of £84.3m increased by £59.6m compared with the prior year, reflecting planned capital allocation activities (including share buybacks, acquisitions, dividends paid and share purchases for employee incentive schemes), the decision to terminate the invoice discounting facility and the outflow of cash from working capital movements.

[Find out more on page 71](#)

Return on invested capital (%)
From continuing operations (ROIC)

FY23	25.4%
FY22	29.9%
FY21	8.2%
FY20	22.3%
FY19	25.0%

4.5pptreduction from
previous year

Description

Return on invested capital (ROIC) is calculated as operating profit before other items and after tax from continuing operations divided by invested capital. It is a measure of how efficiently the Group utilises its invested capital to generate profits.

The ROIC calculation and a reconciliation of the Group's net assets to invested capital are provided in Appendix – Alternative Performance Measures on pages 212 to 215. The ROIC metric used for the purposes of the Enhanced Delivery Plan requires further adjustments under the detailed rules agreed with shareholders.

Our achievement

ROIC of 25.4% remains above our target of 'greater than 20%'. The 4.5ppt reduction from the prior year is due to a combination of the completion of higher margin Covid work, the higher effective tax rate, the investment in businesses acquired in FY23 and the decision to terminate the invoice discounting facility.

[Find out more on page 70](#)

Total order book (£m)
Including retentions and new wins

FY23	£9,690m
FY22	£9,481m
FY21	£9,285m

2.2%increase from
previous year

Description

Total order book includes secured fixed-term contract work, variable work (including estimated unsecured work) and project work. The total order book reflects our success at winning and retaining customers, and upselling our services. Improved customer service, market share gains and qualifications on public sector frameworks are expected to increase in the total order book in the medium term.

See Note 3 to the consolidated financial statements for analysis of the secured order book. The secured order book excludes variable and project work.

Our achievement

The total order book increased by 2.2% to £9.7bn, driven by new wins, extensions and renewals, primarily across the Business Services, Central Government & Defence and Technical Services divisions.

[Find out more on page 2](#)

Key performance indicators continued

Linked to our strategic pillars



Grow Mitie



Margin enhancement



Generate cash



Capability enablers

Linked to remuneration



Non-Financial

Females in senior leadership team (%)



FY23	28%
FY22	24%
FY21	21%
FY20	18%

4ppt
increase from
previous year

Description

Mitie measures the number of females in the senior leadership team against the total headcount of the senior leadership team. The senior leadership team includes the MGX (Executive Committee) and those on the MLT (Mitie Leadership Team).

Our achievement

We have increased the number of females in the senior leadership team by 4ppt to 28% this year. We have a well-developed ED&I strategy at Mitie, and we continue to focus on increasing the representation of women in senior roles across the business, and supporting their ongoing career progression.

➤ Find out more on page 38

Employee engagement (%)



FY23	57%
FY22	50%
FY21	55%
FY20	46%
FY19	45%

7ppt
increase from
previous year

Description

The Group's success is underpinned by the way Mitie leads and engages with its people. The employee engagement (Upload) survey asks colleagues at Mitie how they feel about working within the organisation, and what improvements could be made. Beyond the annual survey, the Board and senior management regularly travel around the UK to engage with all employees, including our frontline colleagues.

Our achievement

The most recent annual Upload survey took place in April 2023. The participation rate increased by 7ppt to 54% of colleagues (84% of those working more than 35 hours per week), compared with the prior year. The overall employee engagement score rose by 7ppt to a record high of 57% of colleagues 'fully engaged' in the year.

➤ Find out more on page 42

Employee turnover



FY23	19%
FY22	19%
FY21	12%
FY20	16%
FY19	20%

—
No change from
previous year

Description

Mitie measures the number of employees leaving us voluntarily over a 12-month period against our overall headcount. Voluntary attrition has been a focus area for a number of years as we strive to create a 'Great Place to Work' and become the employer of choice in our industry.

The data for FY21 and earlier is for Mitie prior to the acquisition of Interserve.

Our achievement

Employee turnover remained unchanged at 19%, which is broadly in line with pre-Covid levels. We provide our colleagues with a comprehensive industry-leading benefits package, including virtual GP access for all colleagues and those in their household, and life assurance for all colleagues. We also launched a Winter Support package in November 2022 to help our colleagues through the cost-of-living crisis.

➤ Find out more on page 33

Lost time injury frequency rate Per million hours worked



FY23	3.87
FY22	3.55
FY21	2.85
FY20	3.94
FY19	6.08

0.3
increase from
previous year

Description

Mitie's efforts to keep its people safe are of great importance and Mitie continues to focus on improving safety performance. Our overriding objective is to make Mitie the safest place to work, because we care, value and protect our people, the environment and society.

Our injury rate is just one measure to monitor our progress towards zero harm and includes all injury severities.

Our achievement

Mitie's commitment to ensuring near-misses and hazardous conditions are reported has helped to maintain a low number of injuries. It means potential risks can be identified and addressed before matters escalate. Accident rates remain broadly in line with the prior year.

➤ Find out more on page 40

Net Promoter Score (index)

Rebased to include Interserve



FY23		+42
FY22		+39
FY21		+24

3pt

increase from
previous year

Description

Customer Net Promoter Score (NPS) is a widely used measurement derived by asking customers how likely they are to recommend a company's products and services to others. NPS continues to be an important metric for Mitie, to understand our customers' overall satisfaction with the quality of services provided and their willingness to recommend our products and services.

Our achievement

Mitie's overall NPS score is +42, an improvement of 3pt compared with the prior year. Supplementary to the main NPS question, we ask a number of questions to understand how our customers feel about partnering with Mitie. While all of the scores improved year-on-year, the largest increases recognise the innovation and technology we are bringing to our customers. The broader improvement in all scores supports the overall increase in NPS. The FY23 survey captured feedback from 1,044 customers.

Find out more on page 32

Carbon emissions (Scope 1 & 2)

(tonnes CO₂e)



FY23		21,115
FY22		20,596
FY21		19,205
FY20		27,072
FY19		28,912

2.5%

increase from
previous year

Description

In February 2020, Mitie set an ambitious, industry-leading pledge to reach Net Zero operational carbon emissions by the end of 2025, a full 25 years ahead of the UK Government's 2050 target. Mitie will eliminate carbon emissions from power and transport, eradicate non-sustainable waste and enhance inefficient buildings to meet the highest environmental standards. In April 2023, Mitie received validation from the Science Based Targets initiative for its ambitious Net Zero targets.

Mitie has reported global emissions data for the first time this year and will report on a global basis from FY24 onwards. UK emissions data is externally verified.

Our achievement

Mitie's Scope 1 and 2 UK carbon emissions increased by 2.5% in FY23, although our emissions intensity decreased by 1%. The increase in total emissions reflects an increase in gas and electricity usage across our built estate as our building occupancy levels continue to increase post Covid. Mitie has 3,200 electric vehicles on the road (one of the largest EV fleets in the UK) and has installed 2,800 EV charge points across our estate, employee homes and client sites. All of the electricity that Mitie buys for its operated sites is 100% renewable.

Find out more on page 54

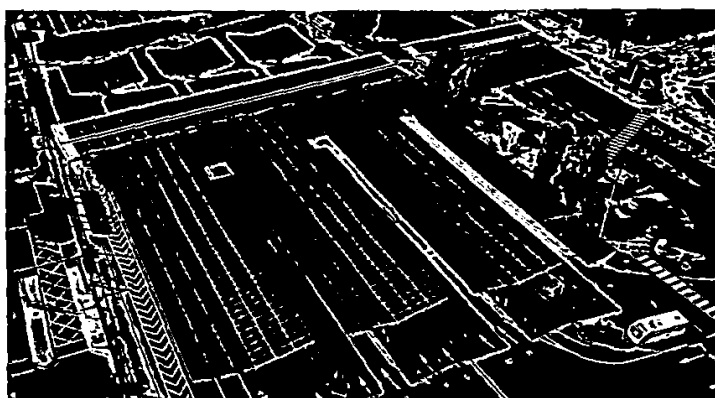


Committed to

Decarbonisation Delivered

Plan Zero – Decarbonisation Delivered® is our expert in-house sustainability consultancy, which supports our customers' journey in carbon reduction and advises on low-carbon technologies, workplace strategy, wellbeing and environmental performance. Over the past decade, Mitie has helped customers to eliminate over 353,000 tonnes of carbon from their operations.

➔ Find out more on page 45



250

EV charging points
for the DWP

120

of their sites covered

Pioneering solar PV

Portsmouth International Port (PIP), a major UK port, has been increasing its use of renewable energy, and is pioneering a solar carport with rooftop and battery storage solutions.

Mitie's solar team worked with PIP to develop a solar PV system for its carport canopy. With the canopy, high-voltage infrastructure upgrades, and a 1MWh battery storage system, PIP will generate more than 1.1m kWh of energy per year, reducing annual carbon emissions by 204 tonnes.



I'm delighted we've met our target to begin generating clean energy at the port by the end of 2022.

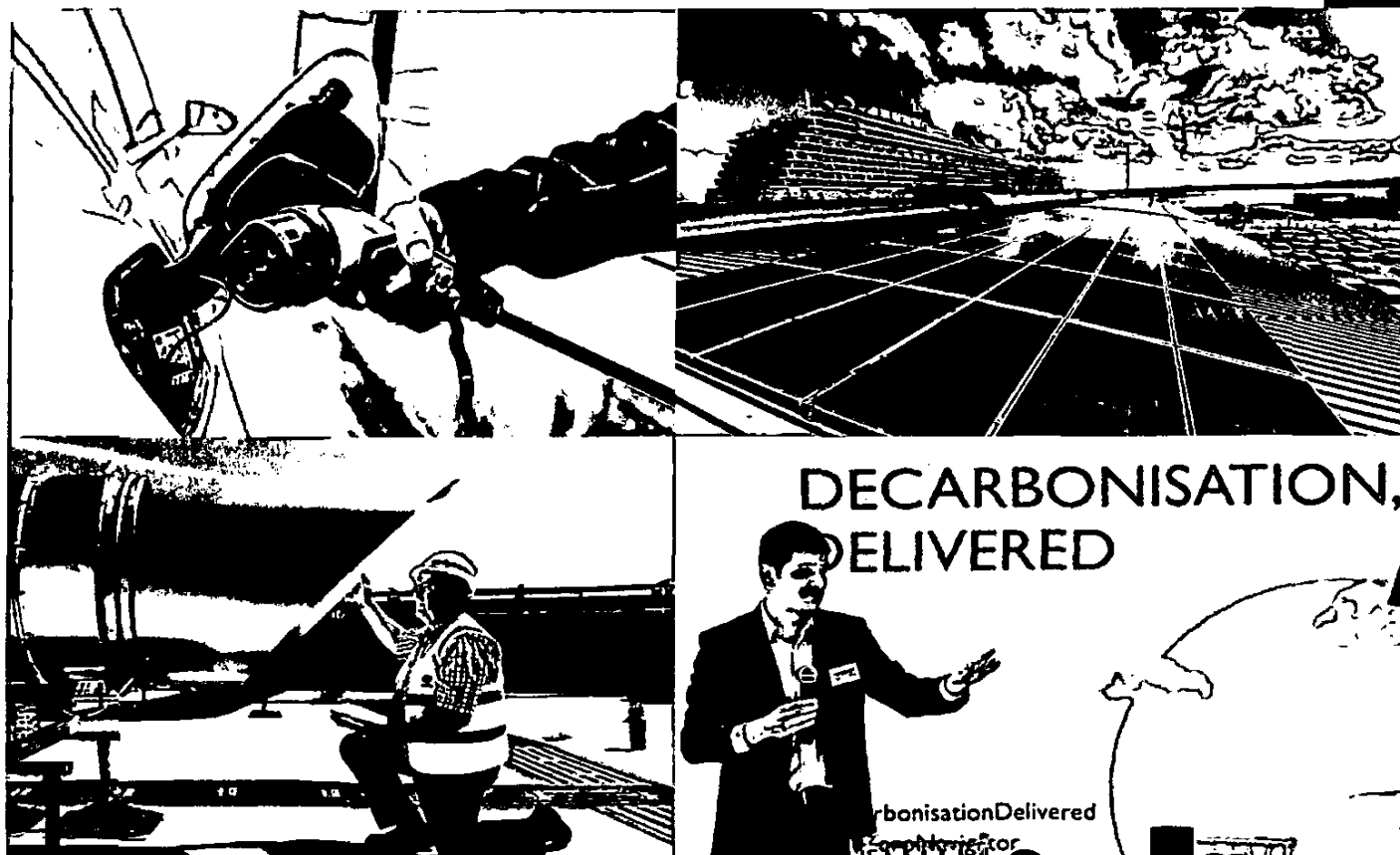


Cllr Kimberly Barrett, Cabinet Member
for Climate Change and Environment,
Portsmouth City Council

Mitie sparks up EV infrastructure for the DWP

Mitie is supporting the Department for Work and Pensions (DWP) on its decarbonisation journey to reach its Net Zero targets. As part of our five-year relationship, we have been working closely with the DWP's sustainability team on areas including waste, biodiversity and solar power.

We are also helping the DWP achieve a fully electric vehicle (EV) fleet by 2030. The contract covers the design, installation and maintenance of EV charging points. A total of 250 EV charging points will be delivered across more than 120 job centres, with many more in the pipeline.



Framework appointment yields £1bn opportunity

Mitie's mission to decarbonise Britain was boosted by our appointment as a supplier on the Carbon and Energy Fund (CEF) National Framework Agreement for the provision of Carbon and Energy Infrastructure Upgrade Services in August 2022.

The CEF was created to help the NHS and other public sector organisations upgrade energy systems and enables approved suppliers to bid for work worth up to £1bn in value. As a framework supplier, Mitie can use its expertise to support the NHS and other public sector organisations in reaching Net Zero carbon by 2040.

Mitie offers integrated solar power solutions

In 2022, Mitie acquired Custom Solar, a solar power solutions company specialising in the development, design, installation and maintenance of solar power systems for public and private sector customers.

UK solar power generation is targeted to reach 40GW in 2030, up from 14GW today. We aim to fill a gap in the market for integrated solar solutions, building on our expertise in upgrading electrical infrastructure and providing grid connections to support the UK's decarbonisation agenda. Custom Solar's design and installation expertise, combined with Mitie's industry-leading project management and mobile engineering offering, supports Mitie's ambition to be a leading provider of end-to-end green energy solutions.

Navigating the path to Net Zero

Mitie regularly hosts industry and customer-focused events covering a range of topics and areas of expertise. In February 2023, industry leaders, public and private sector customers, and Mitie's in-house experts gathered at The Shard for a Net Zero Navigator breakfast briefing.

Participants at this thought-leadership event discussed the challenges that organisations face as they strive to meet ESG requirements and work towards achieving their own decarbonisation targets, and explored how they can successfully navigate the path to Net Zero. The event also provided the opportunity for participants to network and share ideas in an informal setting.

Our market drivers

A competitive and changing landscape

Overview

The UK facilities management (FM) market is the largest in Europe, accounting for 3% of domestic GDP, and one of the most developed, dynamic and mature in the world. Outsourced FM (including single and bundled services and integrated facilities management) accounts for almost half of the total FM market, valued at c.£70bn, and is forecast to grow at 3.4% per annum between 2022 and 2027.

We continue to see rapid advancements in FM, driven by technology innovations, new business models, emerging value propositions, sustainability and creative service offerings.

The sector has rebounded from the impact of the pandemic, although the recovery rate has varied by service line. The engineering, repairs and maintenance, and workplace services sectors have recovered strongly as employers have prioritised hygiene and security to create safe environments and look for ways to draw their employees back to the office.

Indeed, for many businesses, the current environment is difficult to navigate: they are contending with challenging Net Zero commitments, an increasingly mobile hybrid workforce and outdated workplaces that are no longer fit for purpose. This is creating significant opportunities for FM providers to differentiate their proposition and offer innovative solutions.

Simultaneously, however, inflationary pressures and the challenging macroeconomic backdrop, alongside increased competition for labour in a tight market, has put FM providers under greater pressure to attract and retain talent and compete on price.

Competitive landscape

The UK FM market is highly fragmented. Mitie's market share of 10.1% is almost twice that of its next largest peer, while the top 10 participants, including Mitie, account for around 40% of the market.

The large number of smaller participants, in a market where customer needs and expectations are changing and competition is strong, is driving momentum for consolidation and strategic partnerships to scale up, diversify and offset pricing pressures.

Consequently, there has been an increase in M&A activity across the sector. Mitie has been active in the market, having completed a number of bolt-on acquisitions, with a strategic focus on the telecoms, decarbonisation and security technology sectors over the past two years.

As the competitive landscape continues to evolve, many FM operators are shifting to a customer-centric, service-based model, and the leaders, with the scale and resources to do so, are taking this one step further and transitioning to a digital-first, technology-backed model. Those with innovative technology, such as workplace applications, and ESG propositions, coupled with long-term relationships, high retention rates and the ability to grow existing contract revenues, are well-positioned in the current environment.

It is anticipated that the industry will continue to move towards integrated facilities management, offering customers a holistic, 'full service' solution for their buildings and assets, alongside sophisticated advisory services.

A digital-first approach

The future for FM is technology-led. This digital transformation creates the potential to significantly improve building performance and the productivity and wellbeing of the people that work within them. As customer priorities evolve, artificial intelligence (AI), virtual reality, robotics, 'the Internet of Things' and predictive analytics are becoming more sought after in FM.

Mitie is a market leader in this area, having invested in recent years to develop leading cloud-based platforms, and put technology and data at the front and centre of all our services. Connecting workplaces to our platforms allows for data analytics, improved asset performance, and energy use and cost-efficiencies.

Our customers can monitor their assets in 'real time' and raise requests via our comprehensive suite of dashboards and apps. Read more about our 'Science of Service' approach on page 18.

The areas we anticipate will benefit the most from digital transformation over the coming years include workplace optimisation and sustainability, security/access control, and mechanical and electrical installation, replacement and maintenance.

Decarbonisation leads the agenda

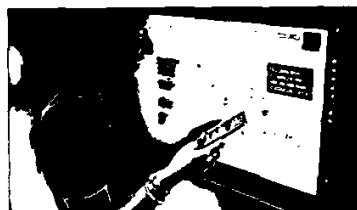
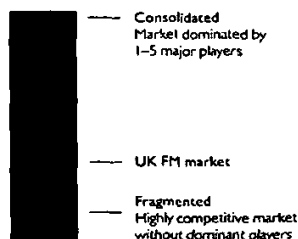
We see decarbonisation as a 'macro-trend' and a key enabler to our strategy. Alongside Mitie's own ambitious Net Zero targets, we are building the capability to help our public and private sector customers to define and deliver their own Net Zero strategies. Cutting carbon emissions is one of the biggest challenges for businesses today, and many organisations are reviewing their entire asset portfolio. This challenge becomes more complex as buildings age and need to be retrospectively fitted with the materials, systems and technology to meet modern energy-efficiency standards. We estimate this market opportunity to be c.£5bn. Read more about 'Decarbonisation Delivered' on page 24.

Evolving working habits

The workplace revolution is changing the scope of FM. Many businesses are now faced with the challenge of providing comfortable and collaborative workplaces for a hybrid workforce, meaning that occupancy rates can vary dramatically throughout the week and investment is needed to improve existing layouts and amenities.

Mitie is a trusted partner to a wide range of customers, and we work closely with them to create comfortable, clean and modern working environments for their employees. Our technology is used to monitor building occupancy and manage energy efficiency, for example by closing off areas or floors that are not required on low-occupancy days.

Market concentration



The future for FM is technology-led, and Mitie is at the forefront of this evolution in the industry's service offerings to its customers.



Hybrid working, and an increased focus on employee health and wellbeing, is challenging employers to create modern, innovative sustainable workplaces.

Mitie is a leading facilities management provider across its three core service lines



Cleaning & Hygiene

Mitie is the largest provider of cleaning and hygiene services in the UK, with 15,000 highly trained colleagues, focusing on quality, excellence and technology-led innovation.

- We provide cleaning services to a vast range of customers across the country, including hospitals, schools, food manufacturers and large retailers
- While some businesses are scaling back additional cleaning services post Covid, there is an increased focus on service quality, assurance and sustainability
- The sectors where we expect to see the highest levels of demand include healthcare, education, industrial facilities and food retailing
- We deploy the latest innovations and deliver the best possible value to our customers
- Innovative robotic solutions, UVC disinfection systems and antimicrobial surface protectants are just some of the ways our advanced technology is taking cleaning to the next level
- We continue to focus on reducing the environmental impact of cleaning, using advanced technologies and products to meet or exceed industry standards
- Our Cleaning Centre of Excellence in Birmingham showcases our capabilities, the excellence of our people and processes, and our commitment to innovation



Security

Mitie is the largest intelligence and technology-led security provider in the UK, employing 16,000 colleagues. We offer integrated, risk-based security solutions, such as lone worker protection, guarding, fire and security systems, and mobile security.

- We are a market leader in security for retail, critical security environments (including critical national infrastructure), the public sector, transport and logistics, and corporate and iconic buildings
- Companies are increasingly embracing modern, digital solutions, and making strategic security decisions based on intelligence and risks to their business
- Mitie is a leader in digitally enabled remote monitoring and remote guarding, helping to generate cost-efficiencies for our customers alongside a more agile response to incidents
- We offer risk analytics, curated intelligence and real-time CCTV interrogation, backed by our Intelligence Security Operations Centre (ISOC) in Northampton
- Through our industry-leading Intelligence Hub, we provide insights that empower security teams to make more informed decisions, supported by our network of over 200 experts across the country
- Our focus for future growth in the security market is for intelligent security and market analytics, which we see as having significant potential



Technical Services

Mitie is the UK's largest provider of 'hard services' and technology-enabled solutions. Our Technical Services division employs 9,800 colleagues, including 1,000 locally based mobile specialist engineers across the UK.

- Mitie is a leading supplier of technical services and delivers projects to a wide range of predominantly private sector customers, including financial services and retail
- We have extensive knowledge and experience of maintaining buildings and assets
- Our engineers provide services, from mobile and site-based maintenance, to mechanical and electrical maintenance and repair, and remote monitoring
- Technical Services is benefiting from increased activity in all areas of decarbonisation, including solar power, LED roll-outs, air source heat pump installation and EV charging projects
- We are also leveraging our strategic acquisitions and in-house expertise to gain market share in the high-growth telecoms infrastructure sector
- Technical Services is at the forefront of our 'Science of Service' ambitions, using our leading-edge technology platform to set Mitie apart from its competitors
- Connected Workspace is a critical component of our proposition for new wins and contract expansion with existing customers as they adapt to new, hybrid ways of working
- Our goal is to maximise employee wellbeing, enhance estate intelligence and provide smart decarbonisation and green energy solutions for our customers

Our market drivers continued

Alongside our core service we offer the following complementary services to our customers



Waste

Mitie has over 30 years' experience providing recycling and waste removal services. We work with our customers to increase recycle rates and prevent waste through best practice waste treatment and recovery services.

- Businesses are increasingly focusing on eliminating waste at every stage, from raw material handling to the point of sale, to maximise efficiency and profitability and improve their environmental credentials
- Recycling of plastics is becoming a greater priority for businesses
- Local authorities are being called on to lead the energy, climate response and circular economy agenda: from separate food waste collection to deposit return schemes, and waste disposal enforcement and innovation

- By working in partnership with our public and private sector customers, we typically achieve recycle rates in excess of 90% for them within 12 months
- We aim to be the leading waste management and consultancy organisation, providing our customers with carbon-neutral waste solutions
- Our priority areas include water (i.e. effluent treatment, water supply, and infrastructure repair and maintenance), electric vehicle battery recycling, clinical waste disposal and treating customer waste on-site using mini recycling facilities



Landscapes

Mitie is one of the largest providers of outsourced landscaping services, primarily to the commercial and public sectors, in the UK. We have an award-winning network of 900 staff working on 6,000 sites across the country.

- The UK outsourced landscaping market, including cleaning and winter services, is estimated to be worth over £550m, and is growing at a rate of 3.5% per annum
- This is in part being driven by an increased focus on biodiversity, as companies and public sector bodies seek to improve their sustainability credentials and prepare for legislative changes
- Employee wellbeing has moved up the agenda, with indoor and outdoor clean, safe, green spaces being sought by building owners and occupiers
- Mitie's ambition is to be the UK's greenest commercial landscaping provider, and we are well-positioned to benefit from these emerging trends

- Our tailored horticultural and landscaping services include grounds maintenance, landscaping, gritting and snow clearance, and internal planting
- The acquisition of Biotechure in FY22 is part of our commitment to reach Net Zero carbon emissions by 2025, and to help deliver decarbonisation for our customers
- Our Landscapes team focuses on work for customers in core sectors that deliver strong margins and opportunities for upselling profitable contracts
- There are also opportunities to 'insource' landscaping works that are currently being completed by a third-party supplier on various contracts across Mitie



Care & Custody

Mitie is a leading provider of forensic health and custody detention services, and works as a strategic partner to the UK Government.

- Our Care & Custody services are focused on the three key areas of immigration, justice and secure care sectors
- Mitie is a leading provider of forensic health and custody detention services across 20 police forces, delivering over 240,000 medical interventions per annum
- We operate over 50% of the detention immigration estate as a strategic partner to the UK Home Office
- We deliver prison facilities management services for the Ministry of Justice

- We see non-emergency patient transport services in the health sector as an opportunity for new services, leveraging the experience we have in logistics and healthcare delivery



Spain

Mitie Spain is a leading provider of cleaning and ancillary services in the region, to both public and private sector clients in sectors such as transport and aviation, retail and healthcare.

- The facilities market in Spain is worth an estimated £14bn, with services provided largely by a few large players and many local or regional companies
- We are a leading provider of cleaning and ancillary services in transport and aviation (to customers such as Aena), retail and healthcare
- Mitie Spain has 5,900 colleagues working across mainland Spain, the Canary Islands and the Balearic Islands
- Consistent with the wider Group, Mitie Spain offers opportunities to colleagues with disabilities. It currently employs around 1,300 colleagues with disabilities in frontline roles

- We aim to expand our offering beyond our heritage of cleaning services to also include intelligent security, taking advantage of the leading position we have developed in this market in the UK

Public sector overview

Mitie is a trusted partner and leading provider of outsourced services to the public sector, including the Ministry of Defence (MOD), Ministry of Justice (MOJ) and Department for Work and Pensions (DWP), which accounts for 54% of our revenue. We see growth opportunities across the key areas of Central Government, Defence, Healthcare and Education.



Central Government

Mitie employs 4,200 colleagues, working across 30 government departments and agencies at 3,000 locations in the UK and overseas. Central Government contracts are fulfilled by our CG&D division.

- The UK has one of the strongest markets for public sector outsourcing, with growth between 2022 and 2027 expected to slightly exceed that of the private sector
- The Government has set out its 2030 vision for public sector FM, which focuses on enhancing lives, enabling success and ensuring value
- As well as traditional FM services, Mitie is well placed to pursue higher-margin opportunities, including decarbonisation initiatives, workspace monitoring and service automation
- The Government has committed to ambitious carbon reduction targets and is therefore expected to embrace innovative new

approaches to the use and maintenance of its estate and assets over the coming years

- Within local government, where Mitie has a small but growing presence, almost all local authorities have declared a climate emergency, creating a significant opportunity to deliver our technical, project and decarbonisation services
- Mitie remains a trusted partner for our core services in these highly regulated environments, where the expectation is for outstanding levels of service to ensure the smooth running of critical government operations



Defence

Mitie employs 1,400 colleagues servicing 13 defence contracts, mainly with the MOD in the UK and overseas. Defence contracts are fulfilled by our CG&D division.

- The MOD has 132,000 built assets across more than 1,000 global locations, the majority of which are in the UK
- Around one third of the UK estate requires modernisation and the MOD has secured additional funding to deliver a cost-effective, modern and capability-aligned estate
- Simultaneously, the Russian invasion of Ukraine has contributed to the UK's decision to boost defence spending to 2.5% of GDP by 2030
- Overseas 'hubs' will also drive demand for security, telecoms infrastructure and smart buildings

- Mitie is one of the few providers with the operational experience, technical capabilities and relationships to work with the MOD's Defence Infrastructure Organisation (DIO)
- We have recently been awarded Future Defence Infrastructure Services (FDIS) and the US Visiting Forces contracts with the DIO, as well as contracts for Gibraltar and Cyprus
- We are also supporting the defence sector's decarbonisation agenda, working across the MOD and FDIS estates to incorporate low-carbon features, such as building energy monitoring systems, heat pumps and solar power



Healthcare

Working with over 40 NHS trusts, we are one of the leading providers to the healthcare sector. Our services include mechanical and engineering, catering, cleaning and portering.

- The UK healthcare sector is valued at £5.7bn and is expected to grow by over 2.5% per annum between 2022 and 2027
- Sector trends include:
 - the merging of trusts to create larger organisations that cover acute and mental health;
 - an increased focus on sustainability and carbon reduction; and
 - the use of technology to improve patient care and deliver productivity improvements

- Mitie is already well established in the sector and we see significant opportunities for growth, by partnering with existing and new customers to deliver decarbonisation projects and deploying our leading technology



Education

We offer specialist energy, projects and maintenance services to support multi-academy trusts (MATs) and local authority school estates, colleges and universities.

- The English school system is changing. The Government has set a target for all 22,000 schools to become MATs by 2030, with approximately 50% having been transitioned to date
- As MATs grow in both number and size, their procurement behaviours will change as they seek economies of scale, for example by consolidating their providers of FM services
- The Government's Net Zero targets will also drive a significant decarbonisation investment programme for school buildings

- Mitie works with more than 200 schools and MATs, and we have significant experience and strong relationships in the sector
- We are well placed to help shape and develop the FM market for MATs, given our demonstrated ability to provide bundled hard services and deliver system optimisation and decarbonisation services

Our business model

Creating value for stakeholders

Our customers expect us to deliver exceptional working environments which are welcoming, efficiently operated and safe. Buildings and workspaces are about the people within them, the progress they enable, the environment that surrounds them and the communities they serve. Our business is focused on how we make things better for our customers, their people, our people and the world we live in.

Our resources and capabilities

Our people

We know that our people give their best when we show them we care. Our success is underpinned by the way Mitie inspires, motivates, and engages with its people, who in turn take personal pride in their work and deliver exceptional service to our customers.

See page 38

Our technology

Our proprietary market-leading intelligent cloud-based technology platform brings actionable data insights into the heart of our thinking to add value to our processes and interactions, creating compelling and frictionless experiences for our colleagues and customers that in turn drive adoption, loyalty and retention.

See page 15

Our expertise

We are a partner trusted for market-leading service and for putting our customers at the heart of our business. We apply our expertise to improve efficiency, provide innovative technology-led solutions and make a valuable, measurable difference.

See page 15

Our scale and reach

We are a UK market leader across cleaning and hygiene, security and technical services, with sector leadership across central government, defence, retail, manufacturing, transport and logistics. The scale of our operations allows us to self-deliver most services, including some specialist services. Our nationwide reach allows us to service large customers with a presence all over the UK.

See page 26

Our strategy

Our strategy is focused on margin-accretive growth. We will continue to build our core business and maintain our position as one of the UK's leading facilities management companies. Our growth will be accelerated through the 'Science of Service' as we increasingly leverage our world-class, intelligent cloud-based platform and decarbonisation and ESG credentials to deliver higher returns for all our stakeholders.

See page 12

Our commitment to society

Our vision is to make a lasting impact on society by delivering long-term benefits for the environment, developing a skilled workforce to support a brighter future for all and leaving a legacy for the communities in which we work.

See page 37

Our financial position

We have a strong balance sheet and low leverage with an investment grade credit rating. We are focused on generating sustainable free cash flow, which enables us to invest in delivering higher returns and improved outcomes for all our stakeholders.

See page 70

What we do

We deliver exceptional service, every day. We provide our customers with integrated FM, bundled or single line services, backed by proprietary intelligent technology to improve efficiencies across services and sectors where we are a market leader.



Cleaning & Hygiene

Delivering 'assured' cleaning to provide a safe working environment for our customers' employees.

Our focus is on specialist cleaning (anti-virus), technical cleaning (robotics, UVC) and general cleaning across offices, buildings, transport and logistics hubs, and high-security environments.



Security

Focusing on intelligent technology-led monitoring solutions alongside manned guarding, together with fire and security systems installations.



Technical Services

Including the full range of technology-backed engineering, maintenance, repair and mechanical & engineering project activities, air-conditioning and disinfection solutions, telecoms and energy services. Our expertise includes the provision of remote asset monitoring and digital workplace solutions.



Decarbonisation

Plan Zero – Decarbonisation Delivered is our unique end-to-end decarbonisation solution supporting customers to set and deliver their own plans to reach Net Zero, reducing carbon emissions and cost.



Landscapes

Providing horticultural and winter services to private and public sector organisations, together with solutions to enhance biodiversity and provide sustainable, low-carbon services as an integral part of Mitie's Plan Zero programme, including consultancy, rewilding and living walls.



Waste

Providing sustainable waste solutions with an innovative focus on waste elimination, reduction, recycling and decarbonisation in support of the circular economy.



Care & Custody

Providing high-quality, critical public services in immigration, criminal justice and secure healthcare.

How we do it

Recognising that every customer is different, our approach is tailored to each customer's unique needs and is designed to deliver continual improvements throughout the life of the contract.



Diligence, innovation and design

We start by engaging with a new or existing customer to understand their needs and any changes to requirements. Using our strategic frameworks to help link operational objectives to the bigger picture, we design an innovative solution leveraging our expertise, knowledge and technology.



Mobilisation, transition and transformation

We look to mobilise our contracts in the most efficient way. Once in operation, we are continually looking for opportunities to remove cost, drive efficiencies, expand our offering where it would be of benefit to customers and become a valued strategic partner.



Insights to drive value and continuous improvement

Using our proprietary technology, collating and analysing data gathered from our data lake, we continually collate information on customers' buildings and assets and the wellbeing of their employees to drive greater value and continuous improvement.

The value we create



Customers

We are a trusted partner for our customers, helping them create exceptional workplaces. See page 32

Customer NPS

+42



Colleagues

We are creating a 'Great Place to Work', showing our colleagues that we care. We inspire, motivate and engage with our people, providing industry-leading benefits alongside enhanced training and development to upskill them.

See page 33

Employee engagement

57%



Suppliers

We are committed to ensuring a responsible supply chain by requiring our suppliers to comply with our Procurement Policy and Supplier Social Value Policy. In turn, our suppliers get access to more prestigious customers.

See page 33

Supplier NPS

+14



Communities and environment

Mitie's vision is to generate social value through everyday operations, leaving a legacy for the communities in which we work to support a brighter future for all.

See page 34

MSCI rating

AA



Equity shareholders and debt holders

Creating value through our growth and margin enhancement strategy, while delivering sustainable free cash flow, will deliver higher returns.

See page 32

ROIC

25.4%



Government

Mitie is a significant contributor of revenues to the UK Exchequer, including UK corporation tax and employer's National Insurance contributions.

See page 34

Taxes paid

£850m

Stakeholder engagement

Playing a crucial part in our strategy



Equity shareholders and debt holders

Our equity shareholders range from global institutions to small private investors, including all our frontline colleagues to whom we have gifted shares. We also have international debt holders.

Why we engage

Access to capital from supportive, long-term investors – the owners of our business – is vital to our success. We also need access to sources of liquidity and other banking services. Our priority is to ensure our stakeholders understand and support Mitie's strategy, performance and culture.

How the Group engages

- Annual Report and financial statements
- AGM (hybrid to maximise shareholder participation)
- Corporate website, including investor relations section
- Results presentations and post-results engagement (roadshows)
- Capital market events and site visits
- Stock Exchange announcements and press releases
- Ad hoc analyst and investor interactions

How the Board engages and is kept informed

- Annual Chairman's roadshow (also attended by NEDs)
- Ad hoc investor engagement with the Chair and NEDs
- Board consideration of, and responses to, investor feedback and queries
- Standing agenda item Investor Relations Board report

Key issues

- Financial performance, including growth in revenue and profit
- Free cash flow generation and balance sheet strength
- Capital allocation, including M&A opportunities, dividends, share buybacks
- Remuneration policy and executive remuneration
- Governance and transparency
- Sustainability (ESG) performance
- Our approach to our people and how it defines our culture

Actions taken in FY23

- 70 1:1 meetings with shareholders and potential investors
- Two formal results presentations with Q&A sessions
- Investor and analyst site visits
- Ongoing engagement with our revolving credit facility providers and private placement noteholders
- Closure of the customer invoice discounting facility

Measurement (link to KPI)

- | | |
|-------------------------------|---------------------------------|
| • Revenue | • Total order book |
| • Operating profit and margin | • Free cash flow |
| • EPS | • Average net debt and leverage |
| • Dividend | • Carbon emissions |
| • ROIC | • Employee engagement |



Customers

Our large, diverse, blue-chip customer base across private and public sectors ranges from critical government infrastructure accounts to manufacturing, healthcare, retailers, professional services, transport and logistics organisations.

Why we engage

To grow profitably and sustainably, we need a strong, loyal customer base that will increase their spend over time and recommend Mitie. Customer engagement helps us develop and strengthen our relationships, improving the customer experience.

How the Group engages

- Regular engagement by senior leadership with customers
- Customer experience and satisfaction surveys
- Contractual measurement through KPIs
- Participation in industry forums and events
- Regular communications, including press releases, website and social media
- Newsletters, articles, thought leadership and case studies

How the Board engages and is kept informed

- Customer experience survey results
- Regular Board updates on customer views
- Account health and performance reviews

Key issues

- Technology and innovation
- Health, safety and sustainability
- Quality assurance and insights
- Economic outlook, i.e. inflationary rises, Brexit, cost of living
- Regulatory compliance, governance and transparency
- Decarbonisation
- Energy security

Actions taken in FY23

- Annual customer experience programme measuring NPS
- Over 1,000 actions identified through the annual NPS programme, focusing on customer priorities, innovation and service delivery
- User experience surveys, bespoke to service delivery and customers
- VIP strategic conversation programme – insights from top 20 customers
- Incorporated Cabinet Office bi-annual survey results into joint Cabinet Office and Mitie commitments across strategic public sector accounts
- Hosted and attended topical industry events
- Customer engagement programme to showcase our centres of excellence in Birmingham, Manchester and Northampton

Measurement (link to KPI)

- | | |
|--|--|
| • Customer experience score (NPS) | • Satisfaction ratings for individual contract performance |
| • User experience surveys | • Engagement and satisfaction with events management |
| • Helpdesk user surveys | |
| • 360 feedback from Cabinet Office supplier survey | |



Suppliers

Mitie has a diverse and wide-ranging supply chain. We spend over £1.5bn per annum with British suppliers and actively promote SMEs, VCSEs and diverse-owned businesses.

Why we engage

Our 8,300 suppliers make a vital contribution to Mitie's performance. We encourage our suppliers to work collaboratively and responsibly, to ensure continual improvement in our operations. We are committed to ensuring a responsible supply chain.

How the Group engages

- Biennial supplier NPS survey of top 250 suppliers
- Supplier Management Framework (SMF) oversees 1:1 supplier engagement with around 200 strategic partners
- Communications through various channels, including email and letter and Coupa (our digital supplier platform)
- Ensure all suppliers adhere to our Procurement Policy

How the Board engages and is kept informed

- Chief Procurement Officer updates are provided at Board meetings
- A report is issued by the CEO for every Board meeting highlighting key developments affecting the business, including the impact of inflation, latest deals with suppliers and progress against targets
- Monthly business reviews are conducted with each business division

Key issues

- Economic outlook, i.e. inflationary rises, Brexit, cost of living
- M&A and subsequent integration and standardisation of processes within acquired entities
- High standards of product quality and service delivery
- Continuous operational improvement and cost control
- Responsibility and integrity, including ESG matters, trust and ethics

Actions taken in FY23

- Launched www.mitiesuppliers.com, a new platform through which suppliers can access key information
- Introduced regular communications with all suppliers on MiNet, including Supply Chain Insights
- Joined Minority Supplier Development UK as a corporate member
- Regular meetings with SMF strategic suppliers
- Savings-focused discussions to mitigate the impact of inflation increases

Measurement (link to KPI)

- Average daily net debt and leverage ratio
- Carbon emissions
- Supplier satisfaction score (supplier NPS)
- Diversity in the supply chain (e.g. VCSE, SME, racial diversity, disabled, women-owned)



Colleagues

Mitie's 64,000 exceptional and diverse colleagues work around the clock, caring and supporting each other, our customers, the planet and the communities we serve.

Why we engage

At Mitie we aim to become the employer of choice within the FM sector. We promise to provide our people with a place of work where they can thrive and be their best every day, and to create a diverse and inclusive workplace where every colleague can reach their full potential.

How the Group engages

- Regular employee engagement surveys with action taken on feedback
- A mix of online and offline communications campaigns and channels
- MyMitie, our Employee Value Proposition campaign
- Recognition of our exceptional and long-service colleagues, Mitie Stars
- Global company updates, CEO global updates, podcasts and videos
- Annual performance reviews, and learning and development training
- Career development through MyCareer
- Confidential whistleblowing service

How the Board engages and is kept informed

- Mitie colleague listening strategy, engaging with and responding to feedback from colleagues
- Direct access to the CEO via 'Grill Phil', his interactive feedback channel
- Colleague listening sessions led by Jennifer Duvalier, the designated NED for workforce engagement, and the business division leaders

Key issues

- Culture and values
- Reward and recognition
- Tools to do the job: systems, processes and technology
- Health, safety and wellbeing
- Equality, diversity and inclusion
- Learning and development
- Rising cost of living
- People manager engagement

Actions taken in FY23

- Launched MyMitie, our Employee Value Proposition campaign
- Implemented £10m Winter Support package
- Introduced global Town Halls to discuss our strategy and financial results
- Launched podcasts, hosted by senior leadership, for frontline colleagues
- Launched 'Science of Service' campaign
- Launched My Mitie Week, supported by the first in-person Team Talk Live since 2020
- Launched and hosted 24 equality, diversity and inclusion events
- Launched MyCareer, a new career toolkit and career banding framework

Measurement (link to KPI)

- Females in senior leadership
- Racial diversity in senior leadership
- Employee turnover
- Lost time injury frequency rate
- Number of apprentices

Stakeholder engagement continued



Communities

Our communities comprise those who live and work locally to our operations and those who represent the needs of the communities we operate in, including charities, independent bodies and local government.

Why we engage

Building positive relationships with local communities is important for our performance and helps us to recruit and retain talented people. We support our communities through a wide range of volunteer and fundraising initiatives.

How the Group engages

- Employee volunteering
- The Mitie Foundation programmes
- Careers events hosted in the local communities where we work
- Local charity fundraising events
- Local community events
- 'Giving Back' volunteering days
- Meeting local politicians

How the Board engages and is kept informed

- Mitie's ESG Committee is chaired by a NED
- The ESG Committee oversees new initiatives and progress on priorities, including volunteering, mental health and the Armed Forces Covenant
- Each priority has an agreed target, with performance reported via Mitie's Social Value dashboard
- The Committee Chair provides an update at each Board meeting

Key issues

- Jobs and investment
- Local operational and environmental impact
- ESG performance
- Rising cost of living

Actions taken in FY23

- 19,298 volunteering hours delivered
- Mitie held a military event in November 2022, highlighting the following achievements:
 - Mitie being the first sponsor of 'Polar Preet'
 - Mitie sponsoring and promoting the Army Rugby Union
 - Giving Back – working on the Poppy Appeal, and health and wellbeing initiatives such as Movember and Coppafeel

Measurement (link to KPI)

- Carbon emissions
- Volunteer hours
- Community investment



Government

The services we provide on behalf of the UK Government affect the lives of thousands of people every day. Public sector work accounts for over half of our revenue annually.

Why we engage

The Government sets the regulatory framework, and our continued engagement enables us to support in shaping new policies, regulations and standards. The decisions of government and other regulators can have a major impact on our business our customers, and the wider community.

How the Group engages

- Responses to government consultations
- Participation in industry bodies
- Conferences and speaking opportunities
- Annual Report and financial statements
- Attendance at events with Parliamentary stakeholders
- Letters and meetings with policymakers to share relevant updates
- Engagement with sector-specific All-Party Parliamentary Groups (APPGs)

How the Board engages and is kept informed

- Regular updates in bi-monthly Board papers
- Material issues discussed at Board meetings

Key issues

- Mitie's financial performance
- Major business updates
- Mitie's ESG performance against its published targets
- Mitie's governance processes and transparency
- How existing or anticipated legislation is impacting or may impact our business
- Mitie's experience of public sector procurement processes

Actions taken in FY23

- Regular executive meetings with Cabinet Office (CO) and CO Director for Markets and Suppliers
- Presented at One Government Day, attended by government customers
- Annual, quarterly and monthly Partnership Executive Meetings (PEM)
- 20+ meetings and events with senior government stakeholders
- Hosted panel session at the Conservative Party Conference on the Apprenticeship Levy
- Through our public affairs consultancy we seek to foster senior stakeholder relationships and lobby across the public sector and across the political spectrum

Measurement (link to KPI)

- Customer satisfaction score (customer NPS)
- Satisfaction ratings for individual contract performance
- Meetings with policymakers
- Evidence submissions and engagements related to policy amendments

Section 172 statement

Considering our stakeholders in key business decisions

We believe that considering our stakeholders in key business decisions is not only the right thing to do but is fundamental to our ability to drive value creation over the longer term. Balancing the needs and expectations of our stakeholders has never been a more important or challenging task. Board Directors are bound by their duties under the Companies Act 2006 (the 'Act') to promote the success of the Company for the benefit of our members as a whole. In doing so, however, we must have regard for the interests of all of our stakeholders, to ensure the long-term sustainability of the Company. The Board is therefore responsible for ensuring that it fulfils its obligations to those impacted by our business,

in its stakeholder consideration and engagement. Stakeholder consideration is embedded throughout the business, with the Board and senior management actively engaged in communication and engagement initiatives.

The following pages comprise our Section 172(1) statement, setting out how the Board has, in performing its duties over the course of the year, had regard to the matters set out in Section 172(1) (a) to (f) of the Act, alongside examples of how each of our key stakeholders has been considered and engaged. Further information can also be found throughout the Strategic report and in our exploration of key strategic decisions made in the Governance report.

Details of Mitie's key stakeholders, how the Group has engaged with them during FY23 and the outcomes of that engagement are set out on pages 32 to 34. Engagement activities specifically carried out by the Board collectively and individually can be found on pages 94 and 95.

The Board made some key decisions during the year, promoting the Company's purpose, strategy and long-term sustainability. All Board decisions are made having considered the matters set out in Section 172(1) of the Act, and here we analyse some of these decisions and considerations in detail.

Key decisions in the year

Acquisition of Custom Solar

Mitie acquired Custom Solar, a solar power solutions company specialising in the development, design, installation and maintenance of solar power systems for public and private sector customers, on 30 June 2022. When considering the proposal to acquire Custom Solar during FY23, the Board considered the strategic benefits to stakeholders of the transactions.



Employees

- New colleagues benefit from becoming part of a larger, more profitable company;
- They also benefit from our established engagement mechanisms, culture and values, substantial learning and development opportunities, technology and innovation, benefits and rewards;
- Potential employee synergies on consolidation; and
- Talent flight risk from new colleagues.



Customers and suppliers

- Opportunities to enhance our portfolio of services, enabling us to deliver new and complementary services to existing customers as well as new customers;
- Roll-out of our customer-facing technologies to the customers of the acquired business, improving customer experience; and
- Risk of renegotiation or early termination of customer contracts.



Shareholders

- Impact on EPS and return on invested capital;
- Potential cost synergies, as well as the possibility of unexpected liabilities and costs or inaccurate assumptions and estimates relating to benefits and synergies;
- Expected stronger financial profile supporting a progressive dividend policy; and
- Possible difficulties integrating the new businesses.



Community and environment

- Impact on our social value agenda and Plan Zero targets and milestones.

Actions taken approved by the Board

- Consideration of detailed Board papers prepared and presented by divisional management and a comprehensive due diligence process;
- Consideration of the proposed acquisition in the context of Mitie's strategy, acknowledging that the acquisition of Custom Solar, with its innovative solar solutions, would support Mitie in providing market-leading energy optimisation capabilities; and
- Discussion and decision on the structure and timings of post-investment reviews, based on learnings from previous acquisitions.

Outcome and impact of the decision

After due consideration of the matters set out in Section 172 of the Act, related risks and opportunities, and the impact on wider stakeholders, the Board approved the acquisition of Custom Solar. The acquired business, which was integrated into the Technical Services division, is performing in line with expectations.

Share buyback programme

In June 2022, Mitie commenced a share buyback programme in respect of its ordinary shares of 2.5p each up to a maximum consideration of £50m. The shares purchased were cancelled. When considering the proposal, the Board considered the refinancing in the first half of FY22 and cash flow generated during the year, the strength of the balance sheet, as well as the ability to support future growth opportunities and increased returns to shareholders in relation to the capital allocation policy.



Shareholders

- Return of value to shareholders and offsetting of any dilution from new share issues in connection with Mitie employee incentive schemes;
- Impact on distributable reserves and ability to pay dividends; and
- Impact on capital available for future M&A.



Debt holders and rating agency

- Ability to stay well within financial covenant ratios and maintain financing headroom, ensuring RCF banks and private placement noteholders are not disadvantaged.

Pension scheme

- Ensuring the Mitie Group pension scheme was not being unfairly treated as a result of implementing the buyback programme.



Employees, customers and suppliers

- Launch of buyback programme sends a positive signal that the Company is doing well and has a strong balance sheet.

Section 172 statement continued

Key decisions in the year

Actions taken approved by the Board

- Consideration of detailed Board papers prepared and presented by management on Mitie's capital allocation policy, including updates on financial performance and liquidity;
- Detailed discussions on the rationale for a buyback programme, including the quantum and methodology, governance and affordability; and
- Alternative approaches were considered, including a buyback programme, a tender offer, or a combination of both. Factors discussed in the decision-making included relative costs and expenses and the different timeframes involved.

Outcome and impact of the decision
Mitie's shareholders have supported Mitie in significantly strengthening its financial position and acquiring Interserve via the 2020 rights issue. The Board also suspended Mitie's final dividend for FY20, only reintroducing it at the half year FY22 (due to the uncertainty arising out of the Covid pandemic) with a modest interim dividend per share.

Strong financial performance, low leverage and liquidity position enabled the Board to reward shareholders by returning to more normalised dividends and returning £50m to shareholders via the share buyback programme. The Company has since announced a further £50m buyback programme for FY24 as part of the capital allocation policy.

Winter Support package

In November 2022, Mitie launched a £10m Winter Support package of new benefits that were specifically targeted at assisting with the current cost-of-living crisis, such as one-off bonuses, the removal of fees for using salary finance, retail discounts and additional free shares. We have also expanded our 'Choices' platform to our hourly-paid colleagues, so they can take advantage of discounts on everyday products and services.



Employees

- To provide as much support as possible to our front line colleagues while remaining affordable for Mitie; and
- Consideration as to the salary cut-off point for support, acknowledging colleagues hit the hardest by cost-of-living increases are those working on the front line.



Shareholders

- Consider the financial impact when determining the final package of support for colleagues, discounting some proposals, such as funding early Real Living Wage and National Living Wage increases due to unaffordability; and
- The free shares offered as part of the Winter Support package were already in issue so non-dilutive to current shareholders.



Communities

- Considering the combination and timing of the elements of the Winter Support package to ensure a positive impact on the community as well as the individual; for example, a cash deposit into MiDeals accounts in December could be used to support Christmas shopping spend.

Actions taken approved by the Board

- Consideration of detailed Board papers presented by Mitie's Chief People Officer which included a wide range of potential initiatives for the Winter Support package, and reasons why some of them would not be taken forward due to cost, complexity or statutory restrictions; and
- While recognising that a large proportion of Mitie colleagues would be feeling the effects of the cost-of-living crisis and that, during Covid, management applied a reduction of salary of between 10% and 30% for employees earning more than £40,000 per year, affordability was a key barrier and determinant behind the Board's decision to limit the availability of several elements of the Winter Support package to those colleagues earning up to £30,000 per year.

Outcome and impact of the decision

The Winter Support package was launched in November and released in phases across five months. Feedback received following the launch was extremely positive, with an uplift identified in key people metrics such as access to Mitie's 'Celebration Hub' benefits platform, LinkedIn interaction and visitors to Mitie's career site.

Purchase of shares for employee incentive schemes

In FY23, 50m shares were purchased through the Employee Benefit Trust, including c.4m shares for the employee Winter Support package, at a total cost of £38m.



Shareholders

- Commitment to eliminate the otherwise dilutive effect to shareholders of issuing new shares in connection with Mitie's employee share schemes; and
- Impact on other elements that make up the capital allocation policy, such as M&A, dividends and share buybacks.



Debt holders and rating agency

- Ability to stay well within financial covenant ratios and maintain financing headroom, ensuring RCF banks and Private Placement noteholders are not disadvantaged.



Employees

- Save As You Earn schemes to be satisfied through Treasury shares, to mitigate unnecessary stamp duty costs for the employee.

Actions taken approved by the Board

- Acknowledgement and consideration of shareholder feedback received following the H1 FY23 results presentation that shares would preferably be purchased in the market to satisfy share incentive plans, rather than new shares being issued; and
- Consideration of detailed Board papers prepared and presented by management on proposed share plan funding, including cash cost and affordability, level of distributable reserves, mechanics, execution and timing of such purchases.

Outcome and impact of the decision

The 50m shares purchased in FY23 included a 'catch up' for schemes that have already been running for two or three years and, as a result, the amount required to be purchased in FY24 will reduce significantly to c.20m shares. Share purchases in FY25 are expected to be lower again, as specific incentives put in place in respect of the Interserve acquisition mature in FY24.

In April 2023, it was announced that shares would be purchased for all employee incentive schemes.

Our environment and social value framework

Enhancing lives and assuring a better, more sustainable future

Making a positive contribution

Mitie's reach is considerable: our 64,000 colleagues, many of whom work on the frontline and have their own families to look after, deliver services to a diverse range of more than 3,000 customers across the public and private sectors. As such, we have the ability to positively influence the lives of millions of people in the UK and overseas, and we take this responsibility very seriously.

Climate action and job creation are at the core of our philosophy. We want to develop a skilled workforce that can deliver meaningful employment while creating opportunities within local communities. Our operations must consider the environment throughout the whole value chain and ensure we take positive steps to reverse the effects of climate change. As an ESG leader, we can also help our clients to achieve their own sustainability goals.

Our social value framework

Aligned with the UN Sustainable Development Goals (SDGs) and the Government's Social Value Model, Mitie's social value framework is our platform for sustainability and social value throughout our value chain.

The SDGs shape our social value framework, comprising five pillars: environment, people, community, responsible supply chain and innovation, which each have specific objectives and targets.

Our industry-leading approach

We are committed to our ambitious Plan Zero targets, to reach Net Zero for our operations by 2025 – 25 years ahead of the UK Government's 2050 target. We received validation from the Science Based Targets initiative (SBTi) for our near-term, long-term and Net Zero targets in line with a 1.5°C trajectory.

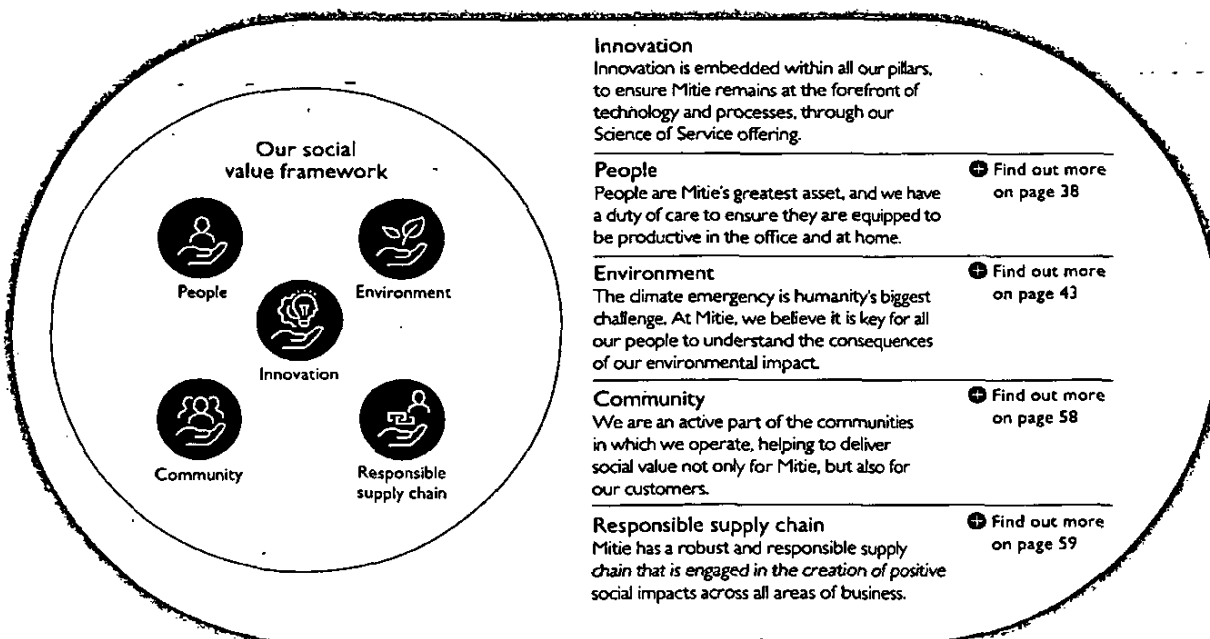
We also have 13 social value and responsible business targets which are tracked and reviewed by the ESG Committee. By continuously monitoring our operations, and measuring processes and results, we can ensure that we are delivering progress across all aspects of ESG. We achieved 11 of our 13 social value targets in FY23, with female representation on the senior leadership team and carbon emissions requiring increased attention in FY24. This focus, together with our technology-led approach to innovation, positions Mitie as a leading facilities management company, and 'among the top 5% most sustainable businesses in the world', based on our Sustainability low risk score.



Climate action and job creation are at the core of our philosophy. We are continually enhancing our ESG credentials through a comprehensive strategy, which sets out ambitious targets and goals and is underpinned by robust governance practices, to ensure that we remain a leader in the creation of social value and the protection of the environment.



Jason Roberts
Group Director for Sustainability & Social Value



Our environment and social value framework continued



People

People

Our vision is to be the destination employer in the facilities management industry, creating a 'Great Place to Work', and a truly inclusive culture where our people are supported to achieve their full potential.

Making Mitie a 'destination employer'

Our vision is to be the destination employer in the facilities management industry and to achieve that we are committed to making Mitie a 'Great Place to Work'. We get the best out of our people because we show that we care about them and we put wellbeing and career development at the heart of our business, ensuring that our people work in an inclusive and supportive environment. This approach aims to inspire confidence and enables our people to be their very best: for themselves, for Mitie and for our customers.

We have made good progress in delivering our people strategy in FY23, and we have been recognised as a Top Employer for the fifth year in a row.

Everyone who wears our logo is part of something much bigger – together, our work makes a positive difference to millions of lives, each day, every day. During FY23, we developed a campaign to define the essence of Mitie – what we stand for. The overwhelming messages from our focus groups were the sense of support and unity our culture engenders, and that our people feel heard, recognised and valued. This is key to our profitable growth and value creation for all stakeholders.



Together We Are Mitie

Our approach to colleague engagement includes everyone to ensure their wellbeing. This isn't just about the services or benefits we offer our colleagues – engagement lies at the core of everything we do. We are invested in continuing to develop an inclusive, diverse organisation, engaging more employees than ever before. 'Together We Are Mitie' has been a central part of engaging our colleagues in FY23; it is a campaign that encompasses why our people are proud and motivated to work at Mitie – from the sense of pride and purpose our teams feel, to our culture and capabilities. Through the campaign, we aimed to bring to life what it is like to be part of Mitie through our colleagues' inspirational stories.

➕ Find out more on pages 8 and 9

Equality, diversity and inclusion (ED&I)

Leading from the top

ED&I is an integral part of how we work at Mitie. We aim to represent the diversity of the communities and customers we serve, from the frontline to the Boardroom, in a working environment that includes everyone. A diverse team brings a range of experiences, perspectives and skills to the workplace, leading to more creative and innovative solutions, a vibrant, inclusive culture and business growth. Our ED&I approach is governed and supported from the top but driven by our diversity networks and our head of ED&I, who has developed an ED&I strategy across the business. This is a key to our goal of creating a 'Great Place to Work'.

Mitie is committed to improving the representation of females and all racially diverse groups. Our diversity networks support the career progression of diverse talent, ensuring representation at all levels within Mitie, with a particular focus on senior representation to close the pay gaps. We have set the following goals:

- Increase % of women in the senior leadership team (SLT) to 35% by 2023 and 40% by 2025;
- Increase % of racially diverse colleagues on the SLT to 10% by 2023 and 20% by 2025; and
- 5% of colleagues to be on, or have completed, an apprenticeship scheme.

At 31 March 2023, we achieved our target of 10% racially diverse representation on the SLT (FY22: 8%). Female representation increased to 28% of the SLT (FY22: 24%), but was below our 35% target. We will continue to focus on supporting the career progression of women at Mitie and increasing their representation on the SLT to achieve our target of 40% by 2025.

Our diversity data reporting framework allows us to look at progress against our goals, broken down by business area. We encourage our colleagues to disclose diversity data such as on gender, race, disability and sexual orientation. This data helps us to better understand the demographic of our workforce, so we can make sure we provide the right levels of support and development.

We promote inclusive behaviours and decision-making every day, making sure our leaders are equipped to do so and are transparent in everything they do. We have now embedded the final stage of our award-winning ED&I programme, Count Me In, designed for all colleagues at all levels to drive inclusion and create long-term sustainable change through continuous learning activities. More than 18,000 colleagues have engaged with the Count Me In learning.

MyVoice enables our colleagues to have a positive impact by ensuring their opinions and feedback are heard. As part of this, we have grievance and whistleblowing procedures, which are widely available to colleagues on our intranet, through

People Hub and by calling the People Support team. Colleagues are encouraged to speak up, are given the option to call an independent third-party service 24/7 to whistleblow and can remain anonymous. Our grievance procedure also encourages colleagues to raise formal grievances if they have been unable to resolve complaints informally, and gives full details of how they can do this either via their line management or direct to HR through People Support. Colleagues can also report discrimination to their line managers, diversity networks, Head of ED&I and directly to our CEO using a channel called 'Grill Phil', which gives our colleagues the opportunity to engage directly with the CEO.

Diversity networks

Through a focus on increased governance and accountability, visibility and purpose, participation in our six diversity networks has strengthened in FY23, with an increase in attendance at network events from 50 to 500 people. This reflects the raised profile of the networks within Mitie and our work to align the networks and bring them together at different events.

Supporting colleagues with disabilities

We have colleagues with a wide range of disabilities. Disability History Month in December, supported by our Enable network, was an important step to ensure everyone is aware of the support available to them at Mitie, how to access services and how to start conversations with colleagues and managers. During the month, we had c 750 unique engagements and c 500 people attended our live events, which were also broadcast online. We have identified areas for improvement to support our FY24 objectives, including data capture for disability status, accessibility of Mitie offices and awareness of existing tools for those with disabilities (specifically managers looking to support their teams). We also set up an accessibility training session with Microsoft to showcase the features available across their products.

We hope to encourage more colleagues to talk about their disabilities and to disclose their disability status, and we will continue to ensure that our disabled community is heard. By giving everyone the tools and information they need, we hope to improve life at Mitie for everyone.

The networks comprise CHORD (culture, heritage, origin, race and diversity), Enable (disability), Mitie Women Can (gender equality), Mitie Military (veterans and reservists), Proud to Be (sexual orientation), and Parents and Carers.

The purpose of our diversity networks is to raise awareness and understanding, build and grow 'allyship' and provide a safe place for our people by providing psychological safety, and to be a critical friend within the organisation. They also support the career progression of our diverse talent.



I have just sat in on your event and thought it was fantastic.

Jackie S
Care & Custody

I joined the Microsoft accessibility training yesterday and found it was a fantastic opportunity to learn on the subject for my own benefit, as well as the benefit of the team. I can now assist them with making changes without help from IT.

Gary G
Technical Services

Gender breakdown

At 31 March 2023	Male	Female	Total	% Male	% Female
Board	5	3	8	62%	38%
Senior leadership team	52	20	72	72%	28%
Employees	38,212	26,104	64,316	59%	41%

As a Steering Committee member of the Proud to Be network, I am convinced this new spirit of cooperation among our different networks will benefit all Mitie employees, leading to a workforce that embodies We are One Mitie which is one of our core values.

Carsten Thiel
LBI Security Operations Manager
Business Services

Each diversity network is sponsored by an Executive Committee member. In FY23, we restructured our networks governance: each one now has a lead, and two deputy leads, tenured for 18 months, who set the strategy and action plan for the network with the Executive Committee sponsor, ensuring it is aligned to the ED&I strategy.

Gender pay

At 5 April 2022, Mitie's median gender pay gap was 6.8% (2021: 5.4%), which continues to compare favourably with the UK national pay gap of 14.9%. Mitie's mean gender pay gap was 12.0% (2021: 8.6%).

A key contributor to our pay gap is the imbalance of men and women at various levels: at 5 April 2022, we had 62% males and 38% females, and fewer females in senior roles. To address this imbalance, we continue to raise awareness of gender equality issues and topics, and we support colleague development through different programmes. We regularly review our family-friendly policies and we have developed inclusive recruitment principles for our senior hires.

Ethnicity pay

We voluntarily publish ethnicity pay gap data in addition to our statutory gender pay gap reporting. Mitie's median ethnicity pay gap at 5 April 2022 was 1.1% (2021: 2.8%). Our target is for 20% racial diversity on the senior leadership team by 2025.

Mitie's ambition is to increase the number of pay gaps we report, to include disability and LGBTQ+.

Health and wellbeing

Employee wellbeing extends beyond simply being just a set of services we offer. We take a holistic approach to integrating health and wellbeing into all aspects of our operations. We are focused on preventing occupational ill health, and proactively managing and optimising health and wellbeing.

Our environment and social value framework continued



People

'MyWellbeing' is our wellbeing network for our colleagues and includes a range of contacts, support and information, including access to mental health first aiders and our diversity networks, self-help guides on personal safety, our 24/7 virtual GP service and our employee assistance programme.

Employee mental health has been a key priority during FY23. We have increased awareness and reduced stigma around mental health through campaigns and training such as Mental Health Awareness Week, and equipped managers with the skills and understanding of the role they play in employee wellbeing. Through our wellbeing events and working collaboratively with our diversity networks, we have also raised difficult health and wellbeing issues such as cancer, stress and menopause. In FY23, we increased the support and knowledge that we provide to our 250 mental health first aiders.

Health and safety

Our overriding objective is to make Mitie the safest place to work, where health, wellbeing and our environment are valued. We care for everyone's health and wellbeing, and our vision is to create a culture that promotes safe working, ensuring that our colleagues get home safe and well every day. Lost time injury frequency rate is one of our KPIs (see page 22).

Reward and recognition

We offer a broad range of rewards and benefits for our people under the 'MySlice' banner, which offers flexibility for our colleagues to find benefits to suit their needs. Our benefits cover health, life insurance and lifestyle products. Rewards include free shares, access to all-employee share schemes, virtual GP for all and incentive plans. We offer enhanced maternity pay to all employees eligible for statutory maternity pay (SMP), offering 10 weeks' pay at full pay and a return-to-work bonus of two weeks' pay (at returning rate of pay) after completing one month's service upon return. We also offer life assurance to all colleagues, with a minimum £10,000 payout or 1x salary. We continue to develop benefits to match the needs of our people, and in FY23 we introduced a pre-employment health check and enhanced our existing schemes such as cycle-to-work and gym membership and extended our flexible benefits offering to all hourly paid colleagues. In FY24, we will continue to improve our benefits offering to lead the industry.

To help those most in need during the cost-of-living crisis, we launched our Winter Support package in November 2022. We also created the cost-of-living hub on Celebration Hub, making it easier for colleagues to access all our deals and discounts.

Our annual award scheme, Mitie Stars, is dedicated to recognising the teams and individuals that go above and beyond for customers or colleagues.



£400,000

total savings for our colleagues on MiDeals

18,000+

colleagues received a Mitie Stars award in FY23

£10m

Winter Support package to support colleagues with the cost-of-living crisis



We want to create a learning culture to enhance the performance of our people and our business.



Kate Large
Director of Learning and Development

Helping our colleagues in the cost-of-living crisis

To help those colleagues most in need during the cost-of-living crisis, we launched our £10m Winter Support package in November 2022.

The package was aimed at colleagues who earn up to £30,000. It included a cash bonus of up to £125; a £50 e-voucher for colleagues to spend at more than 100 retailers, including Boots, Asda, Tesco and Argos; and a new £1,000 net pay cycle-to-work scheme (making it more accessible to lower paid colleagues).

We also gifted free shares for the third year running, giving more to those that earn the least, and waived the fee usually charged for salary advances.

Living wage

We want our colleagues to feel valued for the work they do so we voluntarily sign up to the Living Wage Foundation to demonstrate this commitment, as we believe fair pay is imperative to our colleagues. Being a recognised service provider means that we work with our clients, building case studies as to the value of the real living wage, and encourage new and current clients to sign up to the Real Living Wage where they can.

Recruitment, learning and development

Recruiting from a diverse pool of talent

While we will always recruit on merit, we strive to attract a diverse range of applicants to ensure we represent our customers. Within eArc, our recruitment platform, we have an augmented writing tool to support hiring managers with the writing of inclusive job adverts. We have also implemented blind hiring and ensure balanced shortlists for senior hires.

We use a range of platforms to advertise our roles and attract diverse candidates: Vercida, The Mitie Foundation, Black Young Professionals and Mitie's Careers Page. We advertise through our diversity networks, and we remain committed to our guaranteed interview scheme under Disability Confident, ensuring we provide reasonable adjustments when required.

Learning throughout Mitie

Developing talent is important to us because this is how our colleagues can realise their potential and aspirations throughout their career at Mitie. In FY23, we launched a new digital learning programme, 'We Are Mitie', for everyone across Mitie, to ensure we continue to deliver exceptional service to our customers and apply the same principles when interacting with each other. It aims to empower our people to bring their true self to work and help them to recognise the part they play in Mitie's success.



Our Winter Support package was designed to help our colleagues with the rising cost of living. Through a combination of e-vouchers, a one-off bonus, free shares, a new bikes-for-work scheme and removing the fee to draw down salary advances, it helped 40,000 of our lowest-paid colleagues across the business.



Jasmine Hudson
Chief People Officer

Our people managers are fundamental to Mitie's success. During FY23, we have evolved our development training to ensure that they can thrive and are engaged, motivated and empowered. Our new People Manager Hub provides personal development and operational skills learning content, tools and resources, so we are not overloading our managers and can free up their time, helping them to manage their reports better.

'Leading Together' is our new people manager development programme, available to all existing and aspiring people managers. It is a phased learning journey, completed over a four-month period, equipping our managers to lead the 'Mitie way'. It features digital learning content and practical activities to practise new skills on the job, with a learning buddy to support them.

Our 'Career Pathways' programme offers colleagues transparent opportunities to develop and progress their careers in a fulfilling way, to understand how they can develop against specific skills and what learning resources are available to support them. Our colleagues can also explore potential career journeys by honing or transferring their skills, moving both vertically and laterally at Mitie.

In FY23, we also launched 'MyCareer Journey' – a toolkit to help our colleagues explore how they can thrive in their role and beyond: from progressing in their current field, to taking a leap sideways to try a new role in a different part of Mitie.

Our apprenticeship offer
In FY23, we supported a record 1,100 apprentices to gain valuable technical, professional and managerial skills and qualifications, to improve their social mobility and to support our business growth.

We are trying to access a more diverse group of external candidates to meet our resourcing needs, while supporting the UK economic recovery. We offer more than 70 sustainable apprenticeship programmes and promote these through Group and local channels. We exceeded our target to support 3.5% of eligible people to have taken part in an apprenticeship programme (FY23: 3.8%).

We will continue to grow our apprenticeship programmes by supporting the development of a future talent pipeline and to increase the use of our Apprenticeship Levy funds. Together with external networks, including the Business Services Association Apprenticeship and Skills Group, and the All-Party Parliamentary Group on Apprenticeships, we are lobbying to remove unnecessary barriers to learning, enabling businesses to repurpose and optimise levy funds and to offer more broad and inclusive apprenticeship-based programmes.



Building skills for the future

Imran is an electrical apprentice for Mitie, based at University College London Hospital. He enjoys the variety of his role and the opportunity to work on different projects. He was encouraged to join Mitie as an apprentice thanks to the opportunities for career progression we offer.



Scan me!
See Imran's Electrical
Apprentice journey at Mitie



The greatest thing about this apprenticeship is that, at the end of it, I'll get an industry-recognised qualification. I'd recommend this apprenticeship to anyone – the team is really supportive and Mitie really does invest in your future. Sometimes I need to pray at work, and my managers make time for me so that I can.



Imran
Electrical apprentice at Mitie

The Government allows all Apprenticeship Levy-paying employers to gift a maximum of 25% of their previous year's contributed levy funds to other organisations. This provides us with an opportunity to determine how to make the best use of our Apprenticeship Levy funding and to support our ESG agenda. It enables us to gift funds in the most valuable way, linked to our social values objectives.

In FY23, we continued to gift levy funds to 17 organisations, supporting up to 64 external apprentices. We have pledged £1.7m funding over the duration of the learners' full programmes. Funds were gifted across a range of organisations, including charities, the public sector and SMEs in the engineering and construction sector (enabling them to take on new technical apprentices in electrical, plumbing and carpentry).

Priorities for FY24

Our people agenda is always evolving, and we have more to do to become a consistently 'Great Place to Work', and the destination employer in the facilities management industry. Looking ahead, we will focus on:

- Embedding our skills agenda to support more apprentices – as well as driving through new apprenticeship standards for future skills;
- Investing in upskilling our teams to proactively support our ED&I strategy through allyship;
- Deploying a cultural change programme to continue to evolve and improve engagement and wellbeing;
- Continuing to improve our benefits offering to lead the industry; and
- Increasing our focus on disability – both visible and invisible – creating an inclusive environment that accommodates the needs of all colleagues.

Our environment and social value framework continued

Upload survey

Mitie's annual colleague engagement survey provides feedback that management acts upon to improve the working experience at Mitie. The results of the Upload survey also provide the Board with a Group-wide snapshot of how our colleagues rate Mitie's culture and engagement.

The most recent Upload survey took place in April 2023, with the employee engagement score rising by 7ppt to a record 57%. The results from the prior year survey are detailed below, alongside the actions taken during FY23 in response to feedback from our colleagues. We will continue to address the matters raised from the most recent survey during FY24.

Date	Action
April – May 2022	Launched in April 2022, the Upload engagement survey was translated into multiple different languages and completed via several mediums to maximise participation. We also ran a campaign to drive colleague participation, including details of resulting actions from the 2021 survey. 47% of colleagues took part in Upload (2021: 40%).
June 2022	Survey results were presented at the June 2022 Board meeting with clear areas of focus (see table below for details). In 2022, our overall employee engagement score was 50% (2021: 55%). See our KPIs on page 20.
July 2022 – February 2023	Established next steps to address matters raised and communicated initiatives to colleagues throughout 2022. We provided each functional leader and strategic account manager (SAM) with access to an action planning tool and colleague engagement guidance. We also introduced a new cadence of monthly calls, hosted by senior management, together with an Upload executive sponsor, to ensure a continuous focus on employee engagement and an open dialogue with SAMs to drive best practice engagement.

Upload survey insights and actions taken

Upload survey insights (You Said)	Action taken (We Did)
Pay, reward and recognition <ul style="list-style-type: none"> Determine the right benefits for our frontline colleagues, acknowledging the impact of inflation and rising cost of living Develop Mitie Stars 	<ul style="list-style-type: none"> Launched £10m Winter Support package to support lowest-paid colleagues in November 2022 Raised awareness of extensive benefits Mitie offers through a new Employee Value Proposition campaign, MyMitie Revamped Mitie Stars process, including to streamline the judging of entries to reduce time from action to formal recognition award
Autonomy, empowerment and collaboration <ul style="list-style-type: none"> Ensure colleagues are listened to and given a voice, and develop team collaboration 	<ul style="list-style-type: none"> Ensured Board members attend all ED&I Tier 1 events Increased number of Board colleague listening sessions to expand reach across the business Launched communications and engagement 'blueprint', leading to regular colleague listening sessions and people manager meet-ups Regular all-colleague communication on Mitie's strategy, operational changes and colleague experience
Systems and processes <ul style="list-style-type: none"> Improve access to and use of different systems Ensure our systems and processes maximise productivity 	<ul style="list-style-type: none"> Ran focus groups to explore areas for systems improvement Undertook improvements to our processes and systems, including: access to the IT service desk; a new chat virtual assistant; and updating technology in Mitie meeting rooms. We have reduced major IT incidents by 52% compared with FY21
Senior leadership <ul style="list-style-type: none"> Improve the communication of our long-term strategy internally Build visibility of senior leaders 	<ul style="list-style-type: none"> Refreshed colleague voice listening sessions across Mitie, with increased Board, MGX and MLT senior leadership focus and visibility Team Talk Live held in February 2023 included CEO Phil Bentley and the MGX, who toured the UK over five days and updated colleagues on Mitie's strategy and our new Employee Value Proposition, MyMitie Ran 16 virtual live events, on topics ranging from apprenticeships to workplaces of the future
People managers <ul style="list-style-type: none"> Continue to provide training and develop the skills of middle management to support their career progression 	<ul style="list-style-type: none"> Ran colleague listening sessions Conducted people manager survey to inform our FY24 strategy. Findings included a need to engage more effectively, given time pressures on managers As a consequence of the feedback from this survey, we developed and launched the Leading Together programme and the People Manager Hub. See page 41
Communication barriers <ul style="list-style-type: none"> Develop communications within Mitie so everyone is in touch 	<ul style="list-style-type: none"> Business case and discovery project underway to launch employee app for all Mitie colleagues



Environment



Our Plan Zero

Our ambitious Plan Zero initiative to achieve Net Zero direct operational carbon emissions by the end of 2025, and non-operational emissions by the end of 2035, is industry leading.

Our transition to electric vehicles (EVs) gives us one of the largest EV fleets in the UK, and is key to removing fossil fuels from our operations. We are optimising the energy efficiency of our built estate by reducing energy consumption and replacing gas boilers with low-carbon heat pumps, and we are developing initiatives that embrace the circular economy and biodiversity through Mitie Waste and Landscapes.

In April 2023, we received validation from the Science Based Targets initiative (SBTi) following a robust assessment process. We have joined over 2,000 companies that are committed to reducing their carbon impact, although we are one of only 219 SBTi participants with targets across all three categories (near-term, long-term and Net Zero).

After reaching Net Zero, we will strive further to achieve absolute zero, as we recognise the importance of making continuous ongoing improvements to reduce our carbon emissions.

Carbon reduction targets and strategy

To achieve Net Zero carbon emissions before the Government's target of 2050, our carbon reduction targets are:

- Net Zero carbon by the end of 2025 (Scope 1 and 2)
- Net Zero carbon by the end of 2035 (Scope 3)
- Eliminate Scope 1 emissions (fossil fuels) from our operations by 2025, drive down energy consumption and adopt natural renewable sources for Scope 2 electricity
- Continually measure, report and influence Scope 3 emissions throughout the value chain

Expanding our carbon reporting

Our environmental metrics and targets, and emissions data, are detailed on pages 54 to 57.

In our FY23 reporting, we have included the supply chain segment of our Scope 3 emissions for both FY22 and FY23, and increased commuting and working from home figures to cover all colleagues for FY23, resulting in a significant increase on previously reported figures. We have also reported overseas Scope 1 and 2 emissions data for the first time.

As such, we have reviewed our carbon targets to ensure they are aligned with the expanded scope of our reporting and are sufficiently stretching. We have introduced a new baselined target for Scope 3 emissions and, moving forward, we will have two separate carbon targets to support our Net Zero commitments for Scope 1 and 2 by 2025, and Scope 3 by 2035.

Scope 1 and 2 emissions

Mitie reported Scope 1 and 2 emissions for the UK and overseas of 22,439 tonnes CO₂e in FY23. This included UK emissions of 21,115¹ tonnes CO₂e, a 3% increase from the prior year and above our UK target of 20,300 tonnes CO₂e.

The increase in UK emissions reflects a 7% increase in gas consumption (kWh) for heating and 10% increase in electricity consumption (kWh) for our built estate as building occupancy levels continue to rise following the pandemic. Mitie has also increased its carbon inventory through the three acquisitions completed during the year. Although our absolute emissions increased, our emissions intensity decreased by 1% compared to the prior year.

We continue to see an increase in electricity emissions for our EV fleet as we transition to an all-electric fleet. Mitie increased the number of EVs in service by 977 during the year and had 3,194 EVs in operation (45% of the fleet) at 31 March 2023. This initiative will reduce our Scope 1 emissions from fossil fuels. The recent acquisitions added 384 vehicles to our fleet.

Scope 3 emissions

In FY23, we reported Scope 3 emissions of 300,114 tonnes CO₂e, below our target of 315,433 tonnes CO₂e.

We are developing a stronger relationship between our procurement team and our suppliers and subcontractors, to embed sustainability throughout our supply chain. Our procurement team has undergone significant transformational change over the past few years. It is now a key strategic function at Mitie, and will lead on our Scope 3 Net Zero target for 2035. (See our responsible supply chain on page 59).

Our partnership with the Supply Chain Sustainability School gives us a platform to engage directly with our suppliers on sustainability, resource use and social value, and provides the tools to collate and report carbon emissions. Our procurement team is also addressing improvements to carbon emissions in business travel, highlighting areas of inefficiency and creating greater governance around travel requirements.

1. Independently verified by Optera in accordance with (1) ISO 14064-1 Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals, and (2) Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines, with a certificate received on 11 May 2023.

Our environment and social value framework continued



Eliminate carbon emissions from power and transport

- Convert the Group's fleet to zero emissions and power the Group's EV charge points with green energy
- Decarbonise the Group's fossil-fuelled heating systems and use 100% renewable energy for our built estate
- Increase the Group's use of technology to reduce work travel to a minimum. Where travel is necessary, Mitie will choose low-carbon methods



Eradicate non-sustainable waste

- Eliminate single-use materials by embracing the circular economy, such as through a closed-loop paper recycling system
- Reduce the Group's use of natural resources, with only items which fit the Group's circular economy approach allowed on site
- Use natural, non-toxic and biodegradable cleaning products, and champion the use of new innovations wherever possible, such as microfibre and surface coatings



Enhance inefficient buildings to meet the highest environmental standards

- Always choose new corporate offices with at least an 'Excellent' BREEAM rating and only re-sign leases on offices with an A EPC rating
- Enhance energy optimisation and use the Group's smart building technology to achieve maximum energy efficiency at all Group sites
- Improve biodiversity at all Group sites using initiatives that help ecosystems flourish, such as choosing plants which attract wildlife or establishing bug hotels

Eliminating carbon from power and transport

Pioneering in EV fleets

Our largest carbon emissions relate to our vehicle fleet, accounting for 98% of our total Scope 1 and 2 emissions. Our path to Net Zero will largely be achieved through transitioning 85% of our fleet to EVs by the end of 2025. We were the first major UK facilities management provider to launch an EV fleet and we have one of the largest EV fleets in the UK.

At 31 March 2023, Mitie had 3,194 EVs (45% of the fleet, including commercial vehicles) in operation (FY22: 33%). Our next challenge is to convert 65% of our fleet to EVs by the end

of FY24, and 85% by the end of 2025. We are replacing our vehicles with newer, more efficient EVs, and ensuring that all commercial vehicles are installed with speed limiters, telematics and AI dashcams to improve driver behaviour.

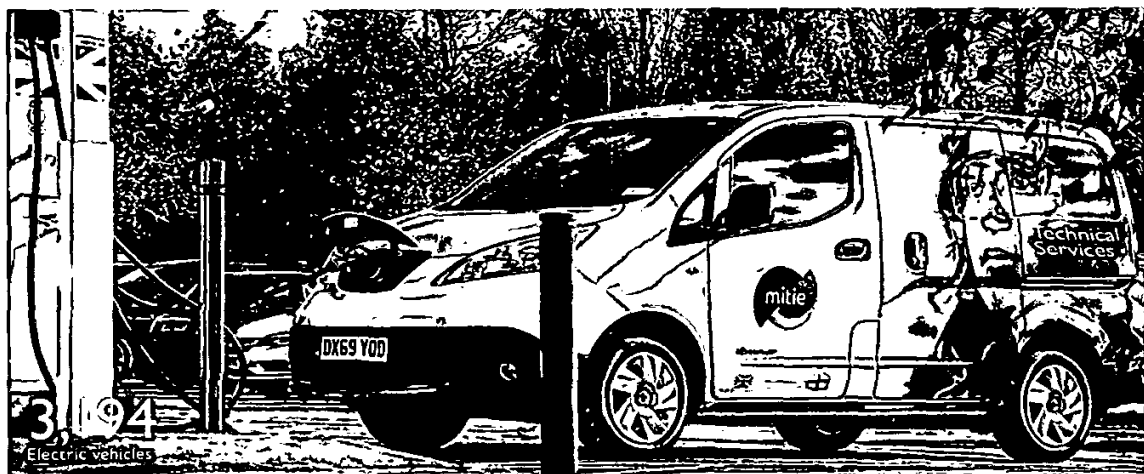
We have installed more than 2,800 EV charging points across the Mitie estate, employee homes and customer sites. Across the EV charging points we have installed, our EV charging payment solution enables direct payment for EVs across our estate, our colleagues' homes and customers' sites.

Mitie is a signatory to EV100, The Climate Group's initiative to commit organisations to transitioning to an EV fleet by 2030.

100% renewable sources of energy

Mitie is committed to using renewable energy in its offices. We purchase 100% of power backed by Renewable Energy Guarantee of Origin certificates for Mitie-controlled offices. We are also a member of RE100, The Climate Group's global corporate renewable energy initiative for businesses to achieve 100% renewable electricity, and achieved this in 2020.

Energy prices for commercial organisations rose by up to 700% in FY23, impacting Mitie and many of our customers. Energy efficiency is a high strategic priority and, following the successful recertification of Mitie Energy to the ISO 50001 Energy Management Standard, we are deploying our energy management system across the



Group to incorporate our regional hub offices in the UK and Ireland and our entire fleet. This will drive continuous improvement to reduce energy use throughout Mitie, inform senior management of progress and engage our colleagues.

Our expert team at Custom Solar, our solar panel business, analysed the viability of installing photovoltaic systems at our hub sites, and identified cost savings of up to £33,000 in the first year of operation. This will help to manage energy costs, increase the resilience of our energy supply and provides further sources of green energy to our buildings and EV charging infrastructure.

We are committed to doubling our energy productivity through The Climate Group's EP100 initiative. Mitie is one of only a handful of organisations to hold all three accreditations (RE100, EV100 and EP100) and the first FM organisation to do so.



MEMBER TO THE CLIMATE GROUP

CLIMATE GROUP
EV100

Eradicating non-sustainable waste

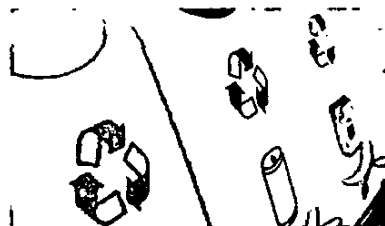
Our waste reduction plans and improvements to recycling rates continue, resulting in zero waste to landfill since July 2022. As shown in the environmental data table on page 57, waste produced by Mitie decreased by 17% to 306 tonnes in FY23, due to improvements with landlord partners to provide internal infrastructure that enhances waste reduction in line with the principles of circularity. The recycling rate was 72% on average, achieved through better on-site source segregation of waste from recycling coupled with an external suite of services to include confidential paper and food.

Mitie Waste has updated its reporting to include scenarios based on both Mitie's waste management services, as well as material streams segregated at source into four categories. We continue to remove all single-use plastic items from our operations and have a particular focus on removing plastic from packaging. In FY23, we continued to deploy our award-winning Bin the Bag™ initiative across the Mitie estate (to reduce single-use plastic bin liners) with several customer trials. We have carried out a right-sizing exercise for bins across our estate to improve our recycling rates, reviewing bin sizes and quantity, and adapting them according to waste streams.

We are working with our landlord partners to introduce a food waste service and to install Bin the Bag™ at another 11 smaller sites, which will improve recycling and reduce overall general

waste produced. We are actively working with our catering partners to deploy reusable cups at our Manchester and Birmingham sites to reduce the total volume of material generated.

By deploying biotech cleaning solutions across our estate, we aim to remove chemical cleaning agents from our operations, using microbes and enzymes. As a concentrated product in recycled packaging, this is also removing significant carbon in production and transportation.

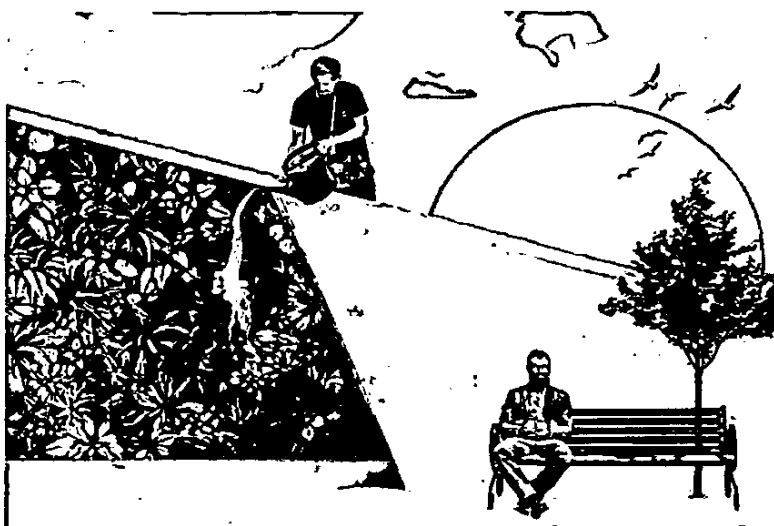


Plan Zero – Decarbonisation Delivered®

Not only are we working hard to reduce our own environmental impact, we also offer our customers end-to-end sustainability solutions through Plan Zero – Decarbonisation Delivered®. Our expert in-house sustainability consultancy supports our customers' journey in carbon reduction and advises on low-carbon technologies, workplace strategies, wellbeing and environmental performance.

Our Landscapes division has dedicated resource in biodiversity assessments and carbon sequestration projects, such as living walls and green roof installations.

Our Waste division has introduced carbon reporting into client data, and can provide carbon reduction strategies using specialists from within the team.



Scan me!
To find out more about Plan
Zero – Decarbonisation
Delivered®

Our environment and social value framework continued



Enhance inefficient buildings to meet the highest environmental standards

Decarbonising heating systems and increasing energy efficiency within Mitie's built estate is crucial to achieving Net Zero Scope 1 and 2 operational emissions by 2025. In FY23, our building energy usage increased compared with FY22 as colleagues continued to return to the workplace following the pandemic. Our Property team has developed a new strategy to incorporate energy efficiency and carbon reduction across our portfolio: deploying capital projects (LED and low-carbon heat pumps), and solar PV and EV charging infrastructure, in conjunction with downsizing and consolidating our built estate.

Looking forward, all new corporate buildings that Mitie occupies will aim for an Excellent BREEAM rating. During FY24, we will work with landlords (of sites for which they procure energy) to encourage green energy procurement, or to transfer this procurement to Mitie. We are helping our landlords to engage in carbon reduction projects, such as adding solar panels, replacing gas-fired boilers with heat pumps and procuring other green energy solutions.

As part of Mitie's initiative to reconnect people with nature, Biotope, our living wall specialist, installed a simple living wall system designed with ease of installation, planting, watering and after-care, at Mitie's Headquarters at The Shard, London. Using plants to soften and enrich previously hard, bare vertical surfaces, living walls bring many benefits to our people and the environment, cleaning the air, improving health and wellbeing, and enhancing biodiversity.



Edie award winners

Our Plan Zero Strategy won an Edie! It scooped Net-Zero Carbon Strategy of the Year in the world's largest sustainable business awards scheme – formerly known as the Sustainability Leaders Awards.

Plan Zero is our sustainability strategy. We have pledged that we will reach Net Zero Scope 1 and 2 carbon emissions by 2025, by eliminating carbon emissions from power and

transport; eradicating non-sustainable waste; and enhancing inefficient buildings to meet the highest environmental standards.

The judges highlighted 'the impact this plan has on broader society and other businesses, including peers within the industry'. They praised how it supports organisations on their journey to reduce carbon and greenhouse gas emissions from buildings, operations and the supply chain.

We have also installed three plug-and-play farm stands – a highly productive indoor farm that produces fresh produce all year round. We aim to create an experience centred on engagement, wellbeing and sustainability, and an improved office working environment, including air quality.



Priorities for FY24

In FY24, we are focusing on genuine progress in sustainability, especially as our Net Zero science-based target requires action across our supply chain. We will continue to pilot new systems to improve sustainability across our business:

- Drive sustainability and social value through our supply chain to improve labour standards and align to our science-based target to tackle our Scope 3 emissions
- Deliver sustainability awareness and knowledge training to our frontline colleagues through our 'Action Now – Transforming Tomorrow Together' campaign and make every job a 'sustainable job'
- Continue to drive fleet strategy to deploy 65% of our total fleet with EVs
- Drive down energy consumption through our ISO 50001 Energy Management System, and decarbonise our built estate and remove fossil fuels from our operations
- Reduce waste streams and incorporate circular economy thinking into our operations, focusing on reducing plastic
- Increase the environmental net gain throughout our property portfolio and operations
- Commit to using verified nature-based solutions and develop our absolute zero plan

Task Force on Climate-related Financial Disclosures (TCFD)

The Group's approach to TCFD reporting continues to evolve, and this year has been no exception. Mitie is a strong advocate of TCFD reporting, recognising its potential to create a positive impact in the fight against climate change, especially as the disclosure of information regarding the financial implications can help redirect investments towards more sustainable and resilient solutions.

Compliance statement

This section of the Annual Report provides our full TCFD disclosure consistent with all TCFD recommendations and recommended disclosures as set out in the 'TCFD - Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' published in October 2021 by the TCFD. This disclosure is also in accordance with FCA Listing Rules requirements.

TCFD summary

A summary table aligned to the TCFD requirements has been provided to help signpost where compliance has been demonstrated. Mitie recognises that the TCFD is not a static framework and every year as more becomes known about the evolving climate change landscape the need to ensure the right improvements are driven at the right time is paramount. As a result, we have updated our compliance key to highlight where we will be driving improvements during the next financial year. Information on the specific actions we will take is detailed in the section titled 'actions we will take in FY24' on page 57.

TCFD recommendation	Recommended disclosures	Compliance position		Page reference
		FY22	FY23	
Governance Disclose the organisation's governance around climate-related risks and opportunities.	A. Describe the Board's oversight of climate-related risks and opportunities.	●	●	Pages 48 to 50
	B. Describe management's role in assessing and managing climate-related risks and opportunities.	●	●	Pages 48 to 50
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	●	●	Pages 52 to 53
	B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	●	●	Pages 52 to 53
	C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	●	●	Page 53
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	A. Describe the organisation's processes for identifying and assessing climate-related risks.	●	●	Page 51
	B. Describe the organisation's processes for managing climate-related risks.	●	●	Page 51
	C. Describe how the processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	●	●	Page 51
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	●	●	Page 54
	B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	●	●	Pages 54 to 57
	C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	●	●	Pages 54 to 57

● Disclosure consistent with the recommended disclosure.

● Disclosure consistent with the recommended disclosure, further improvement opportunities planned.

● Disclosure not consistent with the recommended disclosure.

Our environment and social value framework continued



Mitie's progress during FY23

In last year's report, Mitie highlighted three TCFD recommended disclosures with which it did not comply. The following table details what these were and the actions that have been taken during FY23 to address them:

TCFD recommendation	Action required	Update
Strategy Recommendation B: Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Publish the financial framework detailing how the impacts of the climate-related risks and opportunities are assessed and quantified.	During FY23, the Group enhanced its financial modelling framework for the assessment of climate-related risks. Details on the methodology adopted and outputs from the modelling to date can be found on page 52.
Strategy Recommendation C: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Conduct scenario analysis.	During FY23, the Group undertook scenario analysis on the physical impact of climate-related risks. The summary outputs from this project are detailed on page 53.
Metrics and targets Recommendation B: Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Include Scope 1 and Scope 2 emissions outside the UK as well as the full collection of Scope 3 emissions in the Annual Report and Accounts (ARA).	During FY23, the Group expanded its reporting to include overseas. This is detailed on page 56.

Governance

This section describes the governance arrangements that are embedded across Mitie to ensure climate-related risks and opportunities are correctly assessed and managed.

Mitie has a formal governance structure in place to ensure all climate-related risks and opportunities are correctly assessed and managed. Overall responsibility for this resides with the Board, which is responsible for the strategic direction of the business, setting targets and the prioritisation of material aspects affecting the Group.

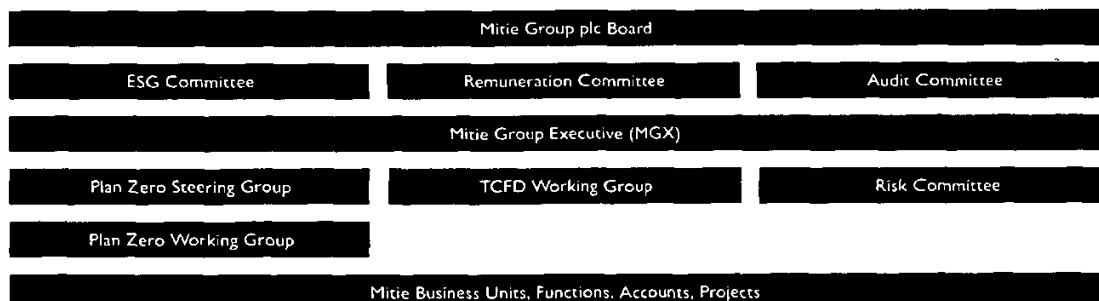
The Chief Executive Officer's (CEO) responsibilities include the successful implementation of the Group's strategy, including actions in relation to climate change. The CEO is assisted by members of senior management in relation to climate-related matters as follows:

- The Chief Financial Officer (CFO) is responsible for monitoring the effective application of the Group's control framework, which provides assurance for Mitie's financial information, carbon emissions and climate-related disclosures
- The Chief of Staff and General Counsel is responsible for the provision of the Group's enterprise risk management framework, which provides the basis for how the Group manages all risks, including climate-related risks and opportunities
- The Group Sustainability and Social Value Director is responsible for ESG, overseeing all elements of the strategy, reporting and innovation
- The Energy, Waste and Landscapes Directors are responsible for Plan Zero. They are responsible for supporting both Mitie and our customers through the development of decarbonisation opportunities

In addition to the above, several committees exist across the Group and play an important part in the management of Mitie's climate-related risks and opportunities.

The diagram below and table on pages 48 to 50 detail the different committee roles and responsibilities for the management of climate-related risks and opportunities, along with information on specific climate-related decisions taken during the year as well as key focus areas for FY24. The table also provides insight on how climate-related issues are considered, including but not limited to reviewing/guiding strategy, risk management, capital expenditure and any growth-related activities.

Climate targets are built into executive remuneration and wider bonuses – in FY22, Mitie introduced ESG targets as performance measures for 15% of the Long Term Incentive Plan (LTIP) awards. The targets for the LTIP awards are disclosed in the Directors' remuneration report on pages 124 and 125.



Mitie governance body	Chair	Frequency	Climate-related role and responsibilities	Decisions taken in FY23	Focus areas FY24
Mitie Group plc Board	Chairman	<ul style="list-style-type: none"> • Bi-monthly (at least six meetings a year) • ESG is a standing agenda item. Information is disseminated to the Board via the ESG Committee, including climate-related updates 	<p>Maintains oversight of climate-related risks and opportunities.</p> <p>Sets ESG targets, including climate-related targets.</p> <p>Monitors progress against climate-related goals and targets.</p>	Reviewed and approved TCFD and principal risks and uncertainties.	<ul style="list-style-type: none"> • Development of a low-carbon transition plan
Environment, Social & Governance Committee <i>Previously known as Social Value & Responsible Business Committee</i>	Non-Executive Director	<ul style="list-style-type: none"> • Bi-monthly (six meetings a year) to align with input into Board meetings • Climate-related matters are fed into the ESG Committee via several channels, including the Plan Zero Steering Group, which reports directly into the committee 	<p>Drives the ESG agenda on behalf of the Group.</p> <p>Ensures that the Group conducts its business in a commercially sensitive way to achieve maximum positive impact on the communities, people and the environment which it works within.</p> <p>Formal reporting of climate-related risks and opportunities.</p> <p>Oversight of capital expenditure relating to ESG.</p> <p>Engages stakeholders to understand expectations and concerns regarding climate change and communicates the Group's efforts to address them.</p>	<p>ESG strategy updates.</p> <p>Adoption of a science-based target for Scope 3 emissions.</p> <p>Roll-out of ISO 50001 across the Group to tackle energy efficiency.</p>	<ul style="list-style-type: none"> • Decarbonisation of Mitie's estate and energy consumption • Engagement improvements with supply chain to ensure alignment with the Group's science-based target approach
Mitie Group Executive	Chief Executive Officer	<ul style="list-style-type: none"> • Weekly • Climate-related matters are discussed as required – subject matter dependent, updates will be for information only or involve robust discussion 	<p>Implementation and delivery of ESG targets.</p> <p>Ongoing review of Plan Zero.</p> <p>Ongoing review of growth strategy to ensure continual alignment with decarbonisation agenda.</p>	Introduction of Plan Zero – Decarbonisation Delivered.	<ul style="list-style-type: none"> • Ongoing review of operational delivery to ensure alignment with decarbonisation agenda
Audit Committee	Non-Executive Director	<ul style="list-style-type: none"> • Climate-related matters are discussed twice yearly as part of the principal risk and uncertainties process (annual and half-yearly review). Information is disseminated to the Audit Committee via the Risk Committee 	<p>Reviews ARA, including TCFD, and advises Board on whether it is fair, balanced, and understandable and provides the necessary information to shareholders to assess the Group's performance, business model and strategy.</p> <p>Monitors impact of climate change on the Group's strategy, operations and financial performance, and engages with management to address any material risks and opportunities.</p>	Review of TCFD and principal risks and uncertainties to ensure risks and opportunities are accurately reflected in Mitie's ARA and other public disclosures.	<ul style="list-style-type: none"> • Evaluation of TCFD as part of controls framework • Provision of risk assurance against climate-related principal risk and climate-related risks and opportunities as reported in the Group's annual TCFD disclosure

Our environment and social value framework continued



Mitie governance body	Chair	Frequency	Climate-related role and responsibilities	Decisions taken in FY23	Focus areas FY24
Risk Committee	Chief of Staff and General Counsel	<ul style="list-style-type: none"> Quarterly Climate-related matters are fed into the Risk Committee via several channels, including the Group Head of ERM and Group Sustainability and Social Value Director 	<p>Responsible for overseeing the Group's approach to risk management, including ongoing review of principal and emerging risks.</p> <p>Ensures Group is adequately prepared to manage risks associated with climate change.</p>	<p>Annual review of climate-related principal risk ahead of submission to the Board.</p> <p>Review and approval of FY23 TCFD scenario analysis.</p>	<ul style="list-style-type: none"> Management of outputs from climate scenario analysis to wider business, focusing on maintaining business resilience Management of outputs from annual risk maturity survey, which includes climate-related responses
Remuneration Committee	Non-Executive Director	<ul style="list-style-type: none"> Three planned meetings as standard 	Agrees climate-related KPIs that apply to executive remuneration and wider bonus plans.	Review of ESG targets and deliverables to support setting of remuneration for Mitie Group Executive (MGX) members.	<ul style="list-style-type: none"> Ongoing review of ESG targets and deliverables
Plan Zero Steering Group	Group Sustainability and Social Value Director	<ul style="list-style-type: none"> Quarterly TCFD and climate-related risks and opportunities are standing agenda items 	<p>Delivers Plan Zero solutions and opportunities to Mitie's customers.</p> <p>Reviews and mitigates identified climate-related risks and realises climate-related opportunities.</p> <p>Initial review and approval of climate change risk assessment document ahead of submission to ESG Committee.</p> <p>Oversees and directs the Plan Zero Working Group.</p>	Transitioning Mitie Energy's ISO 50001 energy management system across the Group incorporating all fleet vehicles and seven Mitie sites.	<ul style="list-style-type: none"> Improved engagement with supply chain to influence uptake of environmental initiatives that work towards a 1.5°C trajectory Continued advancement of a learning and development programme accessible to all Mitie colleagues, particularly those in frontline operations
Plan Zero Working Group	Environmental and Social Value Manager	<ul style="list-style-type: none"> Monthly Reports into Plan Zero Steering Group 	Delivers Plan Zero solutions and opportunities to Mitie's customers.	Development of strategy to address specialist vehicles not ready for EV transition.	<ul style="list-style-type: none"> Development of strategy to address plastics reduction – focus to be on what can be eliminated across all business areas
TCFD Working Group	Group Sustainability and Social Value Director supported by Group Finance and Group Head of ERM	<ul style="list-style-type: none"> Meetings are held, as required. Reports into Chief of Staff and General Counsel. Note: from FY24, the TCFD Working Group will merge with the Plan Zero Steering Group and meet on a quarterly basis 	Responsibility for preparing and responding to TCFD disclosures.	End-to-end management of TCFD compilation, including engagement with internal and external key stakeholders.	<ul style="list-style-type: none"> Ongoing TCFD enhancements

Risk management

This section describes how Mitie identifies, assesses and manages climate-related risks and opportunities.

The management of climate-related risks and opportunities is integrated into our enterprise risk management framework.

The Group considers climate change and social value as a principal risk page 77 refers. The principal risk is assessed quarterly and subject to a thorough assessment annually.

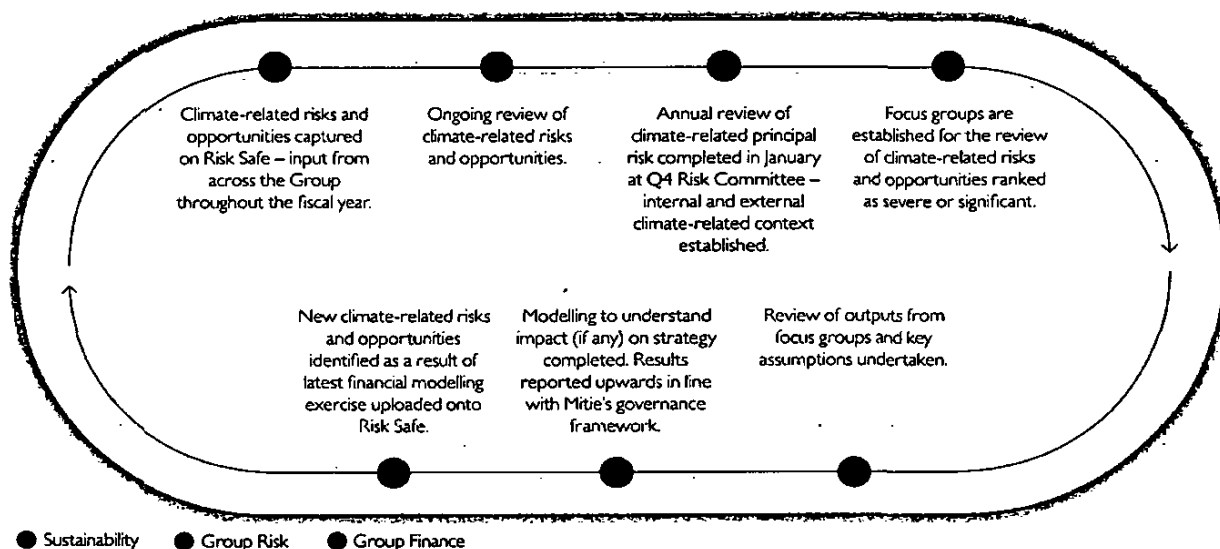
The principal risk is underpinned by a series of climate-related risks and opportunities which are monitored via the climate change risk assessment using the Group's Risk Safe platform. As at 31 March 2023, there were 17 climate-related risks and opportunities. Pages 52 and 53 provides information on those which have been assessed as having a potential 'material' impact.

In addition to the climate change risk assessment, climate-related risk information is also captured at an account level and managed in collaboration with customers via account-level risk registers, which are all available on Risk Safe.

All risk information is evaluated for impact and likelihood, with the residual score determining one of four risk rating definitions, ranging from manageable to severe.

The diagram below provides information on the process we adopt for the management and assessment of climate-related risks and opportunities.

Process overview for the management and assessment of climate-related risks and opportunities



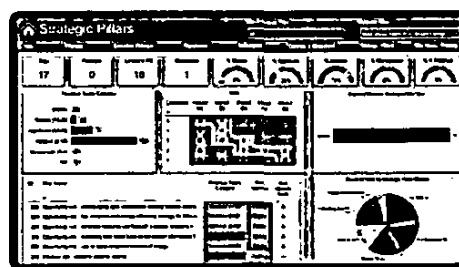
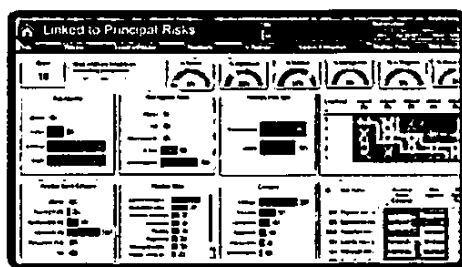
Mitie's risk management structure is designed to ensure a consistent approach to the effective management of risks across the business.

All climate-related risks and opportunities have an assigned owner who is responsible for defining and implementing appropriate management strategies with support and advice provided by the Risk and Sustainability teams.

The Group has access to a holistic view of all climate-related risks and opportunities – examples of the suite of management reports available to the Group for support with the management of climate-related risks and opportunities are shown in the illustrations below.

Throughout FY23, we continued to build awareness and knowledge of climate-related risks and opportunities through a variety of means, including hosting environmental conferences, quarterly Nature Recovery Forum webinars, briefings on decarbonisation delivered and fleet roadshows.

More information on our risk management framework can be found on pages 73 to 82.



Our environment and social value framework continued



Environment
TCFD

Strategy

This section describes the actual and potential impacts of climate-related risks and opportunities on the Group's strategy and financial planning.

Mitie has committed to the delivery of Plan Zero. However, the Group acknowledges that there are external variables which could impact the achievement of the Paris aspiration (alignment as close to 1.5°C as possible). As a result, Mitie continues to proactively monitor its risks and opportunities to ensure it is well placed to adapt to the changing external environment as more information becomes available, to minimise any potential damage to delivery.

During FY23, the Group identified three risks (Table 1) and three opportunities (Table 2) as having a potential material impact.

This means that the risk or opportunity has reached a defined financial threshold at which the Group considers it to be of significant interest to investors and other stakeholders. This assessment remains under constant review to ensure that we remain relevant in what we measure and publicly report.

To assess the potential impact that climate-related risks and opportunities pose to the Group's strategy, and to aid financial planning, during FY23 Mitie enhanced its climate-related financial modelling framework.

The assessment builds on our base five-year cash flow forecast model which adopts our strategic, budgeting and business planning cycles, with a timeline relevant to the duration of the Group's existing contracts.

The climate modelling framework incorporates three time horizons, namely short (one to three years), medium (three to ten years) and long (10-15 years). This approach has been adopted to ensure alignment with the Group's enterprise risk management strategy.

Details of the completed financial assessments have been incorporated into the TCFD and underpinned by assumptions as detailed in Table 1.

The key for the financial assessment is as follows:

- Low impact = minimal material impact on EBIT (<5%)
- Medium impact = significant material impact on EBIT (5%–10%)
- High impact = critical material impact on EBIT (>10%)

Table 1: Macro-level climate-related risks, including current mitigation measures, potential financial impact and latest working assumptions

Risk description	Impact	Strategic response	Financial assessment and assumptions
1. Extreme weather events Physical risk Medium-term	<p>Reduced revenue as a result of disruption to operations.</p> <p>Increased costs owing to damage to assets.</p> <p>Impacts felt universally – Mitie (UK and overseas), customers and subcontracting and strategic partners affected.</p> <p><i>Note: please refer to our scenario analysis on page 53 to understand the work we have completed on this risk to enhance our knowledge of the impact further.</i></p>	<ul style="list-style-type: none"> Enhanced H&S standards and processes ISO 22301 certified Planned preventative maintenance schedules aligned to seasonal changes Estates strategy in place and continually reviewed Insurance coverage Ongoing scenario testing 	<p>Short-term impact assessment: Low impact</p> <p>Medium-term impact assessment: Low impact</p> <p>Long-term impact assessment: Low impact</p> <p>Current assumptions based on a worst case scenario:</p> <p>On average, four notable climate events occur annually, albeit not all impact the UK in their entirety, and if climate change worsens, the average number is assumed to increase gradually.</p> <p>Mitie's fleet will be most impacted by an extreme weather event.</p> <p>There will be an annual increase in Mitie's fleet maintenance costs over the period, increasing gradually over the long term as extreme weather events increase in frequency and severity.</p> <p>A gradual increase in insurance premiums is expected.</p> <p>The impact of an extreme weather event will assume similar characteristics to those that have been experienced between 2018 and 2022.</p>
2. Increases in pricing of greenhouse gas (GHG) emissions Transition risk Short to medium-term	<p>Considerable costs to operating budget. The biggest risk relates to the management of Mitie's fleet and potential rises in taxation on fossil fuels (diesel).</p> <p>Impacts felt predominantly in Mitie operations (Technical Services, Business Services, Communities, and Central Government & Defence (UK and overseas)) and across estates management.</p>	<ul style="list-style-type: none"> Implementation of Plan Zero Ongoing financial review of GHG-related costs Phasing out of diesel fleet 	<p>Short-term impact assessment: Low impact</p> <p>Medium-term impact assessment: Low impact</p> <p>Long-term impact assessment: High impact</p> <p>Current assumptions based on a worst case scenario:</p> <p>Mitie's fleet base (mix of EV and diesel) will remain 'as is'.</p> <p>There will be an annual increase in costs associated with leasing vehicles in line with target inflation of 2%.</p> <p>Fuel costs are based on an average annual mileage and costs per mile, with the cost of diesel rising faster and more significantly compared with EV charging costs over the medium and long term.</p> <p>Installation processes will remain constant – it has been assumed every EV will have a home charger.</p>
3. Changes in customer behaviours resulting in lost opportunities Transition risk Medium to long-term	<p>Revenue reduction if Mitie cannot keep up with demand for the services.</p> <p>Impacts felt universally across the Group (UK and overseas).</p>	<ul style="list-style-type: none"> Ongoing review of customer behaviours via ESG governance framework Ongoing review and development of customer propositions Feedback gathered internally via various channels 	<p>Accurately measuring customer behaviours towards climate-related products requires reliable data to make projections and forecasts. Unfortunately, there is limited data available regarding how customers are likely to respond to changes in climate-related offerings. Furthermore, customer behaviour is difficult to predict and can be influenced by various factors, such as marketing campaigns, economic conditions and social trends. Competitor reactions might also impact changes in customer behaviour, which is a complex issue that requires making assumptions that may not always be correct. Due to these complexities, the Group has not conducted a financial assessment for this risk.</p>

Our approach to scenario analysis in FY23 – improving our understanding of Risk 1, extreme weather events

Remaining resilient is essential to a company's success. During FY23, Mitie actively pursued certification to the gold standard in business continuity management, ISO 22301:2019, demonstrating that it has a stringent framework in place to prevent, prepare for, respond to and recover from disruptive events, both planned and unexpected – more information on this certification is available on page 76.

Mitie recognises that a failure to plan for and mitigate against climate-related risks poses a significant threat to the delivery of its strategy. One such risk is the threat posed from the physical elements of climate change, specifically extreme weather events.

The ability to deliver a significant proportion of Mitie's strategy relies on the accessibility of colleagues (particularly those on the frontline), supply chain and strategic partners. There is also a need to ensure the availability of assets across both customer and Mitie estates. Abnormal weather events present risks and disrupt operating and financial performance. When abnormal weather conditions occur over a protracted period, they can lead to financial distress and business failure. With climate change, the frequency and the intensity of abnormal weather patterns has dramatically increased, and while they may not have seemed material 10-plus years ago, they must now be monitored closely.

During FY23, Mitie worked in partnership with Marsh (insurance broker and risk advisor) to complete a scenario analysis focused on the physical risks attached to climate change to help us better understand the impact of extreme weather events as well as the long-term critical asset damage and failure probability. As a result of this work, the Group now has an indication of how physical natural catastrophe damages at Mitie locations are expected to evolve over time under multiple climate change scenarios; additionally, specific 'hot spot' sites have been identified to support mitigation planning.

The scenario analysis covered all major climate-induced physical damage threats under two representative concentration pathways (RCPs), namely RCP 2.6, which is a best-case scenario that limits a temperature rise to below 2°C, and RCP 8.5, which is a worst-case scenario based on emissions continuing to rise throughout the 21st century to around 3°C. Focusing on 500 sites, including the Mitie estate and sites occupied by key supply chain, strategic partners and selected key accounts, the assessment sought to identify assets most at risk from climate perils. The outcome from this showed that Mitie's portfolio is generally low risk, with 87% of assets being identified with a medium risk score or lower. Where sites were identified with a medium or high risk, these were typically most at risk of flood exposure.

Once the initial analysis was completed, the second phase involved a deep-dive analysis consisting of 95 sites from the initial 500. The 95 sites were selected based on their value and if they had been identified as having a high and/or very high risk score. As part of the second phase, the data was overlaid with seven different climate-related perils for the two RCPs, across three different timelines (2020, 2050 and 2100). The outputs at this stage identified that sea-level rise is expected to become the main area of increased risk from 2050 onwards, with 10 sites at high or extreme risks for RCP 2.6, and 28 sites at extreme risks for RCP 2.6 by 2100. It was also highlighted that flooding remains a consistently high risk for over 20 sites on the RCP 8.5 pathway.

Using the results, the Group will be analysing the outputs further to establish an action plan for addressing the identified risks and managing next steps. An update on our progress will be made available in next year's TCFD.

Table 2: Macro-level climate-related opportunities, including strategic response

Opportunity description	Impact	Strategic response
1. Development of low-emission and energy-efficiency strategy for Mitie estate Medium to long-term	Opportunities felt most in estates management (UK only).	<ul style="list-style-type: none"> Carbon Conscious Premises Selection (CCPS) Guide in place detailing minimum standards in respect of new spaces added to Mitie estate CCPS checklist developed for use by managing agents to screen all new acquisitions Ongoing estates review of new climate-related projects Governance framework for monitoring compliance in place
2. Encouraging agile and flexible working through business processes Short to medium-term	Opportunities felt universally across the Group (UK and overseas).	<ul style="list-style-type: none"> Agile working procedures embedded Ongoing stress testing of remote working to ensure adequate coverage
3. Switching from fossil fuels to low-carbon alternatives for fleet operations Short to medium-term	Opportunities felt predominantly in Mitie operations (Technical Services, Business Services, Communities, and Central Government & Defence (UK and overseas)).	<ul style="list-style-type: none"> Plan Zero commitment – 85% EV fleet by the end of 2025 Ongoing review of EV transition Deployment of EV charging points at Mitie and customer sites, as well as colleagues' homes

Our environment and social value framework continued



Metrics and targets

This section describes the metrics and targets used by Mitie to assess and manage relevant climate-related risks and opportunities.

The Group has established metrics and targets that guide how we do business, including how we operate and how we serve our customers. These include targets designed to help Mitie become more environmentally and socially sustainable.

Our climate-related metric categories are detailed in the below table. This is followed by our Greenhouse Gas (GHG) reporting methodology statement for FY23, which provides further context for the metrics and targets reported during this reporting period.

Category	Sub-category	Unit measurement	Description of metric	FY23 risks and opportunities references
GHG emissions	Emission level	tCO ₂ e	Total emissions	Risk: 1, 2, 3 Opportunity: 1, 2, 3
Energy/fuel	Energy usage	kWh	Total energy consumption	Risk: 1, 2, 3 Opportunity: 1, 2, 3
	Transition to greener fleet	%	Total percentage of EV fleet	Risk: 2, 3 Opportunity: 3
Waste	Recycled	Tonnes	Total waste recycled	Risk: 2, 3 Opportunity: 1
Risk adaptation and mitigation	R&D	£	Amount invested in developing low-carbon products and services	Risk: 1, 2, 3 Opportunity: 1, 2, 3
	CapEx	£	Amount invested in deployment of low-carbon technology, energy and resiliency capabilities	Risk: 1, 2, 3 Opportunity: 1, 2, 3

GHG reporting methodology statement for FY23

Reporting period

Emissions are reported against accounting year covering the period 1 April 2022 to 31 March 2023.

Reporting boundary

Financial control authority – Mitie reports any emissions from its operations for which it can directly influence financial and operational policies to gain economic benefit.

Greenhouse gases

All GHG emissions are reported in tonnes of carbon dioxide equivalent (tCO₂e) to account for all six of the Kyoto Protocol GHGs.

Emissions factors

Mitie has applied the UK Government's GHG reporting conversion factors for 2022.

Science-based target validation

Mitie has validated science-based targets.

Baseline year

Mitie's baseline was set at FY20 when the Plan Zero Strategy was launched. However, in FY23 we are reporting our full Scope 3 inventory, including our supply chain for the first time. Therefore, FY22 has been introduced as a new baseline in line with our policy. Our new carbon targets are shown in the table below.

Intensity ratio

Mitie uses tCO₂e/£m revenue as its intensity ratio to compare its emissions over time as it normalises for changes in the scale of Mitie's business activities.

Inclusions

For FY23, we have included supply chain emissions, increased commuting and working from home figures to cover all colleagues.

Exclusions

Mitie does not report fugitive emissions (refrigerant leakage) from refrigeration and air-conditioning systems in leased properties or fleet. This is due to the difficulty in obtaining centralised data on refrigerant top-ups and owing to many of our buildings being out of scope as landlords manage the HVAC systems. Given the size and types of emission sources listed by Mitie, fugitive emissions are expected to be a very small proportion of total emissions and are therefore considered immaterial.

Carbon targets (tCO ₂ e)	FY22 New baseline ¹	FY23	FY24	FY25	FY26
Scope 1 & 2	20,596	20,300	16,900	12,775	8,400
Scope 3	332,035	315,433	296,507	275,752	253,692
Total	352,631	335,733	313,407	288,527	262,092

1. The baseline for Scope 1 & 2 emissions remains the same for FY22 and FY23, reflecting the UK only targets. From FY24 onwards, the targets have been updated to include both UK and overseas reporting.

FY23 – Carbon emissions breakdown

	Emissions (tCO ₂ e)	%		Emissions (tCO ₂ e)	%
Electricity	1,067	0.3	Supply Chain	246,018	76.3
Gas	360	0.1	Total	322,553	
Water	2	0	Mitie Scope 1 and 2 (UK and overseas)	22,439	
Transport/Travel	28,602	8.9	Mitie Scope 3 (UK and overseas)	300,114	
Waste	6	0	Total	322,553	
Commuting/Working from home	46,498	14.4			

Scope of emissions

Scope 1 – Direct emissions

On-site fuel combustion

- Gas directly purchased for heating or generation across leased property managed by Mitie

Company vehicles

- Fuel purchased for fleet vehicles

Fugitive emissions

- Refrigerant leaks from air-conditioning (RAC) equipment in leased assets and fleet vehicles¹

Scope 2 – Indirect emissions

Purchased electricity

- Electricity directly purchased across leased property and EVs managed by Mitie

Scope 3 – Other indirect emissions

Purchased goods and services

- Purchased goods and services from supply chain

Fuel and energy related activities

- Electricity transmission and distribution (T&D) losses
- Upstream emissions associated with the extraction of purchased fuels and gas
- Gas and electricity recharges across leased property managed by the landlord

Upstream transportation and distribution

- Transportation of goods

Waste

- Waste generation across leased property

Water

- Water usage across leased property

Business travel

- Expensed air, road and rail travel (including hotel stays)

Employee commuting

- Commuting (all forms of transport)
- Working from home

1. Fugitive emissions are not reported as outlined in the exclusions statement.

Process

Mitie follows the reporting approach set out in the UK Government's Environmental Reporting Guidance (2019 version) to ensure that reporting standards are robust and transparent.

For most of its major emissions sources, Mitie uses primary data from automatic meter readings, utility bills, service charge data and expensed claims.

Emissions data is collated centrally by Mitie Energy on a quarterly basis and then restated at the end of the year to reflect any changes or to replace any estimated data with actual data (where available). Emissions figures are verified by the Sustainability team who have overall responsibility for ensuring the calculations and methodology are correct.

Mitie obtained independent verification on the accuracy of selected information included in Mitie's FY23 GHG UK emissions and water consumption datasets, in accordance with (1) ISO 4064-1 Specification with guidance at the organisation level for quantification and reporting of GHG emissions and removals, and (2) Global Reporting Initiative's (GRI), G4 Sustainability Reporting Guidelines.

Data sources

Scope 1 and 2

Gas and electricity consumption

Information is populated from automatic meter readings (AMR), invoiced data, service charge data and estimates. AMR data has priority, followed by supplier or service charge data. If none of this is available, then an estimate will be generated based on all data for other sites. This is used to calculate an average kWh/m² for the Mitie estate, and the estimate is this average multiplied by the floor area for the site in question. For sites where, in addition to a direct supply, there is also a service charge for energy use within the communal areas, the figures are added together.

For sites where invoiced data is only available for a partial period, the data has been apportioned based on the average kWh/day for each site, based on the billing data that is held. Unless advised otherwise by property, sites are assumed to have all supplies in place. This information is taken from the Mitie Property Master Site List, which is updated in real time. Data is obtained from the data collector for HH/AMR data, the SR180 export from Optima for invoiced data and directly from the landlords for service charge data.

Company vehicles

Data is provided by Mitie's fuel card provider, and users then submit their monthly business and personal mileage via our Fleet Data Platform.

As personal mileage must not be included within the report, we have undertaken a check of the data, comparing total business miles and total personal miles, and agreeing that the percentage split is 77% of consumption for business purposes. Within the raw datasets is the 100% figure, and this split is then calculated within the Consumption and Environmental tabs. This ensures that the raw data within the report matches the files received from the Fleet team.

Scope 3

Purchased goods and services

These emissions are calculated from 60% of our supply chain category spend, which comprises around 370 suppliers. The remaining 40% is extrapolated. Mitie engages directly with our supply chain to obtain carbon emissions or consumption data to apply to their carbon inventory. This is the first year Mitie has reported against this category.

Business travel

Business travel (Air, Rail and Hotel Stays) is provided by our Corporate Travel Provider in a report from their dashboard.

Upstream transportation and distribution

Emissions calculated from the delivery and transportation of goods to Mitie-run facilities, including our own estate and customer contract premises.

Fuel and energy related activities

Scope 1 and 2 data is used and DEFRA emissions factors for Scope 3 are then applied. Landlord recharge data is calculated from service charge bills or estimated from an anticipated energy use per square metre. This is calculated using actual billing data received.

Our environment and social value framework continued



Estimations

Where leased building utility data is unavailable, estimations are made using an anticipated energy use per square metre. This is calculated using a combination of half hourly meters and actual billing data received across the estate. For sites where invoice data is only available for a partial period, the available data is apportioned using an average kWh/day figure based on known utility data from other sites. Waste data is estimated using an average waste per desk figure based on actual data we receive.

FY23 position

At Mitie, we see the climate emergency as a business-critical issue that needs to be addressed within our operations.

Three years ago, we launched our industry-leading Plan Zero commitment to set a clear pathway on how we will decarbonise our business and reach Net Zero carbon emissions by 2025 (Scope 1 and 2).

This focuses on three key areas:

- Eliminate carbon emission from power and transport
- Eradicate non-sustainable waste
- Enhance inefficient buildings to meet the highest environmental standards

We received confirmation that we had achieved validated near, and long-term science-based targets from the Science Based Targets initiative. These targets cover Scope 1, 2 and 3.

Absolute emissions

	Emissions	FY22	FY23	Change from previous year	% change from previous year
UK only	Total Scope 1 (tCO₂e)	19,414	19,225	-189	-1%
	Emissions from fuel combustion across our fleet	19,371	19,177	-194	-1%
	Emissions from fuel combustion in our occupied buildings	43	48	5	12%
Overseas	Total Scope 1 (tCO₂e)	-	1,305	-	-
	Emissions from fuel combustion across our fleet	-	1,305	-	-
UK & overseas	Total Scope 1 (tCO₂e)	19,414	20,530	1,116	6%
UK only	Total Scope 2 (tCO₂e)	1,182	1,890	708	60%
	Emissions from the purchase of electricity across occupied buildings (location based)	307	433	126	41%
	Emissions from electricity combustion across our EV fleet	875	1,457	582	67%
Overseas	Total Scope 2 (tCO₂e)	-	19	-	-
	Emissions from the purchase of electricity across occupied buildings (location based)	-	19	-	-
UK & overseas	Total Scope 2 (tCO₂e)	1,182	1,909	727	62%
UK only	Total Scope 1 & 2 (location based)	20,596	21,115	519	3%
	Total Scope 1 & 2 (market based)	20,289	20,682	393	2%
Overseas	Total Scope 1 & 2 (location based)	-	1,324	-	-
	Total Scope 1 & 2 (market based)	-	1,324	-	-
UK & overseas	Total Scope 1 & 2 (location based)	20,596	22,439	1,843	9%
	Total Scope 1 & 2 (market based)	20,289	22,006	1,717	8%
Intensity – emissions ratio					
UK only	tCO ₂ e/£m revenue (Scope 1 & 2)	5.28	5.21	-0.07	-1%
UK & overseas	tCO ₂ e/£m revenue (Scope 1 & 2)	5.28	5.54	0.26	5%
UK only	Total Scope 3 (tCO₂e)	274,007	298,950	24,943	9%
	Mitie generated Scope 3	7,936	52,932	44,996	567%
	Supply chain emissions	266,071	246,018	-20,053	-8%
Overseas	Total Scope 3 (tCO₂e)	-	1,164	-	-
	Mitie generated Scope 3	-	1,164	-	-
UK & overseas	Total Scope 3 (tCO₂e)	274,007¹	300,114	26,107	10%
UK & overseas	Total Scope 1, 2 & 3 (tCO₂e)	294,603	322,553	27,950	9%

1. During FY23 we retrospectively obtained Scope 3 data for FY22 as part of the work completed for the SBTi. This activity was completed after publication of the FY22 annual report.

Like-for-like analysis highlights that Mitie's Scope 1 and 2 UK emissions have increased by 3%, however emissions intensity has decreased by 1%. Mitie had a 7% increase in gas consumption for heating and 10% increase in electricity consumption for our built estate as shown in the table below. These are attributed to progress towards fuller occupancy as increasing numbers of colleagues return to the workplace following the pandemic. It is further noted that Mitie has increased its carbon inventory with some significant acquisitions over this period.

We continue to see a significant increase in electricity emissions for our electric vehicle (EV) fleet as we transition further to an all-electric fleet. Mitie has increased the EVs in service during the year by 977 and as at 31 March 2023 had 3,194 EVs in operation (45% of the fleet) and this initiative will continue to reduce our Scope 1 emissions from fossil fuels. Our total fleet has increased by 384 vehicles as a result of acquisitions.

For our FY23 reporting we have included the supply chain segment of our Scope 3 emissions for both FY22 and FY23, and commuting and working from home figures to cover all colleagues for FY23, resulting in a significant increase to previously reported figures.

Environmental data

The below table provides further details on our UK environmental performance:

	FY22	FY23	Change from previous year	% change from previous year
Electricity consumed across occupied buildings (kWh)	4,502,916	4,931,269	428,353	10%
Gas consumed across occupied buildings (kWh)	1,554,794	1,668,849	114,055	7%
Fuel used by vehicles for business travel (kWh)	82,848,214	80,238,049	-2,610,165	-3%
Electricity used by EV vehicles for business travel (kWh)	4,122,667	7,331,647	3,208,980	78%
Total organisational energy consumption (kWh)	93,028,591	94,169,814	1,151,223	1%
Water consumed across occupied buildings (m ³)	4,396	16,392	11,996	273%
Total waste generated across occupied buildings (tonnes)	368	306	-62	-17%
Total waste to landfill (tonnes)	19	2	-17	-88%
Energy from waste (tonnes)	135	82	-53	-39%
Total waste recycled (tonnes)	214	222	8	4%
Recycling rate	58%	72%	14ppt	

Environmental targets

	Actual	Target	
	FY23	FY24	FY25
CO ₂ emissions (tonnes) – Scope 1 & 2 ¹	22,439	16,900	12,775
Of which: UK	21,115	–	–
Of which: Overseas	1,324	–	–
CO ₂ emissions (tonnes) – Scope 3	300,114	296,507	275,752
% of fleet zero carbon	45	65	85 ²
Waste to landfill (tonnes)	2	50	0

1. In FY22, we reported that our FY23 target for Scope 1 & 2 emissions was 20,300 tCO₂e. This target represented UK emissions only. For ease of reference, we have provided the breakdown of our FY23 actual Scope 1 & 2 emissions for the UK and overseas. From FY24, we will be using our rebased carbon emissions targets as detailed on page 54, which incorporates the UK and overseas.

2. 85% is based on completion by 31 December 2025 as detailed on page 44.

TCFD continual improvement – actions we will take in FY24

During FY24, Mitie will:

- Roll out both preventative and improvement measures in response to the findings from our FY23 scenario analysis focused on extreme weather events
- Extend our scenario analysis to focus on the impact of transition risks
- Extend our financial framework to include a modelling assessment of our material climate-related opportunities
- Review the inclusion of internal and external carbon prices into our metrics framework

Our environment and social value framework continued



Overview

As the UK's largest facilities management company, Mitie is at the forefront of many communities. We strive to deliver the exceptional, every day, and to deliver social value through our own operations and for our customers. We continue to integrate the Government's Social Value Model throughout our business, including for public sector contracts, for which it is a requirement.

Delivering high levels of social value to our customers is a key differentiator and delivers positive results across the business, while positively impacting the communities in which we operate and driving change for a better future.

Mitie Foundation

The Mitie Foundation is an independent charity established in 2013, and wholly funded by the Mitie Group. It supports young people and those who face barriers to work: whether through long-term unemployment, having a disability, having learning difficulties or being ex-service personnel or ex-offenders. The Mitie Foundation educates our colleagues to support these individuals and understand their diverse needs and requirements.

In FY23, we continued to deliver our flagship Ready2Work programme through The Mitie Foundation, we launched our Ready2Work Military programme and we are piloting the Beyond Bars programme. Mitie is on the Prison Operator Service Framework and delivers a range of FM services at HMP Brixton and HMP & YOI Isis in London, which have a combined capacity of approximately 1,400 prisoners. Our Beyond Bars programme is being trialled in HMP Brixton: an eight-week programme that supports ex-offenders to ensure they are 'employment ready' before leaving the prison. From speaking with ex-offenders in HMP Brixton, we know they want this support. We will support individuals with skills such as managing work expectations and sourcing job opportunities within Mitie.

In FY23, we have recruited 347 individuals through the Mitie Foundation, while also offering support with CV writing, mock interviews and guidance on effective job searching.

Giving back to the community

Mitie has a significant five-year pledge to support communities through volunteering for good causes. In FY23, we committed to 16,320 hours, an increase on last year's 14,650 hours. Every salaried member of staff is entitled to one day's volunteering, conducted in work time. Over FY23, volunteering events have included the Poppy Appeal, FareShare, NSPCC and Career Ready Plus.

In FY23, £325,290 was donated to good causes by Mitie. This included a one-off corporate donation of items to Ukrainian refugees with a value of £154,575. The Scotland team raised £46,177 at their annual charity ball for the British Heart Foundation & Prostate Cancer UK. The remaining £124,538 was raised by colleagues delivering local fundraising events, benefiting national charities like Macmillan Cancer Support and local good causes.

Opportunities for ex-military personnel

In 2022, we launched our new Ready2Work Military programme to support those leaving the military with three to six months left of service, by giving them the opportunity to experience working in the facilities management sector and get to know Mitie. The transition for ex-military personnel to corporate life can be daunting and we want to minimise that stress. We offer participants placements in a field of their choice, and buddy them up with a veteran within Mitie. We aim to ensure a smooth transition into the business and believe that giving a detailed insight into Mitie will give everyone a chance to ask questions, be sure of their role and get used to familiar surroundings. At 31 March 2023, Mitie had 463 veterans, up from 261 in FY22. We continue to support reservists employed at Mitie with an extra 10 days' paid leave.

£325,290
donated to good causes

Committed to delivering
16,320
hours volunteering

347
employees recruited in FY23
through the Mitie Foundation

Priorities for FY24

- Deliver our flagship Ready2Work programmes nationally across the business
- Support ex-offenders in rehabilitation and job opportunities within Mitie. Pilot and roll out Beyond Bars programme in HMP Brixton alongside Care & Custody
- Support our referral partners and their customers with employment at Mitie
- Continue to educate our colleagues in order to support those facing barriers to securing employment
- Deliver our volunteering hours to ensure we make a maximum impact on our communities



Responsible supply chain

We continue to make good progress along our three-year transformation roadmap.







Overview

Our supply chain transformation programme aims to make our supply chain operations more efficient, sustainable and resilient. Building on our initial progress, in FY23 we have continued to focus on third-party supplier engagement, cost-efficiencies, implementing new technology and enhancing sustainability across our supply chain.

One of the challenges we have faced has been to minimise the effects of inflationary cost pressures and resource shortages on our supply chain. We have taken action through a range of initiatives from product switches and bulk purchases, to increasing our use of market and industry benchmarks for effective decision-making.

In FY23, we rolled out a new Group Procurement Policy, evolving our approach to governance and enhancing our procedures, and we have strengthened the team with junior and senior buyers across the key categories of expenditure.

Diversity is embedded in our supply chain, and we are focused on equal opportunities for small and medium-sized enterprises (SMEs) and voluntary community and social enterprises (VCSEs). We actively work with Social Enterprise UK (SEUK) and Minority Supplier Development UK (MSDUK) to identify these suppliers for inclusion when we tender new requirements.

Our initiatives aim to level the playing field between small and large suppliers by regionalising tenders with smaller contract values that are more suitable for SMEs, advertising new opportunities, and offering training on how to complete bid responses to encourage more SMEs to enter Mitie's supply chain. The effectiveness of our inclusive approach is evidenced by the high percentage of diverse supplier spend across Mitie.

Our digital procurement strategy

We continue to focus on acquiring, managing and extracting value from data to further inform our procurement strategy, with the roll-out of Coupa, our digital supplier platform, enhancing the depth of data available to our teams.

We have developed processes to mine the data more deeply and inform us where we can drive future improvements. All data is now fed into a 'data lake' and optimised using advanced software. Analysis provides valuable insights for our teams, helping us identify trends, spot potential opportunities, and track and report tangible progress against targets.

Coupa has also allowed us to refine the way we tender, with all new suppliers being required to reach a minimum standard to complete onboarding. We monitor supplier health information, helping to reduce our exposure to high-risk subcontractors, such as those with financial instability or compliance issues. We have consolidated our supplier base (from 12,000 to 8,300), and remain on track to achieve our target of 6,000 in FY24.

5,000

users per month on our supplier platform, mitiesuppliers.com

+40%

of spend through SMEs

+£1m

of spend through VCSEs

Enhancing sustainability across the supply chain

Mitiesuppliers.com provides our suppliers with easy access to all information they need to know when working with us, including our Supplier Social Value Policy.

Our new carbon emissions questionnaire is designed to make it easy for every supplier to provide emissions data related to Mitie, alongside details of any offsetting and carbon reduction plans. The data has enabled us to map emissions by category and geographical area, and identify low-spend, high-polluting suppliers – signposting opportunities for improvement.

Through collaboration with the Supply Chain Sustainability School, we have streamlined our data-capture process to improve accuracy. All category and sourcing teams are trained and kept informed about the emissions profile within their respective categories to support their work to reduce supplier emissions. For more information about carbon emissions across our business and supply chain, see pages 54 to 57.

Our key business objectives for FY24

Priorities for FY24

We will continue to leverage our scale in the facilities management market

- Continue to strengthen our Procurement teams by recruiting additional members *where required*
- Create a new centre of excellence, bringing together our Procurement Operations and Procurement Performance teams, underpinned by four core pillars of responsibility:
 - benefit management, spend analytics and reporting
 - client bid, mobilisation and acquisition support
 - governance, risk and compliance and
 - procurement systems and communication channel management
- Improve our supplier Net Promoter Score
 - the next survey will be conducted in FY24

Operating review

Our divisional performance

Business Services

Business Services delivers Intelligent Security, Cleaning and Hygiene Services, and Office Services. During the pandemic, Business Services was also primarily responsible for the delivery of Mitie's short-term Covid-related contracts. These contracts completed early in FY23.

Performance highlights

Business Services, £m	FY23	FY22	Change
Revenue	1,172	1,522	(23)%
Security	782	1,127	(31)%
Cleaning	390	395	(1)%
Operating profit before other items	68	108	(37)%
Operating profit margin before other items	5.8%	7.1%	(1.3)ppt
Total order book	£1.5bn	£1.7bn	(12)%
Number of employees	31,148	38,092	(18)%

(23)%

Revenue growth

(37)%

Operating profit before other items growth

£1.0bn

FY23 new contract wins, renewals and extensions

Performance highlights

- Revenue reduced by 23% to £1.172m (FY22: £1.522m), largely due to the completion of Covid work
- Excluding £15m of revenue from Covid work in FY23 (FY22: £429m), revenue increased by 6% largely driven by contract re-pricing plus contributions from variable and project works
- Operating profit before other items reduced by 37% to £68m (FY22: £108m). Excluding the £7m contribution from Covid work in FY23 (FY22: £60m), operating profit increased by 26%, and the operating margin increased by 0.8ppt to 5.2%, driven by margin enhancement initiatives
- £1.0bn TCV of new, renewed or extended contracts, including for Eurostar, Hammerson, Home Office, National Grid, NATS and Sainsbury's
- Four significant contracts mobilised in early FY23 for BAE Systems, Hammerson, John Lewis & Partners, and Poundland, worth £33m of annualised revenue and TCV of up to £120m
- Awards include: British Security Awards 2023 – Service to the Customer and Best Team; Metsä Sustainability Awards 2023 – Team Sustainability Excellence and Social Value Impact; Cleaning Excellence Awards 2022 – Cleaning & Hygiene Team of the Year; Fire and Security Matters Awards 2022 – Security Guarding Company of the Year and Security Team of the Year

Operational performance

Business Services delivered an encouraging performance, with the continuation of the Afghan Relocations and Assistance contract, increased variable and project work, and contract re-pricing, alongside the delivery of margin enhancement initiatives, partially offsetting the completion of higher margin short-term Covid work that had benefited the prior year and a reduction in scope of the Brexit security contract at UK ports. Excluding Covid work, revenue, operating profit before other items and the operating margin were all better than last year.

The division secured £1.0bn TCV of new contract wins, renewals and extensions, including wins for Hammerson, the Home Office, John Lewis & Partners, National Grid, NATS and Poundland. The largest extension was for three years with Sainsbury's, while other renewals and extensions included Eurostar, Hammerson and Manchester Airport Group.

Margin enhancement initiatives implemented during the year were a key driver of growth in underlying operating profit and the operating margin. The initiatives primarily focused on operational excellence, the roll-out of the Coupa digital supplier platform and leveraging the Workplace+ workforce management app to optimise workforce productivity and workflows across the division's core services.

Technology continues to drive change across the industry and Mitie is a leader in this area. In Business Services, the 'Merlin Protect 24/7' platform (business intelligence software for security incident management) is being developed into a leading 'Merlin for Cleaning' version to monitor and track responses to reactive tasks such as spillages. Trials were carried out across several clients, including Amazon, Co-op, Deloitte and Standard Life, with results showing notable productivity improvements in frontline cleaning operations.

The division also operates the UK's leading intelligence and technology-led security business, including Mitie Intelligence Services (MIS). MIS identifies and assesses threats through its intelligence network and dedicated Intelligence Hub, and provides significant advantages in winning, transforming and retaining contracts across multiple sectors, including the retail, financial services, and transport and aviation sectors. MIS is well-positioned to work with customers when 'Marty's Law' (formerly the Protect Duty) comes into effect, setting out requirements for venues and other organisations to ensure public safety.

Since the year end, we have continued to build the division's capabilities in intelligence and technology-led security through the acquisitions of Linx International Group and R H Irving Industrials, for a total consideration of £21m. These businesses bring a range of complementary services and security infrastructure technology to Mitie and will enhance the division's ability to provide comprehensive support, including training, to our customers as they prepare to meet the requirements of Marty's Law.



Retaining a long-term customer through our tech and expertise

Mitie has worked at Springfields, a nuclear fuel production installation in Salwick, Lancashire, since 2013. The site is run by Springfield Fuels Limited, under the management of Westinghouse Electric UK Limited, and produces energy fuel products for the UK's nuclear power stations and international customers. Around a third of the UK's low-carbon electricity comes from fuel manufactured at Springfields.

Our initial remit was for the provision of a Security Guard Force, replacing the service that had been provided by the Civil Nuclear Constabulary. In 2018, we took over the Emergency Central Command facility on-site that had been manned by in-house fire fighters and involves the monitoring of complex alarms and ensuring emergencies are rapidly escalated.

During the pandemic, we worked with the customer to transition its in-house firefighting provision to Mitie. This involved a six-month mobilisation programme to ensure our security cleared fire fighters were trained to the highest standard.

We use our Merlin Protect 24/7 system for both the security and firefighting teams across the site, providing access to real-time insights and trend analysis. This enables the teams to quickly identify operational issues, record and report hazardous incidents, easily locate fire access points, and seamlessly share key intelligence with colleagues.

During the year, we secured a five-year contract extension with a TCV of £18m, and we were subsequently awarded an additional contract for the provision of soft services after the year end.

Springfield has scored Mitie 10 (the maximum score) on the Net Promoter Score for the last three consecutive years.



Staying on track with Eurostar

Mitie has been providing services to Eurostar, the high-speed passenger rail service, for more than 14 years. This includes passenger security for arrivals and departures, train searches, manning e-gates, CCTV monitoring and access control to restricted areas. Following a competitive re-tender process during the year, Mitie was awarded an extension to its security contract with Eurostar with a TCV of £40m for an additional three years, with the option to extend for a further two years thereafter.

Our long-standing relationship, expertise and technology were integral to securing the contract extension. Mitie will be bringing its industry-leading technology and intelligence capabilities to Eurostar, including dedicated transport sector security analysis and updates, via its Intelligence Security Operations Centre (ISOC) in Northampton. The new contract will enable us to leverage our technology and expertise to enhance the customer experience and help reduce Eurostar's 'cost per passenger'. Furthermore, with a large number of our security officers having worked on the contract since it commenced, the team are experienced in supporting the smooth running of Eurostar's services and creating a safe environment for the millions of passengers travelling on its trains each year.

Operating review continued

Technical Services

Technical Services is a leading supplier of technical engineering services and delivers projects to a range of predominantly private sector customers. Through a series of strategic acquisitions, the division is also focusing on the high growth areas of telecoms infrastructure and innovative decarbonisation solutions.

Performance highlights

Technical Services, £m	FY22	FY21	Change
Revenue	1,154	973	19%
Maintenance	1,000	849	18%
Projects	154	124	24%
Operating profit before other items	34	30	14%
Operating profit margin before other items	3.0%	3.1%	(0.1)ppt
Total order book	£1.6bn	£1.7bn	(6)%
Number of employees	9,841	9,029	9%

19%

Revenue growth

14%

Operating profit before
other items growth

£1.0bn

FY23 new contract wins,
renewals and extensions

Performance highlights

- Revenue increased by 19% to £1,154m (FY22: £973m), benefiting from acquisitions, contract wins, renewals and extensions, contract re-pricing and a full year of revenue from significant wins in the prior year, in addition to the steady recovery of the projects business post Covid
- Operating profit before other items increased to £34m (FY22: £30m), primarily driven by the uplift in revenue and margin enhancement initiatives more than offsetting inflationary cost increases and the impact of short-term operational inefficiencies from Forté
- The creation of one of the UK's largest telecoms support services companies, following the acquisitions of P2ML and 8point8 in FY23, combined with DAEL Telecoms (acquired in FY22)
- Decarbonisation offering strengthened in FY23 through the acquisition of Custom Solar, a specialist in the design and installation of solar photovoltaic (PV) panels
- Awards include: Commercial Solar Project of the Year (Custom Solar); Computing News Digital Technology Leaders Awards 2022 – Best Large Enterprise Digital Project (Aria); Edie Awards – Net-Zero Carbon Strategy of the Year Award (Mitie Plan Zero); RoSPA Gold Award for health and safety performance (Magna contract); Facilities Management Awards 2023 – Total FM Provider of the Year (Mitie Ireland)

Operational performance

Technical Services continued to benefit from a steady recovery in projects and variable works, increased demand from customers for its technology-led solutions and growth in the telecoms infrastructure and decarbonisation businesses. This, combined with contract wins (which more than offset two notable losses), renewals and extensions, contract re-pricing and a full year of revenue from significant prior year wins (including BAE Systems and Legal & General), contributed to a 19% increase in revenue to £1,154m.

The operating margin remained broadly flat at 3.0%, due to the benefits of the good underlying performance and margin enhancement initiatives being offset by the impact of inflation, short-term operational challenges following the going live in H1 of Forté (the digital platform to automate scheduling in Technical Services) and the initial investment in recently acquired businesses.

During the year, the division won, renewed or extended £1.0bn TCV of contracts, including wins with GSK, NATS, National Grid and Sky, and renewals or extensions with Deloitte, E.ON and Vodafone.

Technical Services is at the forefront of Mitie's 'Science of Service' ambitions, using its leading-edge technology platforms to optimise employee wellbeing, enhance estate intelligence and provide smart decarbonisation and green energy solutions. Mitie's Connected Workspace suite of products has been pivotal to the division's new wins and scope expansions with existing

customers, as they adapt to new, hybrid ways of working. There are more than 18,000 sensors remotely monitoring occupancy and utilisation across several new accounts, including the BBC. The Aria workplace app has been adopted by 40 customers to date, with over 14,000 registered users reporting and tracking workflow across their estates.

Reactive tasks are increasingly being logged in Chatbot ESME. In addition, assets such as heating, ventilation and cooling systems are managed remotely through Mitie's Technical Services Operations Centre (TSOC) in Manchester, delivering both operational efficiencies as well as energy savings for customers (16% energy reduction, on average, through digital maintenance).

After an initial period of stabilisation for Forté, service level performance is now at 'pre-Forté' levels and is improving daily. The delay in getting the system to full capacity held back the cumulative benefit from Forté savings to £9m in FY23. The full planned savings run rate of £15m is expected to be achieved in FY24, as previously communicated. The division also implemented a number of overhead cost savings and operational excellence margin enhancement initiatives during the year, as part of the wider Group programme.

The acquisitions of P2ML (April 2022) and 8point8 (May 2022) were combined with DAEL Telecoms (acquired in August 2021) to create Mitie Telecoms, one of the UK's largest telecoms infrastructure businesses. Mitie Telecoms' services include both infrastructure projects and network coverage for special events, such as music festivals and the funeral of HM Queen Elizabeth II in September 2022. During the year, Mitie Telecoms partnered with Cellnex, Digital Mobile Spectrum Limited and H3G, and extended its relationships with Vodafone and VMO2, so is now working with all the mobile network operators. The business contributed £76m of revenue in FY23 (FY22: £31m) and is well-positioned to benefit from the ongoing roll-out of 5G across the UK and the decommissioning of Huawei assets.

Technical Services is also capitalising on increased demand for decarbonisation services, including solar power, LED roll-outs, air source heat pump installation and electric vehicle charging projects. The decarbonisation business has grown from £88m of revenue in FY22 to £145m in FY23, driven by the acquisitions of Custom Solar (June 2022) and Rock Power Connections (November 2021).

Creating a leading provider of telecoms infrastructure...

Through the recent acquisitions of P2ML, 8Point8 and DAEL, we have created Mitie Telecoms, one of the UK's leading telecoms infrastructure businesses.

Fast, reliable telecoms systems are essential to maintain our national critical infrastructure. From site acquisition to mast design and construction, and equipment maintenance, we deliver telecoms infrastructure solutions.

Our customers include the MOD, and the emergency and security services. We are also proud to serve all of the UK's major network operators, including Vodafone, H3G, BT and VMO2, to decommission Huawei assets and mobilise new 5G infrastructure across the UK.

We have been awarded a significant portion of the Government's Shared Rural Network initiative for two of the four mobile operators. This is a high-profile government-funded programme to support the delivery of mobile coverage and gigabit capable broadband across the UK. We also won contracts with H3G and Cellnex during the year to provide services including events coverage and infrastructure upgrades. Additionally, we have been awarded a trial project to deliver BT/EE's first permanent integrated renewable energy telecoms site.

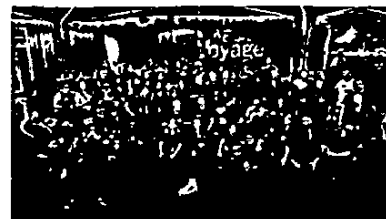


...and providing network coverage for major events

Mitie Telecoms provides secure network coverage to high-profile events across the UK, from international sports events such as Wimbledon to music festivals such as Glastonbury, Leeds and Reading.

In September 2022, we also delivered increased network capacity across London to support coverage during the funeral of HM Queen Elizabeth II, working alongside our colleagues in CG&D who provided extensive extra security for the event.

At each event we provide a fully managed service to deploy and build temporary telecoms infrastructure. We ensure attendees remain connected and the emergency services can communicate securely and safely. In FY23, we delivered special events mobile coverage projects for all four network operators – an industry first.



Operating review continued

Central Government & Defence (CG&D)

The CG&D division provides facilities management services across central government and defence contracts. CG&D operates across 21 contracts and 28 government departments and agencies, at over 3,000 locations across the UK and overseas.

Performance highlights

CG&D, £m	FY23	FY22	Change
Revenue including share of joint ventures and associates	828	669	24%
Central Government	439	379	16%
Defence	389	290	34%
Operating profit before other items	60	38	56%
Operating profit margin before other items	7.2%	5.7%	1.5ppt
Total order book	£2.4bn	£1.6bn	50%
Number of employees	5,576	5,578	–

24%

Revenue growth

56%

Operating profit before
other items growth

£1.7bn

FY23 new contract wins,
renewals and extensions

Performance highlights

- Revenue increased by 24% to £828m (FY22: £669m), benefiting from strong growth in projects and variable work, contract re-pricing, scope increases and a full year of the Future Defence Infrastructure Services (FDIS) contract
- Operating profit before other items increased by 56% to £60m (FY22: £38m), and the operating margin increased by 1.5ppt to 7.2%
- New wins of £0.3bn TCV, including for the Ministry of Defence (MOD) overseas military base in Gibraltar and United States Visiting Forces
- Significant renewals or extensions of £1.4bn TCV (100% retention rate), including for the MOD's overseas military bases in Cyprus and the South Atlantic Islands and the Landmarc 'Training Estate', the Department for Transport (DfT) and the Department for Work and Pensions (DWP)
- Projects included decarbonisation work across MOD/FDIS sites and 'back to work' initiatives for the DWP
- Awards include: MOD Heritage Award for refurbishment of Gibraltar Tower, recognising the work of Mitie and the Defence Infrastructure Organisation (DIO); Gold recognition by the RoSPA for the Ascension Island team

Operational performance

CG&D had a strong year, driven by growth in higher-margin projects work across the division (including for the MOD, FDIS, DfO and through Landmarc for the UK Defence Training Estate), contract re-pricing, scope increases and a full year of the FDIS contract, which started to mobilise in December 2021. As a result, divisional revenue increased by 24% to £828m.

Operating profit before other items increased by 56% to £60m and the operating margin improved by 1.5ppt to 7.2%, reflecting margin enhancement initiatives and revenue related to services disrupted by the pandemic.

In total, CG&D secured £1.7bn of new contract wins, renewals and extensions in FY23. The division was awarded and mobilised new contracts for the MOD's overseas military base in Gibraltar, and to support United States Visiting Forces. CG&D has also been retained as strategic partner to the MOD for its overseas military bases in Cyprus and the South Atlantic Islands, and through Landmarc for the UK Defence Training Estate contract. Other significant contract extensions included those for the DfT and DWP.

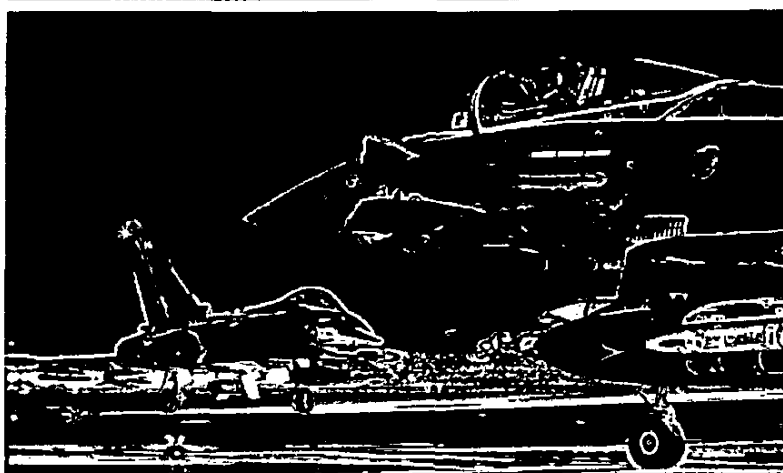
Projects and scope increases included work for the DWP where CG&D has continued to implement 'back to work' wellbeing initiatives, and decarbonisation work to assist the UK Government to achieve its 2050 Net Zero target. The latter includes the refurbishment of the accommodation blocks across the MOD and FDIS estates to incorporate low-carbon features, such as building energy monitoring systems, heat pumps, solar power, thermal insulation and other smart features to reduce energy consumption and automate processes.

CG&D played an important role in the delivery of support for the funeral of HM Queen Elizabeth II in September 2022 across Whitehall and Westminster, including the provision of extensive extra security and providing the facilities management for rehearsals (across several defence training sites) and for the ceremony.

Mitie's technology is a key differentiator, and the division has continued to focus on the deployment of the secure asset management system across the defence contracts with benefits such as MyJobs, the fully mobile workflow application, 3D building scanning capability and construction management software, Asite, which has Building Information Modelling (BIM) capability.

The 'Mitie First' strategy, which is focused on insourcing services formerly provided by third parties, resulted in an additional £20m of cross-selling revenue synergies in FY23.

CG&D implemented operational excellence initiatives during the year across eight of its largest contracts. These initiatives are focused on improving the work order scheduling process, which has led to improved utilisation of mobile engineers and an increase in the proportion of work being self-delivered. In addition, the implementation of the Workplace+ workforce management app has enabled more effective scheduling of shift work.



Leveraging our long-standing relationship with the MOD/DIO

CG&D has continued to strengthen its long-standing relationship with the MOD and DIO, spanning more than two decades, having been awarded a number of significant contract wins and extensions in FY23.

The division's two largest awards were for the MOD's overseas military base in Cyprus (TCV of up to £643m), where we have been retained following a full and extensive re-tender process, and through the Landmarc joint venture for the UK Defence Training Estates contract (TCV of up to £552m for our share). Both contracts have been renewed for seven years with a three-year

extension option and provide opportunities to deliver important projects, including work to decarbonise the MOD's built estate, in addition to the broad range of core facilities management services. Other key defence wins and extensions include those for UK military bases in the Ascension Islands, the Falkland Islands and Gibraltar, alongside RAF Mildenhall in the UK.

In total, Mitie has around 2,700 highly trained colleagues working across MoD/DIO contracts. Their work ensures that the UK Armed Forces have secure and safe places to live, train and deploy on operations, both in the UK and overseas.



Award-winning restoration work

The Tower in Gibraltar is an iconic building within His Majesty's Naval Base, which from the time of its construction in 1905 served as the headquarters for the Royal Navy in Gibraltar.

Having been in decline over a number of years, a design for the full refurbishment of the building was commissioned by our customer, the DIO.

Our works included cleaning limestone-faced walls, refurbishing offices, electrical re-wiring, IT installation, replacing ceilings and floor coverings, implementing sustainability measures and making facilities on the ground floor wheelchair-accessible.

The newly refurbished building was officially re-opened by His Excellency, The Governor of Gibraltar, in 2022 and has since received the prestigious Heritage Award from the MOD. The DIO also awarded a Silver Otter Trophy and the Sustainable Business Award for conservation and sustainability efforts for this project.

Refurbishment of the Falkland Islands runway

In June 2022, we were awarded a £7m project by the DIO to extend the lifespan of the runways and taxiways at the Mount Pleasant Complex (MPC) airfield in the Falkland Islands.

Our work included repainting runway and taxiway markings, replacing airfield signage and coating the runway asphalt with a protective layer of bitumen to extend its life.

The project needed to be carefully planned, with the resurfacing works being carried out at night to avoid disruption. This was particularly important as MPC is used for airbridge flights to and from the UK, and flights connecting East Falkland Island to its outlying islands and South America.



We are very pleased to have completed this important work at MPC two weeks ahead of schedule and within budget. As with many large infrastructure projects in the Falkland Islands, we had to transport the necessary equipment by air or container ship, which makes the project more complicated than it would be in the UK.



Robert Handford
DIO Project Manager



Operating review continued

Communities

The Communities division delivers sustainable outcomes as a trusted partner to the public sector, across Healthcare, Education and Campus & Critical Services. The division operates over 100 PFI and traditional commercial contracts.

Performance highlights

Communities, £m	FY23	FY22	Change
Revenue including share of joint ventures and associates	490	460	7%
Healthcare	250	225	11%
Education	145	129	12%
Campus & Critical	95	106	(10)%
Operating profit before other items	21	20	7%
Operating profit margin before other items	4.3%	4.3%	–
Total order book	£3.4bn	£3.7bn	(8)%
Number of employees	7,802	8,513	(8)%

7%

Revenue growth

7%

Operating profit before
other items growth

£0.2bn

FY23 new contract wins,
renewals and extensions

Performance highlights

- Revenue increased by 7% to £490m (FY22: £460m), benefiting from contract re-pricing and increased lifecycle and projects work across Healthcare and Education
- Operating profit before other items increased by 7% to £21m (FY22: £20m)
- Communities secured a place on two significant procurement frameworks: London Procurement Partnership (a four-year NHS framework) and Everything FM (an education framework), which are valued at up to £5.8bn and £300m respectively
- Good pipeline progression in the Local Government and Healthcare markets and successful mobilisation of the contract with Kingston Council

Operational performance

The Communities division delivered an encouraging performance during the year, with revenue and operating profit both 7% ahead of the prior year and the operating margin maintained at 4.3%. The division secured £0.2bn TCV of contract wins and extensions including a new contract with Kingston Council and contract extensions with Poole Hospital and West Herts Hospital.

Projects work included the installation of LED lighting in one of the major London hospitals, and the delivery of improvement programmes over the summer holiday period across six large schools. The 10% reduction in Campus & Critical revenue reflected two contract losses, of which one was insourced, and the other Mitie declined to re-bid.

The Computer Aided Facility Management (CAFM) upgrade programme across Healthcare was successfully completed by the year end, having been rolled out across 24 sites. This included the introduction of a new payment mechanism model at one hospital trust. Technical operational performance has strengthened materially as a result, with maintenance completion above 96%. In healthcare environments, Mitie's Merlin for Cleaning application has been piloted to improve soft services productivity and innovation. Several other operational excellence margin

enhancement initiatives were implemented during FY23, including helpdesk upgrades in Education, and the roll-out of the Coupa digital supplier platform.

The division is also continuing to make progress in turning around the handful of under-performing contracts which were acquired with Interserve. Six of the contracts showed improved performance during the year, with two contracts now contributing to Group profitability. One contract remains particularly challenging and only showed a marginal improvement in performance (£8.4m loss in FY23 compared with £8.7m in the prior year). The majority of the remaining under-performing contracts will be at, or close to, break even by the end of FY24, with the final contract expected to achieve profitability in FY26, after productivity improvements and re-sets to pricing.



Reforestation Essex

After successfully planting 1,600 trees on Canvey Island in 2022, colleagues from across Mitie, together with our customer Essex County Council (ECC) and local SMEs, joined forces and planted a further 6,000 trees over a week in January 2023 in Basildon.

Over 100 volunteers contributed to this community project, planting a variety of tree species that will help to improve local air quality through absorbing carbon as the trees mature. The trees, which include oak, aspen, alder, hornbeam, hawthorn, goat willow, field maple, crab apple, rowan, bird cherry, wild cherry, silver birch and dogwood, will also provide habitats for wildlife, encouraging biodiversity in the area, and helping to maintain a healthy ecosystem. This also provided an opportunity for the community to work together and build relationships.

Specialist Services

The Specialist Services division encompasses Care & Custody, Landscapes, Spain and Waste. From FY24, Landscapes, Spain and Waste will be moved into the Business Services division and Care & Custody will be moved into the Communities division.

Performance highlights

Specialist Services, £m	FY23	FY22	Change
Revenue	411	373	10%
Care & Custody	169	136	24%
Landscapes	66	55	20%
Spain	102	105	(3)%
Waste	74	77	(4)%
Operating profit before other items	35	33	7%
Operating profit margin before other items	8.5%	8.7%	(0.2)ppt
Total order book	£0.8bn	£0.8bn	-
Number of employees	9,808	10,118	(3)%

10%

Revenue growth

7%

Operating profit before
other items growth

Performance highlights

- Revenue increased by 10% to £411m (FY22: £373m) and operating profit before other items increased by 7% to £35m (FY22: £33m)
- Care & Custody revenue increased by 24% to £169m, driven by contract wins, extensions and renewals, alongside additional project work in escorting services
- Landscapes revenue increased by 20% to £66m, largely reflecting a full year of revenue from the FDIS contract and the acquisition of Biotecture, the living walls specialist (acquired in January 2022)
- Spain revenue reduced by 3% to £102m, mainly as a result of the significant reduction in Covid work at airports
- Waste revenue reduced by 4% to £74m due largely to the closure of NHS Covid Test & Trace sites
- Awards include: Seven Green Apple awards (Waste), Three Green Apple awards (Landscapes), BALI National Landscape Award 2022 (Landscapes)

Operational performance

Care & Custody revenue was 24% ahead of the prior year, mainly due to a full year of revenue from the Dungavel and Derwentside Immigration Removal Centre contracts, alongside additional escorting services project work, primarily at Manston. Within Police Services, contracts with Cleveland, Greater Manchester and Nottinghamshire Police were renewed during the year, while extensions were secured for Cheshire, Northumbria, South Wales and West Mercia Police. New contracts were awarded for Lincolnshire, Derbyshire and South West Police consortium. Mitie is a leading provider of forensic health and custodial support services for the UK's police forces.

Landscapes revenue was 20% ahead of the prior year, primarily driven by a full year of revenue from FDIS and Biotecture. In FY23, Landscapes won £35m TCV of new and additional work, including contracts with Busy Bee, Kew Green Hotels, Lidl, NATS and Savills. Renewals and scope changes in the year totalled £6m TCV and included BNP Paribas, Deloitte, E.ON, The Church of Jesus Christ of Latter-day Saints, NHS Property Services, Vodafone and Morrisons.

Biotecture performed well during the year and won the BALI National Landscape Award 2022 for the exterior living wall installation at Canary Wharf, which includes over 25,000 plants in 750m² of walls around the site, as well as three

Green Apple awards, including one for its sustainability credentials for work on the Landscapes office in Hampshire.

Spain revenue reduced by 3%, due to new contract wins being offset by a reduction in short-term Covid work at numerous airports. New contract wins included those with EMT Madrid (public bus transport), Ajuntament de Cornellà de Llobregat (municipal governing body) and EYSA (mobility services).

Waste revenue reduced by 4% largely due to the closure of NHS Covid Test & Trace sites. This reduction in revenue was partially offset by the recovery of contracts impacted by previous lockdowns, and new contract wins, including with Hammerson and Covent Garden Market Authority. Waste has also been successful in extending its contract with a major global FMCG manufacturer for a further two years, and securing tenders with Hull and East Yorks Hospitals, JLL and Manchester Airport Group.



Reconnecting people with nature through our living walls

Mitie Biotecture is one of the largest living wall specialists in the UK, having installed more than 50 living walls last year. This included the installation of the UK's highest wall on the 75th floor of Landmark Pinnacle for a real estate developer.

Fulfilling our customer's vision to showcase the city's exceptional skyline, the space was designed as a pair of landscaped external roof terraces providing spectacular panoramic views.

The walls use Biotecture's patented hydroponic living wall system, including integrated irrigation which is being remotely monitored from our offices. Over 6,500 plants across 25 species were selected by our team to suit the local climate and provide bursts of seasonal colours.

Finance review

A strong financial performance



Mitie has delivered a strong financial performance, boosted by margin enhancement initiatives, generated a good level of free cash flow and maintained a robust balance sheet.



Simon Kirkpatrick
Chief Financial Officer

Alternative Performance Measures

The Group presents its results as those of continuing operations, before other items. Management believes this is useful for users of the financial statements, providing both a balanced view of the financial statements, and relevant information on the Group's financial performance. Accordingly, the Group separately reports impairment of goodwill, cost of restructuring programmes, acquisition and disposal related costs (including the impairment and amortisation of acquisition related intangible assets), gains or losses on business disposals and other exceptional items as 'other items'.

Financial performance

The reported Income Statement from continuing operations is set out below:

Continuing operations, £m unless otherwise specified	FY23	FY22
Revenue including share of joint ventures and associates	4,055.1	3,996.8
Group revenue	3,945.0	3,903.3
Operating profit before other items	162.1	166.9
Other items	(45.1)	(94.8)
Operating profit	117.0	72.1
Net finance costs	(11.5)	(19.8)
Profit before tax	105.5	52.3
Tax	(14.4)	(21.0)
Profit after tax	91.1	31.3
Basic earnings per share before other items	9.5p	9.2p
Basic earnings per share	6.8p	2.2p

Revenue

Revenue from continuing operations for FY23 of £4,055.1m, including share of revenue from joint ventures and associates, has increased by £58m compared with the prior year.

Excluding revenue from short term, Covid-related contracts of £15m (FY22: £448m), revenue from continuing operations has grown by £491m (+14%) in FY23. This growth has been driven by new contract wins (including the large FDIS contract in CG&D, and the BAE Systems contract in Technical Services and Business Services), growth in projects work (in particular in CG&D), revenue from recent acquisitions (DAEL, P2M1, 8point8, Rock, Custom Solar, Biotechure and Esoteric), and the impact of inflationary price increases. The impact of inflation on revenue was approximately £163m in FY23.

Operating profit

Operating profit from continuing operations before other items was £162.1m (FY22: £166.9m), a reduction of £4.8m, which arose primarily as a result of the reduction in contribution from the short term, Covid-related contracts.

Excluding the contribution from Covid work of £7m (FY22: £60m), operating profit before other items increased by £48m (+44%) in FY23, largely driven by margin enhancement initiative savings of £41m, projects work and contract wins and extensions.

All divisions contributed positively to this 44% profit improvement. CG&D made the greatest contribution (£21.4m) as a result of new wins, pricing, and increased projects work, with other notable increases in: Business Services (£12.6m) from wins, projects work and margin enhancement initiatives; Technical Services (£4.6m) from the post-Covid recovery in variable works; and Corporate Centre (£4.1m) as a result of the ongoing delivery of margin enhancement initiatives.

Inflation had a negative impact on operating profit of approximately £7m in FY23, representing a 96% recovery of the £170m of cost inflation experienced in the year. This recovery is better than expected due to the strong contractual protections in place, and good customer relationships. There were also net reductions in operating profit in the year from Project Forté (£1.9m), which is now complete, and from the Winter Support package (£79m).

After accounting for £45.1m of net charges in other items (FY22: £94.8m), operating profit from continuing operations was £117.0m (FY22: £72.1m), a year on year improvement of 62%.

Corporate overheads

Corporate overheads represent the costs of running the Group, and include costs for central functions such as commercial and business development, finance, marketing, legal and HR. Corporate overhead costs have reduced significantly, by 10% to £55.5m in FY23 (FY22: £61.4m), mainly as a result of cost-efficiencies delivered from the margin enhancement initiatives.

Other items

£m	FY23	FY22
Workflow optimisation (Project Forté)	(8.7)	(10.2)
Target Operating Model	(7.9)	(0.3)
Property transformation	–	(0.4)
Restructuring	(16.6)	(10.9)
Interserve acquisition related income/(costs)	3.7	(2.4)
Interserve integration costs	(5.5)	(16.2)
Interserve settlement of contractual disputes	–	9.8
Interserve completion accounts adjustment to consideration	–	(45.6)
Interserve amortisation of acquisition related intangible assets	(16.7)	(19.1)
Interserve related other items	(18.5)	(73.5)
Amortisation of non-Interserve acquisition related intangible assets	(4.7)	(2.8)
Digital supplier platform	(3.4)	(4.4)
Other acquisition related costs	(1.9)	(3.2)
Other exceptional items	(10.0)	(10.4)
Total other items from continuing operations before tax	(45.1)	(94.8)
Gain on disposal of Document Management business	–	16.0
Other items related to discontinued operations	–	1.0
Total other items before tax	(45.1)	(77.8)
Tax	8.2	(2.0)
Total other items after tax	(36.9)	(79.8)

Other items have reduced significantly in FY23, largely due to the conclusion of the Interserve integration and completion accounts process. This reduction has been partially offset by costs associated with the Group's margin enhancement initiatives.

Project Forté was completed in FY23, and therefore no further other items costs will be incurred. The Target Operating Model programme is the next phase of the Group's transformation, and includes the further outsourcing of back office functions, consolidating systems and processes, and optimising the organisation structure. This programme has contributed £6m to cost savings in FY23 and, combined with further investment, is expected to drive £20m of additional savings in FY24.

The £3.7m Interserve acquisition related income for FY23 relates to the release of provisions established on the opening balance sheet for contract specific matters, which are no longer required because the matters have since been resolved.

Net finance costs

Net finance costs from continuing operations improved (decreased) by 42% to £11.5m (FY22: £19.8m). The decrease was driven by the benefit of the improved terms negotiated as part of the refinancing of the Revolving Credit Facility (RCF) (signed in October 2021), and US Private Placement (USPP) notes (from December 2022 onwards), together with amendment fees from the June 2020 refinancing (during Covid) becoming fully amortised and the termination of the Group's customer invoice discounting facility. Finance income also improved due to increased interest rates on deposited funds.

Tax

The tax charge for the year for continuing operations was £14.4m (FY22: £21.0m), comprising a tax charge on operating profit before other items of £22.6m (FY22: £19.0m) and a tax credit for other items of £8.2m (FY22: tax charge of £2.0m). The tax charge on continuing operations represents an effective tax rate of 13.6% (FY22: 40.2%), which includes an effective tax rate before other items of 15.0% (FY22: 12.9%).

The effective tax rate before other items for FY23 includes the benefit of a tax credit of £5.3m which primarily results from the recognition, in accordance with the Group's accounting policy, of deferred tax assets related to losses acquired with the Interserve business. Excluding the impact of this tax credit, the effective tax rate before other items would be 18.5%.

Finance review continued

The lower effective tax rate before other items for FY22 reflected the increase in the rate of UK corporation tax from 19% to 25%, with effect from 1 April 2023, which was substantively enacted during FY22. This resulted in a £9.0m tax credit for FY22 related to the revaluation of deferred tax assets, which reduced the effective tax rate before other items by c.6ppt.

The tax credit for other items for FY23 of £8.2m represents an effective tax rate of 18.2%, which is slightly lower than the standard tax rate due to the non-tax deductible nature of certain other items charges. The equivalent charge for FY22 of £2.0m comprised a tax credit of £6.1m related to other items before tax, and a tax charge of £8.1m in respect of the revaluation of deferred tax liabilities related to acquired intangible assets, resulting from the UK corporation tax rate change enacted in FY22.

Mitie is a significant contributor of revenues to the UK Exchequer, paying £850.1m of taxes in the year (FY22: £864.3m). Of this total, £158.5m (FY22: £148.0m) relates to taxes borne by Mitie (principally UK corporation tax and employer's National Insurance contributions) and £691.6m (FY22: £716.3m) relates to taxes collected by Mitie on behalf of the UK Exchequer (principally VAT, income tax under PAYE and employees' National Insurance contributions).

The Group paid corporation tax of £19.8m in the year (FY22: £16.2m), of which £14.0m (FY22: £14.1m) was paid in the UK and £5.8m (FY22: £2.1m) overseas.

Joint ventures and associates

Operating profit for FY23 includes Mitie's share of the results of joint ventures and associates that were acquired as part of the Interserve transaction, net of tax, of £8.3m (FY22: £4.2m).

Earnings per share

Basic earnings per share before other items from continuing operations increased to 9.5p (FY22: 9.2p). This is as a result of the lower net finance costs and reduced number of shares in issue following the share buyback programme, partially offset by the higher effective tax rate.

Basic earnings per share from continuing operations was 6.8p (FY22: 2.2p), with the significant improvement in FY23 reflecting the factors outlined above, and the lower level of other items in FY23.

Return on invested capital (ROIC)

Continuing operations, £m unless otherwise specified	FY23	FY22
Operating profit before other items	162.1	166.9
Tax ¹	(24.3)	(21.5)
Operating profit before other items after tax	137.8	145.4
Invested capital	543.1	486.6
ROIC %	25.4%	29.9%

1. Tax charge has been calculated at the effective tax rate for the year on pre-tax profits before other items for continuing operations of 15.0% (FY22: 12.9%)

ROIC (before other items, on continuing operations) has decreased to 25.4% in FY23 (FY22: 29.9%), due to a combination of the completion of the short term, higher margin Covid work, the higher effective tax rate and increased invested capital. The higher invested capital relates to the investment in businesses acquired in FY23, and the closure of the invoice discounting facility.

Balance sheet

£m	FY23	FY22
Goodwill and intangible assets	564.9	560.2
Property, plant and equipment	156.9	143.9
Interests in joint ventures and associates	8.8	11.9
Working capital balances	(179.2)	(239.2)
Provisions	(111.4)	(117.0)
Net (debt)/cash	(44.1)	26.7
Net retirement benefit liabilities	(0.2)	(12.2)
Deferred tax	20.4	11.1
Other net assets	5.6	40.4
Total net assets	421.7	425.8

The Group's reported net assets of £421.7m at 31 March 2023 were broadly unchanged compared with 31 March 2022.

Net debt increased to £44.1m (FY22: £26.7m of net cash), as a result of the planned capital allocation actions and working capital movements, including the impact of the decision to terminate the invoice discounting facility which increased receivables by £45m, both of which are discussed further below (under Cash flow and net debt).

Goodwill and intangible assets increased by £4.7m as a result of acquisitions during the year and investments in software, with the increase partially offset by the amortisation of intangible assets. Property, plant and equipment increased by £13.0m due to the continued expansion of the fleet of leased electric vehicles, as part of the programme to achieve the Group's decarbonisation goals. Net retirement benefit liabilities benefited from the increase in discount rates related to movements in corporate bond yields, which is explained further below.

The net deferred tax asset balance has increased, primarily due to the recognition of deferred tax assets related to losses acquired with the Interserve business. Other net assets have reduced as a result of the receipt of £6.0m in May 2022 in respect of the expert's determination on the Interserve acquisition completion accounts, and by £31.1m as a result of movements of restricted cash, and the remittance of cash held on trust for the invoice discounting facility provider.

Change in accounting policy

During FY23, Mitie has adopted the amendment to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract* on 1 April 2022. The amendment clarifies that for the purposes of an onerous contract assessment, costs to fulfil a contract comprise both direct costs that are specific to the contract but also an allocation of shared direct costs that relate to fulfilling the contract. This has resulted in a change in accounting policy for onerous contract assessments in FY23, as the Group had previously (in common with many other companies) included only direct costs that were specific to the contract when determining whether a contract was onerous. The change in accounting policy brings the Group policy in line with the amendment to IAS 37.

As a result of the revised accounting policy, certain direct supervision and management costs have been included in determining the costs of fulfilling a contract, which has resulted in the recognition of additional provisions of £1.1m for onerous costs that existed at the start of the reporting period (see Note 21 to the consolidated financial statements). Under the amendment to IAS 37, the changes apply prospectively and therefore the Group has not restated comparative information.

Provisions

Provisions at 31 March 2023 of £111.4m (FY22: £117.0m) largely comprise contract specific costs of £49.3m (FY22: £56.3m), the insurance reserve of £26.2m (FY22: £26.0m), and pension provisions of £21.7m (FY22: £23.7m), which mainly relate to Section 75 pension liabilities. See Note 21 to the consolidated financial statements for further details on provisions.

Provisions have reduced by £5.6m in the year, largely reflecting the utilisation of contract specific provisions.

Retirement benefit schemes

Net retirement benefit liabilities have reduced to £0.2m at 31 March 2023 (FY22: £12.2m), principally due to an increase in discount rates related to movements in corporate bond yields, combined with Mitie's contributions. This is partially offset by an adverse performance of plan assets, driven by the downturn in financial markets.

The net liabilities at 31 March 2023 include a net accounting surplus of £2.4m (FY22: £1.6m) for the main Group scheme, which now includes a separate section for the main scheme acquired with the Interserve business. There is also an accounting surplus related to a joint venture acquired with Interserve, Mitie's £1.5m (FY22: £3.8m) share of which is reported within interest in joint ventures and associates on the balance sheet.

The latest funding valuation of the Mitie Group defined benefit scheme, as at 31 March 2020, indicated an actuarial deficit of £92.1m. The Group has agreed a deficit recovery plan with the trustees totalling £93m over seven years, of which £35m had been paid to 31 March 2023, including £14m paid during FY23. An initial funding valuation as at 31 December 2020 for the main scheme acquired with Interserve indicated an actuarial deficit of £1.6m.

The next triennial valuation for the main Mitie scheme will take place during FY24.

Cash flow and net debt

£m	FY23	FY22
Operating profit before other items (continuing operations)	162.1	166.9
Add back: depreciation, amortisation and impairment	52.4	51.6
EBITDA before other items (continuing operations)	214.5	218.5
Other movements (including other items)	(27.7)	(14.6)
Operating cash flows before movements in working capital	186.8	203.9
Working capital movements ¹	(38.8)	41.2
Capex and capital element of lease payments	(59.6)	(69.1)
Interest payments	(11.9)	(17.2)
Tax payments	(19.8)	(16.2)
Dividends from joint ventures	9.0	4.0
Free cash inflow	65.7	146.6
Share buybacks	(50.7)	-
Market purchase of own shares for the EBT	(37.7)	(13.8)
Acquisitions and disposals ²	(20.2)	5.0
Dividends paid	(28.9)	(5.7)
Lease liabilities and other	1.0	(18.7)
(Increase)/decrease in net debt during the year	(70.8)	113.4
Closing net (debt)/cash	(44.1)	26.7
Average daily net (debt)	(84.3)	(24.7)
Leverage ³ (average daily net debt/EBITDA before other items)	0.4x	0.1x

1. Adjusted to exclude movements in restricted cash and other adjustments which do not form part of net debt (as explained in the Alternative Performance Measures Appendix to the consolidated financial statements)

2. Includes £3.6m of debt acquired with acquisitions (FY22: £nil)

3. Leverage is calculated on a 12-month rolling basis, and uses post-IFRS 16 net debt

The Group generated a free cash inflow of £65.7m for FY23, which was a decrease of £80.9m compared with FY22. Within this cash inflow there was a cash outflow from working capital of £38.8m, which was largely a result of the decision to terminate the invoice discounting facility, investments required to support the growth of the projects businesses, and the completion of the Covid contracts, which were on more favourable payment terms than the contracts that have replaced them.

Other movements of £27.7m included a cash outflow from other items of £23.7m, which is predominantly made up of the costs of completing Project Forté, and the costs to achieve our margin enhancement initiatives. Capex and the capital element of lease payments of £59.6m were £9.5m lower than FY22, driven by capex which reduced following the completion of the Interserve integration and Forté projects in FY23. Net interest payments reduced by £5.3m as a result of the refinancing actions implemented in FY22 and FY23, whereas tax payments increased by £3.6m largely due to overseas tax payments related to the Interserve pre-acquisition period.

The planned £50m share buyback programme was successfully completed in FY23, resulting in the purchase and cancellation of 69m shares during the year. A new £50m share buyback programme was announced on 18 April 2023, and an initial £25m tranche has already been launched, from which 15m of the shares purchased will be held in treasury and used towards the vesting of the 2020 SAYE share options. The remainder will be cancelled.

In addition, £38m has been invested in the acquisition of 50m of Mitie's own shares for the Employee Benefit Trust (EBT), to fulfil future vesting of all employee share incentives schemes, including 4m shares for the Winter Support package. The decision to purchase shares for all employee incentive schemes was made by the Board in order to eliminate the otherwise dilutive effect to shareholders of issuing new shares to fulfil the schemes. The 50m shares purchased included a 'catch up' for schemes that have already been running for two or three years. We expect share purchases through the EBT to reduce significantly to c.15m shares in FY24 and FY25, as specific incentives put in place in respect of the Interserve acquisition mature.

The acquisitions of P2ML, 8point8 and Custom Solar in FY23 resulted in an increase in net debt of £20.2m, comprising the proceeds paid (of £18.6m) adjusted for the cash and debt acquired with these businesses (of £1.6m net debt).

The final FY22 dividend of £19.5m and interim FY23 dividend of £9.4m resulted in a cash outflow of £28.9m in FY23. The £5.7m of dividends paid in FY22 is much lower than in FY23, as it included only the FY22 interim dividend, and no final dividend payment from FY21, because dividend payments were only resumed in FY22 following the Covid pandemic.

Finance review continued

Lease liabilities and other cash flows reduced by £19.7m during the year, with the key drivers being the receipt of £6.0m in May 2022 in respect of the expert's determination on the Interserve acquisition completion accounts, and an £8.2m reduction in the value of new leases entered into during the year, compared with FY22 which included a number of significant new and renewed property leases.

Net debt

Average daily net debt of £84.3m for FY23 was £60m higher than in FY22, due mainly to the planned capital allocation activities, including the share buyback programme (£50m), the termination of the Group's invoice discounting facility (£45m), share purchases for the EBT (£38m), dividends paid (£29m), and in-year acquisitions (£20m). This resulted in a leverage ratio (average daily net debt post IFRS 16 / EBITDA before other items on continuing operations) of 0.4x for FY23 (FY22: 0.1x).

The Group reported closing net debt of £44.1m as at 31 March 2023 (FY22: net cash of £26.7m), again reflecting the planned capital allocation activities outlined above.

Total Financial Obligations (TFO)

£m	FY23	FY22
Net (cash)/debt	44.1	(26.7)
Customer invoice discounting	–	44.5
Net retirement benefit liabilities	0.2	12.2
Total Financial Obligations (TFO)	44.3	300

TFO at 31 March 2023 increased due to the net debt movements outlined above (other than the termination of the invoice discounting facility, which has a nil net effect on TFO), partially offset by a reduction in net retirement benefit liabilities.

Liquidity and covenants

As at 31 March 2023, the Group had £300.0m of committed funding arrangements. These comprised a £150.0m RCF, for which a one year extension was signed in September 2022, extending the maturity date to October 2026, and £150.0m of USPP notes. In December 2022, £121.5m of USPP notes matured and were replaced by £120.0m of new notes, issued on more favourable terms, with 8-12 year maturities. The remaining £30.0m of USPP notes are due to mature in December 2024.

On 29 July 2022, DBRS Morningstar confirmed Mitie's credit rating of BBB with a 'stable' outlook.

Mitie's two key covenant ratios are leverage (ratio of consolidated total net borrowings to adjusted consolidated EBITDA) and interest cover (ratio of consolidated EBITDA to consolidated net finance costs), with a maximum of 3.0x and minimum of 4.0x respectively. Covenant ratios are measured on a post-IFRS 16 basis with appropriate adjustments for leases, being primarily the exclusion of lease liabilities.

As at 31 March 2023, the Group was operating well within these ratios at <0x covenant leverage and 28.1x interest cover. A reconciliation of the calculations is set out in the table below:

£m	FY23	FY22
Operating profit before other items ¹	162.1	169.8
Add: depreciation, amortisation and impairment ²	52.4	51.8
Headline EBITDA¹	214.5	221.6
Add: covenant adjustments ³	18.2	19.9
Leases adjustment ⁴	(38.6)	(36.3)
Consolidated EBITDA (a)	194.1	205.2
Full-year effect of acquisitions and disposals	0.5	(2.0)
Adjusted consolidated EBITDA (b)	194.6	203.2
Net finance costs ⁵	11.5	19.7
Less: covenant adjustments	(0.4)	(3.0)
Leases adjustment ⁴	(4.2)	(4.0)
Consolidated net finance costs (c)	6.9	12.7
Interest cover (ratio of (a) to (c))	28.1x	16.2x
Net debt/(cash)	44.1	(26.7)
Impact of hedge accounting and upfront fees	1.8	1.5
Leases adjustment ⁵	(129.4)	(122.5)
Consolidated total net (cash) (d)	(83.5)	(147.7)
Covenant leverage (ratio of (d) to (b))	< 0x	< 0x

1. Continuing and discontinued operations
2. Covenant adjustments to EBITDA relate to share-based payments charges, and pension administration expenses and past service costs
3. Leases adjustment for EBITDA relates to depreciation charge for leased assets and interest charge for lease liabilities
4. Leases adjustment for net finance costs relates to interest charge for lease liabilities
5. Leases adjustment for net cash relates to lease liabilities

Principal risks and uncertainties

Effective risk management



The last year has witnessed more investment go into the development of our risk management framework, to ensure that we adopt a consistent approach to managing risks across the Group, enhance decision-making and deliver our business objectives.



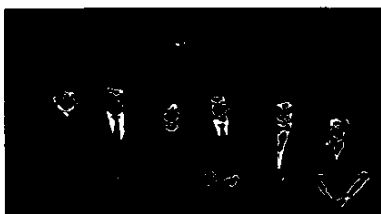
Peter Dickinson
Chief of Staff and General Counsel

Mitie's Chief Risk Officer and
Risk Committee Chair

Our risk management approach

During FY23, Mitie's approach to risk management has continued to advance. The most notable improvements to our enterprise risk management (ERM) framework during this reporting period were:

- The roll-out of two new eLearning training packages designed by our in-house Learning and Development and Risk teams. The courses relate to the management of risk and business resilience at Mitie and set the standard for what is expected of all colleagues
- Securing ISO 22301 business continuity certification, demonstrating that Mitie has a stringent framework in place to prevent, prepare for, respond to and recover from disruptive events, both planned and unexpected (more information is available on page 76)
- The adoption and integration of our automated risk management platform, Risk Safe, across the Group. As at 31 March 2023, we had 3.5k risks captured, across 450+ registers overseen by c.1k users. This captures all risk information, including our climate-related risks. During FY23, we received two awards for our risk management software: Risk Management App of the Year and Risk Management Innovation of the Year.
- The introduction of our new annual risk maturity assessment, which will be used to monitor how Mitie is performing against best practice.



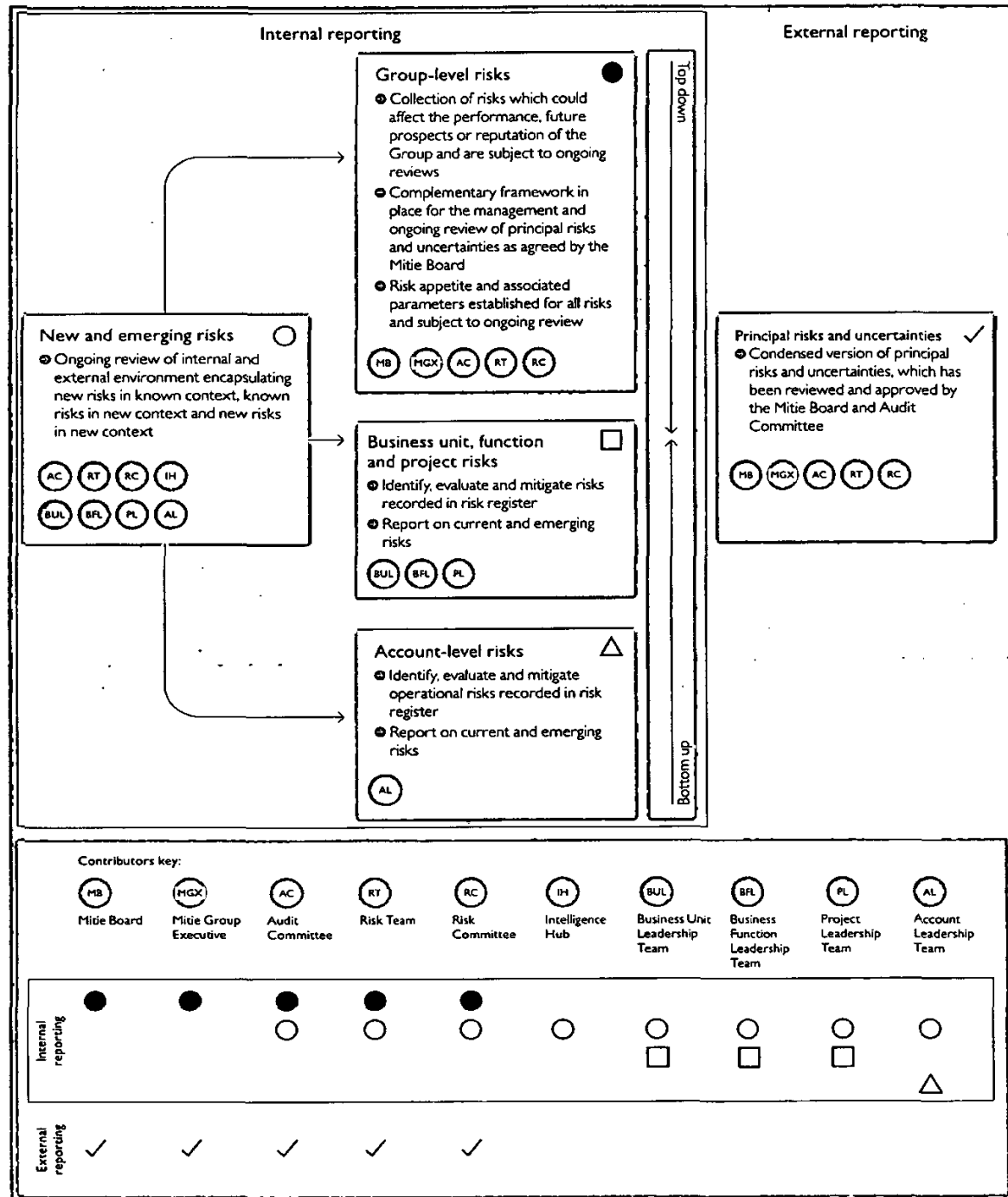
Mitie's risk management process is simple and aligned with the Group's operating model. Each business area is responsible for the continual management of existing and emerging risks, both in the context of threats and opportunities.

The following points are pertinent to the compilation of the Group's principal risks and uncertainties:

- The Board is responsible for clearly defining the level of risk exposure Mitie is willing to take, monitoring the amount of risk being taken and ensuring that the activities undertaken to achieve its strategic objectives are commensurate with this appetite
- All principal risks have a level of appetite set, which helps determine the actions and resources required to mitigate them
- Mitie's risk management structure is designed to ensure a consistent approach to the identification, assessment, monitoring and effective mitigation of risks across the business. All risks are reported against a set of criteria, which consider the potential likelihood and consequence should a risk be realised
- Each business unit, function, project and account maintains a detailed risk register via Risk Safe, which includes both risk controls and mitigation measures, and is approved by respective leadership teams
- Mitie has a rigorous risk treatment mechanism in place to facilitate the correct management of risks where a residual risk score is identified as being over the stipulated thresholds in terms of either tolerance and/or risk appetite
- Risk registers are automated and subject to continual management reviews
- The Insurance team plays a pivotal role in assessing key exposures and ensuring appropriate risk transfer is in place for insurable risks
- Risk management is approached in a proactive manner making full use of Mitie's Intelligence Hub (iHub), which assists by assessing threats and identifying potential issues
- Mitie's internal and external environments are continuously scanned and monitored to ensure that any new or emerging risks are identified in a timely manner and responded to appropriately
- Mitie actively encourages and facilitates a learning culture in respect of risk management to ensure that the Group constantly improves its ERM framework, remains resilient and adapts to the continually evolving external environment
- The Group operates in accordance with ISO 31000 and is certified to ISO 22301
- Principal risks are subject to a thorough review bi-annually (for the half-year and full-year financial reporting), with quarterly updates feeding into the Risk Committee for consideration. The Board and Audit Committee are actively engaged throughout the process and provide challenge. All outputs from this review are signed off by the Board. The principal risks are shown on pages 77 to 82
- In assessing Mitie's long-term viability, consideration is given to the emerging and principal risks facing the Group. The viability statement is found on page 84

Principal risks and uncertainties continued




Our risk management framework



Our risk appetite framework

Mitie has a risk appetite framework, which formalises the Group's risk appetite, tolerance limits and governance oversight processes to ensure that risks across the Group are managed within acceptable limits.

Mitie considers its risk appetite in relation to its principal risks under three categories as set out below:

Risk appetite	Description	Latest principal risks position
 Averse	The approach adopted seeks to minimise the risk. Mitigation costs are accepted and there is an appreciation that these might exceed expected losses.	<ul style="list-style-type: none"> • Cyber security and data management • Health, safety and environment • Regulatory
 Cautious	The approach adopted is balanced. Mitigation actions are proportionate and based on cost-effectiveness.	<ul style="list-style-type: none"> • Economic and political uncertainties • Climate change and social impact • Funding • Business resilience • Employees • Third-party management • Change management
 Eager	The approach adopted is tilted towards taking greater risks to achieve business objectives. There is an appreciation that there will be higher exposure and volatility in returns.	<ul style="list-style-type: none"> • Competitive advantage • Growth through acquisitions

Changes to our risk profile

In FY23, the Group continued to operate against a backdrop of uncertainty, with both macroeconomic and geopolitical uncertainties posing the greatest challenges.

During Q4, the Group undertook a thorough review of the current operating environment, focusing on several scenarios, including:

- New risks that have emerged in the external environment but are associated with the Group's existing strategy;
- Existing risks that are already known to the Group but have developed, or changed circumstances have triggered the risk; and
- Risks that were not previously faced by the Group, because the risks are associated with changed core processes.

As a result of this review, one new principal risk has been introduced, namely change management.

Changes to the existing principal risks were captured as follows:

Principal risk	Movement in risk exposure
• Economic and political uncertainties	Increased net risk exposure owing to external challenges, such as ongoing threats posed by current geopolitical affairs, escalating cost-of-living crisis and changing UK political landscape.
• Cyber security and data management	Increased net risk exposure owing to ongoing threats posed by current geopolitical affairs, exploitation of cost-of-living crisis and increased levels of financial hardship.
• Regulatory	Increased net risk exposure owing to uncertainties concerning several known legislative changes.
• Business resilience	Increased net risk exposure owing to external challenges, such as ongoing threats posed by current geopolitical affairs, which is triggering shortages and impacting markets and intensifying the cost-of-living crisis.
• Employees	Increased net risk exposure owing to external challenges, such as reduced labour market, which has triggered shortages of materials, impacted markets and intensified the cost-of-living crisis.
• Third-party management	Increased net risk exposure owing to the same external challenges facing the Group also impacting supply chain, potentially impacting access to goods and services.

Principal risks and uncertainties continued

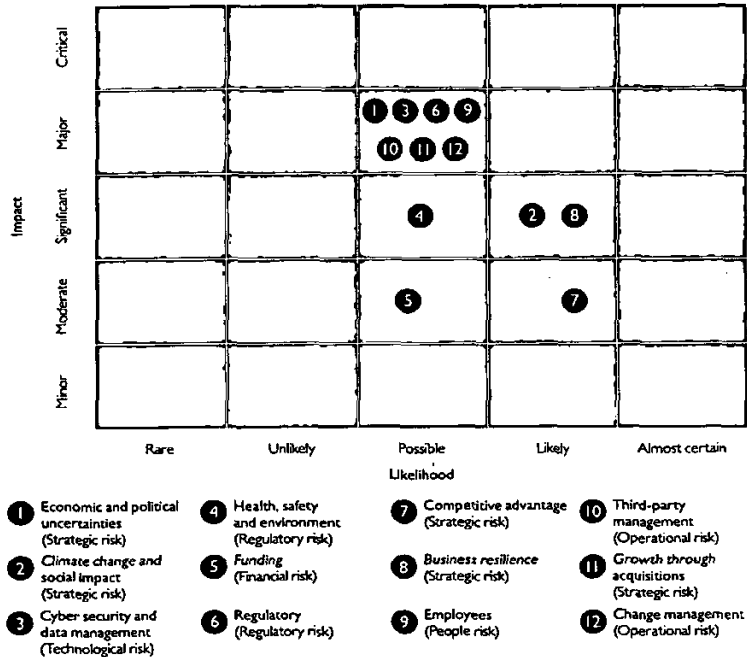
Emerging risks

In addition to reviewing the risks that Mitie currently faces, emerging risks in both our internal and external environments are considered to ensure the Group remains operationally resilient and future strategic planning is not compromised.

Current emerging risks being monitored include:

- The impact of the next general election, which must be triggered by early 2025.
- The evolving complexity and sophistication of cyber-related attacks and ransomware that could directly impact Mitie, customers or third parties involved in Mitie operations.
- The continued potential for an insolvency wave and the impact this could have on customers and third parties involved in Mitie operations.
- The impact of regulatory changes, in particular those relating to UK corporate governance and employment law.

Heatmap



ISO 22301

Enhancing our resilience

The Group achieved ISO 22301 (business continuity management systems) certification during the reporting period. In July, Mitie was subject to a pre-assessment, followed by a stage one assessment in August, which was closely followed by extensive stage two assessments.

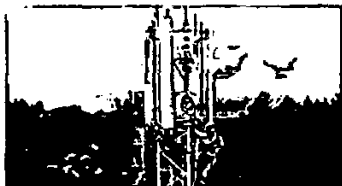
The following Mitie business areas were audited as part of the stage two process:

1. Central Government & Defence
2. Intelligence Hub
3. Care & Custody Dungavel IRC
4. MiTec
5. Heathrow account
6. Vodafone account
7. Procurement and Supply Chain
8. Mitie Waste
9. Dudley Hospital account
10. Telecommunications HQ

11. Cornerstone account
12. Technical Services Operations Centre
13. Internal Audit
14. Communications
15. Quality
16. Mitie Executive
17. Group Risk
18. Mitie's estate

As part of this process, over 1,000 pieces of evidence were collected and assessed across the Group, incorporating a blended approach (remote and site-based audits).

Further testing of business continuity plans and external surveillance audits are scheduled for FY24 to ensure colleagues continue to operate and deliver specialist capabilities, services and support throughout and beyond unexpected disruptive events.



1 Economic and political uncertainties

(Strategic risk)

Description and impact:

An inability to quickly identify and effectively respond to the risks posed from either geopolitical or macroeconomic matters could adversely impact Mitie. A sudden change in market conditions, such as an economic slowdown or significant political uncertainty, either nationally or globally, could have a negative impact on the demand for the Group's services.

Responsibility:	Risk appetite:	Change in year:
Mitie Group Executive	Cautious	Increased

Strategic pillars that would be impacted if risk was to become an issue:



Controls and mitigation:

- Mix of long-term contract portfolio in both the public and private sectors
- Continual development of new and innovative solutions via Connected Workspace
- Focus on higher-margin growth opportunities
- Regular reviews of the sales pipeline
- Increasing spread of customer 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
- Coupa, Mitie's digital supplier platform (DSP), providing greater visibility of and ability to manage supply chain
- Leveraging buying power to help mitigate the increase in cost of goods and services

Future plans:

- Ongoing review of external landscape utilising Mitie channels (i.e. Intelligence Hub)
- Ongoing review of market conditions

2 Climate change and social impact

(Strategic risk)

Description and impact:

An inability to quickly identify and effectively respond to the challenges posed by climate change could hinder the Group's transition to a lower-carbon business, result in significant business interruption and/or compromise new opportunities for growth. Furthermore, a failure to appropriately consider the environmental and social impact of Mitie's business and its activities may create a negative perception with employees, customers, investors, government and the general public. This could lead to failures in securing and/or retaining contracts and sources of funding, as well as impacting negatively on Mitie's reputation.

Responsibility:	Risk appetite:	Change in year:
Chief of Staff and General Counsel (Lead) supported by Mitie Group Executive	Cautious	No change

Strategic pillars that would be impacted if risk was to become an issue:



Controls and mitigation:

- Plan Zero – continued implementation of three key pillars (eliminating carbon emissions from power and transport, eradicating non-sustainable waste and enhancing inefficient buildings to meet the highest environmental standards)
- ESG Committee
- Environmental Management System ISO 14001 and Energy Management System ISO 50001
- Climate change risk assessment maintained and approved by the ESG Committee
- Key policies and associated operating procedures in place
- Use of in-house subject-matter experts specialising in an array of topics, including energy, waste, biodiversity, procurement and fleet
- ISO 22301 – regular testing of crisis management and business continuity plans
- Winter and summer preparedness planning at account level
- Ongoing reviews of Planned Preventative Maintenance (PPM) lifecycles
- Continuous horizon scanning via the Group's Intelligence Hub, with regular alerts to teams on potential threats and significant events
- Insurance cover in place to cover property damage and business interruption
- Targets in place for Mitie's social value framework pillars
- Mitie Foundation – Giving Back, Mitie's employee volunteering programme
- Active apprenticeship scheme across the Group, training Mitie colleagues to enhance operational delivery and address skills gaps

Future plans:

- Development of action plan for addressing the identified risks and managing next steps in relation to our FY23 climate scenarios analysis (see pages 52 and 53)
- Stress test transition-related climate risks

Principal risks and uncertainties continued

3 Cyber security and data management (Technological risk)

Description and impact:

In the normal course of business, Mitie collects, processes and retains sensitive and confidential information about its customers, employees and operations. Hacking, phishing attacks, ransomware, insider threats, physical breaches or other actions may cause this confidential information to be lost or misused. Any data loss could affect customer delivery operations and may result in a major data breach, leading to fines, remediation costs and reputational damage.

Responsibility: Chief Technology and Information Officer (Lead) supported by Mitie Group Executive	Risk appetite: Averse	Change in year: Increase in year owing to unsettled external landscape
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Strategic pillars that would be impacted if risk was to become an issue:



Controls and mitigation:

- Continued alignment with Cyber Essentials Plus requirements, and ISO 27001 certified Information Security Management System in place
- Internal processes and controls for all systems changes to ensure cyber best practice and compliance with data protection laws and regulations
- Dedicated information security team and data privacy officers in place
- Outsourcing of routine IT operations to a highly skilled partner organisation, Wipro, to improve IT resilience and controls. Includes 24/7 service providing Mitie with an enhanced level of information
- Security monitoring and alerting. The 24/7 Cyber Defence Centre service provided by Wipro actively monitors all alerts and incidents raised by the various security tools
- Microsoft and Wipro cyber toolsets and proactive monitoring and management of cyber-threats
- Clear strategy to utilise leading-edge cloud technology, delivering disaster recovery and business continuity improvements
- Crisis management and business continuity testing focused on cyber-attacks, a series of exercises aimed at ensuring that downtime is minimised and customer trust is maintained
- Regular communications to employees to highlight IT risks and expected behaviours
- Cyber security training
- Cyber insurance policy
- MGX Playbook for the management of a cyber-attack
- Security assessments by a leading firm of cyber security experts, including a phased threat assessment and stress test on the Mitie network

Future plans:

- Continued improvements related to ISO 27001 accreditation.
- Roll-out of Windows 11
- Attack Surface Reduction rule expansion and enhancement of response to insider threat

4 Health, safety and environment (Regulatory risk)

Description and impact:

Failure to maintain appropriately high standards in health, safety and environmental management may result in catastrophic events, harm to employees, client staff or members of the public, consequential fines, prosecution and reputational damage.

Responsibility: Chief of Staff and General Counsel (Lead) supported by Mitie Group Executive	Risk appetite: Averse	Change in year: No change
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Strategic pillars that would be impacted if risk was to become an issue:



Controls and mitigation:

- A comprehensive Quality, Health, Safety and Environment (QHSE) strategy in place and under continual review for effectiveness
- Major cultural HS&E 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 eLearning training programme sets out HS&E expectations, including 'stop the job' supported by key safety message from the Chief Executive, Phil Bentley
- HS&S management system certified to ISO 45001 and environmental system to ISO 14001
- Fully integrated incident recording, monitoring and reporting system
- Regular HS&E 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 risk assessment and technical compliance processes in place and regularly reviewed
- UVC disinfection system and thermal imaging in place to mitigate against spread of Covid
- 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 Mitie's QHSE culture
- Ongoing review of QHSE team, ensuring maintenance of competencies and correct provision of support and guidance across the Group

Future plans:

- Ongoing review of any dependencies on supply chain to be undertaken with a focus on driving improvements
- Roll-out of risk assessment enhancements using a new technology platform
- Continued roll-out of 'WeCare' campaign
- Ongoing review of internal and external landscape

5 Funding

(Financial risk)

Description and impact:

Inability to maintain access to and renew suitable sources of funding due to a perceived risk in Mitie's business and/or the sector may impact the Group's ability to maintain profitable business performance.

Responsibility:	Risk appetite:	Change in year:
Chief Financial Officer (Lead) supported by Mitie Group Executive	Cautious	Decrease in year owing to more favourable interest rates being secured as part of the most recent refinancings

Strategic pillars that would be impacted if risk was to become an issue:



Controls and mitigation:

- Maintenance of strong banking, debt and equity relationships
- Regular forecasting of cash flow and net debt
- Thorough focus on working capital cycles with a clear set of KPIs
- Clear policy on provisions
- Strong focus on and monitoring of cash collection
- Regular reviews of payment terms with customers and supply chain
- Focus on working capital processes to reduce cycle times and average net debt

Future plans:

- Continue to work with a range of financial institutions to ensure that affordable finance sources can be assessed
- Ongoing review of market conditions

6 Regulatory

(Regulatory risk)

Description and impact:

Failure to comply with applicable laws and regulations may lead to fines, prosecution and damage to Mitie's reputation.

Responsibility:	Risk appetite:	Change in year:
Chief of Staff and General Counsel (Lead) supported by Mitie Group Executive	Averse	Increase in year owing to unsettled external landscape

Strategic pillars that would be impacted if risk was to become an issue:



Controls and mitigation:

- 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 (IMS)
- Regular and thorough internal and external regulatory audits
- Training and awareness materials communicated to employees via Mitie'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
- Establishment of Internal Control Declaration framework ongoing to align with potential UK legislation requirements

Future plans:

- Development of opportunities relating to Martyn's law (new protect legislation)
- Ongoing review of employment legislation, with specific focus on TUPE requirements
- Ongoing review of UK SOx (corporate governance) requirements

Principal risks and uncertainties continued

7 Competitive advantage

(Strategic risk)

Description and impact:

A failure to maintain competitive advantage resulting in a loss in key customers, an over-reliance on a particular sector or a failure to produce bids which are financially viable could have a significant impact on Mitie's financial health and reputation.

Responsibility:
Mitie Group
Executive

Risk appetite:
Eager

Change in year:
No change

Strategic pillars that would be impacted if risk was to become an issue:



Grow
Mitie



Margin
enhancement



Generate
cash

Controls and mitigation:

- Bid Committee approval for complex bids
- Robust risk assessment of bids – Commercial, Legal and Operational
- Detailed contracting guidelines in place
- Clear delegated authorities register
- Strategic account management programme
- KPI/service level agreement formal reviews with customers
- Sales and customer relationship management (CRM) teams focused on developing pipeline across all major sectors
- Improved CRM capabilities with active relationship management
- Focus on customer satisfaction (Net Promoter Score and soliciting feedback)
- Review of any loss-making contracts to ensure learnings are identified and applied to future bids
- Sales and pipeline management information to track and measure growth, wins and losses
- Win/loss debriefing process to take learnings for future bidding activities
- Chief Government & Strategy Officer coordinating all interfaces with the Cabinet Office
- Focus on high-margin opportunities with growth potential, for example technology-led solutions
- Development of new and innovative service offerings
- Sales Academy

Future plans:

- Continue to target emerging markets
- Continue to engage with opportunities that have scope for innovative solutions

8 Business resilience

(Strategic risk)

Description and impact:

An inability to effectively respond to global events, such as a pandemic or supply chain disruption and/or a catastrophic event at a key business location, could result in significant business interruption. The effect on employees, customers and the supply chain could result in severe consequences for the financial health and reputation of Mitie's business.

Responsibility:
Mitie Group
Executive

Risk appetite:
Cautious

Change in year:
Increase in year
owing to unsettled
external landscape

Strategic pillars that would be impacted if risk was to become an issue:



Grow
Mitie



Margin
enhancement



Generate
cash



Capability
enablers

Controls and mitigation:

- 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 Mitie operations, including key service providers
- Disaster recovery framework embedded and managed
- 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
- Certified to ISO 22301:2019 and working towards certificate of conformance for ISO 31000:2018
- Regular Mitie Group Executive testing of crisis management and business continuity scenarios
- Continuous horizon scanning via the Intelligence Hub, with regular alerts to teams on potential threats and significant events
- Critical Engineering and Technical Assurance (CETA) Programme to help manage high-risk contracts
- Insurance cover in place to cover business interruption
- Colleagues can work from home without loss of any business-critical systems/applications
- Themes and root causes monitored from the results of audits to target specific actions
- Digital supplier platform (DSP) – supports the efficiency of Mitie supply chain processes (supplier onboarding/supplier health, Contract Lifecycle Management, Sourcing and Purchase to Pay)

Future plans:

- Completion of ISO 22301 surveillance audits
- Ongoing testing of business continuity and disaster recovery plans
- Completion of cyber security enhancements and thorough review of outputs from climate scenarios analysis

9 Employees (People risk)

Description and impact:

Inability to recruit, retain and reward suitably talented employees, as well as failure to implement appropriate development plans and simple, consistent processes across the business and cultivate a 'One Mitie' culture, could result in employees being disengaged and negatively impact the Group's operational and financial performance.

Responsibility: Chief People Officer (Lead) supported by Mitie Group Executive	Risk appetite: Cautious	Change in year: Increase in year owing to unsettled external landscape
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Strategic pillars that would be impacted if risk was to become an issue:



Controls and mitigation:

- 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 business partners aligned with business units
- Induction programme, mandatory for new starters
- Regular communications from leadership team – including Mitie Group Executive 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 Winter Support package, free shares, life assurance, virtual GP and a salary advance scheme
- Careers website
- Employee Value Proposition (EVP)
- Career band framework

Future plans:

- Ongoing review of labour markets
- Ongoing review of employment legislation, with specific focus on TUPE requirements
- Ongoing review of EVP

10 Third-party management (Operational risk)

Description and impact:

Failure to successfully manage strategic third-party relationships or a catastrophic event and/or failure involving a third-party partner could impact Mitie's ability to deliver, resulting in financial losses owing to fines and in some circumstances significant reputation damage.

Responsibility: Chief Procurement Officer (Lead) supported by Mitie Group Executive	Risk appetite: Cautious	Change in year: Increase in year owing to unsettled external landscape
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Strategic pillars that would be impacted if risk was to become an issue:



Controls and mitigation:

- 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 onboarding framework integrated into business utilising the digital supplier platform (DSP)
- Defined SLAs and KPIs
- 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 Risk team
- DSP facilitating supplier health and risk checks (including insolvency risk) as well as invoice processing
- Procurement and Supply Chain (PSC) Insights

Future plans:

- Ongoing review of external landscape utilising Mitie channels (i.e. Intelligence Hub)
- Ongoing review of market conditions
- Continued roll-out and enhancement of processes relating to the DSP
- Ongoing supplier review focused on QHSE accreditations and insurance coverage

Principal risks and uncertainties

continued

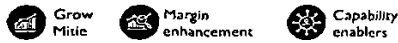
11 Growth through acquisitions (Strategic risk)

Description and impact:

An important part of Mitie's growth is generated through acquisitions. Market conditions might mean the ability to secure such opportunities for future growth which are favourable to Mitie in respect of price and terms and conditions may not always be available.

Responsibility: Mitie Group Executive	Risk appetite: Eager	Change in year: No change
---	-------------------------	------------------------------

Strategic pillars that would be impacted if risk was to become an issue:



Controls and mitigation:

- Specialist legal and financial professionals
- Ongoing review of market conditions and value for stakeholders
- Rigorous due diligence and risk management processes
- Training and awareness
- Financial governance and controls
- Assessment of new acquisitions against Mitie's internal control framework and alignment with ESG strategy

Future plans:

- Continued focus on growth strategy, ensuring healthy balance between short-term value and long-term return is maintained
- Ongoing enhancements to acquisition evaluation process
- Ongoing review of market conditions

12 Change management (Operational risk)

Description and impact:

Fundamental to Mitie's growth strategy is the ability to successfully undertake transformation projects and ensure all aspects of change management are correctly integrated. A failure to successfully manage the aggregated impact of simultaneously delivering transformation programmes could impact the delivery of planned business benefits.

Responsibility: Mitie Group Executive	Risk appetite: Cautious	Change in year: New
---	----------------------------	------------------------

Strategic pillars that would be impacted if risk was to become an issue:



Controls and mitigation:

- Executive sponsorship
- Deliverables agreed in advance by the The Board and Mitie Group Executive
- Centralised Project Management Office function
- Subject-matter experts appointed early on with agreed roles and responsibilities
- Standardised programme governance framework, including risk management
- Contract management controls embedded for third-party support
- Regular auditing with periodic reporting on key business activities to the Audit Committee

Future plans:

- Ongoing enhancements to change management controls

Non-financial information statement

We continually look for ways to make Mitie a responsible business and we actively engage with stakeholders to improve the Group's impact.

As detailed further on pages 37 to 59, Mitie has 13 industry-leading social value and responsible business targets as part of its Social Value Framework. Progress towards these targets is published monthly in Mitie's ESG Dashboard, which is available at www.mitie.com/esg. Mitie met or exceeded 11 of its social value targets for FY23.

Mitie's leadership position continues to be maintained across ESG as shown in Mitie's ratings from major ESG agencies during FY23.

We use a variety of tools to track and measure our performance against strategic objectives. Our business model encompasses the non-financial value created for our stakeholders from our resources, human capital, expertise and relationships. Through our business model, we deliver value for our employees, suppliers, communities, shareholders and customers. Our business model can be found on pages 30 and 31 and our principal risks on pages 73 to 82.

Reporting requirement	Relevant policies and approach ¹	Outcomes	Annual Report page reference
Environmental matters	Environmental Policy statement: Mitie recognises that in its day-to-day operations it will inevitably impact on the environment in several ways and is committed to reducing that impact through continual improvement in its environmental and sustainability performance. Mitie's Environmental Policy statement sets out how this is achieved as well as all the environmental aspects and impacts specific to Mitie's service delivery. It also explains Mitie's Plan Zero commitments.	45% of Mitie's fleet has been transferred to electric vehicles. Mitie has a validated near- and long-term science-based target.	Chief Executive's strategic review pages 12 to 17 Environment pages 43 to 57 TCFD pages 47 to 57 ESG Committee report pages 131 and 132 Principal risk 2: Climate change and social impact.
Employees	People policy: Mitie recognises that to attract and keep exceptional colleagues we must make Mitie a Great Place to Work. This is Mitie's number one aim as a business, because Mitie is nothing without its people. This policy supports Mitie's commitment to providing a rewarding, fair and sustainable working environment for its people. Equality diversity and inclusion policy: People are what makes Mitie great. This policy sets out how Mitie upholds inclusion in the workplace and the approach is based on three key principles: Inclusion, Equality and Diversity. Mitie's success and competitiveness is built on its ability to embrace diversity – and we believe that everyone should feel valued for their contributions. Health, safety and wellbeing policy: We are committed to delivering great service to our customers in a manner which safeguards the health, safety and wellbeing of our employees, contractors, client staff and members of the public. This policy statement sets out Mitie's commitment to achieving the highest health, safety and wellbeing standards and performance across the organisation. Employee Handbook: Mitie's Employee Handbook sets out Mitie's Vision and Values and applies to all colleagues.	Employee engagement is at 57%. Proud to be recognised as one of the UK's most inclusive employers and a Top 50 UK Employer.	Chief Executive's strategic review pages 12 to 17 Stakeholder engagement pages 32 to 34 People pages 38 to 42 Principal risk 4: Health, safety and environment. Principal risk 9: Employees.
Social matters	Sustainability policy: Mitie believes in the value of sustainable actions and social equality. It commits to developing skills, creating quality jobs and supporting our people to contribute to the communities we serve. This policy sets out how Mitie manages its approach to be a sustainable, energy efficient, environmentally and socially responsible business.	Donations and gifts in kind to the Foundation of £0.2m.	Chief Executive's strategic review pages 12 to 17 Community page 58 Principal risk 2: Climate change and social impact.
Human rights	Mitie's Equality, Diversity and Inclusion Policy sets the base for what our employees deserve and what it must do to uphold its culture. Mitie's Employee Handbook and Ethics Policy not only ensure that Mitie conducts operations with honesty, integrity and openness but also supports its approach to governance and corporate responsibility.	Mitie publishes a Modern Slavery Statement each year, which is available at www.mitie.com	Stakeholder engagement pages 32 to 34 Principal risk 6: Regulatory Principal risk 9: Employees. Principal risk 10: Third-party management.
Anti-bribery and anti-corruption	Ethical business practice policy: Mitie has a duty to act responsibly and to show the highest levels of ethical and moral stewardship. This policy sets out Mitie's ethical business practices and includes information on Mitie's zero tolerance approach to bribery and corruption.	E-learning module available for employees through the process repository (BMS) and Learning Hub.	People pages 38 to 42 Culture at Mitie pages 99 to 102 Principal risk 6: Regulatory. Principal risk 10: Third-party management.
Non-financial KPIs	Details of Mitie's non-financial KPIs can be found on pages 22 and 23.		

1. Policies, statements and codes are available at www.mitie.com.

Viability statement

The UK Corporate Governance Code requires the Board to explain how it has assessed the prospects of the Group and state whether it has a reasonable expectation that the Group can continue to operate and meet its liabilities, taking into account its current position and principal risks.

The Group's principal markets and strategy are described in detail in the FY23 Strategic report (pages 1 to 84).

The key factors affecting the Group's prospects are:

- Mitie is the leading UK facilities management business with c.10% of the market;
- The outsourcing market is relatively insensitive to economic cycles;
- We have a clear vision for our technology-centric growth strategy;
- We are making good progress in our transformation programmes; and
- We have a diverse portfolio of blue-chip and public sector clients, the largest of which constitutes <5% of revenue.

The Directors believe that a three-year period is appropriate for the viability assessment as it is supported by our strategic, budgeting and business planning cycles and is relevant to the duration of the Group's existing contracts with customers which is typically around three years. It therefore represents a timeframe over which the Directors believe they can reasonably forecast the Group's performance.

In making this statement, the Directors have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This includes the availability and effectiveness of mitigating actions that could realistically be taken to avoid or reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk management and internal control systems, as described on pages 111 to 114, are considered.

Base case projections for viability purposes have been made using prudent assumptions:

- Modest revenue and margin growth beyond FY23;
- Working capital movements expected to be broadly neutral by FY25;
- Future dividends in line with current policy;
- Share buyback programme to be undertaken in FY24;
- Settlement of existing provisions according to management's best estimates together with funding costs for ongoing transformation activities; and
- No changes to Group structure.

The resulting financial model assesses the ability of the Group to remain within the financial covenants and liquidity headroom of its existing committed facilities.

The Group's principal debt financing arrangements are a £150m revolving credit facility maturing in October 2026 (following the exercise of an option to extend for a further year from October 2025 which was approved by the lenders in September 2022), of which £8.4m was drawn as at 31 March 2023, and £150.0m of US private placement (USPP) notes. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis, as set out in the Finance review.

Of the USPP notes, £120.0m were issued in December 2022 under a delayed funding agreement to avoid any overlap with the £121.5m (being the repayment amount after taking account of the cross-currency swaps) of notes that matured in the same month. The new notes are split equally between 8, 10 and 12-year maturities, and were issued with an average coupon of 2.94%, significantly below the coupon of the maturing notes. The base case scenario assumes that the remaining £30m of USPP notes, which are due to mature in December 2024, will not be replaced.

The Group closed its customer invoice discounting facility during FY23, resulting in an increase in Group debt that has been included in the base case scenario.

A range of scenarios that encompass the principal risks were applied to the base case and are set out in the table below. The analysis also

considered a reverse stress test scenario to understand the reduction required to cause a breach of financial covenants.

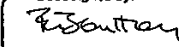
In each of scenarios 1 and 2, the Group was able to continue operating within the financial covenants and liquidity headroom of its existing committed facilities. The conclusion from the reverse stress test is that the likelihood of the reverse stress scenarios arising was remote and therefore does not represent a realistic threat to the viability of the Group. In reaching the conclusion of remote, the Directors considered the following:

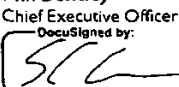
- All stress test scenarios would require a very severe deterioration compared with the base case scenario. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 38% (assuming the gross margin was maintained) in the year ending 31 March 2024 compared to the base case scenario, which is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that in a Covid-hit year, Mitie's revenue excluding interserve declined by only 1.6% in the year ended 31 March 2021.
- In the event that results started to trend significantly below those included in the Group cash flow model, additional mitigation actions have been identified that would be implemented, which are not factored into the scenario analysis or reverse stress test results. 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 this assessment, the Directors have concluded that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2026.

The Strategic report on pages 1 to 84 of Mitie Group plc, company registration number SC019230, was approved by the Board of Directors and authorised for issue on 7 June 2023.

It was signed on its behalf by

DocuSigned by:

 Phil Bentley
 Chief Executive Officer

DocuSigned by:

 Simon Kirkpatrick
 Chief Financial Officer

Scenario	Principal risks
1 Demand/operational shock Assumptions Revenue: 5% year-on-year revenue reduction across assessment period Costs: £40m one-off cost in FY24 (or equivalent amount of savings not being realised)	3, 4, 6, 7, 8
2 Inflation/employee/supply chain disruption Assumptions Margin: 2% gross margin erosion across assessment period	1, 2, 9, 10, 12
3 Reverse stress test	n/a

Governance

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UK Corporate Governance Code and statement of compliance

Mitie applied all the principles and complied with all the relevant provisions of the 2018 UK Corporate Governance Code (the Code) during FY23, with the exception of provision 38 (alignment of executive director pension contribution rates with those available to the workforce). Phil Bentley's pension benefit was fully aligned with the wider workforce from 1 January 2023, in line with the remuneration policy approved by shareholders in 2021 and as required under provision 38 of the Code. Simon Kirkpatrick's pension benefit was aligned with the wider workforce from the date of his appointment to the Board on 1 April 2021. Details of how Mitie has applied the principles (A to R below) set out in the Code and how governance operates at Mitie have been summarised throughout this report and are set out on the pages indicated in the table below. A copy of the Code can be found on the Financial Reporting Council's website at www.frc.org.uk

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Chairman's introduction to governance and the Board



Effective corporate governance is fundamental to the way the Board encourages entrepreneurial and responsible management. This supports the creation of long-term, sustainable value for shareholders and stakeholders and Mitie's contribution to wider society.



Derek Mapp
Chairman

As Chairman, one of my key roles is to ensure that the Board and Mitie continue to have high standards of corporate governance while, at the same time, establishing and continually developing the right controls to provide the Board with the appropriate level of oversight and assurance. By having a sound corporate governance framework, the Board can ensure effective and efficient decision-making, and the right balance of knowledge, diversity, skills, experience and challenge to monitor and manage the risks faced by Mitie.

Board's focus during the year

In what continues to be a challenging wider macroeconomic landscape, the Board had a busy year. Our focus during FY23 has been on replacing revenue from the short-term Covid-related contracts in the prior year, managing inflationary pressures and continuing to reduce Mitie's cost base through innovation, margin enhancing initiatives and the delivery of above-expectation synergies from the integration of Interserve Facilities Management (Interserve).

During FY23, the Board received updates on financial and operational performance and:

- Approved the operating plan for the financial year;
- Considered and approved the implementation of a £50m buyback programme;
- Considered feedback following the various Employee Voice listening sessions held with frontline colleagues as part of the Board's workforce engagement activities;
- Reviewed the capital allocation policy for FY24;
- Considered and approved several important strategic acquisitions and disposals, in line with Mitie's mergers and acquisitions (M&A) strategy; and
- Balanced business performance and shareholder interests.

The Board held one of its meetings during the year at Mitie's Birmingham T2 hub, which included a tour of Mitie's Cleaning & Hygiene Centre of Excellence, followed by a Town Hall meeting which provided Mitie colleagues with an opportunity to meet all Board members and ask questions.

Board composition

The Nomination Committee continues to lead the process for Board appointments and ensures that plans are in place for orderly Board and senior management succession.

It was with great sadness that we announced the death of Philippa Roe, Baroness Courtie, in December 2022. Philippa joined the Board of Mitie in November 2017 as a Non-Executive Director and served on the Audit and Nomination Committees. She made an enormous contribution with her enthusiasm and expertise and will be remembered for helping to establish Mitie as the ESG leader in the facilities management industry. Philippa was the first Chair of the Board's Environment, Social & Governance (ESG) Committee, and was also a Trustee and Chair of the Mitie Foundation. She is greatly missed.

We feel passionately that the composition of the Board should reflect wider society and comprise a diverse range of skills and experience in order to promote strong governance. In April 2022, we welcomed Chet Patel and Salma Shah as new Non-Executive Directors. Chet and Salma both joined the Remuneration Committee, with Chet also joining the Audit Committee. Salma also joined the ESG Committee and was subsequently appointed its Chair in January 2023. Chet and Salma joined the Nomination Committee on 22 March 2023. Chet has extensive experience in the B2B service environment, promoting sales and growth strategies, while Salma brings a wealth of public sector expertise.

The Board considered whether the balance in its members' skills and experience is appropriate both from an overall Board

composition perspective and based on individual contribution. The biographies of the current members of the Board and the Chief of Staff, General Counsel & Company Secretary are set out on pages 87 to 89.

Board evaluation

During the year, the Board performed an internal evaluation of progress against the FY23 areas of focus and resulting actions, as well as agreeing new areas of focus for FY24. Further information on this evaluation can be found on page 103.

Stakeholder engagement

Effective engagement enables the Board to ensure that stakeholder interests are considered when making strategic decisions. The Board spent time in FY23 discussing its mechanisms for engagement with key stakeholders, and the issues that matter to those stakeholders. The Board's stakeholder map has been reviewed and updated to include specific actions taken in response to feedback received.

The stakeholder map has supported the Board's inclusion of the required Section 172(1) statement within this Annual Report. This statement focuses on key decisions made by the Board during FY23 and the Board's consideration of their impact on key stakeholders. The Section 172(1) statement can be found on pages 35 and 36.

Jennifer Duvalier continues to act as the Company's designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce. All Non-Executive Directors have participated in employee listening sessions during FY23, thereby maintaining communication channels with the workforce and ensuring that the views of those on the front line are heard and understood. The Non-Executive Directors provided the Board with an update at each Board meeting so that employee views are regularly voiced at Board level and can be incorporated into the Board's decision-making process. Notes from workforce engagement sessions are made available to the Board via an electronic Board portal. Further detail on Jennifer's role and activities is included on pages 100 to 102.

Annual General Meeting (AGM)

The AGM is an important event in the Company's corporate calendar, providing an opportunity to engage with shareholders. Shareholders will be able to attend the meeting in person to vote and ask questions, or view the meeting via a live webcast. Shareholders can also ask questions via email to investorrelations@mitie.com. Instructions on how to register and join the webcast are set out in the Notice of AGM.

Derek Mapp
Chairman

DocuSigned by:

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Board of Directors



Derek Mapp
Non-Executive Chairman

Date of appointment to the Board
9 May 2017

Other current appointments
Derek is Non-Executive Chair of the Board of Eurocell plc and Chair of its Nomination Committee. Derek is also a Director of Woodall Group Limited, a private company, and has several other private business interests.

Past roles

Derek was Chair of Informa plc from March 2008 until his retirement on 3 June 2021. He was also Chair of Huntsworth plc from December 2014 to March 2019. Previously he was Chief Executive Officer of Tom Cobleigh plc and Executive Chair of Leapfrog Day Nurseries Limited. Prior to that, he was Chair of East Midlands Development Agency, Sport England and British Amateur Boxing Association Limited. He continues to have business interests in hospitality in Cornwall and Derbyshire.

Skills and experience

- Experienced Chairman and entrepreneur with exceptional leadership skills
- Extensive career in ownership, managerial, operational and commercial roles in service industries
- Wealth of commercial and exceptional governance experience within various sectors
- Promotes robust debate and an open and engaged culture



Phil Bentley
Chief Executive

Date of appointment to the Board
1 November 2016

Other current appointments
None

Past roles

Phil was Group Chief Executive Officer of Cable & Wireless Communications plc from January 2014 until its sale to Liberty Global plc in May 2016. Prior to that, he was a member of the Board of Centrica plc from 2000 to 2013, while also Managing Director of British Gas from 2007 to 2013, Managing Director, Europe from 2004 to 2007 and Group Finance Director from 2000 to 2004. His prior non-executive directorships include IMI plc from 2012 to 2014 and Kingfisher plc from 2002 to 2010. His earlier career was in international roles with BP and Diageo.

Skills and experience

- Executive and non-executive experience with FTSE 100 companies for over 20 years
- Significant strategic and commercial experience at both national and global levels
- Exceptional executive and leadership experience across a number of sectors
- Extensive financial and investment community experience
- Accountant by profession, with a master's degree from University of Oxford and an MBA from INSEAD, Fontainebleau



Simon Kirkpatrick
Chief Financial Officer

Date of appointment to the Board
1 April 2021

Other current appointments
None

Past roles

Simon joined Mitie in July 2019 from Balfour Beatty plc, where he held a number of senior finance roles, including Finance Director for Major Projects and Group Head of Financial Planning & Analysis. He began his professional career with Ernst & Young, where he was a Director in the Energy practice.

Skills and experience

- Significant UK and international plc experience
- Proven track record in transforming complex contracting businesses
- Exceptional financial experience and extensive strategic and commercial experience across a number of sectors
- Chartered accountant, with a law degree from University of Exeter

AC	Audit Committee member
ESG	ESG Committee member
NC	Nomination Committee member
RC	Remuneration Committee member
	Committee Chair

Board of Directors continued



Jennifer Duvalier
Independent Non-Executive Director

Date of appointment to the Board
26 July 2017

Other current appointments
Jennifer is a Non-Executive Director, Chair of the Remuneration Committee and a member of the Nomination and Cyber Security Committees of NCC Group plc, as well as Senior Independent Director and a member of the Audit and Risk, Nomination and Remuneration Committees of Trainline plc. Additionally, Jennifer is a Director of The Cranemere Group Limited, where she is also Chair of the Sustainability, People & Diversity Committee, a member of the Council of the Royal College of Art, where she is also Chair of the Remuneration Committee, and a Trustee of Somerset House (a registered UK Charity).

Past roles

Jennifer was a Non-Executive Director and Chair of the Remuneration Committee of Guardian Media Group plc from May 2014 to April 2023. She was Executive Vice President, People for ARM Holdings plc, a global technology business, from September 2013 to March 2017 and was also an Executive Committee member with responsibility for its people and internal communications activity.

Skills and experience

- Leadership development, talent acquisition and management and succession planning
- Mentoring and coaching
- People strategy, organisation development and change management
- Employee engagement and internal communications
- Corporate social responsibility
- Executive remuneration and performance management experience
- Executive team and Board effectiveness
- MA (Hons) in English and French from the University of Oxford



Chet Patel
Independent Non-Executive Director

Date of appointment to the Board
1 April 2022

Other current appointments
With over 15 years' commercial experience at BT Group, Chet is currently its Chief Commercial Officer and Managing Director for Commercial, Indirect, Partners and the Americas.

Chet is also a Non-Executive Advisor for Dentons and acts as a mentor for tech start-up organisations.

Past roles

Chet was a Non-Executive Director at London First between 2013 and 2017. Chet was also a non-executive member of the London Enterprise Panel between 2013 and 2016.

Prior to joining BT Group in 2006, Chet worked for Charles Schwab.

Skills and experience

- Commercial expertise in the B2B service environment, promoting growth and sales strategies
- Expertise in business technology, cyber security and business transformation
- An MBA from Henley Management College
- An honours degree in Economics & Politics from University of Leeds



Mary Reilly
Independent Non-Executive Director

Date of appointment to the Board
1 September 2017

Other current appointments
Mary is Senior Independent Director and Chair of the Audit Committee of Essentra plc. Mary is also a Non-Executive Director of Cazoo Group Ltd and a member of its Audit Committee and Nominating and Corporate Governance Committee. Additionally, Mary is an Independent Non-Executive Director of Gemfields Group Limited and on the Board of Mar Holdco S.a.r.l, a privately held Luxembourg company. Her current trusteeships include the PDSA and Crown Agents International Development.

Past roles

Mary was a Non-Executive Director and Chair of the Audit Committee of Travelzoo from 2013 to 2022 and a Non-Executive Director and Chair of the Audit Committee of Ferrexpo plc from 2015 to 2019. She was also a Non-Executive Director and Chair of the Audit & Risk Committee of the UK Department for Transport and of Crown Agents Limited from 2013 to 2017. Prior to this, she was a Non-Executive Director of Cape plc from 2016 to 2017. She has served as a Non-Executive Director on several other Boards since 2000. She was a partner in Deloitte LLP (and predecessor firms) for over 25 years.

Skills and experience

- Exceptional audit, risk management and assurance experience
- Accounting, finance and international experience
- Chartered accountant, with a degree in History from University College London



Salma Shah
Independent Non-Executive Director

Date of appointment to the Board
1 April 2022

Other current appointments
Salma is founder of Kraken Strategy, a communications and policy consultancy.

Past roles

Salma was a Partner at Portland Communications from 2021 to February 2023 and Chief of Staff to the Home Secretary from 2018 to 2019. Salma held special advisor roles in several government departments between 2014 and 2018, including the Ministry of Housing, Communities & Local Government, Department for Business, Innovation & Skills, and Department for Culture, Media and Sport. Prior to this, Salma worked for BBC News as a news and political programmes producer from 2012 to 2014.

Skills and experience

- Public sector expertise
- Extensive experience in public policy, public affairs and communications
- An honours degree in Journalism & Politics from University of Salford



Roger Yates
Senior Independent Director

Date of appointment to the Board
1 March 2018

Other current appointments
Roger is Chair of The Biotech Growth Trust plc. He is also Senior Independent Director and Chair of the Remuneration Committee of Jupiter Fund Management plc.

Past roles

Roger was Senior Independent Director and Chair of the Remuneration Committee of St James's Place plc until 18 May 2023, having served nine years on its Board. Roger started his career in asset management at GT Management in 1981 and held positions of increasing seniority at Morgan Grenfell, LGT and Invesco. He served as Chief Executive of Henderson Group plc from 1999 to 2008 and as Chief Executive of UniCredit's asset management arm, Pioneer Investments, from 2010 to 2012 and as Chairman from 2012 to 2017.

Roger's non-executive roles have included F&C Investments, IG Group plc, Electra Private Equity plc and JPMorgan Elect plc.

Skills and experience

- Substantial Board experience
- Strong business track record
- Exceptional knowledge of the finance and investment community
- MA in Modern History from Worcester College, University of Oxford



Peter Dickinson
Chief of Staff, General Counsel
& Company Secretary

Date of appointment
6 March 2017

Other current appointments
None

Past roles

Peter was a partner at the global law firm Mayer Brown International LLP (and its predecessor firm) between 1995 and 2017 and played a leading role in developing the firm's Technology, Media and Telecoms (TMT) practice.

From 2015 until March 2017, Peter co-headed Mayer Brown's global Technology Transactions practice. Between 2005 and 2015, Peter was the head of Mayer Brown's Corporate practice in London and, in addition, between 2008 and 2015, Peter was the co-head of Mayer Brown's global Corporate practice.

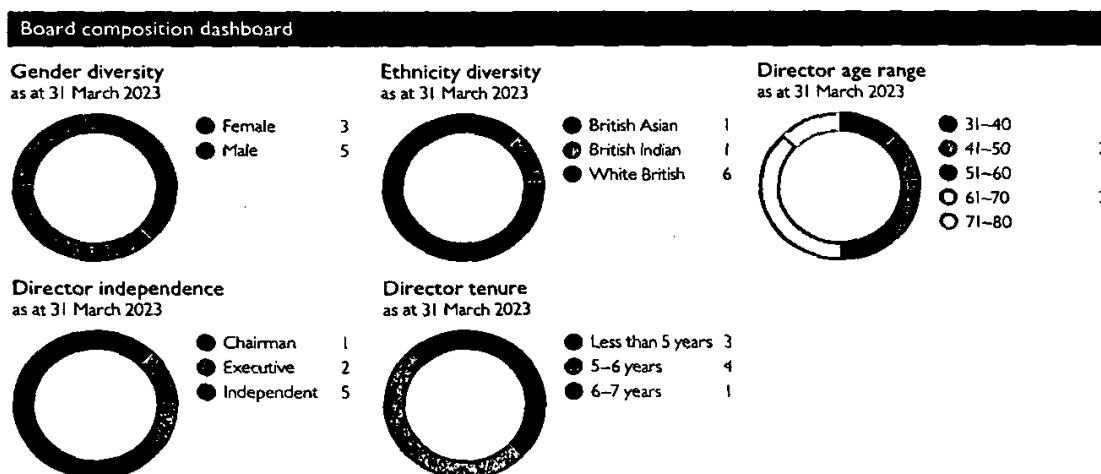
Skills and experience

- Substantial experience of providing legal, regulatory and commercial advice at Board level
- Significant experience advising on corporate merger and acquisition transactions, joint ventures and other significant commercial transactions, including large-scale multi-jurisdictional outsourcing projects
- Qualified solicitor with a degree in law from University of Southampton

AC	Audit Committee member
ESG	ESG Committee member
NC	Nomination Committee member
RC	Remuneration Committee member
	Committee Chair

Board leadership and Company purpose

Mitie Group plc Board			
Nomination Committee	Audit Committee	Remuneration Committee	ESG Committee
<p>Purpose: to evaluate and make recommendations regarding the composition, diversity, experience, knowledge, skills and independence of the Board and its Committees. Read more on pages 104 to 107.</p>	<p>Purpose: to monitor the integrity of the Group's financial reporting, review the effectiveness of the Group's internal controls and evaluate the performance of the internal audit function and external auditor. Read more on pages 108 to 115.</p>	<p>Purpose: to determine and review the Company's remuneration policy and monitor its implementation. Read more on pages 116 to 130.</p>	<p>Purpose: to provide oversight and governance for all of Mitie's Environment, Social & Governance initiatives, ensuring they are aligned to Mitie's Purpose, Promises and Values. Read more on pages 131 and 132.</p>
Mitie Group Executive (MGX)			
<p>Members of the executive team, which includes senior members of management from each business unit and central Group functions, meet weekly to discuss and implement the Group's strategic objectives. The Board is updated on matters discussed at MGX meetings at Board meetings as part of the Chief Executive's regular update paper, and on an ad hoc basis as required.</p>			
Mitie business divisions			
<p>Business Services, Central Government & Defence, Communities, Technical Services and Specialist Services.</p>			



Governance framework

The Company's formal governance framework underpins the Group's operations. In addition to the four main Board Committees, the Company has a Disclosure Committee and an informal Bid Committee.

The Disclosure Committee is chaired by the Chief Executive. Its members include the Chairman, Chief Financial Officer, Chief of Staff, General Counsel & Company Secretary and the Deputy General Counsel. Its purpose is to assist and inform decisions of the Board concerning the identification of inside information and to make recommendations about how and when the Company should disclose that information in accordance with the Company's disclosure policy.

The Bid Committee is chaired by the Chief Executive. Its members include the Chief Financial Officer, Chief of Staff, General Counsel & Company Secretary, Chief Government & Strategy Officer and members of the sales team. The Bid Committee met weekly during FY23. Its purpose is to consider material bid submissions and to determine whether such bids meet the Group's financial, commercial and legal objectives.

Terms of Reference for the Company's formal Committees are available at www.mitie.com/investors/corporate-governance.

Company purpose

As detailed on page 2 of the Strategic report, the Company's purpose is that: our expertise, care, technology, insight and focus on sustainability create amazing work environments, helping our customers to be exceptional, every day.

Purpose of the Board

The purpose of the Board is to provide leadership and direction to the Group's management within a framework of controls which enable risk to be adequately assessed and managed. The Board is responsible and accountable to shareholders for the sustainable long-term success of the Company. Subject to UK company law and the Company's Articles of Association, the Directors may exercise all the powers of the Company, may delegate authority to Committees and day-to-day management and decision-making to individual Executive Directors. The purpose of each of the four main Board Committees is set out in more detail in the Committee report.

Matters reserved for the Board

A schedule of key matters and responsibilities that are to be dealt with exclusively by the Board is maintained and regularly reviewed. The schedule was last reviewed by the Board in January 2023.

The key responsibilities of the Board include:

- Promote the long-term sustainable success of the Company, ensuring that workforce policies and practice support the Company's long-term sustainable success and are consistent with Mitie's Values
- Approve the Group's long-term objectives and commercial strategy
- Establish Mitie's Purpose, Promises and Values and satisfy itself that these are aligned to the Group's strategy
- Review performance in light of the Group's strategy, objectives, business plans, budgets and ESG targets
- Approve the annual budget
- Approve the half-yearly financial report and Annual Report
- Review the effectiveness of the Group's risk and control processes
- Review the Company's capital allocation policy and approve shareholder returns through dividends and share buybacks
- Approve all material acquisitions and disposals, and material contractual and other operational matters
- Ensure adequate succession planning for the Board and senior management
- Undertake a formal and rigorous review annually of its own performance and that of its Committees and individual Directors
- Make arrangements for dialogue with shareholders, canvassing shareholder opinion and engagement with shareholders in relation to any shareholder resolution which is opposed by more than 20% of the votes cast

Board meeting process

The Chairman is responsible for setting the Board meeting agenda and for ensuring that the style and tone of Boardroom discussions promote effective decision-making and constructive debate.

Each Board meeting agenda is produced in consultation with the Chairman, using items from a yearly meeting planner, actions arising from prior meetings, project progress updates and any relevant governance and regulatory matters. Items may also be added to the agenda at the request of a Board member or in response to emerging issues.

Attention is given to timings for each agenda item to ensure that adequate time is allocated for effective discussion and debate.

To allow sufficient time for the Directors to review Board meeting materials and seek any clarification needed ahead of the meeting, Board meeting materials are distributed to the Directors no fewer than five clear calendar days prior to the meeting via a secure electronic Board portal.

To ensure that Board meeting materials are of a consistent high standard, Board paper guidelines and templates are issued to authors of those materials.

An important element of Mitie's culture is that the Group operates as 'One Mitie' and collaborates effectively across business areas. Mitie's culture facilitates greater consistency in processes and information control which, in turn, facilitates the preparation of consistent, high-quality and relevant Board meeting materials. Authors of Board meeting materials seek to appropriately consider the impact, views and needs of key stakeholder groups, as well as the likely consequences of decisions in the long term, helping to aid Board discussions and decision-making.

The Chairman ensures that all Directors feel they can voice their opinion, be listened to and contribute to the decision-making process.

Function heads and members of management are invited to attend Board meetings to present their items to the Board and answer questions.

Advice of the Company Secretary

All Directors have access to the advice of the Company Secretary through various channels, including the Chief of Staff, General Counsel & Company Secretary's Board report, which is presented at every Board meeting, and a secure electronic Board portal which is kept up to date with the latest governance-related information and guidance. The Chief of Staff, General Counsel & Company Secretary and Company Secretariat team are also available to the Directors on an ad hoc basis as required. The Chief of Staff, General Counsel & Company Secretary helps the Board ensure it has the appropriate policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Board is responsible for the appointment and, where applicable, removal of the Company Secretary.

Division of responsibilities

Board composition

Chairman

Derek Mapp

Executive Directors

Phil Bentley

Simon Kirkpatrick

Senior Independent Director

Roger Yates

Independent Non-Executive Directors

Baroness Courtie¹

Jennifer Duvalier

Chet Patel

Mary Reilly

Salma Shah

1. Baroness Courtie died on 12 December 2022.

Biographies of the current Directors can be found on pages 87 to 89.

All Non-Executive Directors are considered independent when assessed against the circumstances set out in Provision 10 of the Code. The Chairman was considered independent against these circumstances on appointment.

The Board continues to support separation of the roles of Chairman and Chief Executive and considers itself to have an appropriate balance of Executive Directors and Independent Non-Executive Directors. No one individual or small group of individuals dominates Board decision-making.

There is a clear division of responsibilities between leadership of the Board and executive management leadership of Mitie's business. Key responsibilities of the Board, its Committees and its members are agreed by the Board and documented in writing.

These responsibilities are summarised below. Further detail is publicly available at www.mitie.com/investors/corporate-governance where the following documents are published:

- Matters reserved for the Board
- Terms of Reference for each Committee of the Board
- Division of Responsibilities between the Chairman and Chief Executive

Chairman

In his role as Chairman, Derek Mapp's responsibilities include:

- Lead and chair the Board, Nomination Committee and shareholder general meetings
- Ensure overall effectiveness of the Board in all aspects of its role
- Ensure regularity and frequency of Board meetings
- Set Board agendas, taking into account the issues and concerns of all Board members
- Ensure appropriate delegation of authority from the Board to executive management
- Demonstrate objective judgement
- Promote a culture of openness and debate
- Ensure that Directors receive accurate, timely and clear information
- Manage the Board to ensure sufficient time is allocated to promote healthy discussion and open debate, supported by the right level and quality of information to assist the Board in reaching its decisions
- Facilitate the effective contribution of Non-Executive Directors and encourage active engagement by all members of the Board
- Ensure constructive relations between the Executive Directors and Non-Executive Directors
- Hold meetings with the Non-Executive Directors without the Executive Directors present

- Ensure that new Directors participate in a full, formal and tailored induction programme
- Ensure that the performance of the Board, its Committees and individual Directors is evaluated at least once a year and act on the results of such evaluation
- Maintain sufficient contact with major shareholders to understand their issues and concerns
- Ensure that the views of shareholders are communicated to the Board

Senior Independent Director

In his role as Senior Independent Director, Roger Yates' responsibilities include:

- Act as a sounding board for the Chairman
- Serve as an intermediary for other Directors when necessary
- Conduct the Chairman's annual performance evaluation (without the Chairman present)
- Lead the appointment process for any new Chairman
- Act as chairman of the Board in the absence of the Chairman
- Be available as an alternative point of contact for shareholders if they have concerns which have not been resolved through the normal channels, or for which such contact is inappropriate in the circumstances

Non-Executive Directors

The responsibilities of the Board's Non-Executive Directors include:

- Hold a primary role in appointing and removing Executive Directors when necessary
- Scrutinise and hold to account the performance of management and individual Executive Directors against agreed performance objectives
- Exercise independent skill and judgement
- Constructively challenge proposals based on relevant individual experience, knowledge and skills
- Contribute to the formulation and development of strategy and offer specialist advice
- Monitor corporate reporting to ensure integrity of financial information
- Oversee the Group's principal risks and assurance in place relating to those risks, including internal audit programmes
- Play a key role in determining the remuneration policy for the Chairman, Executive Directors, Chief of Staff, General Counsel & Company Secretary and the senior executive team
- Hold a primary role in Board succession planning

Executive Directors**Chief Executive**

In his role as Chief Executive, Phil Bentley's responsibilities include:

- All aspects of the operation and management of the Group within the authorities delegated by the Board
- Develop Group objectives and strategy, having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders
- Successful achievement of objectives and execution of strategy following presentation to, and approval by, the Board
- Recommend to the Board an annual budget and long-term business plan and ensure their achievement following Board approval
- Optimise the use and adequacy of the Group's resources
- Manage the Group's risk profile, including the health and safety performance of the business
- Make recommendations to the Remuneration Committee on remuneration policy, executive remuneration and terms of employment of the senior executive team

Chief Financial Officer

In his role as Chief Financial Officer, Simon Kirkpatrick's responsibilities include:

- Lead, direct and oversee all aspects of the finance and accounting functions of the Group
- Evaluate, approve and advise on the financial and commercial impact of material contracts and transactions (including mergers and acquisitions), technology investments, long-range planning assumptions, investment return metrics, risks and opportunities, and the impact of changes in accounting standards
- Manage relationships with the external auditor and key financial institutions and advisors
- Ensure effective internal controls are in place and compliance with appropriate accounting regulations for financial, regulatory and tax reporting
- Lead, direct and oversee the Group's Finance, Treasury, Tax and Internal Audit functions

Chief of Staff, General Counsel & Company Secretary

In his role as Chief of Staff, General Counsel & Company Secretary, Peter Dickinson's responsibilities include:

- Advise the Board on governance matters and the Directors on their duties, including on all aspects of the Group's governance framework and the application of its delegated authorities
- Ensure compliance with corporate legislation and the Company's Articles of Association
- Support the Board in ensuring it has the policies, processes, information, time and resources needed to function effectively and efficiently
- Lead, direct and oversee the Group's Legal, Company Secretarial, Pensions, Property, Insurance, Health & Safety, Risk & Compliance and Sustainability functions
- Identify and recommend to the Board acquisitions and disposals
- Drive projects relating to mergers and acquisitions in line with authorities delegated by the Board
- Lead, direct and oversee the implementation of the Target Operating Model transformation programme
- Lead, direct and oversee the Project Management Office

Board activities: stakeholder engagement

2022

- | | |
|--|---|
| <ul style="list-style-type: none"> Derek and Jennifer attended the MLT Conference alongside the Executive Directors and MGX Derek hosted the annual Chairman's ESG roadshow for investors, with the Chairs of the Committees in attendance. The roadshow continued into May | <div style="background-color: #333; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">Apr</div> |
| <ul style="list-style-type: none"> Phil and Simon hosted an FY22 results presentation in London, with investors, analysts and banks in attendance Phil and Simon hosted a colleague Town Hall event in London following publication of the FY22 results. The event incorporated a live stream from certain key Mitie office hubs. Members of the MGX were present in each hub to watch the event and facilitate questions from colleagues Jennifer hosted an Employee Voice session at BBC Broadcasting House Derek and Phil hosted an event in Doncaster with new colleagues from 8Point8 | <div style="background-color: #333; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">May</div> |
| <ul style="list-style-type: none"> Derek and Jennifer visited Mitie Telecoms in Tewkesbury Phil met with colleagues in Spain Phil participated in a Town Hall event at a client's site | <div style="background-color: #333; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">Jun</div> |
| <ul style="list-style-type: none"> Jennifer and Salma hosted an Employee Voice session with the Department for Work and Pensions team in London | <div style="background-color: #333; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">Jul</div> |
| <ul style="list-style-type: none"> Phil visited Custom Solar's office in Derbyshire to meet new colleagues Phil attended a Cabinet Office Strategic Supplier Annual Review 2022 Annual General Meeting held as a hybrid meeting for shareholders, with all Board members in attendance Simon hosted an event with analysts following Mitie's Q1 trading update Phil and Simon visited a client's site | <div style="background-color: #333; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">Aug</div> |
| <ul style="list-style-type: none"> Phil visited P2ML's office in Glasgow to meet new colleagues Executive Directors hosted an offsite event for MGX Phil met with colleagues at Mitie's office in Rutherglen Phil visited a client's site | <div style="background-color: #333; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">Sept</div> |
| <ul style="list-style-type: none"> Derek and Salma participated in a diversity network event for colleagues hosted by Mitie Military Jennifer hosted an Employee Voice session with the Heathrow Immigration Removal Centre team Mary and Roger hosted an Employee Voice session with the Amazon team in Coventry Phil and Simon hosted an H1 FY23 results presentation in London, with investors, analysts and banks in attendance Phil and Simon hosted a colleague Town Hall event in London following publication of the H1 FY23 results. All Mitie hub offices, including Glasgow, Ireland and Spain, joined the event electronically and a live stream was made available to all colleagues Simon attended an International Men's Day event hosted by Mitie Women Can Simon hosted an event with US Private Placement noteholders | <div style="background-color: #333; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">Oct</div> |
| <ul style="list-style-type: none"> Derek and Salma participated in a diversity network event for colleagues hosted by Mitie Military Jennifer hosted an Employee Voice session with the Heathrow Immigration Removal Centre team Mary and Roger hosted an Employee Voice session with the Amazon team in Coventry Phil and Simon hosted an H1 FY23 results presentation in London, with investors, analysts and banks in attendance Phil and Simon hosted a colleague Town Hall event in London following publication of the H1 FY23 results. All Mitie hub offices, including Glasgow, Ireland and Spain, joined the event electronically and a live stream was made available to all colleagues Simon attended an International Men's Day event hosted by Mitie Women Can Simon hosted an event with US Private Placement noteholders | <div style="background-color: #333; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">Nov</div> |

2022

- Mary and Derek participated in a diversity network event for colleagues hosted by Enable
- Jennifer and Mary hosted an Employee Voice session with the Co-op team in Cambridgeshire
- Jennifer and Jasmine Hudson, Chief People Officer, hosted an event for colleagues to discuss reward, benefits and executive remuneration

Dec

2023

- Town Hall event for colleagues in Birmingham, with all Board members in attendance
- Jennifer, Chet and Mary attended a virtual meeting with managers in Mitie's Central Government & Defence business
- Simon hosted a call with analysts in relation to Mitie's Q3 trading update

Jan



- Derek and Mary hosted an Employee Voice session with the Sellafield team in Cumbria
- Jennifer and Chet participated in an event for apprentices
- Executive Directors participated in Team Talk Live 2023

Feb

- Salma hosted an International Women's Day panel discussion event. The event was also attended by Jennifer and Simon
- Jennifer participated in a diversity network event for colleagues hosted by Mitie Women Can

Mar



Strategy and the Boardroom

Setting strategy

The Board reviews and agrees the strategy for the Group on an annual basis and reviews aspects of strategy at Board meetings during the year. The Board's annual strategy day for FY23 was held in September 2022. When debating the Group's strategy, the Board discussed a wide range of matters, including, but not limited to:

- Target Operating Model
- Technology and innovation
- People and culture
- Sustainability and decarbonisation
- Macro-trends
- Market forecasts and Mitie performance
- Growth plans
- Global facilities management market
- Competitor analysis
- Stakeholder sentiment and shareholder returns
- Financial model

How governance contributes to the delivery of strategy

Details of how opportunities and risks to the future success of the business have been considered and addressed can be found in the Strategic report on pages 26 to 29, 47 to 53 and 73 to 82. Details of the sustainability of Mitie's business model can be found in the Strategic report on pages 30 and 31. Mitie's governance framework underpins the delivery of strategy and can be found on page 91. An overview of the Group's strategy can be found in the Strategic report on pages 12 to 19.

How the Board considers the views of stakeholders

The Board acknowledges the importance of forming and retaining sound relationships with all stakeholder groups. Accordingly, the Board periodically reviews and discusses the Group's key stakeholders along with the engagement mechanisms in place to ensure that they support effective, two-way communication. The Board maintains a stakeholder map which is used to support the Board's reporting requirements under Section 172(1) of the Companies Act 2006. Further detail on the Group's stakeholder engagement mechanisms can be found in the Strategic report on pages 32 to 34. Mitie's Section 172(1) statement, detailing how the Board has engaged with the Group's stakeholders and approached decisions made during the year, can be found in the Strategic report on pages 35 and 36. Details of stakeholder activities undertaken by the Board during FY23 can be found on pages 94 and 95. Resources for shareholders and other stakeholders can be found at www.mitie.com/investors.

The Board is committed to ongoing and proactive dialogue with shareholders. A full programme of formal and informal events, institutional investor meetings and presentations is delivered throughout the year. This programme of shareholder engagement aims to ensure that the performance, strategies and objectives of the Group are clearly communicated to the investment community and provides a forum for institutional shareholders to address any issues.

Mitie engages proactively with the investment community and sell-side analysts, and accommodates requests for meetings and calls with senior management from existing and potential institutional investors. The programme is led by the Executive Directors with support from the Investor Relations team. The Board is regularly kept informed of investor feedback, stockbroker updates and detailed analyst reports. A Board report is prepared by the Investor Relations Director for every Board meeting, as set out on page 98. The Chairman is responsible for ensuring that the Board is made aware of any issues or concerns of major shareholders. The Chairman and Independent Non-Executive Directors are available to meet with shareholders upon request and the Chairman conducts an annual ESG roadshow. Committee Chairs seek engagement with shareholders on significant matters related to their area of responsibility.

Boardroom discussions

The Board held seven formal scheduled meetings during FY23. Individual Director attendance at meetings can be found on page 98.

In undertaking their duties, the Directors act in a way they consider, in good faith, will be most likely to promote the success of the Company for its shareholders as a whole, having regard also to other stakeholders.

Further detail on Boardroom discussions relating to certain key Board decisions can be found in the Section 172(1) statement on pages 35 and 36.

Strategic pillar: accelerate growth



Acquisition of Custom Solar	The Board debated and approved the acquisition of Custom Solar, which completed in June 2022. Custom Solar is a solar power solutions company specialising in the development, design, installation and maintenance of solar power systems for public and private sector clients. The acquisition aligned with the Group's strategy to fill a gap in the market for truly integrated solar solutions, building on its expertise in upgrading electrical infrastructure and providing grid connections to support the UK's decarbonisation agenda. Further detail can be found in the Section 172(1) statement on pages 35 and 36.
Acquisition of 8Point8	The Board approved the acquisition of 8Point8, which completed in May 2022, and was updated on the integration of the business into the Group. 8Point8 is a leading provider of design and construction services in the UK, predominantly for mobile telecoms tower infrastructure. The acquisition aligned with the Group's strategy to be a leader in telecoms support services, providing acquisition, design and construction services and maintenance to the mobile telecoms tower infrastructure sector. The capabilities of 8Point8 provide Mitie with the opportunity to set the standard in health and safety for the industry, while adding capacity to increase self-delivery of critical services.
Sales and pipeline	Regular updates were provided to the Board on new business, retention and extension divisional opportunities. The Board reviewed and discussed win rates and performance against targets for the Group and individual business units.
Cross-sell initiatives	The Board was updated on cross-sell initiatives, such as opportunities to insource work which had been contracted out by Interserve Facilities Management (Interserve) prior to acquisition of the business by Mitie.

Strategic pillar: enhance margins

Target Operating Model	The Board regularly reviewed progress towards implementation of the Target Operating Model and considered and approved changes in approach where necessary.
Interserve integration synergies	Regular updates on margin enhancing integration activities were delivered to the Board and discussed at Board meetings. These included updates in relation to procurement savings from fleet and IT infrastructure.
Annual operating plan	The Board reviewed and approved the Group's annual operating plan for FY24 in March 2023.

Strategic pillar: generate cash

US Private Placement	The Board was updated on the issuance of £120m of US Private Placement notes under the delayed funding arrangement entered into in November 2021. The new notes were formally issued in December 2022, avoiding overlap with the existing £121.5m of notes that matured in December 2022. The new notes were split equally between 8, 10 and 12-year maturities and were issued at an average coupon of 2.94%, significantly below the previous coupon.
Share buyback	The Board debated and approved the rationale, quantum and methodology for a FY23 share buyback programme which returned £50m to shareholders. The programme commenced in June 2022 and completed in September 2022. Further detail, including how the Board considered the views of stakeholders, can be found in the Section 172(1) statement on pages 35 and 36.
Dividend	The Board recommended a final dividend in respect of FY22 in June 2022 and approved an interim dividend in respect of FY23 in November 2022. In doing so, the Board considered the Group's cash generation, performance of the underlying business, future affordability and the views of stakeholders. A final dividend of 1.4p per share for FY22 was paid to shareholders in August 2022 and an interim dividend of 0.7p per share for FY23 was paid to shareholders in February 2023.

Capability enablers: 'Great Place to Work'

Employee Value Proposition	The Board was regularly updated on Mitie's new Employee Value Proposition (EVP). The new EVP was launched in November 2022 with a campaign across social channels, job sites and Mitie's own internal and external channels.
Winter Support package	The Board discussed a package of support designed to help colleagues with the cost-of-living crisis. Mitie's £10m Winter Support package was communicated to colleagues in November 2022 and involved increasing awareness of existing benefits and introducing new support initiatives for Mitie's lowest earning colleagues. Further detail can be found in the Section 172(1) statement on pages 35 and 36.
Employee engagement	The Board received and discussed the results of the spring 2022 employee engagement survey, Upload, and identified areas for improvement action to be taken in FY23. Further information can be found on page 42. The Board was also updated on Mitie's virtual engagement festival, Team Talk Live 2023, including employee feedback on the event and engagement data.
Employee voice in the Boardroom	Jennifer Duvalier is Mitie's designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce. Jennifer voiced what she heard and learned from frontline employees at employee listening sessions and discussed key themes with the Board. After each employee event, Jennifer also shared a summary of specific items of feedback with the Board. Further information on Jennifer's activities in this role can be found on pages 100 to 102. Other Non-Executive Directors also participated in employee listening sessions and/or other colleague events during FY23 as detailed on pages 94 and 95.
Equality, diversity and inclusion	The Board reviewed Mitie's equality, diversity and inclusion strategy, and was regularly updated on Mitie's bespoke conscious inclusion programme, Count Me In, and activities undertaken throughout FY23 by Mitie's diversity networks. Multiple diversity network events were attended by one or more Non-Executive Directors during FY23, further details of which can be found on pages 94 and 95. Following attendance at an event, Non-Executive Directors shared their experience and feedback with the wider Board.

Capability enablers: Science of Service (Technology)

Project Forté	The Board was regularly updated on Project Forté, the digital transformation and modernisation of the technology infrastructure for Engineering Services, which is also one of Mitie's margin enhancement initiatives.
Customer technology journey	The Board was updated on the roll-out of Mitie's award-winning, cutting-edge Connected Workspace technology across customer contracts.

Strategy and the Boardroom continued

Capability enablers: Decarbonisation Delivered



ESG strategy	The Board reviewed and discussed Mitie's ESG strategy at its September 2022 meeting. It was determined at the meeting that a formal engagement plan to communicate Mitie's ESG ambitions to key stakeholders should be developed.
Task Force on Climate-related Financial Disclosures (TCFD)	The Board reviewed Mitie's compliance with the Financial Stability Board's TCFD requirements. Three areas were identified for improvement during FY23 and steps to achieve them were agreed.

Standing agenda items:

Committee updates	At every Board meeting a verbal update was provided by the Chair of each Board Committee. Updates included an overview of any Committee meetings and any recommendations from the Committee requiring approval by the Board.
Chief Executive's update	At every Board meeting the Chief Executive presented a paper on topics such as: <ul style="list-style-type: none"> • Business highlights • Sales, pipeline and marketing • Information systems and technology • HR and people • Procurement and fleet • Key project and divisional updates The Chief Executive's update paper incorporated matters relating to strategy and matters discussed at MGX meetings and Bid Committee meetings.
Chief Financial Officer's update	At every Board meeting the Chief Financial Officer presented a paper on the financial performance of the Group.
Chief of Staff, General Counsel & Company Secretary's update	At every Board meeting the Chief of Staff, General Counsel & Company Secretary presented a paper on topics such as: <ul style="list-style-type: none"> • Acquisitions and disposals • Quality, Health, Safety and Environment (QHSE) performance and statistics • HR and colleague-related matters • Diversity and inclusion network activities • Internal and external communications • Whistleblowing • Governance and regulatory matters • Material litigation
Investor relations	An investor relations report was presented at every Board meeting on topics such as: <ul style="list-style-type: none"> • Share price performance • Investor engagement and feedback • Analyst research and consensus • Share register analysis • Sector news

Director attendance

Position	Name	Board	Nomination Committee	Audit Committee	Remuneration Committee	ESG Committee
Chairman	Derek Mapp	7/7	2/2	–	–	–
Executive Directors	Phil Bentley	7/7	–	–	–	–
	Simon Kirkpatrick	7/7	–	–	–	–
Independent Non-Executive Directors	Baroness Couttie ¹	2/5	–	3/5	–	2/4
	Jennifer Duvalier	7/7	2/2	–	3/3	–
	Chet Patel	7/7	–	6/7	3/3	–
	Mary Reilly	7/7	2/2	7/7	–	–
	Salma Shah	7/7	–	–	3/3	6/6
	Roger Yates	7/7	2/2	7/7	3/3	–

1. Baroness Couttie was unable to attend some meetings due to ill-health and died on 12 December 2022.

Culture at Mitie

Culture at Mitie is underpinned by its purpose: Our expertise, care, technology, insight and focus on sustainability create amazing work environments, helping our customers to be exceptional, every day.

Mitie is a people business, offering facilities management services that are driven by Mitie colleagues. Mitie's vision is to be the destination employer in the facilities management industry, creating a 'Great Place to Work', and a truly inclusive culture where our people are supported to achieve their potential. Further detail can be found in the People section on pages 38 to 42.

All Directors lead by example and promote the desired culture.

Alignment of remuneration and culture

Successful people and organisations are clear about what they want to achieve, how they are going to get there and their progress along the way. The annual employee appraisal (MiReview) process allows Mitie to set SMART objectives in areas that really add value to the business, build development plans that help colleagues achieve their objectives and personal development goals, and ensure pay reviews are carried out in a transparent way, related directly to individual performance.

Details on Mitie's approach to investing in and rewarding its workforce are set out on pages 38 to 42 and Mitie's Real Living Wage commitment on page 40.

Ethics

Mitie is committed to promoting equality, diversity and inclusion; eliminating discrimination; providing equality of opportunity; and encouraging inclusivity among colleagues. All colleagues are required to adhere to Mitie's key ethics and compliance policies, which include the Employee Handbook, Ethical Business Practice Policy, People Policy, and Equality, Diversity & Inclusion Policy. Colleagues are encouraged to report any behaviours that they believe do not comply with the policies or do not meet the standards of conduct expected at Mitie. Channels for raising any such concerns include Mitie's independent whistleblowing service, line managers, People Support, directly with the Chief Executive via email to 'Grill Phil', via email to the equality, diversity and inclusion mailbox and through Mitie's diversity networks.

Mitie's award-winning inclusion learning and development programme, Count Me In, is available to all colleagues and continued into FY23. As part of the Count on Mitie phase of Count Me In, a new eLearning activity 'Inclusivity, Culture and You' and a new 'Speak Up' exercise were launched during the year. The new eLearning activity explores the impact of creating an inclusive culture on individuals, Mitie, Mitie's customers and the wider community. The 'Speak Up' exercise encourages colleagues to speak up if they notice non-inclusive behaviours or behaviours that fall outside Mitie's Values. The exercise also equips colleagues with guidance on how to identify these behaviours and provides support and confidence to speak up. Further details on Mitie's Count Me In programme can be found on page 38 and at www.mitiepeople.com/countmein.

CMA investigation

As announced on 4 March 2022, the Competition and Markets Authority (CMA) launched an investigation into suspected anti-competitive conduct in connection with the participation by the Company, Mitie Care and Custody Limited and PAE Incorporated in the ongoing procurement processes run by the UK Government (Home Office) for the contracts to supply certain services at Heathrow and Derwentside Immigration Removal Centres (IRC) in the UK. On 7 December 2022, the CMA announced that it had provisionally decided to close the investigation on the basis that there were no grounds for action. On 14 February 2023, the CMA announced that it had reached a final decision to close the investigation on the basis that there were no grounds for action.

Mitie strongly condemns anti-competitive practices and cooperated fully with the CMA and the investigation.

How the Board assesses and monitors culture

Mitie's Values help define the behaviours of its people and underpin its vision of The Exceptional, Every Day. An important element of Mitie's culture is establishing a 'One Mitie' way of operating across the business. The 'One Mitie' way leads to consistent, high-quality and relevant information flows across the business. Mitie's colleague listening strategy, which is focused on hearing from and acting on colleague feedback, supports the adoption of a 'One Mitie' culture which is inclusive and high performing. The strategy includes colleague listening sessions hosted by Board members and Mitie business divisions, Team Talk Live 2023 and the annual colleague engagement survey, Upload. Regular Town Hall events with colleagues at Mitie offices are also held by the Board, including a Town Hall event held at Mitie's Birmingham office during FY23. Where virtual events are held, they include the ability for colleagues to ask questions of management via a chat box (anonymously, if preferred).

These information flows, together with direct engagement from each of Mitie's business divisions, are key to the Board's oversight of cultural matters. Mitie also measures several non-financial KPIs, such as colleague turnover, employee engagement, Net Promoter Score and lost time injury frequency rate, which allow trends and changes to be identified and monitored.



Town Hall event for colleagues in Birmingham, with all Board members in attendance

Culture at Mitie continued

Set out below are further examples of how the Board monitors culture.

Whistleblowing

Mitie has an independent whistleblowing service, 'Speak Up', to enable employees, customers, suppliers and third parties to report any concerns or wrongdoing anonymously, without any fear of retaliation. Mitie's whistleblowing service platform, EthicsPoint, is managed by an independent third-party service provider, Navex Global. The service can be accessed via a freephone hotline number and a web portal, details of which are made available to employees in multiple languages via workplace posters, Mitie's Employee Handbook, Intranet and MitiePeople.com. The service can also be accessed by customer and supplier personnel, as well as members of the public, with details being provided via www.mitie.com.

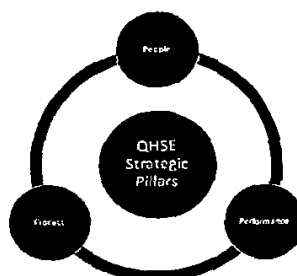
The whistleblowing service and related internal procedures are structured to ensure that all reports are reviewed and investigated independently from the area of the business to which they relate, thereby minimising the risk of conflicts arising. All reports are copied to and reviewed by a central Whistleblowing Investigation Group, which includes the Deputy General Counsel and senior members of the Group's Internal Audit function. This helps to ensure transparency and enables any trends to be identified and addressed.

An update on whistleblowing activity is provided to the Board at every Board meeting and to the MGX as appropriate. The update to the Board includes details of incident reports received in the period between meetings, as well as details of ongoing investigations. The EthicsPoint platform provides Mitie with the ability to report by business division and by investigation status/outcome, facilitating the Board's ability to effectively track the progress of investigations and to monitor and address trends across individual business units and the Group as a whole.

Quality, Health, Safety and Environment (QHSE)/LiveSafe

Mitie recognises that health, safety and wellbeing play a pivotal role in achieving The Exceptional, Every Day. This is achieved by creating an environment where Mitie colleagues feel able to bring their whole selves to work, thereby improving health, safety and wellbeing. Mitie's aim for zero harm is underpinned by Mitie's core values and influenced through Mitie's LiveSafe programme. The programme facilitates proactive leadership, leading to better trust and accountability in all aspects of health, safety

LiveSafe



WeCare

and wellbeing management. In turn, this helps increase performance, influence ownership, improve customer service, reduce absence, reduce accidents and increase creativity and innovation, ultimately embedding a thriving culture throughout the organisation.

In FY23, a 'WeCare' engagement week was launched. Throughout the week Mitie's HSE function engaged with clients and frontline colleagues.

Health, safety and wellbeing are also key metrics in demonstrating that Mitie is a responsible business and adds social value, which helps Mitie to attract and retain employees and clients.

2022 Upload survey

Mitie's annual employee engagement survey, Upload, provides feedback that can be acted upon by the Board and management to improve colleagues' experience of working at Mitie. The results of the survey provide the Board with a Group-wide snapshot of employee engagement levels and how employees rate Mitie's culture. A timeline with details of how this information reaches and is considered by the Board can be found on page 42. Details of 2022 Upload survey insights (You Said) and actions taken (We Did) can be found on page 42.



Designated Non-Executive Director for workforce engagement

Jennifer Duvalier is Mitie's designated Non-Executive Director responsible for oversight of the Board's engagement with Mitie colleagues. Jennifer participates directly in employee engagement initiatives and, along with other Board members, has carried out a full programme of activities in FY23. These events include colleague listening sessions, which ensure that the Board hears directly from frontline colleagues about what is working well at Mitie and what can be improved. One of Jennifer's main roles is to encourage colleagues to share their views. She then champions their voice in Board discussions.

Details of the activities undertaken by Jennifer and other Non-Executive Directors during the year can be found on pages 94 and 95.

Why Jennifer?

Prior to joining the Board in 2017, Jennifer had a long career in HR, working in several large, people-driven companies going through significant transformation. Jennifer brings this wealth of experience to Mitie.

Objectives

The objectives of Jennifer's programme of activities include:

- Ensure that the Board hears from a wide cross-section of Mitie colleagues both in the UK and internationally
- Hear from colleagues from a diverse range of backgrounds, roles, contracts and business units
- Ensure Board and MGX involvement in key equality, diversity and inclusion events
- Create opportunities to get involved in the work of colleagues to better understand their lived experience at work, subject to health and safety rules
- Create a cycle of feedback with the Board to inform decision-making and people strategy setting/deliverables, and ensure colleagues hear what actions are taken from these discussions



It is so important for other Board members and me to hear directly from colleagues on what they value about working for Mitie and what can be improved to make their working lives better. We take feedback received from colleagues very seriously and ideas for improvements are fed back to the wider Board and MGX.

I always feel really energised when I leave colleague listening sessions about what is going well and the great ideas from colleagues for what can be improved. I am always blown away by how dedicated our frontline colleagues are to supporting our customers, often in very challenging circumstances.



Jennifer Duvalier
Designated Non-Executive Director
for workforce engagement

Board site visits

The Board is at the forefront of the journey to make Mitie a 'Great Place to Work' and is keen to understand the views of all employees and the impact its decisions have on them. During FY23, Mitie refreshed its process in relation to colleague listening sessions, with Jennifer and other Board members hosting at least one listening session with Mitie colleagues or attending a Mitie equality, diversity and inclusion event each month. The wider Board will continue to join Jennifer in attending listening sessions and equality, diversity and inclusion events during FY24.

The Board's role in colleague engagement is supported by Mitie's Chief People Officer and Internal Communications Business Partner. In collaboration with the business division leads, the Chief People Officer and Internal Communications Business Partner evaluate Mitie's Upload survey data and Net Promoter Score (NPS) scores to propose a range of site visits that ensure effective reach to Mitie colleagues globally.

The Internal Communications Business Partner facilitates these visits alongside the business unit and/or account lead. While each visit varies in structure, generally Board members receive a tour of the site or receive an overview of it, hold a one-to-one meeting with managers and then hold an informal session with the frontline site team without managers present. No specific topics for discussion are provided in advance, though the site team is advised that the Board would like to hear about their experiences of working at Mitie, whether they have any challenges, concerns or ideas for improvement, and the things that they consider Mitie does well.

A summary of what Board members hear from colleagues is shared with the whole Board ahead of Board meetings and then discussed by the Board during its meetings. Where specific matters are raised, these are discussed with members of senior management to ensure they are properly considered and appropriately addressed.

Details of the Board's engagement with colleagues are shared through Mitie's internal communication channels – Minet/ mitiepeople.com and in Mitie's weekly round-up email, Recap.

Jennifer's wider activities in relation to colleague listening

The Board considers it important that colleagues' views are heard through several mediums, including feedback from managers, surveys, internal communications and digital channels (such as Yammer), to develop an inclusive, two-way and 'One Mitie' culture. Therefore, as well as site visits and colleague listening sessions, Jennifer is involved in a range of other activities, including leading remuneration listening sessions, analysing feedback from Mitie's annual Upload survey and regular Pulse surveys, spending time with the HR teams and attending virtual Q&A events, and invites colleagues to contact her directly via her Mitie email address.

Why the role of designated Non-Executive Director for workforce engagement adds value (over and above other employee engagement mechanisms)

Through hosting colleague listening sessions, Jennifer and the wider Board meet people across the business and listen to their views and experiences to understand first-hand what they value about Mitie and what they would like to be different. The Board is also able to instil confidence that colleagues' views are being heard at the highest level of the organisation. In analysing the feedback received, the Board can quickly identify any recurring concerns across the business and provide assurance that these will be managed effectively and efficiently.

Learnings and responses

Themes identified from the Board's colleague listening sessions during FY23 included:

- Benefits and recognition: awareness of Mitie benefits is mixed
- Technology and access to systems: recognised as an area for improvement for some Project Forté users
- Pay: rates of pay in the context of the cost-of-living crisis
- Communications: a desire for more effective communication with colleagues across business divisions



Jennifer with colleagues at a panel discussion to celebrate International Women's Day in March 2023.

Culture at Mitie continued

Details of actions taken in response to feedback received are set out below.

Benefits and recognition

Positive feedback	Improvement areas	Actions taken
<p>Mitie's £10m Winter Support package benefits and one-off bonus, which was announced in November 2022, was positively received by the majority of colleagues.</p> <p>Benefits such as Mitie's MiDeals platform were welcomed by colleagues, many of whom said they had made great savings.</p> <p>There was an overwhelmingly positive response from colleagues to Mitie's Virtual GP service.</p>	<p>Colleagues who had narrowly missed out on the Winter Support package benefits and one-off bonus, due to having earned slightly over £30k in base pay or slightly over £35k including overtime, felt disappointed in the level of support received. In particular, those who had missed out due to overtime felt this was unfair, with some commenting that they needed to do overtime in order to afford everyday expenses.</p> <p>There was some lack of understanding of the benefits available to Mitie colleagues and how to access them.</p>	<p>Derek Mapp committed to work with the MGX and Reward and Recognition team to better understand the decision-making process for not having provided the Winter Support package benefits and one-off bonus to those who crossed the £35k earnings threshold due to overtime.</p> <p>Mitie launched an Employee Value Proposition (EVP) campaign, MyMitie, to demonstrate to colleagues why Mitie is a 'Great Place to Work' and to ensure colleagues know what is on offer to them – from benefits to career progression opportunities. An evaluation of the first eight weeks of the campaign showed that over 55% of eligible colleagues had spent the £50 voucher given to them through the Winter Support package, equating to over £1m in downloaded vouchers.</p>

Technology and access to systems

There was greater access to phones, laptops and tablets than there had been previously.	Project Forté continued to be an issue for some teams, with users stating that the system still did not work properly for them.	The Board requested that the Project Forté team visit the specific sites where there were issues to work with colleagues to resolve them.
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Pay

Colleagues welcomed the London Living Wage increase in January 2023 and the one-off bonus provided to eligible colleagues as part of the Winter Support package.	Some colleagues raised pay as an issue and commented that competitors offered higher rates of pay.	Mitie continues to be a Recognised Service Provider with the Living Wage Foundation. Mitie is committed to paying the Real Living Wage for all directly employed colleagues and campaigns for its widespread take-up within its customer contracts. Mitie incorporates Real Living Wage costings when submitting bids to prospective and current customers so that they can choose the Real Living Wage at the point of tender.
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Communications

Lots of communication had been sent by Mitie to colleagues. Communication around benefits and the Winter Support package had been good.	<p>Communications sent by Mitie did not always reach frontline colleagues and colleagues without regular access to IT.</p> <p>Communication cascades did not always work.</p> <p>Sometimes there was too much communication.</p>	A communications review was conducted between January and March 2023, involving focus groups of frontline colleagues and a survey for managers. The results informed a business case and discovery project for a new Mitie colleague app, the aim of which is to improve the reach and targeting of communications.
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Board effectiveness and evaluation

Board effectiveness

The performance of the Board is an essential component of the Company's success. The Board undertakes a formal and rigorous evaluation of its own performance and that of the Board Committees, Chairman and individual Directors annually. The evaluation considers composition, diversity and how effectively members work together to achieve objectives.

The evaluation provides an opportunity for the Board to enhance its effectiveness and identify any areas for improvement. All Directors fully engage in the evaluation process and take appropriate action if development needs are identified. The evaluation is externally led every three years and internally led in other years, with the next external evaluation due in FY24.

In years in which the evaluation is led internally, the Chairman leads this for each of the Independent Non-Executive Directors and Executive Directors, and the Senior Independent Director facilitates the evaluation of the Chairman.

Internal Board evaluation process

Process followed for internal FY23 evaluation:

January	February	March
<ul style="list-style-type: none"> Engagement, scope and focus of review agreed Evaluation meeting slots diarised 	<ul style="list-style-type: none"> The Chairman conducted evaluation meetings with Board members and senior management The Senior Independent Director conducted an evaluation meeting with the Chairman 	<ul style="list-style-type: none"> Findings were collated and evaluated The Chairman and Senior Independent Director provided a report to the Board and Committees Outcomes of the internal Board evaluation were established, and actions agreed by the Board and Committees

Outcomes from the internal FY23 evaluation

Outcomes/suggestions	Actions undertaken or planned
To focus on succession planning, to address gaps in experience and skills following the death of Baroness Couttie and as certain Independent Non-Executive Directors are due to reach nine years of service in FY27	To be discussed by the Board at regular intervals throughout the year
To have a significant debate around what Mitie FY25–FY27 will look like	Mitie's next three-year strategic plan to be debated and agreed at Board strategy day in September 2023
To hold more regular Independent Non-Executive Directors only sessions	To be scheduled at the end of each Board meeting where possible
To encourage Non-Executive Director mentoring of MGX members	Mentoring partnerships to be mapped by appropriate skillset

Progress made on actions identified in prior year

Outcomes from the evaluation conducted for FY22 were reviewed at the March 2022 Board and Nomination Committee meetings. Progress made during FY23 on actions identified as part of the FY22 evaluation is set out below.

Outcomes/suggestions	Actions previously undertaken or planned	Progress made on actions during FY23
The Board concluded that it and its Committees had continued to operate effectively during FY22. The selection of new Non-Executive Directors was critical to addressing any gaps in experience of the Board and ensuring chemistry and collegiate working was maintained.	A full induction has been arranged for Chet Patel and Salma Shah. Committee membership has been reviewed and refreshed, in light of their appointment.	Chet and Salma completed their induction process in FY23. Following the death of Baroness Couttie in December 2022, the Nomination Committee agreed at its January 2023 meeting that the Board would review and address any resulting gaps in experience or skills as part of the FY23 Board evaluation process.
Jennifer Duvalier would continue to act as the Company's designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce. However, the Chair and other Non-Executive Directors would additionally attend and participate in colleague listening sessions.	A calendar of events has been agreed for FY23 which will be attended by both Jennifer and other Non-Executive Directors.	Jennifer and other Non-Executive Directors participated in multiple Employee Voice sessions and other colleague events during FY23, as set out on pages 94 and 95.
To continue to progress a number of ambitious programmes of ESG-centred activities.	The Board and ESG Committee (formerly known as the Social Value & Responsible Business Committee), through its oversight and governance of all Mitie's social value and responsible business initiatives, will continue to evaluate how ESG issues affect key aspects of the business, what Mitie's ambitions and goals should be as a long-term sustainable business and opportunities to better report on these activities.	The ESG Committee developed Mitie's ESG strategy during FY23. The ESG strategy was presented to the Board for approval in September 2022. The Board and ESG Committee continue to drive Mitie's ESG agenda forward and Mitie continues to receive external recognition of its ambitious ESG-centred activities. Further detail can be found in the ESG Committee report on pages 131 and 132.

Nomination Committee report



The Committee's activities had particular focus on succession planning, to ensure Board members' skills and experience continue to align with Mitie's strategy and the Board's composition is representative of wider society and our stakeholders.

Derek Mapp
Chair of the Nomination Committee

As Chairman of the Nomination Committee, I am pleased to report on the work done by the Committee during the year.

A key responsibility of the Committee is to maintain plans for orderly Board succession, and the Committee regularly receives and reviews updates on the structure, size and composition of the Board and its Committees, to ensure critical skills and experience are appropriately refreshed. We feel passionately that the composition of the Board should reflect wider society and comprise a diverse range of skills and experience in order to promote strong governance. In April 2022, we welcomed Chet Patel and Salma Shah as our new Non-Executive Directors. Chet and Salma both joined the Remuneration Committee, with Chet also joining the Audit Committee. Salma joined the ESG Committee and was subsequently appointed as its Chair in January 2023. Chet and Salma joined the Nomination Committee in March 2023. Chet has extensive experience in the B2B service environment, promoting sales and growth strategies, while Salma brings a wealth of public sector expertise.

During the year, the Board performed an internal evaluation of progress against the FY23 areas of focus and the resulting actions, as well as agreeing new areas of focus for FY24. Further information on the evaluation can be found on page 103.

Succession planning was a key focus in the year, with the Board reviewing draft plans on executive succession planning, contingency planning, and career development.

The Committee also reviewed the number of external directorships held by each Non-Executive Director as well as individual time commitments.

Derek Mapp
Chair of the Nomination Committee

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1. The Senior Independent Director chairs the Committee in circumstances where it would be inappropriate for the Chairman of the Board to chair the Committee.

Nomination Committee members
At the date of this report and throughout FY23, the Nomination Committee comprised:

Chair:
Derek Mapp

Committee members:
Baroness Courtie (until 12 December 2022)
Jennifer Duvalier
Chet Patel (from 22 March 2023)
Mary Reilly
Salma Shah (from 22 March 2023)
Roger Yates

All members of the Nomination Committee are considered independent in accordance with the Code.

Nomination Committee meetings
The Committee met twice during FY23. The attendance of individual Committee members can be found on page 98.

Key purpose of the Nomination Committee

The Nomination Committee evaluates the skills and characteristics required by the Board and its Committees. In doing so, the Committee considers the challenges and opportunities facing the Group and the expertise and diversity required for the future. This ensures membership of the Board and its Committees continues to remain appropriate.

Key responsibilities of the Nomination Committee

The key responsibilities of the Nomination Committee include:

- Regularly review the structure, size and composition of the Board
- Ensure plans are in place for an orderly succession to Board and senior management positions
- Consider the length of service of the Board as a whole
- Identify and nominate, for approval by the Board, candidates to fill Board vacancies as and when they arise
- Keep under review the number of external directorships held by each Non-Executive Director
- Review the results of the Board evaluation process that relate to the composition of the Board
- Keep the Board Inclusion Policy under review

The Nomination Committee's Terms of Reference are available at www.mitie.com/investors/corporate-governance.

Key activities during the year**Composition**

As it does annually, the Nomination Committee reviewed the composition and leadership of the Board and each of its Committees during FY23. The Nomination Committee is satisfied that the Board's composition and diversity has been appropriate throughout the year, having regard in particular to the integrity, skills, knowledge and experience of its Directors and the size and nature of the business. A skills matrix can be found below.

Succession planning

The Board recognises the importance of succession planning and Board refreshment and maintains succession plans for the Board and senior management.

During FY23, the Nomination Committee discussed succession planning at both its meetings.

The Board considered the Board skills matrix in the context of succession planning as a tool to help identify potential composition needs for the future, and to ensure that plans are proactive and not just reactive in nature.

The tenure of members of the Board is well balanced, with the Chairman having been appointed in May 2017 and all the Non-Executive Directors having served for less than six years. The Committee considers tenure when determining a Non-Executive Director's independence.

All appointments to the Board are subject to a formal, rigorous and transparent appointment process, and are based on merit and objective criteria. The Committee engaged Sam Allen Associates as the search firm involved with the recruitment of Chet Patel and Salma Shah, who were appointed Non-Executive Directors from

1 April 2022. Sam Allen Associates has recently been re-appointed to search for an additional Non-Executive Director to the Board as part of the Board's succession planning. Sam Allen Associates had no other connection with the Company or individual Directors.

Individual Director contribution

The individual skills and experience of each Director contribute to the overall effectiveness of the Board in promoting the long-term sustainable success of the Company. The table below sets out how each Director's individual skills and experience contribute to the balance required by the Board to deliver the Group's strategy and manage risk.

Further details of each Director's skills and experience are set out in their biographies on pages 87 to 89.

Board skills matrix

Skills/experience area	Derek Mapp	Phil Bentley	Simon Kirkpatrick	Jennifer Duvalier	Chet Patel	Mary Reilly	Salma Shah	Roger Yates
Leadership and business operations	Exceptional	Exceptional	✓	✓	✓	✓		✓
Strategy development	✓	Exceptional	✓		✓	✓	✓	✓
Corporate governance	Exceptional	✓	✓	✓	✓	✓	✓	✓
Audit/risk management and assurance		✓	Exceptional		✓	Exceptional		✓
Remuneration/HR				Exceptional				✓
Commercial	✓	Exceptional	✓	✓	Exceptional	✓		✓
Technology/digital				✓	Exceptional			
Finance		Exceptional	Exceptional		✓	✓		✓
Investment community		Exceptional	✓					Exceptional
Government/public sector experience						✓	Exceptional	

The collective skills and experience of individual Directors support the work of the Board and there is clear alignment between their respective competencies and the Group's strategy. Board discussions further benefit from the diversity of approach taken by each Director due to their individual background, career development and training.

Nomination Committee report continued

Director external appointments and time commitments

Directors are permitted to accept additional external appointments but must seek approval from the Chairman in advance. If a Director holds significant additional external appointments, the reasons for permitting such appointments would be explained in the Annual Report.

When considering the appointment of a new Director, the Board reviews other demands on the candidate's time. Prior to appointment, the candidate must disclose any significant commitments and provide an indication of the time involved.

The Nomination Committee reviewed the time commitments of Non-Executive Directors to ensure that there were no concerns regarding overcommitment. This review considered the number of appointments, their scope and the size and type of company in which the role is held, the views of major shareholders and the latest published guidelines and recommendations.

The Board remains confident that all Board members continue to have sufficient time to dedicate to their duties.

Re-election of Directors

In accordance with the Code and the Company's Articles of Association, all Directors are subject to election or re-election by shareholders. At the 2022 AGM, each Director in post at the time stood for election or re-election and was appointed or re-appointed by shareholders. At the 2023 AGM, all Directors will stand for re-election.

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association, the Code, the Companies Act 2006 and other related legislation.

The terms of appointment for Non-Executive Directors and service contracts for Executive Directors are available for inspection at the Company's registered office and head office and will be available at the 2023 AGM.

Conflicts of interest

The Board has a policy on the declaration and management of Directors' conflicts of interests. Any potential situation or transactional conflict must be reported as soon as possible to the Chairman, Chief Executive and Chief of Staff, General Counsel & Company Secretary. Where a potential conflict is authorised under statutory powers and powers granted under the Company's Articles of Association, such conflict is kept under ongoing review.

Executive Directors are permitted to accept external appointments, provided these do not interfere with the Director's ability to discharge his/her duties effectively and permission is sought from the Board. Executive Directors are entitled to retain fees earned from any external appointments. Neither Phil Bentley nor Simon Kirkpatrick held any external positions during FY23.

External positions held by the Chairman and current Non-Executive Directors are detailed in their biographies on pages 87 to 89.

Induction and training

On joining the Board, all Directors receive a personally tailored induction which includes:

- Meetings with Executive Directors, the Chief of Staff, General Counsel & Company Secretary and other members of senior management
- An overview of the Group's governance policies, corporate structure and business functions
- Details of risks and operating issues facing the Group
- Visits (in person and/or virtually) to divisional offices
- A briefing on key contracts

Chet Patel and Salma Shah completed their induction process in FY23.

All Directors have access to Mitie's Board Handbook on an electronic Board portal which includes:

- Schedule of matters reserved for the Board
- Committee terms of reference
- The Company's Articles of Association
- Guidance on Directors' statutory duties
- An overview of the Group's Directors' and officers' liability insurance arrangements
- Delegated authorities register
- Share dealing procedures
- Corporate governance and regulatory guidelines
- Key corporate documents and policies

The Board Handbook is subject to regular review and was last updated in early 2023.

Briefing notes on changes in the regulatory and governance environment are circulated to Directors on an ad hoc basis. Online training on regulatory and governance changes is also made available to Directors. Visits (in person and/or virtually) to different business sites and offices are arranged for Directors to facilitate a deeper understanding of the business.

Diversity and inclusion

Mitie has a Board Inclusion Policy which recognises the importance of the Board's membership reflecting diversity in its broadest sense.

The policy also sets diversity objectives, including:

- Ensure the Board's membership reflects a combination of demographics, skills, experience, race, age, gender, educational and professional backgrounds which provides a range of perspectives, insights and challenges needed to support good decision-making and reflects the diverse workforce at Mitie
- Maintain a balance so that a minimum of 40% of the Directors are women, provided this remains consistent with the skills and diversity requirements when searching for a new appointment to the Board
- Ensure at least one of the Chair, Chief Executive, Chief Financial Officer or Senior Independent Director is a woman, provided this remains consistent with the skills and diversity requirements when searching for a new appointment to the Board

- Ensure there is at least one Director from a minority ethnic background, provided this remains consistent with the skills and diversity requirements when searching for a new appointment to the Board
- Support and monitor activities to increase the percentage of senior management roles held by women and other underrepresented groups across Mitie

The policy recognises that there may be periods of time when the balance falls below this during the search and recruitment process. As at 31 March 2023, the Company did not meet the obligations set out under LR 9.8.6R (9) of the Listing Rules that at least 40% of the individuals

on its board are women and that at least one of the Chair, CEO, CFO or SID is female. The Company had previously met the first target as a result of the appointment of Salma on 1 April 2022, but female representation on the Board fell from 44.4% to 37.5% following Philippa's death in December 2022. At 31 March 2023, the Board included two Directors from a minority ethnic background. We have initiated the search for an additional Non-Executive Director to recruit a talented Board member with the appropriate mix of skills, capabilities and market knowledge in continuing to ensure the Board is effective.

The information required under LR 9.8.6 (10) is set out below, for which purpose executive management comprises members of the Mitie Group Executive (MGX). For the purpose of LR 9.8.6 (11), diversity data is disclosed by individuals via Mitie's People Hub system at point of onboarding. Where 'prefer not to say' is selected, colleagues can choose to update this selection later in employment. Data provision is proceeded with clarity on how the data will be used.

Mitie's Board Inclusion Policy is available at www.mitie.com/investors/corporate-governance.

A breakdown of the gender balance of those in senior management and their direct reports can be found on page 39.

Board and executive management diversity at 31 March 2023

Gender

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	62.5%	4	8	80%
Women	3	37.5%	—	2	20%
Not specified/prefer not to say	—	—	—	—	—

Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	6	75%	4	9	90%
Mixed/Multiple Ethnic Groups	—	—	—	—	—
Asian/Asian British	2	25%	—	1	10%
Black/African/Caribbean/Black British	—	—	—	—	—
Other ethnic group, including Arab	—	—	—	—	—

Audit Committee report



“
The Group has made good progress to improve its internal controls framework to ensure the continued integrity of financial reporting as the Group transforms and delivers growth.
”



Mary Reilly
Chair of the Audit Committee

Report from the Audit Committee Chair

On behalf of the Board, I am pleased to present the Audit Committee Report for the financial year ended 31 March 2023 (FY23). This report provides insight into key areas considered by the Audit Committee during the year to discharge its responsibilities in relation to financial reporting, risk management, internal control, the internal audit function and interaction with BDO LLP (BDO), the Group's external auditor.

During the year, we were deeply saddened by the passing away of our colleague and fellow Audit Committee member, Baroness Philippa Courtie, in December 2022. Our thoughts and condolences remain with her family.

In FY23, Greg Watts took over from Scott McNaughton as the lead partner for BDO for the Group audit of Mitie. Scott had been the lead partner for BDO for the Group audit for the previous five years and, in accordance with rotation requirements for audit partners on listed entity audits, the FY22 audit was Scott's final year. During FY23, I have held several meetings with Greg to ensure that the effectiveness of the Group audit has been maintained throughout the transition.

During the year, the Group's Head of Internal Audit, Simon Dunn, resigned to pursue another opportunity and was replaced by Sameen Sheikh. We thank Simon for his valuable contributions during his time with Mitie and extend a warm welcome to Sameen.

The Group has acquired several strategically important businesses during the year, where integration activities have ensured robust controls and processes while seeking to preserve the entrepreneurial cultures that have made them successful.

The business has also continued to focus on the implementation of its transformation programme, which was reflected in the nature of some of the matters presented for consideration at Audit Committee meetings during the year.

Given the evolving environment, I have continued to make a conscious effort to meet senior finance staff throughout the year, which gave me an opportunity to gauge the extent of any significant emerging issues and to monitor developments.

The Group has made good progress to improve its internal controls framework to ensure the continued integrity of financial reporting as the Group transforms and delivers growth, including:

- For the acquired businesses, the review of balance sheets, accounting policies, processes and controls as part of the acquisition accounting and integration processes;

Audit Committee members

Chair:

Mary Reilly

Committee members

Roger Yates

Chet Patel

Baroness Courtie (until 12 December 2022)

Frequency of meetings

The Audit Committee met seven times during FY23.

Key purpose of the Committee

The Audit Committee provides effective governance of the appropriateness of the Group's financial reporting and the performance of both the Internal Audit function and the external auditor. The Audit Committee also supports the Board in meeting its responsibilities in respect of overseeing the Group's internal control systems, business risk management and related compliance activities.

The Audit Committee's Terms of Reference are available at www.mitie.com/investors/corporate-governance.

Key responsibilities in relation to financial reporting

The primary role of the Audit Committee in relation to financial reporting is to review, with both management and the external auditor, the appropriateness of the half-yearly financial report and the Annual Report and Accounts, concentrating on, amongst other matters:

- The consistency of, and any changes to, significant accounting policies and practices on a year-on-year basis;
- The clarity and completeness of disclosures and the context in which statements are made;
- The methods used to account for significant or unusual transactions where different approaches are possible; and
- Whether the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

To aid the review, the Audit Committee considers reports from the Chief Financial Officer on judgemental areas, and also reports from the external auditor on the outcomes of the half-year review and year end audit.

- Training has continued to be provided to finance teams on a regular basis across the year to ensure consistent application of the Group's accounting policies;
- As revenue recognition continues to be a critical area of judgement for the Group, periodic reviews have been conducted by Group Finance to assess compliance with the Group's accounting policy;
- The internal audit and controls teams have been strengthened to effectively manage complexity introduced by the growth of the Group, and in readiness for the impending corporate governance reforms in the UK;
- A comprehensive review of the key internal controls across the Group has been undertaken to ensure these continue to function effectively and that key controls have been updated to reflect organisational changes and the newly acquired businesses; and
- In May 2023, the FRC issued its consultation document on the UK Corporate Governance Code which focuses largely on internal controls, assurance and resilience. The Group is currently considering the potential implications for Mitie, in the context of the work already underway in this area.

In addition to fulfilling its normal programme of activities during the year, the areas of focus for the Audit Committee in relation to the FY23 financial statements have been:

- Evaluating judgements made by management on the adequacy of provisions required on loss-making contracts and the appropriateness of the related disclosures;
- Assessing the impact and disclosure of the accounting policy change in respect of the amendment to IAS 37 regarding costs a company should include as the costs of fulfilling a contract when assessing whether a contract is onerous;
- Challenging management's judgements in relation to impairment assessments for the carrying value of goodwill, timing of revenue recognition on certain contracts and the recoverability of deferred tax assets in relation to losses;
- Reviewing the appropriateness of recognition of pensions surpluses on defined benefit schemes as assets on the Group balance sheet, based on the Group's unconditional right to a refund of the surplus;
- Assessing judgements made by management in respect of acquisitions completed in the year. In particular, focus was placed on fair value adjustments to recognise acquired intangible assets on the acquisitions of Custom Solar, 8point8 and P2ML and the accounting treatment for deferred consideration;

- Considering the classification of certain costs within Other Items and the associated disclosure, by reviewing the framework of controls operated by management around this area, and challenging the nature of the charges and credits classified as Other Items, to ensure the result is that a reader of the Annual Report and Accounts is provided with an improved understanding of the underlying results of the business;
- Assessing the appropriateness of controls established to ensure the continued accuracy of financial reporting during the transition to a new operational system in the Technical Services division as part of Project Forté;
- Challenging the approach taken by management to support the going concern and viability statements set out on pages 152 to 153 and 84 respectively;
- Assessing the appropriateness of climate-related disclosures and evaluating to ensure that the Task Force on Climate-related Financial Disclosures (TCFD) recommendations have been embedded appropriately;
- Reviewing and challenging the progress made on key workstreams in readiness for the impending corporate governance reforms in the UK; and
- Assessing key financial reporting judgements made by management in the context of applying the remuneration policy for executive management as set out by the Remuneration Committee.

Further detail regarding the Audit Committee and its work can be found on pages 110 to 115.

In conclusion, the Audit Committee can provide positive assurance to the Board that the Annual Report and Accounts 2023, when taken as a whole, are fair, balanced and understandable and provide shareholders with sufficient and appropriate information to enable shareholders to assess the Group's position and performance, business model and strategy. As Chair of the Audit Committee, I will be available at the 2023 AGM to answer any questions about the work of the Audit Committee.

Mary Reilly
Chair of the Audit Committee

DocuSigned by:

Mary Reilly
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Audit Committee report continued

Significant issues considered by the Audit Committee during the year

The Audit Committee gives attention to matters it considers to be important by virtue of their size, complexity, level of judgement required or potential impact on the financial statements and wider business model, and matters pertaining to governance. Identification of the issues deemed to be significant takes place following open, frank and challenging discussion between the Audit Committee members, with input from the Chief Financial Officer, the external auditor, the Head of Internal Audit, the Director of Group Finance, the Group Financial Controller and other relevant Mitie employees.

The Audit Committee considered the significant matters set out below. Papers were presented to the Audit Committee by management, setting out the relevant facts, material accounting estimates and the judgements associated with each item. The external auditor provided papers setting out its views on each area of judgement.

The Audit Committee discussed the papers with management, challenged the underlying assumptions and sought the views of the external auditor on each matter. For each area of judgement, the Audit Committee concurred with the treatment adopted by management and the related disclosure presented in the Annual Report and Accounts.

Contract-specific provisions

During the year, management has performed reviews of contracts to assess whether any contracts may be onerous over the remaining term of the contract, and, where this is the case, the extent to which a provision should be made for future forecast losses. Management also conducted an assessment of the adequacy of provisions related to material contractual disputes.

Onerous contract provisions totalling £10.5m have been recognised at 31 March 2023 (2022: £13.2m). These primarily relate to a number of loss-making contracts that were acquired with the Interserve business, which are now within the Communities division. Management's assessments were made in the context of the plans that have been developed and are being implemented by divisional management to improve the profitability of these contracts. Management also presented papers, which included a scenario analysis on ranges of outcomes based on plausible assumptions, to support the conclusion to not recognise an onerous contract provision on a certain contract which made a loss of £8.4m in the year ended 31 March 2023 (2022: £8.7m) with 18 years remaining on the contract.

Management has also assessed the impact of the Group's accounting policy change resulting from the amendment to IAS 37 regarding the costs that a company should include in relation to fulfilling a contract when assessing whether a contract is onerous. This has led to an increase in onerous contract provisions of £1.1m.

Other contract-specific provisions, totalling £38.8m, have been recognised at 31 March 2023 (2022: £43.1m), which primarily relate to remedial and rectification costs required to meet clients' contract terms. Management's assessment included external expert opinions obtained, where necessary, to assess the adequacy of the provisions recognised.

The Audit Committee has reviewed the assessments presented by management, and took into account the views expressed by the external auditor, based on their independent reviews of these contracts and the related forecasts.

Revenue recognition

Due to the complexity and scale of many of the Group's contracts, revenue recognition continues to be an area of focus for the Audit Committee. The Audit Committee has received updates from management throughout the year and has also reviewed and discussed papers presented by management on specific areas of revenue recognition where judgement is required.

Valuation of goodwill

The Group carries goodwill as an intangible asset on its balance sheet in respect of businesses it has acquired (see Note 12 to the consolidated financial statements).

The Group considers the carrying value of all goodwill on at least an annual basis, or when an indicator of impairment has occurred. The valuation and impairment review of goodwill is assessed for each individual cash-generating unit (CGU) and considers the balance sheet value of the goodwill compared with the net present value of the post-tax cash flows that are expected to be generated by that CGU. The approach involves an estimation of the future cash flows expected to be derived from each CGU and the selection of appropriate discount rates, which are then applied to the cash flows to calculate a net present value.

The cash flow forecasts used in the review were derived from the most recent strategic forecast.

Management concluded that there was no impairment using either the latest forecast or as a result of applying reasonable sensitivities to key variables. The Audit Committee has considered papers prepared by management and has challenged the assumptions and methodology applied to assess the carrying value of goodwill.

Other material accounting judgements

Management has continued to operate an established, structured process for the identification of material accounting judgements made, which are assessed at both a divisional and Group level, in arriving at the results. The judgements with a significant actual or potential impact on the Group's results are presented to the Audit Committee for consideration.

In addition to the matters outlined above, the Audit Committee has also considered papers prepared by management in respect of the following matters:

- Assumptions used for pensions actuarial valuations for accounting purposes;
- Appropriateness of recognition of pensions surpluses on defined benefit schemes as assets on the Group balance sheet;
- The recoverability of deferred tax assets;
- Accounting for acquisitions, including Custom Solar, 8point8 and P2ML;
- The controls established to ensure the continued accuracy of financial reporting during the transition to a new operational system in the Technical Services division as part of Project Forté; and
- Distributable reserves assessments prior to distributions to shareholders and review of Mitie Group plc interim accounts.

Use of Alternative Performance Measures (APMs)

The Group's performance measures continue to include some measures which are not defined or specified under IFRS. The Audit Committee has considered presentation of these additional measures in the context of the guidance issued by the European Securities and Markets Authority (ESMA) and the Financial Reporting Council (FRC) in relation to the use of APMs, challenge from the external auditor and the requirement that such measures provide meaningful insight for shareholders into the results and financial position of the Group.

In particular, the Audit Committee challenged the classification of certain costs and income within Other Items, ensuring that there is a robust framework of controls around the assessment, and that the classification and disclosure are appropriate, with the aim of providing a reader of the Annual Report and Accounts with an improved understanding of the underlying results of the business. This was achieved through the review by the Audit Committee of detailed papers prepared by management throughout the year, setting out each category of Other Items, analysing the charges and credits reported within each category and documenting the rationale as to why these charges and credits were both incremental to 'business as usual' activities and directly related to the category.

The Audit Committee challenged as to whether any charges or credits had been rejected from the Other Items category, based on the framework of controls operated by Group Finance around the reporting of Other Items. Management confirmed that this had been the case and that the divisions continued to engage proactively with Group Finance to discuss whether potential charges or credits would qualify as Other Items.

The Audit Committee concurred with the judgements made by management in respect of the presentation of the APMs, and noted in particular that £3.7m of income has been reported within Other Items, in addition to charges, which reflected a balanced assessment. Furthermore, the Audit Committee concluded that clear and meaningful descriptions have been provided for the APMs used, that the relationship between these measures and the equivalent IFRS measures is clearly explained, that the IFRS measures are afforded equal prominence to the APMs, and that the APMs would enhance a reader's understanding of the financial statements.

A reconciliation of the APMs to the equivalent IFRS measures is provided in the Appendix – Alternative Performance Measures on pages 212 to 215.

Review of the Group's going concern and viability statements

The Audit Committee has reviewed the Group's assessment of going concern. The Audit Committee also reviewed the Group's viability assessment over a period of three years to 31 March 2026, which considered a range of scenarios that were based on the potential financial impact of the Group's principal risks and uncertainties as set out on pages 73 to 82.

After due consideration, the Audit Committee concluded that the assumptions used in both these assessments were appropriate, and reflected the Group's principal risks and uncertainties. The Audit Committee has also reviewed the Group's reverse stress test and challenged management as to the likelihood of any such scenario occurring, to assess whether it was reasonable to assume that the likelihood of any such scenario was remote. Factors that were considered include the current trading performance compared with the base case and further mitigation actions available to management.

Based on the Group's forecasts for the going concern assessment period, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its consolidated financial statements. Further details of the going concern assessment are set out in Note 1 to the financial statements on pages 152 and 153.

In accordance with the Code, the Directors have assessed the viability of the Group over the three-year period to 31 March 2026. Based on this assessment, the Directors have concluded that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2026. The more detailed assessment of the Group's long-term viability is set out in the viability statement on page 84.

Climate reporting

The Audit Committee has reviewed the climate-related disclosures across governance, strategy, risk management and metrics and targets and concurred with management that the requirements of all 11 TCFD disclosure recommendations have been complied with.

The Audit Committee challenged management on the impact of climate risks on financial results, in particular relating to asset impairments and the estimation of provisions for onerous contracts. Following this review, the Audit Committee concurred with management that there were no material financial statement impacts for FY23 in respect of these matters.

Risk management and internal controls

The Board is responsible for maintaining and monitoring sound risk management and internal control systems. The Audit Committee supports the Board in this respect by monitoring the effectiveness of the overall risk management process and the system of internal controls.

The Audit Committee considers emerging risks with management as part of the risk management update it receives and reviews the risk management framework and outcomes to support the Group's going concern and viability statements.

The Audit Committee also keeps under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems established to identify, assess, manage and monitor financial risks. The Audit Committee also advises the Board on such risks and how these are tracked, managed, mitigated and reported.

Risk management approach

The approach to risk management is regularly reviewed by the Audit Committee, the Board and the Mitie Group Executive (MGX) and continues to evolve in line with the business structure and risk profile. The Board understands that effective risk management and a sound system of internal control are essential to the achievement of the Group's strategy and supporting objectives.

The Risk Committee focuses on the risk management framework to increase understanding of the nature of the risks faced by the Group and the actions and controls in place to mitigate them.

Mitie continues to review and improve its approach to governance, risk management and internal controls. During FY23, the risk management framework has continued to be enhanced, new training has been rolled out, ISO 22301 Business Continuity certification has been obtained, and the full adoption and integration of the Group's risk management platform has been completed. In addition, Mitie has rolled out its first annual risk management maturity assessment.

The Risk Committee has met four times in FY23 to continue to oversee the risk assessment processes across the Group. This allows better coordination for the reporting of risks to the senior leadership team (the MGX), the Audit Committee and the Board. The impact of the Russian invasion of Ukraine, the cost-of-living crisis and ongoing inflation challenges have ensured continued focus on improving the consistency of risk processes and effective management of risks.

The Board considers the nature and extent of significant risks in setting the Group's strategy. The Group's Delegated Authority Register (DAR), which sets out the accountabilities and authority to take decisions on specific matters within defined financial limits and authority limits are aligned at divisional level. This approach helps to clearly disseminate the appetite of the Board to key risks. This structure ensures a consistent approach to acceptance and management of risk across the business and provides the Board with greater visibility of how effectively risks are being managed.

Operational and financial systems improvement projects have been delivered in the Technical Services division and former Interserve businesses, which move the business onto consistent platforms. The review and documentation of key internal controls in the internal control framework have also continued to progress during the year. These programmes will help ensure further the reliability and accuracy of management information as well as providing greater visibility of the effectiveness of internal controls and the risk management approach over financial reporting. The work of the Internal Audit function targets areas of the business where risk management and internal controls are suspected of requiring improvement, which has helped to improve the risk management and internal control frameworks. The Group has an externally hosted whistleblowing line, and all reports are reviewed, investigated and actions taken as appropriate.

Audit Committee report continued

Risk culture

It is recognised that the risk management culture within the business is as important as an effective risk management framework. In support of this, the 'One Mitie' Vision and Values have an important role to play. As well as helping to achieve common ways of working and clarity of approach for customers and employees, they also help set out, together with the Employee Handbook and ethical business conduct policies, the framework upon which Mitie's risk culture is built. Emphasis is placed on the importance of embedding risk management into all key decisions, such that opportunities to grow the Group are balanced with effective risk management decision-making. This means that opportunities may continue to be exploited, provided risks have been properly identified and the appropriate controls and mitigation plans established, or, in some cases, potential opportunities are declined if they sit outside the Group's risk appetite.

The Employee Handbook sets out the expected behaviours for all employees and supply chain partners and establishes zero tolerance in specific areas as part of an established ethical business framework. The Group continues to review and reaffirm its ethical business practice policies with employees and supply chain partners to ensure awareness of the vision, values and expected behaviours is maintained.

Risk management process

The Audit Committee monitors the effectiveness of the overall risk management process. The Group's risk management framework provides a flexible and adaptable approach to the identification of risk across all areas of the business, to meet the demands of the dynamic and fast evolving environment in which the Group continues to operate. Ultimate responsibility for risk management lies with the Board, delegated to the Chief Executive Officer, who further delegates it to the MGX, with accountability and responsibility assigned to specific risk owners.

The Group's risk profile is reviewed by the Chief Executive Officer, Chief Financial Officer and Chief of Staff, General Counsel & Company Secretary in advance of formal review and approval by the Board. All risks across the business are captured on the Group's automated risk management platform (Risk Safe) and are subject to regular reviews.

Risk identification and assessment

The Board carries out robust assessments of the Group's principal risks, including emerging risks. In doing so, the Board takes both internal and external perspectives into account to ensure the risk identification process is thorough. The internal perspective takes into account factors such as the changing and developing business profile, operational processes, technology and people, while the external perspective includes the economic environment, political factors and sector and geographical risks. During FY23, the Risk Committee has regularly reviewed the impact on the business of the risks associated with the changing external environment through horizon scanning. The changes to the risk profile are then reported to the Audit Committee, the MGX and the Board for their consideration. Employing both top-down and bottom-up approaches ensures the systematic identification of significant risks to the business. Once identified, risks are assessed using standard impact and likelihood ratings to quantify the risk to the achievement of business objectives.

Risk assessments are based on a '5 x 5' scale ranging from minimal to catastrophic, with any risks falling into the Group's upper limits having mandatory mitigation plans with the expectation that these risks are managed down to acceptable levels.

Risk mitigation

Each identified risk has a defined control owner who is responsible for developing and implementing a risk mitigation plan. As part of the risk review process, each action and control is required to be reviewed and formally assessed for its effectiveness in mitigating risk. The Risk Committee provides oversight of the risk processes and monitors risk mitigation actions.

In addition, second line assurance activities occur across the business, the terms of reference for which are aligned with the objectives of the Risk Committee. A review of business area risks and the progress of associated mitigation plans are undertaken.

Assessment of the effectiveness of the control environment is undertaken at both business and Group level, led by the Head of Internal Audit. The Audit Committee formally reviews performance throughout the year and advises on the effectiveness of the risk management system in place.

Risk monitoring and review

Risk registers are reviewed regularly throughout the year. Principal risks to the business and associated mitigation plans are reviewed by the Risk Committee and then presented to the Board and are monitored on an ongoing basis. In doing so, the Board considers the level of exposure for each risk against an agreed appetite to the level of risk.

The risk management framework is designed to manage, rather than eliminate, the risk of failing to achieve the objectives and strategy of the Group and can therefore only provide reasonable, and not absolute, assurance against material risk and loss. Details of the principal risks of the Group are set out on pages 73 to 82. It should be noted that other risks are identified as part of the risk management process, but these are not considered to have a material impact on the Group's overall ability to achieve its business objectives.

The Audit Committee confirms that this risk management process has been in place throughout FY23 and remains in place up to the date of approval of the Annual Report. The process is continuing to evolve and will be subject to review and improvement.

Internal controls

The Board is accountable for maintaining an effective system of internal controls across Mitie. The relevant responsibilities to fulfil this requirement are allocated across multiple functions, however the Internal Audit team are responsible for developing, implementing and reporting on the internal controls framework. To ensure alignment with good practice, Mitie's system of internal control has been designed in line with the COSO framework and consists of financial (including fraud), operational and compliance controls.

The system covers transactional, monitoring and oversight controls at divisional and functional level, comprising business leadership review and direction, and detailed process controls and control activities, which are embedded in business processes. A formal and comprehensive internal control framework has been implemented which includes a detailed maturity model and target maturity scores to work towards. This is helping to improve internal controls compliance across the Group and to raise awareness at all levels within the organisation of the importance of effective and sustainable controls. The framework will also help to ensure compliance with impending UK legislation on corporate governance, specifically the internal control reporting requirements.

Mitie is actively implementing a culture of control compliance, championed by the Audit Committee, Board and Chief Executive Officer. A recent survey indicated that employees have a good understanding of internal controls and their importance in operational and financial processes. Work is underway to develop and test a suite of internal controls training modules, including mandatory basic training for all staff, helping them to understand their responsibilities and the potential impact of any control non-compliance. More focused training will be provided for process and control owners in line with their roles. To ensure that the training achieves the desired results, and helps improve control culture, an engaging and interactive approach is being taken to develop the online training modules. This is supported by a clear set of KPIs to measure success.

Mitie's policies and procedures are documented in the Integrated Management System (IMS). These are reviewed regularly and are available to management and employees through an intranet portal. Divisional and functional leadership teams ensure that controls are operating within the processes and procedures, and that risks are being appropriately managed. Where guidance is required, teams reach out to consult with the Internal Audit team and ensure that correct guidelines are followed when developing or changing controls.

The Internal Audit team tests the effectiveness of internal controls and risk management systems over financial reporting as part of its Controls Self-Assessment (CSA) programme and through individual internal audit reviews of key financial controls included in the annual Internal Audit plan. The Internal Audit team is also developing a risk-based controls testing programme which covers a broad range of internal controls over financial reporting.

The Audit Committee conducts a formal review of the effectiveness of the internal controls annually. This review is supported by regular reporting from the Head of Internal Audit and includes results of control assessments undertaken by the Internal Audit function in conjunction with the business leadership teams. The review focuses on the key financial, operational and compliance controls which manage the risks faced by the business. The Audit Committee also reviews the results of the audit and assurance work completed by the Internal Audit team, which are reported to each Audit Committee meeting. The internal audit work plan is targeted at any known areas of potential control weakness, areas with high risk of change and strategic deliverables. Remedial action plans developed by management to address any control weaknesses found are monitored by the Audit Committee to ensure timely closure of the actions.

Assurance

In accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the Code, the Board performs a formal annual assessment of the operation and effectiveness of the Group's internal control framework, covering all material controls, including financial, operational and compliance controls, and updates this assessment prior to the signing of the Annual Report and Accounts.

These activities are monitored at executive and divisional leadership level to ensure that control improvements are implemented appropriately and that they are effective. The Head of Internal Audit assesses the application of control environment improvements and attends Audit Committee meetings to provide regular updates on the effectiveness of the Group's internal control framework and the results of the internal audit work undertaken.

This year, the updates have also covered the multiple workstreams which are underway to improve the control framework and set Mitie up to successfully comply with the forthcoming legislative and regulatory changes. These initiatives include, but are not limited to, the development of a risk based controls testing programme, building on the audit and assurance policy and resilience statement requirements. The Audit Committee challenges and provides feedback to ensure that work undertaken by the Internal Audit team is of a good standard.

Features of the internal control and risk management frameworks, which ensure accuracy and reliability of financial reporting, include:

- A culture of good governance, integrity, transparency, competence, fairness, and responsibility;
- Group policies and procedures to support and ensure consistency throughout the business;
- Clearly defined responsibilities, delegated in accordance with the Group's delegated authority register;
- A defined and agreed approach and appetite to managing risks and opportunities facing the business; and
- The identification and documentation of key internal controls and clearly defined responsibility for their effective functioning, monitoring and reporting.

Responsibility for internal control and risk management systems is devolved into each division and any control weaknesses within divisions are investigated and resolved with 'lessons learnt' exercises undertaken to drive a culture of continuous improvement. Management and the Audit Committee seek to ensure that the cause of any control weaknesses identified are understood and mitigating actions are taken to limit the potential for recurrence. In view of the work of the Internal Audit function, management and the external auditor, it is considered unlikely that a weakness within a particular division would have a material impact on the Group.

Senior Accounting Officer update

The Chief Financial Officer presented a paper to the Audit Committee detailing the processes in place to ensure that the relevant controls had operated effectively during FY23, thereby supporting signature of the Senior Accounting Officer certificate. The Audit Committee considered this paper and was satisfied with the approach taken by management.

Internal Audit

Since starting with Mitie as Head of Internal Audit, Sameen has strengthened the Internal Audit team by recruiting additional auditors, provided assurance on a number of important projects and commenced a new internal controls review. Sameen has engaged with key stakeholders across the Group to gain business insight, which has been used to develop an internal audit strategy for the financial year ending 31 March 2024.

The authority and responsibilities of the Internal Audit function are defined in its charter, which is reviewed regularly by the Audit Committee. Reporting directly to the Audit Committee (administratively to the Chief Financial Officer) allows the Internal Audit function to achieve objectivity and offers independence from those activities being audited.

The work of the Internal Audit function helps to provide assurance over the effectiveness of the Group's governance, risk management and internal control frameworks. The Audit Committee Chair assesses the Internal Audit function's performance against internal audit objectives and oversees the appointment and removal of the Head of Internal Audit. The Audit Committee reviews and approves the annual internal audit plan and all amendments to it are communicated to the Audit Committee through periodic update reports. An audit report is produced to present the findings of each internal audit and any remedial action plans developed by management in response, which are tracked to completion by the function.

Audit Committee report continued

All internal audit reports issued during the year are made accessible to the members of the Audit Committee and the Company's external auditor (BDO). In order to provide an independent perspective on the Group's internal financial control systems, the Audit Committee also receives a regular report on internal audits completed in the period and reports from BDO arising from its audit work.

Post-implementation reviews of key change projects and audits of regulatory and process compliance formed key elements of the Internal Audit plan for FY23. The Internal Audit plan was presented to and approved by the Audit Committee in March 2022, but kept under continual review throughout the year. The plan was approved and delivered accordingly.

The key areas of focus in the FY23 Internal Audit plan have included:

- A review of the risk and control activities in the intercompany transactions across the Group;
- A review of IR35 process compliance;
- Assessment of controls over expenses management with a particular focus on executive expenses;
- Post-implementation reviews of key system changes;
- Audits of contract management processes; and
- An audit of governance processes over Finance Transformation.

Regular updates were provided to the Audit Committee throughout FY23 by the Head of Internal Audit. These covered the results of the audit work undertaken and developments in the internal control environment, highlighting areas where improvements in risk, governance and control processes were required. In addition, progress on the review, improvement and documentation of the key internal controls across the business, including internal controls over financial reporting, was presented to the Audit Committee regularly. As described previously, this will help ensure compliance with impending legislation on reporting of internal controls and raise awareness of the importance of internal controls in the business.

Through the updates from the Head of Internal Audit, the Audit Committee also monitored the progress by management in completing actions to address the findings from Internal Audit reports. The vast majority of actions continue to be closed by the agreed completion date, due to sharp focus from senior management. This remains an important area for the Audit Committee, and management is required to provide an explanation if planned completion dates are missed.

Review of whistleblowing processes

The Internal Audit team supports the whistleblowing and investigations process by providing dedicated resource and expertise for fraud investigations. In FY23, Mitie continued to operate its independent whistleblowing service via the 'EthicsPoint' service, as well as receiving whistleblowing concerns through the CEO's direct channel called 'Grill Phil' and various other means. Investigations of all natures are taken seriously by management and the Board, and documented reports for each investigation are created and approved via a formalised process. Improvement actions coming out of any investigations conducted by the Internal Audit team are tracked to completion. An update on whistleblowing activity is provided to the Board at every Board meeting.

Allegations of fraud

In instances where allegations of fraud have been reported, these are investigated as a matter of priority by the Internal Audit function and reported to the Audit Committee. The related Internal Audit reports summarising the issues, conclusions and recommendations were reviewed and discussed by the Audit Committee. The Audit Committee then monitored the implementation of any required actions, aimed at preventing future occurrence of similar issues and enhancing internal processes and controls.

External audit

The Audit Committee is committed to ensuring the independence, effectiveness, and objectivity of the external auditor, and reviews the performance of the external auditor in respect of audit-related services and non-audit services every year.

Appointment and re-appointment of the external auditor

The Group undertook a competitive external audit tendering process in 2017 and BDO LLP (BDO) was selected as the Company's external auditor with effect from 19 September 2017.

BDO has continued to provide external audit services to the Group. Greg Watts was the lead partner for BDO on the Group audit of Mitie for FY23. Greg took over the audit from Scott McNaughton, who had been the lead partner for BDO on the Group audit of Mitie for the previous five years. In accordance with rotation requirements for audit partners on listed entity audits, the FY22 audit was Scott's final year on the Group audit. The partners involved with divisional audits are not required to rotate at this time.

The Audit Committee considers annually the need to tender the audit for audit quality or independence reasons. There are no contractual obligations in place that restrict the Group's choice of statutory auditor.

The Audit Committee confirms that the Group is in compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

External auditor effectiveness

The Audit Committee monitored the conduct and effectiveness of the external auditor through its assessment of:

- The experience, expertise and perceptiveness of the auditor;
- The planning and execution of the agreed audit plan and quality of reports from the auditor; and
- The conduct of the auditor, including the Audit Committee's experience of interaction with the auditor.

In addition to receiving written reports from the external auditor and from management, the Audit Committee also conducted private meetings with the external auditor and separately with management. These meetings provided the opportunity for open discussion and feedback on the audit process, the responsiveness of management and the effectiveness of both the internal and external audit teams.

Meetings with the external auditor included challenge from the Audit Committee around audit process and opportunities to place more reliance on controls as part of the audit approach.

Non-audit services provided by the external auditor

The Group has a non-audit services policy, approved by the Audit Committee, that ensures the external auditor remains independent and objective throughout the provision of its independent audit services and when formulating its audit opinion. This non-audit services policy is underpinned by principles that ensure that the external auditor does not:

- Audit its own work;
- Make management decisions for the Group;
- Create a conflict of interest; or
- Find itself in the role of advocate for the Group.

The Group non-audit services policy reflects the requirements of the FRC's Revised Ethical Standard 2019, which became effective from 15 March 2020 and limits the types of non-audit services that external auditors can provide. Under the requirements, permitted services are largely those required by law or regulation, loan covenant reporting, other assurance services closely related to the audit or annual report and reporting accountant services. The Audit Committee confirms that the Group non-audit services policy is consistent with the FRC's Revised Ethical Standard 2019.

Under this policy, prior to the appointment of the external auditor to provide any permitted non-audit services, approval must be obtained from the Chair of the Audit Committee. A report of all non-audit services performed by the external auditor during FY23, irrespective of value, was submitted to the Audit Committee.

A summary of the fees paid to the external auditor for FY23 is set out in Note 6 to the consolidated financial statements. Fees for other audit-related services of £195,000 related to the review of the half-yearly financial report and fees for other non-audit services totalled £11,000. The Audit Committee considered reports from both management and the external auditor, which included monitoring of fees for permitted non-audit services compared with the FRC fee cap, none of which raised concerns about external auditor independence.

Fair, balanced and understandable

In accordance with Provision 27 of the Code, the Directors confirm that they consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. When arriving at this position, the Board was assisted by various processes, including the following:

- The Annual Report and Accounts was drafted by senior management with overall coordination by Group Finance to ensure consistency across the relevant sections;
- A review was undertaken to assess the consistency of the Annual Report and Accounts with internally reported information and investor communications, and to assess the balance between reported measures and alternative performance measures;
- Reviews of drafts of the Annual Report and Accounts were undertaken by the Executive Directors, Chief of Staff, General Counsel & Company Secretary, other senior management and external advisors; and
- The final draft was reviewed by the Audit Committee prior to consideration by the Board.

Details of the basis on which the Company generates and preserves value over the long-term and the strategy for delivering the Company's objectives are set out in the Strategic report. An explanation by the Directors of their responsibility for preparing the Annual Report and Accounts can be found on page 136.

Directors' remuneration report

Statement from the Remuneration Committee Chair



“ We continue to take actions to support our colleagues through cost-of-living challenges, while continuing to ensure that remuneration outcomes are fair, reflective of performance and appropriate in the context of the shareholder and employee experience.



Jennifer Duvalier
Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 March 2023.

The report is split into two main parts:

- **Executive remuneration at a glance.** This sets out a summary of our policy, remuneration outcomes for this year and how we intend to operate our policy for next year.
- **The Annual Report on Remuneration.** This provides more detail on the above, as well as setting out other remuneration-related disclosures.

Business performance and context
In FY23 Mitie's performance surpassed the Board's expectations. Group revenue (including share of joint ventures and associates) exceeded £4bn for the first time, having more than replaced almost £450m of short-term Covid-related contract revenue. Operating profit before other items was £162.1m (FY22: £166.9m), with the prior year being boosted by higher margin Covid work.

Excluding short-term Covid work, revenue and operating profit before other items increased by 14% and 44%, respectively, and Mitie's operating margin increased to 3.8% (FY22: 3.0%) reflecting

growth in projects work and the focus on margin enhancement initiatives.

Basic earnings per share before other items grew by 3.3% to 9.5p, benefiting from the re-financing of debt instruments and share buybacks. Free cash flow was £65.7m for the year, after dosing the customer invoice discounting facility which had a £45m impact.

Supporting our colleagues

Mitie is a people business; our exceptional colleagues are integral to the Group's success. As such, a key topic of conversation during the year has been the impact that rising inflation costs and the cost-of-living crisis continues to have on our colleagues. The bulk of Mitie's workforce is made up of frontline colleagues, where these pressures are greatest, and the Board is committed to supporting them and all colleagues in a meaningful way.

With the full support of the Remuneration Committee, during the year, management launched the new Employee Value Proposition, 'Together, We are Mitie', which also included our Winter Support package. We ran national roadshows to promote awareness of benefits and the existing support available to all colleagues.

Under this framework, we took targeted actions to provide direct support to our lowest paid colleagues, including:

- For 40,000 of our lowest-paid colleagues, we made a cash contribution into our discounts offering in December, and a cash bonus payment in January
- We waived fees for our advance salary offering for six months, allowing colleagues to access their pay before pay day
- Under our all-employee share plans, we gifted free shares in March, earlier than usual
- For our hourly paid colleagues, we increased pay in line with the National Minimum Wage, National Living Wage or Real Living Wage Foundation increases. In practice, this means that a considerable number of our people received increases of around 10%

For our salaried colleagues the overall pay budget increase for 2023 was set at 4%, balancing Group affordability with talent market pressures.

Remuneration decisions and outcomes in respect of FY23

Salary

The CEO's salary of £900,000 has been unchanged since his appointment in 2016. As in previous years, the Committee decided to not implement any salary increase for Phil Bentley.

Simon Kirkpatrick was appointed as CFO with effect from 1 April 2021. As highlighted at appointment and in previous remuneration reports, his salary was intentionally set at the lower end of the market and significantly lower than the salary of the previous CFO to serve on a non-interim basis (Paul Woolf at £430,000).

Remuneration Committee members

At the date of this report and throughout FY23, the Remuneration Committee comprised:

Chair:

Jennifer Duvalier

Committee members:

Chet Patel
Salma Shah
Roger Yates

Remuneration Committee meetings

The Remuneration Committee met three times during FY23.

Key purpose of the Remuneration Committee

The purpose of the Remuneration Committee is to develop and oversee remuneration policies and practices that support Mitie's strategy and promote long-term sustainable success.

Key responsibilities of the Remuneration Committee

The Committee has responsibility for determining the remuneration of Mitie's Executive Directors and the Chairman, taking into account the need to ensure Executive Directors are properly incentivised to perform in the interests of the Company and its shareholders.

The Committee is also responsible for setting the remuneration for other senior executives, including the Mitie Group Executive. The Committee also reviews workforce remuneration and related policies and takes these into account when setting the policy for Executive Directors.

The Committee regularly consults with the CEO and key HR executives on various matters relating to the appropriateness of rewards for the Executive Directors. However, the CEO and other Executive Directors are not present when matters relating directly to their own remuneration are determined.

This is also the case for other executives attending Committee meetings. The Company Secretary attended the meetings as Secretary to the Committee. The CEO and HR executives attended the meetings by invitation only.

The Remuneration Committee's Terms of Reference are available at www.mitie.com/investors/corporate-governance.

It was noted that, over the years, as Simon developed in the role and subject to his performance and development, the Committee expected to increase his salary to be in line with the market. The Committee was and is aware that proxy advisory bodies may highlight these increases as a repeated area of concern. However, the Committee considers this to have been, and still to be, the most appropriate approach for the individual, the Company and its shareholders. In line with this approach, the Committee determined that it was appropriate to increase the CFO's salary from £378,000 to £400,000 (+5.8%) from 1 April 2023.

This remains towards the lower end of typical FTSE 250 salary levels for a CFO and is 7% below the previous non-interim incumbent. The Committee intends this to be the final increase of this type and in the future expects increases to be in line with or below the wider workforce rate.

FY23 bonus

The annual bonus for FY23 was based on profit, revenue and strategic/individual performance. At the end of the year, the Committee assessed performance against the targets and was mindful of the latest shareholder guidance and market sentiment. As such, the Committee gave careful consideration to the year's context, taking into account the experience of colleagues, stakeholders and shareholders.

FY23 was a good year of Group performance. Operating profit of £162.1m was between target and maximum, revenue of £4,055.1m exceeded the maximum and free cash flow of £65.7m was around target performance. Assessment of strategic and individual performance was such that 78.2% and 80.2% of the maximum overall bonus was determined for the CEO and CFO on a formulaic basis.

The Committee then looked at overall financial and non-financial performance, also taking into account the experience of all stakeholders and applied a discretionary reduction of 20% of the maximum bonus opportunity. Subsequent bonus outcomes were therefore 58.2% and 60.2% of the maximum for the CEO and CFO.

The Committee was satisfied that this represented a fair and appropriate outcome. Half of the bonus amount is deferred into shares for two years. Performance against targets and the bonus outcomes are described in more detail on pages 122 and 123 in the Annual Report on Remuneration.

2020 LTIP

The Committee assessed the outcome of the August 2020 Long Term Incentive Plan (LTIP) award against two performance measures: Earnings Per Share (EPS) growth and cash conversion. Targets under both measures were met in full and this resulted in a formulaic outcome of 100% of the overall maximum. As with the bonus outcome, the Committee also looked at this outcome in the round and was particularly

mindful of external sentiment around perceived windfall gains for executives. Having carefully considered the performance of the Group and changes in the Company's share price since the date of grant, the Committee used its discretion to reduce the vesting out-turn by 10%, with the result that 90% of the maximum award will vest in August 2023.

Performance against targets and discussion of the adjustment applied to this award are described in more detail on pages 125 and 126 in the Annual Report on Remuneration.

Incentive outcomes

As noted above and in every year, the Committee challenged itself to ensure that bonus and LTIP outcomes were appropriate in the round. The Committee was comfortable that the final incentive outcomes summarised above and taken together were appropriately commensurate with both organisational and individual performance. Furthermore, it considered that they were appropriate in the context of the shareholder, employee and customer experience in FY23.

Incentives approach for FY24

For FY24, the Committee is intending to operate the annual bonus and LTIP using the same broad framework that was used for FY23 with some changes of emphasis in the mix and measures used:

- Phil Bentley's maximum bonus and LTIP opportunity will be unchanged at 160% and 200% of salary
- Simon Kirkpatrick's maximum bonus opportunity will be increased from 130% to 135% of salary. Simon's LTIP opportunity will be increased from 150% to 175% of salary. These are within the shareholder-approved policy limits and below the median for FTSE 250 CFO roles
- The annual bonus will continue to be based on financial and strategic targets, with no less than 70% based on financial measures. The mix for FY24 will be: revenue (27.5%), profit (27.5%), free cash flow (25%), individual objectives (10%) and other strategic targets (10%)
- The LTIP will continue to be based 85% on financial and 15% on Environment, Social & Governance (ESG) targets. The mix for FY24 will be: EPS (50%), cash conversion (35%) and ESG (15%). The Committee will also have reference to a Return on Invested Capital (ROIC) underpin such that if ROIC performance is poor, there is specific discretion to allow the award to be reduced accordingly, including to nil

The changes in the mix of measures relative to the approach for FY23 represent an increased focus on cash: in the bonus, the weighting of free cash flow has been increased from 10% to 25%; and in the LTIP, the ROIC measure (35%) has been replaced with cash conversion. This reflects the growing strategic importance of generating strong cash flows. Nevertheless, ROIC continues to be a

key measure, and strong ROIC performance is currently incentivised in both the 2021 Enhanced Delivery Plan and 2022 LTIP awards ending with FY24 and FY25 performance respectively. ROIC will also be an underpin for the 2023 LTIP award, ending with FY26 performance.

Engaging with the workforce

The Mitie Board values the views of our colleagues and has multiple engagement routes. In addition to my role as the Chair of the Remuneration Committee, I act as the designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce. In this role, I regularly engage with the workforce on a broad range of topics, including reward and benefits. In addition, we undertake an annual engagement survey in order to better understand the views of a wider range of employees. The engagement survey includes a range of specific questions on pay practices and presents an opportunity for the workforce to ask its own questions about employee or executive reward.

Through the feedback from the engagement survey, supplemented with my findings from regular direct engagement with the workforce, the voice of Mitie employees is heard at Remuneration Committee meetings. This enables the Remuneration Committee to take into account the views of employees when considering executive remuneration and the pay and employment conditions throughout the wider workforce.

I attended a listening session with frontline colleagues specifically focused on reward and executive remuneration. Colleagues fed back on the Winter Support package, thanking management for its efforts and support. Colleagues were interested in understanding the Executive Directors' incentive arrangements and were reassured to hear about the Board's rigour and fairness for the consideration of reward for the executives in relation to that of the wider workforce.

Policy review

The Committee will undertake a review of our remuneration policy during FY24 to ensure that it continues to appropriately support the delivery of the Group's long-term strategic priorities. To the extent any material changes are proposed, we will consult with shareholders as appropriate. The remuneration policy will then be submitted for shareholder approval at the 2024 AGM, in line with the regulations.

Conclusion

We will be seeking approval for the Directors' remuneration report (advisory vote) at the 2023 AGM. I welcome your views and feedback on the report.

Jennifer Duvalier

Chair of the Remuneration Committee

jennifer.duvalier@mitie.com

DocuSigned by:

Jennifer Duvalier

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Mitie Group plc

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Directors' remuneration report

Executive remuneration at a glance

How we intend to operate our policy for FY24

The following table provides an overview of our remuneration policy and summarises the approach for remuneration arrangements for Executive Directors for FY23 alongside how the Committee intends to apply the policy in FY24. The full policy approved at the 2021 AGM is available on our website (www.mitie.com/investors/corporate-governance) and in the Annual Report and Accounts 2021.

At a glance	Overview of policy	FY23	FY24
Base salary	Salaries are generally reviewed annually, effective from 1 April. The review may be influenced by: <ul style="list-style-type: none"> The individual's role, experience and performance Business performance and the wider market and economic conditions The range of increases across the Group An external comparator group comprising sector comparators and size adjusted comparator organisations 	CEO: £900,000 CFO: £378,000	CEO: £900,000 (no increase) CFO: £400,000 (+5.8%)
Benefits	The Group provides a range of benefits which may include a company car/car allowance, private fuel, private health insurance, life assurance and annual leave. Benefits are reviewed periodically against market and new benefits may be added and/or amended as required to support the attraction and retention of key talent.	Benefits for FY23 include private medical cover, car allowance/car and financial/tax planning advice.	No changes to benefits are planned for FY24.
Pension	Executive Directors are eligible to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of a pension contribution.	CEO: 3% of base salary (in line with the workforce) from 1 January 2023, previously 20% of base salary CFO: 3% of base salary (in line with the workforce)	CEO: 3% of base salary (in line with the workforce) CFO: 3% of base salary (in line with the workforce)
Maximum bonus opportunity	Maximum bonus opportunity is 160% of base salary for the Chief Executive Officer and up to 135% of base salary for any other Executive Director.	CEO: 160% of base salary CFO: 130% of base salary	CEO: 160% of base salary CFO: 135% of base salary
Bonus deferral	50% of the bonus is normally deferred into shares which vest after a minimum of two years (subject to continued employment).	50% of bonus deferred into shares which vest after at least two years	50% of bonus deferred into shares which vest after at least two years
Bonus performance measures – mix	Measures and targets are set annually and payout levels are determined by the Committee after the year end based on performance against those targets.	70% financial, 30% strategic	At least 70% financial for FY24
Bonus performance measures – metrics	Bonuses are based on stretching financial and strategic objectives assessed by the Committee at the end of the year, with the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders.	Revenue (35%) Profit (35%) Strategic targets (30%)	Revenue (27.5%) Profit (27.5%) Free cash flow (25%) Individual (10%) Other strategic (10%)
Maximum LTIP opportunity	Awards may be made up to a maximum level of 200% of base salary.	CEO: 200% of base salary CFO: 150% of base salary	CEO: 200% of base salary CFO: 175% of base salary
LTIP performance measures	Performance over at least three financial years is measured against stretching objectives which have the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders.	Adjusted EPS (50%) ROIC (35%) ESG (15%)	Adjusted EPS (50%) Cash conversion (35%) ESG (15%)

At a glance	Overview of policy	FY23	FY24
LTIP holding period of two years after vest	Awards will normally be subject to an additional holding period of at least two years	Shares released after at least five years (vesting after three years plus two-year holding period)	Shares released after at least five years (vesting after three years plus two-year holding period)
Share ownership requirements	Executive Directors are required, over time, to build and maintain a minimum shareholding in the Company worth 200% of base salary. Executive Directors will be expected to maintain their shareholding at 100% of their ownership requirement for one year post departure, reducing to 50% for the second year post departure, or in either case the actual shareholding on departure if lower.		
Malus and clawback provisions	Recovery provisions (malus and clawback) have applied to incentives for a number of years. Further details on the recovery provisions, including the circumstances and timeframe for which they can be applied, are set out in the remuneration policy.		
Enhanced Delivery Plan (EDP) (One-off award made in FY22)	Maximum award of up to 640% of base salary for the Chief Executive Officer and up to 260% of base salary for the Chief Financial Officer. Awards will vest based on performance measured over three years. • Return on invested capital (75%) • Synergies (25%) Vesting is also subject to both an absolute share price underpin and a net debt underpin. Shares released after at least five years (vesting after three years plus two-year holding period).		

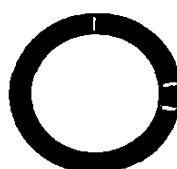
Single figure for FY23

The table below reports a single figure of total remuneration for each of the Executive Directors for the financial year ended 31 March 2023 and their comparative figures for the financial year ended 31 March 2022.

Phil Bentley

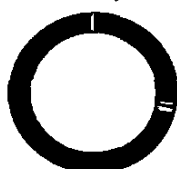


	2023
● Salary	£900,000
● Benefits	£41,662
● Pensions	£141,750
● Bonus	£838,181
● LTIP	£3,929,806
Total	£5,851,399



	2022
● Salary	£900,000
● Benefits	£22,706
● Pensions	£180,000
● Bonus	£1,368,000
● LTIP	£1,437,455
Total	£3,908,161

Simon Kirkpatrick



	2023
● Salary	£378,000
● Benefits	£3,499
● Pensions	£11,340
● Bonus	£295,857
● LTIP	£685,928
Total	£1,374,624



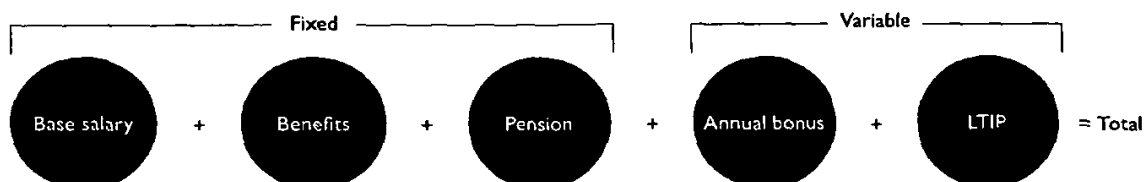
	2022
● Salary	£350,000
● Benefits	£6,942
● Pensions	£10,500
● Bonus	£432,250
● LTIP	£98,115
Total	£897,807

Further information on the above is provided in the Annual Report on Remuneration.

Directors' remuneration report

Summary of remuneration policy

Excluding the one-off awards made under the Enhanced Delivery Plan (EDP) in FY22, the standard remuneration approach for the Executive Directors comprises the following elements:



Executive incentives and link to strategy

The following table sets out how the intended measures across the incentive plans for FY24 support the Group's strategy and KPIs:

	Sustained and renewed profit growth	Quality client base	Strong cash-generative business	Strategic targets
Annual bonus	✓ 27.5% profit	✓ 27.5% revenue	✓ 25% free cash flow	✓ 20% strategic objectives (inc. ESG)
LTIP	✓ 50% adjusted EPS		✓ 35% cash conversion ROIC underpin	✓ 15% ESG measures
EDP (2021 award)	✓ 25% synergies		✓ 75% ROIC	

Note: details of the FY24 annual bonus targets will be disclosed in the FY24 remuneration report.

UK Corporate Governance Code: Provision 40

The following table sets out how the remuneration policy addresses the factors set out in the UK Corporate Governance Code:

Clarity	The Committee considers that Mitie's remuneration structures are transparent and welcomes open and frequent dialogue with shareholders on its approach to remuneration. Major shareholders were consulted on the Committee's approach to remuneration, including the changes to the remuneration policy and introduction of the EDP, which were approved by shareholders at the 2021 AGM.
Simplicity	The overall remuneration policy is designed to be comprehensive without becoming overcomplicated and to encourage Executive Directors to concentrate on the profitable growth of the business. When developing the remuneration arrangements, the Committee was conscious of ensuring the overarching structure remained simple and easy to understand for both shareholders and participants.
Risk	The Committee considers that the structures of the incentive arrangements do not encourage inappropriate risk-taking. The following best-practice measures are in place to minimise risks: <ul style="list-style-type: none"> • Deferral under the Annual Bonus Plan, the LTIP holding period, the EDP holding period and the shareholding requirement, including post-cessation, provide a clear link to the ongoing performance of Mitie's business and the experience of shareholders • The Committee has discretion to adjust the formulaic outcomes if it considers that they are not reflective of the underlying performance of Mitie or the individual • Malus and clawback provisions apply to the Annual Bonus Plan, LTIP and EDP
Predictability	One of the Committee's principles is that the majority of reward opportunity for Executive Directors should be provided through performance-related incentives linked to the Group's strategic goals and taking account of the Group's attitude to risk; reward under these incentives is linked to both individual and Group performance. Page 118 of the 2021 Annual Report and Accounts sets out four illustrations of the application of the remuneration policy, including the potential opportunity levels resulting from threshold, target and maximum performance under the Annual Bonus Plan, LTIP and EDP.
Proportionality	Performance measures and target ranges under the Annual Bonus Plan, LTIP and EDP are designed to be sufficiently stretching in order to ensure out-turns are fully aligned with Mitie's performance. As above, the Committee has discretion to override formulaic outcomes in order to ensure performance is reflective of Mitie's underlying performance.
Alignment to culture	The Committee believes in an approach to executive pay which is commensurate with value creation for shareholders. The remuneration policy and the Company's incentive schemes have been designed to drive appropriate behaviours consistent with Mitie's purpose, values and strategy.

Annual Report on Remuneration

Executive Director remuneration (subject to audit)

The table below reports a single figure of total remuneration for each of the Executive Directors for FY23 and their comparative figures for FY22:

	Year	Salary	Benefits ¹	Pension ²	Total fixed pay	Annual bonus ³	LTIP ⁴	Total variable pay	Total
Phil Bentley	2023	£900,000	£41,662	£141,750	£1,083,412	£838,181	£3,929,806	£4,767,987	£5,851,399
	2022	£900,000	£22,706	£180,000	£1,102,706	£1,368,000	£1,437,455	£2,805,455	£3,908,161
Simon Kirkpatrick	2023	£378,000	£3,499	£11,340	£392,839	£295,857	£685,928	£981,785	£1,374,624
	2022	£350,000	£6,942	£10,500	£367,442	£432,250	£98,115	£530,365	£897,807

Notes:

- Benefits are calculated in terms of UK taxable values and relate to the cost of private medical cover, car allowance and financial/tax planning advice. Simon Kirkpatrick's benefits include the use of an electric car. Phil Bentley's benefits include the matching shares element from his SIP purchases based on the share price upon purchase.
- The pension benefit disclosed above comprises cash allowances in lieu of pension contributions. For Phil Bentley, this is 20% of base salary to 31 December 2022 and 3% of base salary thereafter. For Simon Kirkpatrick, this is 3% of base salary.
- Annual bonus payable in respect of the financial year includes any deferred element at face value at the date of award. Further information about how the level of the award for FY23 was determined is provided on pages 122 and 123.
- The LTIP figures disclosed for FY23 include the 2020 LTIP awards which have been valued, in line with the regulations, using the average share price of the last three months of FY23 (80.22p) and include dividend equivalents accrued over the vesting period. The share price at grant was 34.1p and 55.8% of the LTIP amounts included in the table above are attributable to share price appreciation. Further information about how the level of vesting (90%) was determined and the Committee's consideration of windfall gains is provided on pages 125 and 126. The LTIP figure disclosed for Simon Kirkpatrick for FY23 includes a 2020 CSP award granted before he became a Director. It vested on 1 December 2022 and the valuation was based on the closing share price on the date of vesting of 75.4p and include dividend equivalents accrued over the vesting period. The share price at grant was 38.1p and 48.3% of the CSP amount included in the table is attributable to share price appreciation. The personal performance conditions of the CSP 2020 were fulfilled. The LTIP figures disclosed for FY22 are in respect of the 2019 LTIP and have been adjusted from the figures included in the FY22 remuneration table to reflect the actual valuation based on the closing share price on the date of vesting, which for Phil Bentley was 59.3p and for Simon Kirkpatrick was 63.4p (the difference being the vesting dates) and include dividend equivalents accrued until the vesting dates.

Non-Executive Director remuneration (subject to audit)

The fees for the Non-Executive Directors for FY23 and their comparative figures for FY22 are set out below:

	2023 ¹ £'000	2022 ¹ £'000
Derek Mapp	225	225
Baroness Courtie ²	43	60
Jennifer Duvalier	67	60
Chet Patel ³	52	–
Mary Reilly	62	60
Salma Shah ⁴	54	–
Roger Yates	61	59
Former Director	–	46
Total	564	510

Notes:

- All amounts were paid in cash and no other UK taxable benefits were received in either year.
- Baroness Courtie died on 12 December 2022.
- Chet Patel joined the Board on 1 April 2022.
- Salma Shah joined the Board on 1 April 2022 and assumed the role of Chair of the ESG Committee with effect from 25 January 2023.

Base salary and benefits

For salaried colleagues the overall pay budget increase for 2023 was set at 4%, balancing Group affordability with talent market pressures.

The CEO's salary of £900,000 has been unchanged since his appointment in 2016. As in previous years, the Committee decided to not implement any salary increase for Phil Bentley. To ensure alignment with the wider workforce, Phil Bentley's cash allowance in lieu of pension contributions was reduced from 20% to 3% of salary from 1 January 2023.

Simon Kirkpatrick was appointed as CFO with effect from 1 April 2021. As highlighted at appointment and in previous remuneration reports, his salary was intentionally set at the lower end of the market and significantly lower than the salary of the previous CFO to serve on a non-interim basis (Paul Woolf at £430,000). It was noted that, over the years, as Simon developed in the role and subject to his performance and development, the Committee expected to increase his salary to be in line with the market. The Committee was and is aware that proxy advisory bodies may highlight these increases as a repeated area of concern. However, the Committee considers this to have been, and still to be, the most appropriate approach for the individual, the Company and its shareholders. In line with this approach, the Committee determined that it was appropriate to increase the CFO's salary from £378,000 to £400,000 (+5.8%) from 1 April 2023. This remains towards the lower end of typical FTSE 250 salary levels for a CFO and is 7% below the previous non-interim incumbent. The Committee intends this to be the final increase of this type and in the future expects increases to be in line with or below the wider workforce rate.

Directors' remuneration report

Annual Report on Remuneration
continued

Non-Executive Director fees

	From 1 April 2023 ¹ £'000	From 1 April 2022 £'000
Chairman fees ²	225	225
Non-Executive Director core fees ³	52	52
Additional fees:		
Senior Independent Director	9	9
Chair of a Committee	10	10
Designated Non-Executive Director for workforce engagement	5	5

Notes:

1. The core fees of £52,000 per annum paid to each Non-Executive Director (including the Chairman) would ordinarily total £312,000 for FY24. Total fees including additional duties would ordinarily amount to £529,000 for FY24 (£564,000 actual for FY23).
2. The Chairman's fee is inclusive of the Non-Executive Director core fee and no additional fees are paid to the Chairman where he is chairman or a member of other Committees.
3. For Non-Executive Directors, individual fees comprise the core fee and additional supplemental fees for the Senior Independent Director, for chairing Committees; and for the designated Non-Executive Director for workforce engagement, to reflect the greater responsibility and time commitment required.

Annual Bonus Plan (ABP) FY23

Awards in respect of FY23 were considered under the ABP. Phil Bentley was eligible for a maximum bonus opportunity of 160% of base salary. Simon Kirkpatrick was eligible for a maximum bonus opportunity of 130% of base salary.

The awards were structured by reference to performance against a blend of financial (70% of the bonus opportunity) and strategic targets (the remaining 30%). At the threshold level of performance for financial targets, 25% of the maximum bonus opportunity is due, with 50% of the maximum bonus opportunity due at the target level and 100% at the maximum level. Between these points, the out-turn is determined on a linear sliding scale basis.

The table below shows actual performance and the corresponding out-turns for each measure on a formulaic basis. The Committee then used its discretion to apply a reduction of 20% of the maximum bonus opportunity. This resulted in bonuses for the CEO and CFO of 58.2% and 60.2% of the maximum.

The following tables set out performance against the financial, strategic and individual measures and targets.

Performance measure	Weighting	Performance range	Performance	Formulaic out-turn (% of bonus opportunity)
Operating profit ¹	35% of the award	£148.3m threshold £160.5m target £166.6m maximum	£162.1m	22% out of 35%
Revenue ²	35% of the award	£3,621m threshold £3,765m target £3,908m maximum	£4,055.1m	35% out of 35%
Free cash flow	10% of the award	£55m threshold £70m target £86m maximum	£65.7m	4.2% out of 10%
Other strategic targets – CEO and CFO	10% of the award	The Committee considered performance against the strategic objectives set out below and determined that the out-turn was 80% of the maximum for the CEO and 100% of the maximum for the CFO		8% out of 10% for CEO 10% out of 10% for CFO
Individual objectives – CEO and CFO	10% of the award	The Committee considered performance against the individual objectives set out below and determined that the out-turn was 90% of the maximum for the CEO and 90% of the maximum for the CFO		9% out of 10% for CEO 9% out of 10% for CFO
Total formulaic outcome				78.2% of max. for CEO 80.2% of max. for CFO
Application of Committee discretion	The Committee looked at overall financial and non-financial performance, also taking into account the experience of all stakeholders, and applied a discretionary reduction of 20% of the maximum bonus opportunity. The resultant bonus outcomes of 58.2% and 60.2% of maximum were considered fair and appropriate in the round and reflected what had been a good year of management performance.			(20%)
Annual bonus outcome				58.2% of max. for CEO 60.2% of max. for CFO

Notes:

1. Operating profit before other items.
2. Revenue including share of joint ventures and associates.

Performance against the strategic targets and individual objectives set for Phil Bentley and Simon Kirkpatrick were as follows:

Phil Bentley (CEO)

Strategic targets

Strategy

- Introduced the Target Operating Model, with substantial savings identified
- Improved 'straight-through processing' by at least 10%
- Added Security project capabilities through the acquisitions of Linx and R H Irving, but did not expand telecoms infrastructure and decarbonisation presence, in part due to constraints of ROIC targets

Individual objectives

Customers

- Major new contracts won and others retained
- Corporate Affairs Agenda established and strong plans being executed
- Enhanced Mitie's credentials through holding two successful Property Technology conferences

Colleagues

- 500 managers have received Yellow/Green belt training in Six Sigma/Lean system
- Highly successful Team-Talk Live programme. 33,700 Upload surveys completed; Office occupancy up by 20%; employee engagement increased by 7ppts to 57%

ESG

- High quality 2022 ESG report issued; on track to deliver ESG commitments
- Championed ED&I agenda, although diversity across second tier of management fell

Simon Kirkpatrick (CFO)

Strategic targets

Strategy

- Delivered in year margin enhancement savings of >£40m
- Implemented structural simplification project, reducing the number of legal entities in the Group by 25%
- Confirmed BBB credit rating and further £1m reduction in finance costs through closure of customer invoice discounting facility
- Increased expected Interserve cost synergies by £5m to £55m
- Increased stakeholder engagement including ISOC and TSOC visits

Individual objectives

Finance function

- Commenced movement of further transactional finance roles into the Shared Service Centre, driving profit improvement of c£2.5m
- Implemented SAP into new acquisitions to drive process improvements and efficiencies
- Improved controls reporting ahead of FRC requirement for controls self-assessment for UK plc's

Reporting

- Insights and league tables of operational, financial and people metrics through new data lake reporting
- Developed live Group inflation reporting, including cost impact, labour and procurement metrics
- Implemented new cash reporting system to track underlying metrics on a weekly basis

The bonus outcome is therefore as follows:

	% of maximum	Total bonus payable		
		Total bonus £'000	Cash £'000	Deferred shares £'000
Phil Bentley	58.2% of maximum	838	419	419
Simon Kirkpatrick	60.2% of maximum	296	148	148

Directors' remuneration report

Annual Report on Remuneration continued

Annual Bonus Plan FY24

The maximum bonus opportunity for FY24 for Phil Bentley and Simon Kirkpatrick will be 160% and 135% of base salary. Their awards will be payable by reference to performance against a blend of financial (at least 70% of the bonus opportunity) and strategic targets (the remainder).

However, if none of the financial targets have been achieved, no bonus will be payable by reference only to the strategic targets. 50% of any bonus entitlement will be deferred into shares for two years.

The mix of measures for FY24 will be: revenue (27.5%), profit (27.5%), free cash flow (25%), individual objectives (10%) and other strategic targets (10%). The changes in the mix of measures relative to the approach for FY23 represent an increased focus on cash, for which the weighting has increased from 10% to 25%. This reflects the growing strategic importance of generating strong cash flows.

Details of the targets set will be disclosed in the FY24 remuneration report.

LTIP awards granted in 2022 (subject to audit)

On 17 June 2022, the following conditional LTIP awards were granted to the Executive Directors:

	Award	Type	Number of shares ¹	Face value (£000)	% of base salary	Performance conditions	Performance period	% vesting at threshold
Phil Bentley	Performance LTIP June 22	Nil-cost options	3,266,787	£1,800,000	200%	Performance conditions are set out in the table below	Three financial years ending 31 March 2025	25%
Simon Kirkpatrick	Performance LTIP June 22	Nil-cost options	1,029,038	£567,000	150%	Performance conditions are set out in the table below	Three financial years ending 31 March 2025	25%

Note:

1. Number of shares was calculated based on the closing middle market price of 55.10p on the last trading day prior to the start of the financial year on 1 April 2022.

The LTIP awards granted on 17 June 2022 are subject to three performance measures: adjusted EPS, ROIC and ESG targets. These awards will vest in June 2025 conditional on performance in respect of the period of three years ending 31 March 2025 against the following measures:

Performance measure	Weighting	Performance range	Vesting of portion of the award
Earnings Per Share (EPS)	50% of the award	Threshold = 7.1p Target = 79p Maximum = 8.7p	25% 70% 100%
Return on Invested Capital (ROIC)	35% of the award	Threshold = 19.9% Target = 22.1% Maximum = 24.3%	25% 70% 100%
Environment, Social & Governance (ESG) targets	15% of the award	<ul style="list-style-type: none"> Greenhouse gas emission reduction: (a) revenue intensity of Scope 1 and 2 emissions reduced to 4.5%; and (b) 5% pa reduction in Scope 3 emissions Fleet zero carbon: 85% of Mitie's total fleet is zero tailpipe emissions Employee engagement: improve employee engagement by 4ppt Customer engagement: improve Net Promoter Score (NPS) by 4 Gender diversity: increase percentage of women holding senior leadership roles to 35% Ethnic diversity: increase percentage of racially diverse colleagues holding senior leadership roles to 10% 	

The Committee has the discretion to determine the performance measures and how the performance ranges applicable to the award are applied, including discretion to adjust them in the event of changes in IFRS accounting standards, while ensuring that they are not materially easier or harder to satisfy than the original performance measures and ranges.

LTIP 2023

Phil Bentley and Simon Kirkpatrick will be granted LTIP awards in 2023 at 200% and 175% of base salary respectively. The awards will vest in 2026 conditional on performance in respect of the period of three years ending 31 March 2026 against the following measures:

Performance measure	Weighting	Performance range	Vesting of portion of the award
EPS	50% of the award	Threshold = 9.9p Target = 10.9p Maximum = 12p	25% 70% 100%
Cash conversion	35% of the award	Threshold = 70% Target = 80% Maximum = 90%	25% 70% 100%
ESG	15% of the award	<ul style="list-style-type: none"> Greenhouse gas emission reduction: (a) revenue intensity of Scope 1 and 2 emissions reduced to 4%; and (b) 5% pa reduction in Scope 3 emissions Fleet zero carbon: 100% of Mitie's total fleet is zero tailpipe emissions (where such vehicles exist) Employee engagement: improve employee engagement by 4ppt Customer engagement: improve NPS by 4 Diversity: increase gender and ethnic diversity among senior leaders 	

The Committee will also have reference to a ROIC underpin such that if ROIC performance is poor, there is specific discretion to allow the award to be reduced accordingly, including to nil.

The change in the mix of measures relative to the approach for FY23 represents an increased focus on cash, with the previous ROIC measure being replaced with cash conversion. This reflects the growing strategic importance of cash conversion. Nevertheless, ROIC still remains a key measure and is a performance measure for both the 2021 Enhanced Delivery Plan and the 2022 LTIP awards, for which the performance periods end on 31 March 2024 and 31 March 2025 respectively. As noted, it will also be an underpin for this 2023 LTIP award, for which the performance period ends on 31 March 2026.

Notwithstanding the above, the Committee still has full discretion to ensure that the level of any vesting outcome is appropriate based on the overall performance of the Group and the shareholder and employee experience. Awards are also subject to an additional post-vesting holding period of at least two years.

Details of August 2020 LTIP award vesting in FY24

The performance period for the August 2020 LTIP awards (in FY21) ended on 31 March 2023 (FY23). The Committee assessed performance against two performance measures:

Performance measure	Weighting	Performance range	Vesting of portion of the award	Mitie performance	Vesting (% of max)
EPS growth	50% of the award	Threshold = 6% pa Target = 9% pa Maximum = 12% pa	25% 70% 100%	24% pa	100%
Cash conversion	50% of the award	Threshold = 80% pa Target = 85% pa Maximum = 90% pa	25% 70% 100%	112% pa	100%

This results in 100% vesting of the 2020 LTIP awards on a formulaic basis.

The Committee is mindful of shareholder guidance around perceived 'windfall gains' and committed at grant to ensure that the level of vesting outcome would be appropriate for this LTIP award based on the overall performance of the Group and the shareholder experience. In considering any fair and appropriate adjustment, the Committee debated a number of key factors before its determination. These are outlined below:

- The August 2020 grant used a share price of 34.1p as the basis for determining the number of shares awarded. The share price has since recovered to 81.8p at 31 March 2023. The June 2019 grant was based on an equivalent share price of 79.1p to determine the award level at that time.
- The July 2017 grant was based on an equivalent share price of 139p and therefore the value of that award at vesting was significantly impacted by the low share price in 2020. There was no exercise of positive discretion for 'windfall losses' at vesting, consistent with the shareholder experience over the same period. Furthermore, bonuses were waived in FY18 and FY20 despite the formulaic outcome and executive salaries were reduced by up to 30% for five months during 2020. The Remuneration Committee has a strong track record in ensuring remuneration outcomes are appropriate in the context of stakeholder experiences.
- On the face of it, the fall in share price in 2020 and its subsequent recovery since arguably represents a windfall gain in the context of the global pandemic and its impact on general markets. However, management performance over this period has been very strong. The team successfully managed through the Covid period winning significant extra business and completing the transformational acquisition of Interserve. The executive team also drove significant cost savings both from the Interserve deal and Mitie's own overhead base. Revenue from continuing operations has increased from £2.1bn in FY20 to £4bn in FY23 (+93%) and profit before other items on the same basis has increased from £78m to £162m (+108%) over the three years. All of this is reflected in the share price having beaten expectations and outperformed the market. Ultimately, the attribution of which factors impacted share price growth and to what extent is complex and extremely subjective. Nevertheless, the Committee considered that some of the growth is due to market recovery but some is also due to strong performance from management.

Taking all of the considerations into account, the Committee concluded that a discretionary reduction of 10% was appropriate for Executive Directors. This results in a final vesting of 90% of the maximum.

Directors' remuneration report**Annual Report on Remuneration**
continued

As is usual, as part of its assessment, the Committee also took into account the wider performance of the Group and the context of both the shareholder and employee experience. In doing so, it determined that this adjusted outcome of 90% of the maximum was appropriate and no further discretion was applied.

The August 2020 LTIP awards will vest in August 2023 and all LTIP awards granted to Executive Directors are subject to a two-year post-vesting holding period. Furthermore, in-employment and post-employment shareholding guidelines also ensure that the true value delivered to Executive Directors will be established only in the years ahead and not at 2023 share prices.

Loss of office payments (subject to audit)

There have been no loss of office payments to past Directors during FY23.

Payments to past Directors (subject to audit)

There have been no payments to past Directors during FY23 that relate to their period as a Director.

Percentage change in remuneration of Directors and employees

The table below sets out the change in remuneration of the Directors who served on the Board and Mitie's UK employees, which is considered the most appropriate group for comparison purposes.

	FY20/FY21 ¹			FY21/FY22 ¹			FY22/FY23 ¹		
	Salary ²	Benefits ³	Bonus	Salary ²	Benefits ³	Bonus	Salary ³	Benefits ³	Bonus
Average pay based on Mitie's UK employees	2.5%	(20.8)%	(23.9)%	4.1%	5.7%	99.4%	8.1%	(0.5)%	130.6%
Executive Directors									
Phil Bentley	(12.5)%	(25.0)%	N/A*	14.3%	10.1%	20.9%	0%	83.5%	(38.7)%
Simon Kirkpatrick ⁵	N/A	N/A	N/A	N/A	N/A	N/A	8.0%	(49.6)%	(31.6)%
Non-Executive Directors									
Derek Mapp	(12.5)%	–	–	14.3%	–	–	0%	–	–
Baroness Courtie ⁶	(10.5)%	–	–	14.3%	–	–	(28.0)%	–	–
Jennifer Duvalier	(12.5)%	–	–	14.3%	–	–	11.7%	–	–
Mary Reilly	(12.5)%	–	–	14.3%	–	–	3.3%	–	–
Roger Yates	(12.5)%	–	–	14.3%	–	–	3.4%	–	–
Chet Patel ⁷	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Salma Shah ⁷	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- The average UK employee figures reflect the changes in average annual pay for UK employees employed throughout FY22 and FY23 for FY22/23, throughout FY21 and FY22 for FY21/22 and throughout FY20 and FY21 for FY20/21. Employees who were on furlough during the relevant period have been excluded for the purposes of this analysis.
- The increases in salary for Directors for FY22 compared with FY21 following the reductions in salary for FY21 compared with FY20 arose from the Non-Executive Directors and Phil Bentley volunteering 30% reductions in their fees/salaries respectively for five months from 1 April 2020 as part of Mitie's actions to mitigate the impact of Covid-19.
- Includes taxable benefits such as car/car allowance, private medical benefit and private fuel. The increase of the benefit in kind tax on electric vehicles has impacted the benefits in FY22 and FY23. The car allowance for Phil Bentley has impacted the benefits in FY23, and the move from car allowance to electric vehicle for Simon Kirkpatrick has impacted his benefit figure. Also includes Phil Bentley's matching shares element from his Share Incentive Plan (SIP) purchases for January 2022 onwards based on the share price upon purchase.
- Phil Bentley's FY20 bonus was £nil as he waived it.
- Simon Kirkpatrick was appointed to the Board on 1 April 2021 and therefore there are no appropriate prior year comparatives in terms of Director remuneration for FY21 or FY22.
- Baroness Courtie died on 12 December 2022.
- Chet Patel and Salma Shah joined the Board on 1 April 2022 and therefore there are no prior year comparatives. In next year's report, it will be possible to show a FY23/FY24 change in remuneration.

CEO pay ratio

The table below sets out the CEO pay ratio in respect of FY23. CEO pay ratio data for previous financial years is provided for reference.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY23	Option B	271:1	248:1	206:1
FY22 ¹	Option B	191:1	163:1	142:1
FY21	Option B	151:1	129:1	116:1
FY20	Option B	154:1	139:1	108:1

Note:

- The FY22 single figure has been updated as a result of reflecting the actual valuation on the closing share price on the first date of vesting of the LTIP award.

The pay ratios set out above were calculated using the Group's FY23 gender pay data based on employees as at 5 April 2022 under method B. Method B was selected because it made use of robust, readily available data and did not require additional analysis into the more than 70,000 UK employees employed by the Group. Total pay was calculated for a sample of employees at each quartile in order to ensure that the three identified employees were suitably representative of their quartile. A full-time equivalent total pay figure was calculated for each identified employee using the single figure methodology.

The CEO pay ratio figures for FY23 have increased this year due to an increase in the CEO's single figure, as a result of the LTIP 2020 vesting. As a Real Living Wage service provider, Mitie continues to increase pay levels among its various contracts and to invest in competitive pay for all employees. Given that Mitie's workforce profile is made up of predominantly frontline customer-facing roles, the employees at each quartile used to compare Mitie's CEO's remuneration all operate within a frontline role. The Committee is comfortable that the pay ratios are consistent with the pay, reward and progression policies at Mitie.

The following table sets out the base salary and total pay figures for the employees identified at each quartile.

Year	Element of pay	25th percentile employee	Median employee	75th percentile employee
FY23	Base salary (FTE)	£20,386	£22,574	£27,183
	Total pay (FTE)	£21,565	£23,610	£28,357

Relative spend on pay

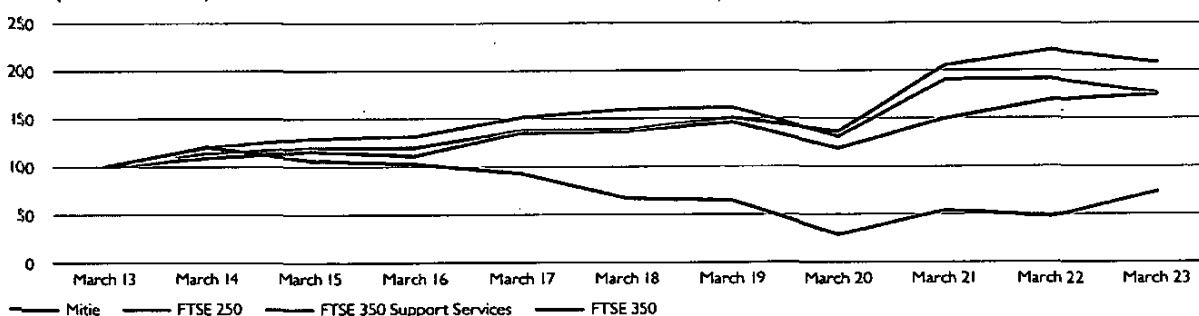
The table below shows the total cost of remuneration in the Group, compared with dividends distributed.

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	Change
Aggregate employee remuneration	1,996	2,132	(6.4)%
Equity dividends	29	6	383%

Assessing pay and performance

The table below provides a summary of the Chief Executive Officer's single figure remuneration over the past 10 years, as well as the pay-out and vesting levels of variable pay plans in relation to the maximum opportunity. The chart below shows the historical Total Shareholder Return (TSR) performance over the same period, with Mitie's TSR restated for the bonus element of the 2020 rights issue. Three indices (FTSE 250, FTSE 350 Support Services and FTSE 350) have been chosen as they are widely recognised and Mitie has been a member of these indices during the period.

TSR (Rebased to 100)



	FY14	FY15	FY16	FY17 Ruby McGregor-Smith ¹	FY17 Phil Bentley ²	FY18	FY19	FY20	FY21	FY22	FY23
Single figure remuneration	£1,447,266	£1,525,824	£2,448,161	£530,628	£479,073	£1,102,549	£2,248,948	£2,029,856	£2,891,623	£3,908,161 ³	£5,851,399
Annual bonus element (actual as a % of max)	90%	50%	73%	0%	waived	waived	79%	waived	78.6%	95%	58.2%
LTIP element (actual vesting as a % of max)	0%	25%	69.5%	0%	N/A	N/A	N/A	79.7% ³	50%	100%	90%

Notes:

- Ruby McGregor-Smith stepped down as Chief Executive Officer on 12 December 2016. Phil Bentley joined the Board on 1 November 2016 and assumed the position of Chief Executive Officer on 12 December 2016. The figures above include Phil Bentley's remuneration from 1 November 2016.
- This figure includes two LTIP awards that vested based on performance to 31 March 2020 which vested at 100% and 53% respectively.
- The single remuneration figure for FY22 has been adjusted from the figure published in the FY22 remuneration table to reflect the actual valuation of Phil Bentley's 2019 LTIP award based on the closing share price on the date of vesting, being 59.3p.

Directors' remuneration report

Annual Report on Remuneration
continued

Share ownership (subject to audit)

	Number of shares owned as at 31 March 2023 ¹	Value of target holding	Target shareholding ²	Percentage of salary held as at 31 March 2023	Percentage of target achieved as at 31 March 2023	Compliance with share ownership guidelines
Phil Bentley	10,930,500	£1,800,000	3,082,192	709%	355%	Achieved
Simon Kirkpatrick	383,932	£756,000	1,294,521	59%	30%	Not achieved but compliant ³

Notes:

- Includes shares owned by connected persons.
- Target shareholding has been calculated using the average closing share price for the five business days prior to the end of FY22 (58.4p).
- Simon Kirkpatrick was appointed to the Board on 1 April 2021.

Directors' outstanding share interests (subject to audit)

The following tables provide the outstanding share interests for the Executive Directors:

Directors' interests granted under the share schemes

	Year of grant	Options outstanding as at 31 March 2022 ¹⁰	Granted in year	Lapsed in year	Exercised in year	Options outstanding as at 31 March 2023 ¹¹	Exercise price	Earliest normal exercise date
Phil Bentley	July 2017 LTIP ¹	171,559	–	–	(171,559)	–	Nil-cost	July 2020 ⁸
	Aug 2018 LTIP ²	1,141,535	–	–	–	1,141,535	Nil-cost	Aug 2021 ⁸
	June 2019 LTIP ³	2,275,608	–	–	–	2,275,608	Nil-cost	June 2022 ⁸
	Aug 2020 LTIP ⁴	5,278,592	–	–	–	5,278,592	Nil-cost	Aug 2023 ⁸
	Sep 2021 LTIP ⁵	2,975,206	–	–	–	2,975,206	Nil-cost	Sep 2024 ⁸
	July 2021 EDP ⁶	9,520,661	–	–	–	9,520,661	Nil-cost	July 2024 ⁸
	June 2021 Deferred Bonus Plan (DBP) ¹²	769,514	–	–	–	769,514	Nil-cost	June 2023
	Nov 2021 Save As You Earn (SAYE)	35,714	–	–	–	35,714	50.40p	Feb 2025
	June 2022 LTIP ⁷	–	3,266,787	–	–	3,266,787	Nil-cost	June 2025 ⁸
	June 2022 DBP ¹³	–	1,105,008	–	–	1,105,008	Nil-cost	June 2024
Simon Kirkpatrick	Oct 2019 LTIP ³	148,913	–	–	(148,913)	–	Nil-cost	Oct 2022
	Aug 2020 LTIP ⁴	322,580	–	–	–	322,580	Nil-cost	Aug 2023
	Sep 2021 LTIP ⁵	867,768	–	–	–	867,768	Nil-cost	Sep 2024 ⁸
	July 2021 EDP ⁶	1,504,132	–	–	–	1,504,132	Nil-cost	July 2024 ⁸
	Dec 2020 CSP ⁹	577,427	–	–	(577,427)	–	Nil-cost	Dec 2022
	Sep 2020 SAYE	46,187	–	–	–	46,187	27.28p	Dec 2023
	June 2022 LTIP ⁷	–	1,029,038	–	–	1,029,038	Nil-cost	June 2025 ⁸
	June 2022 DBP ¹³	–	349,151	–	–	349,151	Nil-cost	June 2024

Notes:

- The performance criteria applicable to the 2017 LTIP awards were disclosed on pages 155 and 156 of the FY20 remuneration report.
- The performance criteria applicable to the 2018 LTIP awards were disclosed on page 110 of the FY21 remuneration report.
- The performance criteria applicable to the 2019 LTIP awards were disclosed on page 125 of the FY22 remuneration report.
- The performance criteria applicable to the 2020 LTIP awards were disclosed on pages 108 and 109 of the FY21 remuneration report.
- The performance criteria applicable to the 2021 LTIP awards were disclosed on page 123 of the FY22 remuneration report.
- The performance criteria applicable to the 2021 EDP awards were disclosed on page 124 of the FY22 remuneration report.
- The performance criteria applicable to the 2022 LTIP awards are disclosed on page 124 of this FY23 remuneration report.
- Awards are subject to an additional two-year holding period.
- The 2020 Conditional Share Plan (CSP) awards are subject to a personal performance rating.
- For all awards prior to August 2020, the number of options has been adjusted for the bonus element of the 2020 Rights Issue (x1.93426825).
- The closing market price of the Company's shares as at 31 March 2023 was 81.8p. The highest and lowest closing market prices during FY23 were 83.9p and 51.1p respectively.
- The Deferred Bonus Plan award on 17 June 2021 represents the deferral of 50% of the bonus awarded for FY21, with the number of shares based on the closing middle market price of 73.5p for the day before the date of grant.
- The Deferred Bonus Plan award on 16 June 2022 represents the deferral of 50% of the bonus awarded for FY22, with the number of shares based on the lowest of the 1-5 day average share price before the date of grant (61.9p).

Directors' share ownership

	Number of ordinary shares beneficially owned as at 31 March 2023 (or date of cessation if earlier) ¹	Number of ordinary shares beneficially owned as at 31 March 2022 (or date of cessation if earlier)
Executive Directors		
Phil Bentley	10,930,500	10,754,889
Simon Kirkpatrick	383,932	6,332
Non-Executive Directors		
Derek Mapp	616,935	553,812
Baroness Courtie ²	100,631	86,311
Jennifer Duvalier	93,308	78,243
Chet Patel ³	15,818	–
Mary Reilly	107,948	92,663
Salma Shah ³	5,648	–
Roger Yates	160,000	160,000

Notes:

1. The number of shares beneficially owned since 31 March 2023 has changed due to planned purchases that took place on 3 and 6 April 2023 for Non-Executive Directors. The revised figures are as follows: Derek Mapp – 627,460 shares, Jennifer Duvalier – 95,665 shares, Mary Reilly – 110,756 shares, Salma Shah – 7,613 shares, and Chet Patel – 41,206 shares. In addition, Phil Bentley made two SIP transactions, one on 13 April 2023 where an additional 276 shares were acquired and one on 15 May 2023 where 243 shares were acquired.

2. Baroness Courtie died on 12 December 2022.

3. Salma Shah and Chet Patel joined the Board on 1 April 2022.

There have been no changes, other than those in Note 1 above, between 1 April 2023 and 6 June 2023, the last practicable date prior to the date of this report.

Share dilution

The Company manages dilution rates within the standard guidelines of 10% of issued ordinary share capital in respect of all employee schemes and 5% in respect of discretionary schemes. In calculating compliance with these guidelines, the Company allocates available headroom on a 10-year flat-line basis, making adjustments for projected lapse rates and projected increases in issued share capital.

LTIP and deferred bonus awards are satisfied through the market purchase of shares held by the Mitie Group plc Employee Benefit Trust. The potential dilution of the Company's issued share capital is set out below in respect of all awards granted in the last 10 years under the Company's equity-based incentive schemes which are being satisfied through the allotment of new shares or treasury shares.

Share dilution at 31 March 2023	Dilution
All share plans (maximum 10%)	0.5%
Discretionary share plans (maximum 5%)	0.4%

Directors' remuneration report

Annual Report on Remuneration continued

Shareholder voting

Mitie remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Group seeks to understand the reasons for any such vote, and will detail here any actions in response to it.

A resolution to approve the Directors' remuneration policy as set out in the Annual Report and Accounts 2021 was passed at the Company's 2021 AGM. At the Company's 2022 AGM, a resolution was passed to approve the 2022 Directors' remuneration report. The results of the votes on these resolutions were as follows:

Number of votes	Votes in favour	Votes against	Withheld
2021 Directors' remuneration policy – 2021 AGM	835.7m 70.1%	356.9m 29.9%	1.4m
2022 Directors' remuneration report – 2022 AGM	943.5m 82.0%	207.5m 18.0%	0.0m

Note:

1. Votes withheld are not counted in the calculation of the proportion of votes for or against a resolution.

The Board notes that, although the resolution to approve the Directors' remuneration policy was passed by a majority of shareholders, a significant minority of shareholders voted against the resolution. The Company undertook extensive consultation with major shareholders prior to the 2021 AGM regarding remuneration matters and some changes were made to the final EDP to reflect shareholder feedback. The Board has a clear understanding of the reasons why a minority of shareholders were not supportive of the EDP.

Remuneration Committee and its advisors

The Remuneration Committee seeks and considers advice from independent remuneration advisors where appropriate.

Deloitte LLP have acted as independent remuneration advisors to Mitie since September 2017. The advisors attended Committee meetings and provided advice and analysis of executive remuneration. During their tenure, the advisors have provided no other services to the Company (save in relation to services connected to executive remuneration and share plans) and have also complied with the Code of Conduct for Remuneration Consultants. The advisors' total cost of advice to the Committee for the year was £14,900 (such fees being charged in accordance with their standard terms of business).

The Committee specifically considered the position of the advisors and was satisfied that the advice the Committee received from them was objective and independent, given that they provided no other services to the Company.

Environment, Social & Governance (ESG) Committee report



Our work in ESG provides great purpose to Mitie across all aspects of sustainability and social value, both within the organisation and through the delivery to our customers and the communities we work in.



Salma Shah
Chair of the ESG Committee

Report from the ESG Committee Chair
On behalf of the Board, I am pleased to present the ESG Committee report for the year ended 31 March 2023.

I would firstly like to note the contribution made by the late Baroness Coughtie. Philippa was instrumental in the development of Mitie's ESG agenda. Philippa established the ESG Committee (which was previously known as the Social Value & Responsible Business Committee) in January 2020 and was Chair of the Committee and the Mitie Foundation until her death in December 2022. Philippa will be remembered for helping to establish Mitie as the ESG leader in the facilities management industry.

Over the following pages, this report provides an insight into some of the ESG Committee's key activities during FY23. Mitie's activities and outputs in relation to ESG and Mitie's governance framework in relation to the Task Force on Climate-related Financial Disclosures (TCFD) are set out on pages 47 to 57 of this Annual Report and further information is also available at www.mitie.com/about-mitie/social-value-and-responsible-business.

As further detailed over the following pages, the Committee's activities in FY23 focused on areas such as:

- Development of the Group's ESG strategy
- Engagement with ESG rating agencies

- Adoption of a science-based target for Scope 3 emissions
- Fleet strategy, including an analysis of high-mileage drivers and specialist vehicles
- Increasing the number of colleagues undertaking apprenticeships across the Mitie business
- Increasing diversity of leadership roles and inclusivity in Mitie's culture

I'm proud to say that Mitie's leadership position in relation to ESG continued to be externally recognised during FY23, with Mitie having won multiple awards, including:

- GREENFLEET Awards 2022 – awarded Private Sector Car Fleet of the Year
- What Van? Awards 2023 – awarded Green Fleet of the Year
- Fleet News Awards – Private Sector Fleet of the Year; more than 1,000 vehicles
- Zero Waste Awards 2022 – Mitie Waste awarded four-star rating for project with McCormick
- Flowers in the City Awards 2022 – Living Wall Trophy
- Top Employers Institute Awards 2023 – Top Employer United Kingdom
- Inclusive Companies Awards 2022 – Inclusive Top 50 UK Employer
- UK Social Mobility Awards 2022 – Community Programme of the Year: Silver Award
- National Apprenticeship Service 2022 – Top 100 Apprenticeship Employers

Areas of focus for the Committee in FY24 are expected to include:

- Deployment of Mitie's social value delivery programme across customer accounts
- Continued engagement with ESG rating agencies
- Decarbonisation of Mitie's estate and energy consumption reductions through Mitie's ISO 50001 Energy Management System
- Drive sustainability and social value initiatives through the supply chain to reduce Scope 3 emissions in alignment with Mitie's science-based target
- Support the social mobility of underrepresented groups
- Enhance colleagues' knowledge and awareness of sustainability
- Incorporate circular economy initiatives into business operations
- Monitor performance against Mitie's FY24 social value targets and react to challenges accordingly
- Identify and adopt nature-based solutions where possible

Salma Shah
Chair of the ESG Committee

DocuSigned by:

Salma Shah

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ESG Committee members

At the date of this report and throughout FY23, the ESG Committee comprised:

Chair:

Salma Shah (from 25 January 2023)
Baroness Coughtie (until 12 December 2022)

Committee members:

Salma Shah (until 25 January 2023)
Peter Dickinson, Chief of Staff, General Counsel & Company Secretary
Jasmine Hudson, Chief People Officer
Claire Lovegrove, Director of Corporate Affairs
Jason Roberts, Group Director for Sustainability & Social Value (from 25 January 2023)
Danny Spencer, Managing Director of Care & Custody
Jason Towse, Managing Director of Business Services
Simon Venn, Managing Director of Technical Services & Chief Government Officer

ESG Committee meetings

The ESG Committee met six times during FY23.

Key purpose of the ESG Committee

The purpose of the ESG Committee is to provide oversight and governance for all of Mitie's ESG initiatives, ensuring they are aligned to Mitie's Purpose, Promises and Values.

Key responsibilities of the ESG Committee

To benefit Mitie's customers, employees, shareholders and other key stakeholders, the key responsibilities of the ESG Committee include:

- Prepare the Group's ESG strategy on an annual basis, and submit it to the Board for final approval and adoption
- Promote, oversee and monitor the implementation of the Group's ESG strategy
- Seek to ensure that the Group conducts its business in a responsible way, with the aim of achieving positive impact on the communities, people and the environment in which it works, and which is consistent with its ESG strategy

The ESG Committee's Terms of Reference are available at www.mitie.com/investors/corporate-governance.

Environment, Social & Governance (ESG) Committee report continued

Task Force on Climate-related Financial Disclosures (TCFD)
Mitie's TCFD, including the governance arrangements in place, are set out in detail on pages 47 to 57.

Key activities during the year
ESG strategy
The Committee reviewed and further developed the Group's ESG strategy during the year prior to its presentation to the Board for approval in September 2022. The ESG strategy encompasses a 15-point plan and forms the backbone of Mitie's drive towards a continuous improvement cycle for sustainability and social value within Mitie.

Fleet strategy
The Committee analysed the results of a review of high-mileage drivers within the Mitie business and discussed the challenges associated with transitioning high-mileage drivers and certain specialist vehicles to electric vehicles in line with Mitie's Fleet strategy. In connection with this, a sub-committee of the Plan Zero Working Group was set up to investigate ways to address the challenges, including the possibility of using alternative fuels.

Engagement with ESG rating agencies
The Committee continued to look for ways to improve Mitie's ESG scores with ESG rating agencies, accrediting bodies and Sustainable Indices. The Committee reviewed responses to rating agency questionnaires and identified areas for improvement. The Committee also initiated engagement conversations with these organisations where needed. As a result of these engagement activities, Mitie received the highest-ranking Platinum Award in The Sustainable FM Index's December 2022 report for the second year running.

Science-based target
The Committee approved the adoption of a science-based target which was submitted to the Science Based Targets initiative (SBTi) for approval in July 2022. Mitie's Net Zero by 2035 science-based target applies to its Scope 3 emissions. Mitie's existing Net Zero by 2025 Plan Zero commitment applies to its Scope 1 and 2 emissions.

ESG Report 2022
The Committee reviewed Mitie's ESG Report 2022 and the Board's feedback on the report. Mitie's ESG Report 2022 outlined progress made across all areas of the Group's ESG strategy and shared key achievements for each of the five pillars of Mitie's social value framework: environment, people, community, responsible supply chain and innovation. The report is available to download at www.mitie.com/esg/.

Committee Chair
Salma Shah was appointed Chair of the Committee by the Board in January 2023 following the death of Baroness Couttie in December 2022. Salma had been a member of the Committee since her appointment to the Board in April 2022. Salma has a wealth of experience in ESG matters and a background in public policy and public affairs.

Support for apprenticeships
The Committee kept Mitie's apprenticeship levy strategy under review and discussed ways to increase Mitie's apprenticeship levy utilisation rate and apprenticeship levy gifting. As part of these discussions, the Committee identified barriers which were hindering Mitie's ability to maximise apprenticeship levy spend. These barriers included a lack of suitable apprenticeship programmes available for colleagues in certain job roles. Following on from these discussions, Mitie has become involved in the development of an apprenticeship trailblazer suitable for Mitie's frontline security operatives.

Equality, diversity and inclusion
The Committee was updated on Mitie's Equality, Diversity & Inclusion (ED&I) strategy which was launched at a MLT meeting in December 2022 and rolled out to the wider organisation as part of Mitie's Team Talk Live event in February 2023. The Committee also discussed, planned and completed actions in relation to Mitie's ED&I commitments, colleague feedback from diversity network events and initiatives such as the addition of pronouns to email signatures.

Giving Back
The Committee was regularly updated on Mitie's 'Giving Back' initiative, which encourages eligible colleagues to use their annual volunteering day to support good causes in the local community. The Committee discussed colleague eligibility criteria with a view to trying to expand this where possible and made suggestions for ways in which to increase colleague engagement in volunteering initiatives.

Performance against targets
The Committee reviewed performance against the Group's FY23 social value targets at every meeting. At times during the year when a particular target was tracking behind schedule, the Committee discussed the reasons why and identified ways to address the shortfall. For example, the Committee approved the appointment of Giving Back Ambassadors within the Mitie business to support the drive for Mitie colleagues to participate in volunteering activities. Mitie achieved 11 of its FY23 social value targets. Further detail can be found on pages 37 to 59.

Mitie Foundation
The Committee was regularly updated on the activities of the Mitie Foundation. During FY23, the Mitie Foundation continued to support young people and those who face barriers to work, such as the long-term unemployed, those with disabilities or learning difficulties, ex-service personnel and ex-offenders. A total of 347 Mitie Foundation candidates were recruited into the Mitie business in FY23. Further detail of the activities of the Mitie Foundation can be found on page 58 and at www.mitie.com/mitie-foundation.

Directors' report

The Directors present their Annual Report, together with the audited financial statements of the Company and the Group, for the year ended 31 March 2023.

The Directors' report required under the Companies Act 2006 comprises the corporate governance statement on pages 85 to 107. The corporate governance statement on pages 85 to 107 fulfils the requirement under Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (DTR) 7.2.1.

For the purposes of DTR 4.1.8R, the management report for the year ended 31 March 2023 comprises the Strategic report and this Directors' report.

Cross-references

Employee engagement	Details of how Mitie encourages employee involvement can be found in the Strategic report on pages 38 to 42.
Equality, diversity and inclusion (including employment of disabled persons)	Details of Mitie's commitment to equality, diversity and inclusion, including in relation to the employment of disabled persons, can be found on pages 38 to 42.
Business relationships	Details of how the Directors have had regard to the need to foster Mitie's business relationships with suppliers, customers and others, and the effect of this on the principal decisions taken by the Company during the year, can be found in the Strategic report on pages 35 and 36.
Greenhouse gas emissions, energy consumption and efficiency	Details of greenhouse gas emissions, energy consumption and efficiency can be found in the Strategic report on pages 54 to 57.
Environmental data	Environmental data can be found in the Strategic report on page 54.

The information required to be disclosed by Listing Rule 9.8.4 can be found in the following locations:

Details of any long-term incentive schemes	Directors' remuneration report on pages 116 to 130 and Note 31 to the consolidated financial statements
Details of any arrangements under which a Director has waived or agreed to waive any emoluments or future emoluments	Directors' remuneration report on pages 116 to 130
Shareholder waiver of dividends and future dividends	Directors' report on page 133

No shareholder is considered a controlling shareholder as defined in the Financial Conduct Authority Handbook.

The remaining disclosures required by Listing Rule 9.8.4 are not applicable to the Company.

Principal Group activities

The Company is the holding company of the Group and its principal activity is to provide management services to the Group. The Group's activities are focused on the provision of strategic outsourcing services, further details of which can be found on pages 2 to 5 of the Strategic report.

The Company does not have any branches registered overseas, but certain subsidiaries of the Company have registrations/branches across the United Kingdom, Republic of Ireland, Guernsey, Jersey, Isle of Man, Ascension Island, Austria, Belgium, Cyprus, Czech Republic, Denmark, Falkland Islands, Finland, France, Germany, Ghana, Gibraltar, Hungary, Kenya, Luxembourg, the Netherlands, Nigeria, Oman, Poland, Saudi Arabia, Slovakia, Spain, Switzerland and the United Arab Emirates. Details of the Company's subsidiaries are set out in Note 36 to the consolidated financial statements.

Given the nature of its activities, no material research and development work is carried out by the Group.

The Board's view on the likely future development of the Group is set out in the Strategic report on pages 12 to 17.

Financial results

A detailed commentary on the operational and financial results of the Group for the year is contained within the Strategic report, including the Finance review on pages 60 to 72.

The Group's profit before tax from continuing operations for the year ended 31 March 2023 was £105.5m (2022: £52.3m).

Dividends

An interim dividend of 0.7p per Ordinary Share (2022: 0.4p) with a total value of £9.4m (2022: £5.7m) was paid to shareholders on 1 February 2023.

The Directors recommend a final dividend of 2.2p per Ordinary Share (2022: 1.4p) with a total value of £28.7m (2022: £19.5m) based upon the number of shares in issue (excluding treasury shares and shares held by the Employee Benefit Trust) as at 6 June 2023. Subject to approval at the 2023 AGM, the final dividend will be paid on 4 August 2023 to shareholders on the register as at close of business on 23 June 2023.

Total dividends per Ordinary Share for the year ended 31 March 2023 will be 2.9p (2022: 1.8p).

As at 31 March 2023, the Company had distributable reserves of £116.5m (2022: £54.6m).

Mitie operates a Dividend Re-Investment Plan (DRIP) which allows shareholders to use their cash dividend to purchase additional Ordinary Shares. Further details on the operation of the DRIP and how to apply are available from Mitie's Registrar, Link Group.

The Trustees of the Company's Employee Benefit Trust agreed to waive dividends payable on Ordinary Shares held by the Trust in respect of the year ended 31 March 2023.

In accordance with Section 726 of the Companies Act 2006, no dividends are paid on Ordinary Shares held in treasury.

Directors

The names of all persons who served as Directors of the Company at any time during FY23 are set out on page 92. Full biographical details of the current Directors, including Committee membership and external appointments, are set out on pages 87 to 89.

Director independence

The Board considered the independence of all Non-Executive Directors during FY23 and determined that, as at 31 March 2023, all Non-Executive Directors continued to be independent in mind and judgement, and free from any material relationship that could interfere with their ability to discharge their duties effectively.

Indemnification of Directors and insurance

The Directors and the Company Secretary benefit from an indemnity provision under the Company's Articles of Association (the Articles).

Additionally, all Directors and the Chief of Staff, General Counsel & Company Secretary have been granted a qualifying third-party indemnity provision (as defined by Section 234 of the Companies Act 2006) which has been in force throughout FY23 and remains in force as at the date of this report.

Directors' report continued

Certain employees who are directors of a subsidiary of the Company have also been granted a qualifying third-party indemnity provision which has been in force throughout FY23 and remains in force as at the date of this report.

The Group maintains Directors' and Officers' liability insurance, which provides appropriate cover for any legal action brought against the Group's Directors and/or Officers. The Group also maintains Pension Trustees' liability insurance, which provides cover in respect of legal action brought against the Trustees of Mitie's pension schemes.

Share capital

The Group is financed through equity share capital and debt instruments. Details of the Company's share capital are given in Note 28 to the consolidated financial statements. Details of the Group's debt instruments are set out in Note 24 to the consolidated financial statements. Throughout FY23, the Company's issued share capital was publicly listed on the London Stock Exchange and it remains so as at the date of this report.

Financial instruments

The Group's financial instruments include bank borrowing facilities, lease liabilities, overdrafts,

US private placement loan notes and derivatives which are used to manage interest, currency and other risks when necessary or material.

The principal objective of these instruments is to raise funds for general corporate purposes and to manage financial risk. Further details of these instruments are given in Note 25 to the consolidated financial statements.

The Company has a single class of shares divided into ordinary shares of 2.5 pence each (Ordinary Shares). The Ordinary Shares are entitled to one vote each per share at general meetings and have no right to any fixed income.

In accordance with the Articles, holders of Ordinary Shares are entitled to participate in any dividends pro rata to their holding. The Board may propose and pay interim dividends and recommend a final dividend to shareholders for approval at an AGM. A final dividend may be declared by the shareholders at an AGM by ordinary resolution, but such dividend cannot exceed the amount recommended by the Board.

Restrictions on the transfer of shares

The Company is not aware of any agreements between holders of its securities which may result in restrictions on the transfer of securities

or voting rights. No person has any special rights of control over the Company's share capital. There are no specific restrictions on the size of any shareholding or on the transfer of shares, which are both governed by the provisions of the Articles.

Under Mitie's Rules on Share Dealing, persons with access to certain confidential Company information or inside information are required to follow a clearance to deal procedure and may be restricted from dealing in the Company's shares. Persons subject to these requirements are notified individually and appropriately informed of the rules.

Significant interests in the Company's share capital

As at 31 March 2023, insofar as it is known to the Company by virtue of notifications made pursuant to the Companies Act 2006 and/or Chapter 5 of the Disclosure Guidance and Transparency Rules or otherwise, the following persons were, directly or indirectly, interested (within the meaning of the Companies Act 2006) in 3% or more of the Company's issued share capital (being the threshold for notification that applies to shareholders pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules):

	Number of Ordinary Shares	% of voting rights
Silchester International Investors LLP	167,981,846	12.30%
FIL Limited	137,634,294	10.08%
Schroder plc	84,491,458	6.19%
Heronbridge Investment Management	74,092,816	5.43%
Alchemy Special Opportunities Fund IV	71,039,339	5.20%
BlackRock Inc	64,370,983	4.71%
FMR LLC	61,534,382	4.51%
Vanguard Group	61,529,166	4.51%
Oasis Investments II Master Fund	56,201,527	4.12%
JPMorgan Asset Management	52,544,407	3.85%
Brandes Investment Partners LLP	50,916,438	3.73%
Apex Financial Services (Trust Company) Limited	50,903,160	3.73%

Changes that have been notified to the Company pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules between 31 March 2023 and 6 June 2023, the latest practicable date prior to the date of this report, are set out below.

	Number of Ordinary Shares	% of voting rights
FIL Limited	144,654,320	10.60%
Norges Bank	40,591,655	2.99%

Directors' interests in the Company's share capital are set out in the Directors' remuneration report on page 129.

2022 Annual General Meeting

The 2022 Annual General Meeting (AGM) was held on 26 July 2022 in London as a combined physical and electronic meeting (a hybrid meeting). At the meeting all resolutions passed, with more than 78% of the votes cast in favour. The resolutions which received a vote of more

than 20% against (as a percentage of the votes cast) were in respect of the re-election of Roger Yates and the additional authority to disapply pre-emption rights (up to a nominal value equivalent to 5% of Mitie's issued share capital excluding treasury shares) for the purposes of acquisitions and capital investments.

The majority of the votes received against the re-election of Roger Yates were attributable to one of the Company's major shareholders whose policy is not to support Non-Executive Directors who are over-committed to other activities.

The Company has taken on board this feedback and has sought to provide re-assurance that all Non-Executive Directors have sufficient time to dedicate to their duties. Roger retired from the Board of St James' Place plc on 18 May 2023. Roger's biography can be found on page 89.

A single shareholder cast the majority of votes against the additional authority to disapply pre-emption rights, in line with their published proxy voting and corporate governance policy. To address these concerns, the Board will not be seeking to dis-apply pre-emption rights at the 2023 AGM.

2023 Annual General Meeting

Mitie's 2023 AGM will be held on 25 July 2023 at 11.30am at Level 12, The Shard, 32 London Bridge Street, London SE1 9SG and will be viewable via a webcast.

The Board recognises that the AGM is an important event in the Company's corporate calendar, providing an opportunity to engage with shareholders. Shareholders will be able to attend the meeting in person to vote and ask questions, or view the meeting via a live webcast. Shareholders can also ask questions via email to investorrelations@mitie.com. Instructions on how to register and join the webcast are set out in the Notice of AGM.

The Board also encourages shareholders to appoint the Chairman of the AGM as their proxy and provide voting instructions in advance of the meeting in accordance with the instructions set out in the Notice of AGM.

Powers of the Company to issue or buy back its own shares

At the AGM held on 26 July 2022, the Company's shareholders authorised:

- The Directors to allot Ordinary Shares up to an aggregate nominal amount of £3,578,612.88, equating to 10% of the issued share capital of the Company (excluding treasury shares) as at 10 June 2022.
- The disapplication of pre-emption rights over allotted shares up to an aggregate nominal value of £1,789,306.44, equating to 5% of the issued share capital (excluding treasury shares) and 4.997% of the issued share capital (including treasury shares) of the Company, each as at 10 June 2022.
- The disapplication of pre-emption rights over allotted shares up to an aggregate nominal value of £1,789,306.44, equating to 5% of the issued share capital (excluding treasury shares) and 4.997% of the issued share capital (including treasury shares) of the Company, each as at 10 June 2022, in connection with the financing (or refinancing, if the authority is to be used within six months after the original transaction) of an acquisition or specified capital investment which is

announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment

- The Company to make market purchases of its own shares up to a total of 143,144,515 Ordinary Shares, equating to 10% of the issued share capital (excluding treasury shares) of the Company as at 10 June 2022

These authorities will expire on the earlier date of 30 September 2023 and the conclusion of the 2023 AGM. A renewal of these authorities will be put to shareholders at the 2023 AGM. Further details are included in the notes to the Notice of AGM.

During FY23, the Company utilised the above authorities to:

- Allot 1,594,993 new Ordinary Shares with an aggregate nominal value of £39,874.83 in connection with the exercise of options by employees participating in the Mitie Group plc 2011 SAYE scheme for aggregate consideration of £993,827
- Undertake market purchases in relation to the share buyback programme announced on 9 June 2022 of 57,657,918 Ordinary Shares (representing 4.22% of the issued share capital of the Company (including treasury shares) as at 31 March 2023). The aggregate nominal value of the shares purchased was £1,441,448 and the total aggregate amount paid was £43,542,032 (excluding expenses)

During FY23, the Company utilised the authority granted at the AGM held on 27 July 2021 to undertake market purchases in relation to the share buyback programme announced on 9 June 2022 of 11,081,821 Ordinary Shares (representing 0.81% of the issued share capital of the Company (including treasury shares) as at 31 March 2023). The aggregate nominal value of the shares purchased was £277,046 and the total aggregate amount paid was £6,691,573 (excluding expenses).

The Employee Benefit Trust acquired 47.9m Ordinary Shares through market purchases, with a further 2.2m committed during FY23 (2022: 22.9m shares). 23.8m shares were distributed by the Employee Benefit Trust during FY23 to satisfy awards under Mitie Group plc's Long Term Incentive Plan and Conditional Share Plan, and to the SIP Trust.

The total number of Ordinary Shares held by the Company in treasury as at 31 March 2023 was 2,353, representing 0.0002% of the issued share capital of the Company (2022: 1,290,992, representing 0.1% of the issued share capital of the Company). 1,288,639 shares were distributed from treasury in connection with the exercise of options by employees participating in the Mitie Group plc 2011 SAYE scheme during FY23.

Exercisable awards under the Mitie Group plc 2011 Executive Share Option scheme were underwater during FY23 and no awards were exercised.

Articles of Association

Amendments to the Articles must be approved by at least 75% of those voting in person or by proxy at a general meeting of the Company. The Articles are available at www.mitie.com/investors/corporate-governance.

Significant agreements – change of control

There are a number of agreements with provisions that take effect, alter or terminate upon a change of control of the Company (including following a takeover bid), such as bank facility agreements and other financial arrangements and employee share scheme rules. None of these are considered to be significant in terms of their likely impact on the normal course of business of the Group. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs solely because of a change of control.

Disclosure of information to the auditor

Each Director in office as at the date of this Directors' report confirms that:

- So far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware
- He/she has taken all the steps that he/she ought to have taken as a Director to make himself/herself 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.

Post-balance sheet events

Details of post-balance sheet events can be found in Note 35 to the consolidated financial statements.

By order of the Board

Peter Dickinson
Chief of Staff, General Counsel &
Company Secretary

7 June 2023

DocuSigned by:

Peter Dickinson

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Statement of Directors' responsibilities

in respect of the Annual report, Remuneration 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, the Directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with UK-adopted International Accounting Standards and applicable law and have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law including Financial Reporting Standard 101 Reduced Disclosure Framework.

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

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and accounting estimates that are reasonable, relevant, reliable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements
- For the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group or Company will continue in business
- Prepare a Directors' report, Strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006

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 its 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.

The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Directors' responsibilities pursuant to DTR4.1.12

The Directors confirm that to the best of their knowledge:

- The Group financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

Website publication

The Directors are responsible for ensuring that the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

Phil Bentley
Chief Executive
7 June 2023

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Simon Kirkpatrick
Chief Financial Officer
7 June 2023

DocuSigned by:



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Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mitie Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

The Parent Company financial statements comprise the Company Balance Sheet, the Company Statement of Changes in Equity and notes to the Company financial statements, including a summary of significant accounting policies. The financial reporting framework applied in their preparation is applicable law and FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 19 September 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including reappointments is six years, covering the years ended 31 March 2018 to 31 March 2023.

We remain independent of the Group and the Parent 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 as applied to listed public interest entities, 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. Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We considered the principal risks identified by the Directors that are associated with the Group's customers, suppliers and workforce. We assessed these against our own views of the risks based on our understanding of the business and the business' performance in the year ended 31 March 2023;
- We obtained the Directors' cash flow forecasts covering the period to 30 September 2024 and challenged the key assumptions in respect of revenue growth, gross profit margins, cash generation and the potential impact of key provisions with reference to our knowledge of the business, its historical performance and results. We evaluated whether the Directors had considered appropriate risks and uncertainties in the preparation of the cash flow forecasts based on our assessment of the risks and issues relating to the business;
- We tested the integrity of the forecast model and assessed its consistency with approved budgets;
- We obtained and critically reviewed the Directors' reverse stress test analysis, performed to determine the point at which:
 - a downturn in revenues; or
 - a deterioration of gross margin; or
 - an increase in costs; or

– a downturn in cash generation due to working capital outflows and one-off significant liabilities

would result in a covenant breach or liquidity shortfall and without further mitigation would potentially impact the going concern of the business. Our consideration included an assessment of whether the reverse stress test analysis appropriately considered the key risks and issues to which the models were sensitive, and we challenged the nature and feasibility of the mitigating actions available to the business identified by the Directors;

- We challenged the Directors conclusion that the likelihood of the downside sensitivities required for either a covenant breach or liquidity shortfall was remote by reference to our knowledge of the business, and the wider environment in which it operates. This included an assessment of reverse stress test sensitivities and current trading performance;
- We obtained the new financing agreements in respect of the US Private Placement notes issued by the Group during the year to confirm maturity terms and covenants attached;
- We assessed covenants at year end, to check that the Group was compliant under the terms of the financing agreements;
- We evaluated forecast covenant compliance and headroom calculations with reference to the covenants stated in the relevant financing agreements; and
- We reviewed the adequacy and completeness of disclosures in the financial statements in respect of going concern in line with the Directors' going concern assessment.

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 Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview

Coverage ¹	90% (2022: 97%) of Group revenue 93% (2022: 91%) of Group total assets
Key Audit Matters ("KAMs")	<p>1) Revenue recognition in respect of new and modified contracts and cut-off of accrued income - consistent with prior year</p> <p>2) Onerous contract provisions – consistent with prior year*</p> <p>3) Contract specific provisions – consistent with prior year*</p> <p>The prior year KAMs also included "Accounting for the acquisition of the Interserve component." This acquisition was completed on 30 November 2020 and as the accounting for this area was concluded in the prior year, it is not considered a KAM in the current year.</p> <p>* The onerous contract provisions and contract specific provisions were recorded as one KAM in the prior year. We have disclosed these as separate KAMs in the current year, which is consistent with our risk assessment.</p>
Materiality	<p>Group financial statements as a whole</p> <p>£6.3m (2022: £6.4m) based on 5% of continuing profit before tax and non-recurring other items (2022: 5% continuing profit before tax and non-recurring other items)</p>

¹ These are areas which have been subject to a full scope audit or specific audit procedures

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates through a number of legal entities, which form reporting components, consistent with the segmental analysis as disclosed in Note 3 to the financial statements. Technical Services, Business Services, Central Government & Defence, Communities, and the Parent Company were considered to be significant components subject to full scope audits.

The Corporate Centre segment was considered to be a non-significant component, where we performed specific audit procedures on discrete financial statement areas to obtain sufficient coverage over the Group financial statements. The financial information of the remaining non-significant components was subject to desktop review procedures.

BDO LLP, through either the Group audit team or component audit teams, completed all full scope audits, specific audit procedures and desktop review procedures.

Our involvement with component auditors

For the work performed by component auditors, the Group audit team determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Our involvement with component auditors included the following:

- Issue of Group reporting instructions, which included the significant areas to be covered by their audit (including all significant risks identified by the Group audit team), materiality levels, and required procedures relating to irregularities and fraud. The instructions also set out the information required to be reported to the Group audit team;
- Regular communication with the component auditors throughout the planning, execution and completion phases of the audit;
- Members of the Group audit team attended the key meetings and had detailed discussions with the component auditors and component Management throughout the audit process in respect of significant risk areas; and
- Review of the component auditors' working papers with additional challenge and specific work requests to ensure alignment with conclusions drawn.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's and Parent Company's operations and financial statements included:

- Enquiries and challenge of Management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit Committee meetings and other papers related to climate change.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors' going concern assessment and viability assessment.

We also assessed the consistency of Management's disclosures included as 'Statutory Other Information' on page 47 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Independent auditor's report to the members of Mitie Group plc continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Revenue recognition in respect of new and modified contracts and cut-off of accrued income</p> <p>The accounting policies and critical judgements applied are disclosed in Notes 1 and 2.</p>	<p>The accounting for new and modified contracts under IFRS 15 <i>Revenue from Contracts with Customers</i> can be complex and may be incorrectly applied, resulting in inappropriate recognition or measurement of revenue.</p> <p>The Group has material levels of accrued income for which there is risk that cut-off has not been correctly applied and that revenue has not been appropriately recognised in respect of accrued income.</p> <p>Due to the above we considered revenue recognition in respect of these matters to be a key audit matter.</p> <p>We completed the following audit procedures:</p> <ul style="list-style-type: none"> Tested a sample of new and modified contracts in the year by evaluating Management's IFRS 15 <i>Revenue from Contracts with Customers</i> contract assessments, testing details to contracts and assessing that the related revenue recognition was in accordance with the requirements of the applicable accounting standard. Tested a sample of accrued income balances at the year end to supporting documentation to confirm whether the revenue has been recognised in the appropriate period, with procedures including: verifying contractual terms, agreeing to proof and timing of service delivery, confirming customer acceptance and subsequent invoicing, and reviewing relevant customer correspondence regarding the specific accrued income balances. We also tested journals recorded within revenue, selected using specific risk criteria, to appropriate supporting evidence. <p>Key observations:</p> <p>We found that new and modified contracts were being accounted for in accordance with the requirements of the applicable accounting standard and that the recognition and measurement of the related revenue in the year was appropriate.</p> <p>We are satisfied that revenue was recognised in the appropriate period in respect of accrued income.</p>
<p>Onerous contract provisions</p> <p>The accounting policies and critical judgements applied are disclosed in Notes 1 and 2.</p> <p>Provisions are disclosed in Note 21.</p>	<p>Material onerous contract provisions are recognised within the Communities component.</p> <p>The contracts are in some cases for durations of up to 20 years and significant judgement is required on future operational costs and efficiencies to determine the level of provision required.</p> <p>Furthermore, as disclosed in Note 2, the Group has a contract with a remaining term of 18 years, which has recorded a significant loss in the current year and recent prior years, for which no onerous contract provision is recognised. This is an area of Management judgement and estimation.</p> <p>In respect of this matter, the disclosure provided and the estimated range of possible outcomes given, are key areas of Management judgement. Due to this we considered onerous contract provisions to be a key audit matter.</p> <p>We completed the following audit procedures in relation to onerous contract provisions within the Communities component:</p> <ul style="list-style-type: none"> Assessed the completeness of onerous contract provisions through review of a sample of contracts to assess contract performance and identify any loss-making or potentially loss-making contracts for which a provision had not been considered. Critically evaluated Management's contract profitability and turnaround plan for the specific contract which has recorded a significant loss in the current year and recent prior years. Obtained an understanding of, and challenged, Management's assumptions used within the calculations. This included considering whether initiatives were within the Group's contractual ability to implement, the ability to reasonably assess their financial impact, and the forecast timing of their implementation. For the population of onerous contracts, we reviewed actual results for each contract for the period against Management's forecast for the same period, to test their forecast accuracy. Challenged Management on the appropriateness of the initiatives within the onerous contract provision assessments which reduce the provision recorded. Evaluated the sensitivity analysis prepared by Management and performed our own sensitivity calculations to assess the appropriateness of the provisions recorded. Reviewed the adequacy of the Group's disclosures in respect of onerous contracts and their compliance with the requirements of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>. <p>Key observations:</p> <p>We found that the judgements made by Management in assessing the onerous contract provisions are appropriate and the amounts recorded by Management are reasonable.</p> <p>Furthermore, we consider the disclosures around these matters to be appropriate.</p>

Key audit matter		How the scope of our audit addressed the key audit matter
Contract specific provisions The accounting policies and critical judgements applied are disclosed in Notes 1 and 2. Provisions are disclosed in Note 21.	Material contract specific provisions are recognised within the Communities component. Significant estimation is involved in determining the costs likely to be incurred to resolve these claims and judgement is required to determine the extent of the Group's liability. In respect of this matter, the disclosure provided and the estimated range of possible outcomes given, are key areas of Management judgement. Due to this we considered contract specific provisions to be a key audit matter.	We completed the following audit procedures in relation to the contract specific provisions within the Communities component: <ul style="list-style-type: none"> • Obtained an understanding of each matter through discussion with senior management, the Group's internal legal counsel and external legal counsel where applicable. • Reviewed relevant communications with third parties where available. • Critically evaluated assessments prepared by Management in respect of the claims, and challenged assumptions used within them. • Developed independent ranges for each provision to consider the individual and aggregate differences between those and Management's positions. • Reviewed the adequacy of the Group's disclosures in respect of claims provisions and their compliance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Key observations: We found that the judgements made by Management in assessing the contract specific provisions are appropriate and the amounts recorded by Management are reasonable. We found that the judgements made by Management in assessing the contract specific provisions are appropriate and the amounts recorded by Management are reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group		Parent company	
	2023 £m	2022 £m	2023 £m	2022 £m
Materiality	6.3	6.4	4.4	4.4
Basis for determining materiality	5% of continuing profit before tax and non-recurring Other Items		70% of Group materiality	
Rationale for the benchmark applied	The Parent Company does not trade and materiality was set at a percentage of Group materiality.		The Parent Company does not trade and materiality was set at a percentage of Group materiality.	
Performance materiality	4.4	4.4	3.0	3.0
Basis for determining performance materiality	70% of Materiality			
Rationale for benchmark applied	The level of performance materiality was set after considering a number of factors including significant transactions in the year, the expected value of known and likely misstatements, and Management's attitude towards proposed misstatements.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 12% and 78% (2022: 20% and 84%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.75m to £4.9m (2022: £1.25m to £5.4m). In the audit of each component, we further applied performance materiality levels of 70% (2022: 65%-70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £315k (2022: £224k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent auditor's report to the members of Mitie Group plc continued

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts 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.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none"> • The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 136; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 84.
Other Code provisions	<ul style="list-style-type: none"> • The Directors' statement on fair, balanced and understandable set out on page 115; • The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 84; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 112; and • The section describing the work of the audit committee set out on page 109.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • 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. <p>In the light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities within the Directors' report set out on page 136, 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 Group's and the Parent 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 Group or the Parent 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:

Non-compliance with laws and regulations Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with Management, the Audit Committee, the Company Secretary and in-house legal counsel; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the Companies Act 2006, the UK Listing Rules, the applicable accounting standards, the Bribery Act 2010 and tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigation. We identified such laws and regulations to be the health and safety legislation and employment laws.

Our procedures in respect of the above included:

- Review of minutes of Board and Audit Committee meetings, and internal audit reports to identify any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with Management, the Audit Committee, in-house legal counsel and internal audit regarding any known or suspected instances of fraud;

- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risk of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of Board and Audit Committee meetings to identify any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Involvement of forensic specialists in the audit during engagement team fraud discussions;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls through inappropriate journal entries, accrued income cut-off in revenue recognition, and bias in key estimates and judgements.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of accrued income for correct cut-off (refer to revenue recognition KAM); and
- Assessing significant estimates and judgements made by Management for bias (refer to onerous contract provisions and contract specific provisions KAMs).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including component engagement teams, who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the results of their work performed in this regard.

Independent auditor's report to the members of Mitie Group plc continued

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Greg Watts (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

7 June 2023

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

DocuSigned by:

GA Watts

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Consolidated income statement

For the year ended 31 March 2023

		2023			2022		
	Notes	Before Other items £m	Other items ¹ £m	Total £m	Before Other items £m	Other items ¹ £m	Total £m
Continuing operations							
Revenue including share of joint ventures and associates		4,055.1	–	4,055.1	3,996.8	–	3,996.8
Less: share of revenue of joint ventures and associates	15	(110.1)	–	(110.1)	(93.5)	–	(93.5)
Group revenue	3	3,945.0	–	3,945.0	3,903.3	–	3,903.3
Cost of sales		(3,508.5)	–	(3,508.5)	(3,451.5)	–	(3,451.5)
Gross profit		436.5	–	436.5	451.8	–	451.8
Administrative expenses		(282.7)	(48.8)	(331.5)	(291.5)	(102.2)	(393.7)
Other income		–	3.7	3.7	–	9.8	9.8
Share of profit/(loss) of joint ventures and associates	15	8.3	–	8.3	6.6	(2.4)	4.2
Operating profit/(loss) ²	3, 6	162.1	(45.1)	117.0	166.9	(94.8)	72.1
Finance income	8	2.2	–	2.2	0.2	–	0.2
Finance costs	8	(13.7)	–	(13.7)	(20.0)	–	(20.0)
Net finance costs		(11.5)	–	(11.5)	(19.8)	–	(19.8)
Profit/(loss) before tax		150.6	(45.1)	105.5	147.1	(94.8)	52.3
Tax	9	(22.6)	8.2	(14.4)	(19.0)	(2.0)	(21.0)
Profit/(loss) from continuing operations after tax		128.0	(36.9)	91.1	128.1	(96.8)	31.3
Discontinued operations							
Profit from discontinued operations before tax	5	–	–	–	3.0	17.0	20.0
Tax	9	–	–	–	(0.6)	–	(0.6)
Profit from discontinued operations after tax		–	–	–	2.4	17.0	19.4
Profit/(loss) for the year attributable to owners of the parent		128.0	(36.9)	91.1	130.5	(79.8)	50.7
Earnings per share (EPS) attributable to owners of the parent							
From continuing operations:							
Basic	11	9.5p		6.8p	9.2p		2.2p
Diluted	11	8.6p		6.2p	8.3p		2.0p
Total Group:							
Basic	11	9.5p		6.8p	9.4p		3.6p
Diluted	11	8.6p		6.2p	8.5p		3.3p

Notes:

1. Other items are as described in Note 4.
2. Including net impairment losses on trade receivables and accrued income of £2.8m (2022: £0.8m).

Consolidated statement of comprehensive income

For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Profit for the year		91.1	50.7
Items that will not be reclassified to profit or loss in subsequent years			
Remeasurement of net defined benefit pension liabilities	32	(0.9)	22.1
Share of other comprehensive (expense)/income of joint ventures	15	(2.4)	0.7
Tax credit/(charge) relating to items that will not be reclassified to profit or loss in subsequent years	9	2.6	(3.8)
		(0.7)	19.0
Items that may be reclassified to profit or loss in subsequent years			
Exchange differences on translation of foreign operations		1.5	0.1
Net losses on cash flow hedges taken to equity ¹		(0.3)	(0.5)
Tax credit relating to items that may be reclassified to profit or loss in subsequent years	9	–	0.1
		1.2	(0.3)
Other comprehensive income for the year		0.5	18.7
Total comprehensive income for the year attributable to owners of the parent		91.6	69.4

Note:

1. Net losses on cash flow hedges taken to equity include fair value gains of £9.6m (2022: £5.1m) on derivative financial instruments used for hedging private placement notes (see Note 25). These gains are reclassified to profit or loss and netted against foreign exchange losses on private placement notes of £9.9m (2022: £5.6m).

Consolidated balance sheet

As at 31 March 2023

	Notes	2023 £m	2022 ¹ £m
Non-current assets			
Goodwill	12	312.3	301.3
Other intangible assets	13	252.6	258.9
Property, plant and equipment	14	156.9	143.9
Interests in joint ventures and associates	15	8.8	11.9
Trade and other receivables	16	23.5	25.1
Contract assets	17	0.8	1.6
Retirement benefit assets	32	2.4	1.6
Deferred tax assets	22	20.4	11.1
Total non-current assets		777.7	755.4
Current assets			
Inventories	18	13.5	11.9
Trade and other receivables	16	786.8	686.7
Contract assets	17	1.1	1.6
Derivative financial instruments	25	–	19.6
Current tax receivable		–	1.0
Cash and cash equivalents	23	248.3	345.2
Total current assets		1,049.7	1,066.0
Total assets		1,827.4	1,821.4
Current liabilities			
Trade and other payables	19	(899.5)	(841.2)
Deferred income	20	(83.3)	(83.5)
Current tax payable		(0.8)	(4.1)
Financing liabilities	24	(32.0)	(171.1)
Provisions	21	(54.2)	(54.7)
Total current liabilities		(1,069.8)	(1,154.6)
Net current liabilities		(20.1)	(88.6)
Non-current liabilities			
Trade and other payables	19	(2.3)	(2.8)
Deferred income	20	(19.8)	(32.6)
Financing liabilities	24	(254.0)	(129.5)
Provisions	21	(57.2)	(62.3)
Retirement benefit liabilities	32	(2.6)	(13.8)
Total non-current liabilities		(335.9)	(241.0)
Total liabilities		(1,405.7)	(1,395.6)
Net assets		421.7	425.8

Note:

1. Trade and other receivables of £17.3m have been reclassified from current assets to non-current assets as at 31 March 2022. See Note 1.

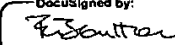
Consolidated balance sheet continued
As at 31 March 2023


	Notes	2023 £m	2022 £m
Equity			
Share capital	28	34.0	35.7
Share premium	28	131.5	130.6
Merger reserve	29	157.0	358.6
Own shares reserve	29	(59.0)	(36.9)
Other reserves ¹	29	36.3	28.4
Hedging and translation reserve	29	(1.4)	(2.6)
Retained profits/(losses)		123.3	(88.0)
Equity attributable to owners of the parent		421.7	425.8

Note:

1. Other reserves include the share-based payments reserve and the capital redemption reserve. Refer to Note 29.

The consolidated financial statements of Mitie Group plc, company registration number SC019230, were approved by the Board of Directors and authorised for issue on 7 June 2023. They were signed on its behalf by:

DocuSigned by:

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Phil Bentley
 Chief Executive Officer

DocuSigned by:

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Simon Kirkpatrick
 Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 March 2023

	Share capital £m	Share premium £m	Merger reserve £m	Own shares reserve £m	Other reserves ¹ £m	Hedging and translation reserve £m	Retained profits/(losses) £m	Total equity £m
At 1 April 2021	35.6	130.6	358.6	(28.8)	14.5	(2.3)	(150.7)	357.5
Profit for the year	–	–	–	–	–	–	50.7	50.7
Other comprehensive income/(expense)	–	–	–	–	–	(0.3)	19.0	18.7
Total comprehensive income/(expense)	–	–	–	–	–	(0.3)	69.7	69.4
Transactions with owners								
Dividends paid	–	–	–	–	–	–	(5.7)	(5.7)
Issue of shares	0.1	–	–	(0.1)	–	–	–	–
Purchase of own shares	–	–	–	(13.8)	–	–	–	(13.8)
Share-based payments	–	–	–	5.8	13.9	–	(1.1)	18.6
Tax on share-based payments	–	–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners	0.1	–	–	(8.1)	13.9	–	(7.0)	(1.1)
At 31 March 2022	35.7	130.6	358.6	(36.9)	28.4	(2.6)	(88.0)	425.8
At 31 March 2022 (as reported)	35.7	130.6	358.6	(36.9)	28.4	(2.6)	(88.0)	425.8
Impact of change in accounting policy in the year ²	–	–	–	–	–	–	(1.1)	(1.1)
At 1 April 2022	35.7	130.6	358.6	(36.9)	28.4	(2.6)	(89.1)	424.7
Profit for the year	–	–	–	–	–	–	91.1	91.1
Other comprehensive income	–	–	–	–	–	1.2	(0.7)	0.5
Total comprehensive income	–	–	–	–	–	1.2	90.4	91.6
Transactions with owners								
Dividends paid	–	–	–	–	–	–	(28.9)	(28.9)
Purchase of own shares	–	–	–	(37.7)	–	–	–	(37.7)
Realisation of merger reserve ³	–	–	(201.6)	–	–	–	201.6	–
Share buybacks ⁴	(1.7)	–	–	–	1.7	–	(50.7)	(50.7)
Share-based payments ⁵	–	0.9	–	15.6	6.2	–	(6.0)	16.7
Tax on share-based payments	–	–	–	–	–	–	6.0	6.0
Total transactions with owners	(1.7)	0.9	(201.6)	(22.1)	7.9	–	122.0	(94.6)
At 31 March 2023	34.0	131.5	157.0	(59.0)	36.3	(1.4)	123.3	421.7

Notes:

- Other reserves include the share-based payments reserve and the capital redemption reserve. Refer to Note 29.
- Retained losses as at 1 April 2022 have been adjusted for the change in accounting policy for onerous contract assessments as a result of the amendment to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*. Refer to Note 1.
- The merger reserve represents amounts relating to premiums arising on shares issued subject to the provisions of Section 612 of the Companies Act 2006. During the year ended 31 March 2023, the realisation of the merger reserve included £170.3m related to intercompany loans that have been settled as qualifying consideration in connection with the rights issue during the year ended 31 March 2021, which utilised a cashbox structure.
- The share buyback resulted in the purchase of 68.8m ordinary shares which have subsequently been cancelled during the year ended 31 March 2023. Refer to Note 28.
- Includes £0.9m and £0.7m in respect of new shares and treasury shares respectively, which were issued on exercise of Save As You Earn share options. Refer to Notes 28 and 29.

Consolidated statement of cash flows

For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Continuing operations – operating profit before Other items	3	162.1	166.9
Continuing operations – Other items	4	(45.1)	(94.8)
Discontinued operations – operating profit after Other items	5	–	19.9
Adjustments for:			
Share-based payments expense	31	17.3	18.6
Defined benefit pension costs	32	3.4	4.4
Defined benefit pension contributions	32	(16.5)	(14.2)
Depreciation of property, plant and equipment	14, 26	43.1	41.6
Amortisation of intangible assets	13	29.2	27.2
Amortisation of customer contracts and relationships for joint ventures arising on business combinations	15	–	2.4
Share of profit of joint ventures and associates	15	(8.3)	(6.6)
Amortisation of contract assets	17	1.3	1.7
Impairment of non-current assets	13, 26	0.2	3.7
Loss on disposal of property, plant and equipment		0.1	0.5
Gain on disposal of businesses		–	(13.0)
Interserve completion accounts adjustment		–	45.6
Operating cash flows before movements in working capital		186.8	203.9
(Increase)/decrease in inventories		(0.9)	0.9
Increase in receivables		(89.8)	(66.0)
Increase in contract assets		–	(1.0)
Decrease in deferred income		(15.5)	(2.6)
Increase in payables		44.9	135.9
Decrease in provisions		(8.6)	(7.2)
Cash generated from operations		116.9	263.9
Income taxes paid		(19.8)	(16.2)
Interest paid		(14.1)	(17.5)
Net cash generated from operating activities		83.0	230.2
Investing activities			
Acquisition of businesses, net of cash acquired	30	(16.6)	(24.9)
Interserve completion accounts settlement	25	6.0	–
Disposal of businesses, net of cash disposed		–	29.9
Interest received		2.2	0.3
Purchase of property, plant and equipment	14	(10.9)	(15.4)
Dividends received from joint ventures and associates	15	9.0	4.0
Purchase of other intangible assets	13	(14.3)	(20.2)
Disposal of property, plant and equipment		0.1	0.4
Net cash used in investing activities		(24.5)	(25.9)

Note:

1. Acquisition of businesses is net of cash acquired of £2.0m (2022: £4.8m). Refer to Note 30.

Consolidated statement of cash flows continued
For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Financing activities			
Purchase of own shares	29	(37.7)	(13.8)
Shares bought back and cancelled	28	(50.7)	–
Capital element of lease rentals	26	(34.5)	(33.9)
Proceeds from new private placement notes	24	120.0	–
Repayment of private placement notes	24	(150.8)	–
Settlement of derivative financial instruments	25	29.2	–
Repayment of bank loans		(4.1)	–
Payment of arrangement fees		(0.5)	(1.7)
Proceeds received on settlement of share-based payment transactions	28, 29	1.6	–
Equity dividends paid	10	(28.9)	(5.7)
Net cash used in financing activities		(156.4)	(55.1)
Net (decrease)/increase in cash and cash equivalents		(97.9)	149.2
Net cash and cash equivalents at beginning of the year		345.2	196.2
Effect of foreign exchange rate changes		1.0	(0.2)
Net cash and cash equivalents at end of the year	23	248.3	345.2

The above statement of consolidated cash flows includes cash flows from both continuing and discontinued operations.

Notes to the consolidated financial statements

For the year ended 31 March 2023

I. Basis of preparation and significant accounting policies

(a) Basis of preparation

Mitie Group plc (the Company) is a company incorporated in the United Kingdom and registered in Scotland. It was incorporated on 16 July 1936 under the Companies Act 1929. The Company's registered office is at 35 Duchess Road, Rutherglen, Glasgow, G73 1AU. The Group comprises the Company and all its subsidiaries. The Group's consolidated financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. All amounts have been rounded to the nearest one hundred thousand pounds, unless otherwise indicated.

The Group's principal activities are focused on the provision of strategic outsourcing, including the management and provision of business support services and ancillary activities.

The Group's consolidated financial statements for the year ended 31 March 2023 have been prepared in accordance with UK-adopted International Accounting Standards.

The Group's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are required to be measured at fair value.

Going concern

The consolidated financial statements for the year ended 31 March 2023 have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's business activities as set out on pages 6 to 72 of the Annual Report and Accounts 2023 and the principal risks and uncertainties as set out on pages 73 to 82 and the viability statement on page 84 of the same.

The Directors have carried out an assessment of the Group's and the Company's ability to continue as a going concern for the period of at least 12 months from the date of approval of the consolidated 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 is based on the Board approved budget. These Base Case Forecasts indicate that the debt facilities currently in place are adequate to support the Group and the Company over the Going Concern Assessment Period.

The Group's principal debt financing arrangements as at 31 March 2023 were a £150.0m revolving credit facility maturing in October 2026, of which £8.4m was drawn as at 31 March 2023, and £150.0m of US private placement (USPP) notes. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis, as set out in the Finance review on page 72.

Of the USPP notes, £120.0m were issued in December 2022 under a delayed funding agreement to avoid any overlap with the £121.5m (being the repayment amount after taking account of the cross-currency interest rate swaps) of notes that matured in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and were issued with an average coupon of 2.94% that is significantly below the coupon of the maturing notes. The Base Case Forecasts assume that the remaining £30.0m of USPP notes, which are due to mature in December 2024, will not be replaced.

Mitie currently operates within the terms of the agreements with its lenders, with consolidated net cash (i.e. net cash adjusted for covenant purposes, primarily by the exclusion of lease liabilities) of £83.5m at 31 March 2023. The Base Case Forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's debt facilities currently in place is adequate to support the Group over the Going Concern Assessment Period.

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

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

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

1. Basis of preparation and significant accounting policies continued

As a result of completing this assessment, the Directors concluded that the likelihood of the reverse stress scenarios arising was remote. In reaching the conclusion of remote, the Directors 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 38% in the year ending 31 March 2024, compared to the Base Case Forecasts, which is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that even in the Covid-hit year ended 31 March 2021, Mitie's revenue excluding Interserve declined by only 1.6%.
- In the event that results started to trend significantly below those included in the Base Case Forecasts, additional mitigation actions have been identified that would be implemented, which are not factored into the stress test scenarios. These include the short-term scaling down of capital expenditure, overhead efficiency/reduction measures including cancellation of discretionary bonuses and reduced discretionary spend, asset disposals and reductions in cash distributions and share buybacks.

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

Accounting standards that are newly effective in the current year

The following amendments became effective during the year ended 31 March 2023:

Amendment to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Group adopted the amendment to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract* on 1 April 2022. The amendment clarifies that costs to fulfil a contract comprise both incremental costs of fulfilling a contract and an allocation of other direct costs that relate to fulfilling contracts. This resulted in a change in accounting policy when performing onerous contract assessments. Previously, the Group included only incremental costs to fulfil a contract when determining whether a contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

As a result of the revised accounting policy, certain other direct supervision and management costs have been included by the Group in determining the costs of fulfilling a contract. The Group, therefore, recognised additional provisions of £1.1m for costs that existed at 1 April 2022 on onerous contracts (see Note 21).

The amendments apply prospectively to contracts at the date when the amendments are first applied, and therefore the Group has not restated comparative information.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

In May 2020, the International Accounting Standards Board (IASB) published amendments to IAS 16 *Property, Plant and Equipment*, which require amounts received from selling items produced while the Company is preparing the asset for its intended use to be recognised in profit or loss, and not as an adjustment to the cost of the asset as was previously the case. The Group has not recognised any such amounts within property, plant and equipment and thus the amendment has not had an impact on the consolidated financial statements.

Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Leases*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e. to business combinations occurring after 1 April 2022; that being the financial year in which the Group has first applied the amendments (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the year.

Accounting standards that are not yet mandatory and have not been applied by the Group

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts*
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements – Disclosure of Accounting Policies*
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to IAS 12 *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Group is assessing the impact of these new standards, and the Group's financial reporting will be presented in accordance with these standards from the effective date.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

1. Basis of preparation and significant accounting policies continued

(b) Classification of surplus on PFI lifecycle contracts

The Group has a number of long-term PFI lifecycle contracts to maintain properties over periods of up to 30 years. A fund is established at the start of the contract and amounts are drawn down by the Group as maintenance work is performed. For certain contracts, the Group is also entitled to share in any surplus left in the fund. Revenue is recognised over time to reflect the rendering of the service, including an assessment of the appropriate proportion of the likely surplus in the fund, subject to being highly probable not to reverse.

Historically the Group has classified receivables in respect of the surplus on PFI lifecycle funds within current assets on the balance sheet. During the year, following a review of these contracts, management concluded that these assets should be reclassified as non-current assets on the balance sheet, in order to reflect the timing of cash realisation of receivables across the Group's portfolio of contracts.

This change has been accounted for retrospectively, and accordingly, the comparative information for 31 March 2022 has been restated, which has resulted in a reclassification between current and non-current 'trade and other receivables'. There has been no impact on the income statement, earnings per share or net assets.

	As reported £m	Reclassification £m	As restated £m
31 March 2022			
Trade and other receivables	7.8	17.3	25.1
Total non-current assets	738.1	17.3	755.4
Trade and other receivables	704.0	(17.3)	686.7
Total current assets	1,083.3	(17.3)	1,066.0
Total assets	1,821.4	–	1,821.4
Net current liabilities	(71.3)	(17.3)	(88.6)
Net assets	425.8	–	425.8
31 March 2021			
Trade and other receivables	8.3	17.3	25.6
Total non-current assets	735.3	17.3	752.6
Trade and other receivables	678.8	(17.3)	661.5
Total current assets	893.6	(17.3)	876.3
Total assets	1,628.9	–	1,628.9
Net current assets	19.0	(17.3)	1.7
Net assets	357.5	–	357.5

The impact as at 1 April 2020 would have been a reclassification between current and non-current 'trade and other receivables' of £14.0m.

(c) Significant accounting policies

The significant accounting policies adopted in the preparation of the Group's IFRS financial information are set out below.

Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of Mitie Group plc and all its subsidiaries. The Company's separate financial statements are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council (FRC). Accordingly, for the year ended 31 March 2023, the Company reported under FRS 101 as issued by the FRC. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard.

In preparing these Group consolidated financial statements, the Group's accounting policies and methods of computation were, with the exception of the change in the accounting policy referred to above, the same as those that applied in the preparation of the Group's consolidated financial statements for the year ended 31 March 2022, which were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The results, assets and liabilities of joint ventures and associates are accounted for under the equity method of accounting. Where necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring the accounting policies used into line with those used by the Group.

All intercompany balances and transactions, including unrealised profits arising from inter-group transactions, have been eliminated in full.

The interests of non-controlling shareholders are measured at the non-controlling interest's proportion of the net fair value of the assets and liabilities recognised. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for within shareholders' equity. No gain or loss is recognised on such transactions and goodwill is not remeasured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the parent.

I. Basis of preparation and significant accounting policies continued

Joint ventures and associates

Joint ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the entity, rather than rights to its individual assets and obligations for its individual liabilities.

Associates are those entities over whose financial and operating policies the Group has significant influence, but not control or joint control.

The results, assets and liabilities of joint ventures and associates are incorporated in the Group's consolidated financial statements using the equity method of accounting, except when classified as held for sale.

Under the equity method, an investment in a joint venture or associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture or associate. Any excess of the cost of acquisition over the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture or associate at the date of acquisition is recognised as goodwill. Where the Group entity transacts with a joint venture or associate, profits and losses are eliminated to the extent of the Group's interest in the joint venture or associate.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the right to the assets, and obligations for the liabilities, relating to the arrangement, or other facts and circumstances indicate that is the case. The Group's share of the results, assets and liabilities of contracts carried out in joint operations with another party are included under each relevant heading in the consolidated income statement and consolidated balance sheet.

Statutory and non-statutory measures of performance

The consolidated financial statements contain all the information and disclosures required by the relevant accounting standards and regulatory obligations that apply to the Group.

In the consolidated financial statements, the Group has elected to provide some further disclosures and performance measures, reported as 'before 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 consolidated income statement to assist in understanding the underlying financial performance achieved by the Group. The Group separately reports impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items and their related tax effect 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 Group in the year 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 4.

In addition, following the guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority (ESMA), the Group has included an APM appendix to the consolidated financial statements on pages 212 to 215.

Revenue recognition policy

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

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

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

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

Duration of contract

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

Notes to the consolidated financial statements continued For the year ended 31 March 2023

1. Basis of preparation and significant accounting policies continued

Contract modifications

Where the Group's contracts are amended for changes to customer requirements, such as change orders and variations, a contract modification takes place when the amendment creates new enforceable rights and obligations or changes the existing price or scope (or both) of the contract, and the modification has been approved. Contract modifications can be approved in writing, by oral agreement, or implied by customary business practices.

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

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

Step 2 – Identify the performance obligations in the contract

Performance obligations are the contractual promises by the Group to transfer distinct goods or services to a customer. For arrangements with multiple components to be delivered to customers, such as in the Group's integrated facilities management contracts, judgement is applied to consider whether those promised goods or services are:

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

Step 3 – Determine the transaction price

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

Certain contracts across the Group incorporate indexation related adjustments to consideration, whereby pricing is adjusted based on an external metric (such as CPI or RPI). Variable consideration related to indexation adjustments is only recognised once these are confirmed.

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

The Group allocates the total transaction price to the identified performance obligations based on their relative stand-alone selling prices. This is predominantly based on an observable price or a cost plus margin arrangement. It is necessary to estimate the stand-alone selling price when the Group does not sell equivalent goods or services in similar circumstances on a stand-alone basis. When estimating the stand-alone selling price, the Group maximises the use of external inputs by observing the stand-alone selling prices for similar goods and services using an industry recognised price list or cost indices in applying a cost-plus reasonable margin approach.

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

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

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

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

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

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

I. Basis of preparation and significant accounting policies continued

Long-term complex contracts

The Group has a number of long-term complex contracts which are predominantly integrated facilities management arrangements. Typically, these contracts involve the provision of multiple service lines, with a single management team providing an integrated service. Such contracts tend to be transformational in nature where the business works with the customer to identify and implement cost saving initiatives across the life of the contract.

Management considers the majority of services provided within integrated facilities management contracts meet the definition of a series of distinct goods or services that are substantially the same and have the same pattern of transfer over time. The series constitutes services provided in distinct time increments (e.g. monthly or quarterly) and therefore the Group treats the series of such services as one performance obligation.

The Group also delivers major project-based services under long-term complex contracts that include performance obligations under which revenue is recognised over time as value from the service is transferred to the customer. This may be where the Group has a legally enforceable right to remuneration for the work completed to date, and therefore revenue will be recognised in line with the associated transfer of control.

The Group has a number of long-term PFI lifecycle contracts to maintain properties over periods of up to 30 years. A fund is established at the start of the contract and amounts are drawn down by the Group as maintenance work is performed. For certain contracts, the Group is also entitled to share in any surplus left in the fund. Revenue is recognised over time to reflect the rendering of the service, including an assessment of the appropriate proportion of the likely surplus in the fund, subject to being highly probable not to reverse. The amount of surplus available is dependent on the rate of wear and tear of the assets, which is substantially outside the control of the entity and the customer. As such, the Group does not deem there to be a significant financing component.

Repeat service-based contracts (single and bundled contracts)

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

Short-term service-based arrangements

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

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all conditions attaching to the grant will be complied with. Government grants that compensate the Group for expenses incurred are recognised in the consolidated income statement as a deduction against the related expense for which the grant is intended to compensate, over the periods necessary to match the grant with the related costs. Any repayment of grants is charged to the consolidated income statement to reverse the deduction against the related expense, at the point when management has taken the decision to repay the amount to the Government and the intention to repay has been communicated to the Government.

Other revenue

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

Contract costs

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

Contract fulfilment costs

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

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

Contract fulfilment costs covered within the scope of another accounting standard, such as inventories, intangible assets, or property, plant and equipment, are not capitalised as contract fulfilment assets but are treated in accordance with the relevant standard.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

1. Basis of preparation and significant accounting policies continued

Amortisation and impairment of contract assets

The Group amortises contract assets (pre-contract costs and contract fulfilment costs) on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer. The expense is recognised in the consolidated income statement in the year.

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

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

Accrued income and deferred income

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

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

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

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

Foreign currency

The financial statements of each of the Group's businesses are prepared in the functional currency applicable to that business. Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement.

Non-monetary items are measured in terms of historical cost in a foreign currency and are not retranslated.

On consolidation, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on their acquisition, are translated into pounds sterling at exchange rates prevailing at the balance sheet date. Income and expenses are translated into pounds sterling at average exchange rates for the period. Exchange differences arising are recognised directly in equity in the Group's hedging and translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Finance costs

Finance costs consist of interest and other costs that are incurred in connection with the borrowing of funds. Finance costs are recognised in the consolidated income statement in the year in which they are incurred, with the finance charges relating to the direct cost of debt issue spread over the period to redemption using the effective interest method. The Group has elected to classify cash flows from interest paid as operating activities and interest received as investing activities. Interest paid includes the interest portion of the lease liabilities.

Taxation

The tax expense represents the sum of the current tax and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the consolidated 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 Group'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 consolidated 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; and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

I. Basis of preparation and significant accounting policies continued

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed. The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the conditions for recognition are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Negative goodwill representing a gain from a bargain purchase is recognised directly in the consolidated income statement.

The fair value of customer contracts or customer relationships recognised as a result of a business combination are determined using forecast customer cash flows from the contracts or relationships and expected renewal rates, and applying an appropriate discount rate specific to the asset. In determining the cash flows, management uses judgement to estimate revenue growth, profit margins, contract renewal probability and the average contract duration remaining, as well as the discount rate. Amortisation is charged on a straight-line basis through Other items over its useful economic life, up to a maximum of 15 years.

Where applicable, the consideration for an acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, measured at fair value at the acquisition date. Subsequent changes in such fair values are adjusted against the cost of acquisition where they result from additional information, obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in the consolidated income statement, in accordance with IFRS 9. Changes in the fair value of contingent consideration classified as equity are not recognised.

Any business combinations prior to 1 April 2010 were accounted for using the standards in place prior to the adoption of IFRS 3 (revised 2008) which differ in the following respects: transaction costs directly attributable to the acquisition formed part of the acquisition costs; contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable; and subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary, i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, of an investment in an associate or a joint venture.

The Group measures the lease liability for acquired leases at the present value of the remaining lease payments discounted using an appropriate discount rate. As required by IFRS 3 *Business Combinations*, the Group treats acquired leases as new leases, thereby recording the right-of-use asset as equal to the lease liability.

Acquisition related liabilities or performance-based employment-linked earnouts are the estimated amounts payable to previous owners. The estimated future payments that are accrued over the period the sellers are required to remain with the business are accounted for as remuneration for post-acquisition services and recognised within the consolidated income statement and classified as Other items. The amounts not linked to employment are considered to be deferred consideration and estimated and recognised at acquisition at their discounted fair value, with the unwind of the discount recorded as part of finance costs.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed for impairment at least annually. Any impairment is recognised immediately in the consolidated income statement for the year and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

1. Basis of preparation and significant accounting policies continued

When a business reorganisation results in changes to the composition of CGUs, goodwill is reallocated to updated CGUs. The goodwill allocated to a prior CGU is wholly reallocated to an updated CGU, where the goodwill wholly arose on the acquisition of businesses comprised within the updated CGU. Where this is not possible, a relative value approach is taken to allocate goodwill to updated CGUs.

Other intangible assets

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

Customer contracts and relationships are amortised over their useful lives based on the period of time over which they are anticipated to generate benefits. Other acquisition related intangibles include acquired software and technology, which are amortised over their useful lives.

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. Software and development expenditure includes internally generated intangible assets and is amortised over its useful life once it has been brought into use.

Upfront configuration and customisation costs incurred in implementing Software as a Service (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.

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 consolidated income statement on a straight-line basis over its useful life as follows:

Customer contracts and relationships	5–15 years
Software and development expenditure	3–10 years

Property, plant and equipment

Property, plant and equipment is 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 Group 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. Where the asset does not generate cash flows that are independent from other assets, management estimates the recoverable amount of the CGU to which the asset belongs.

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value and are mainly consumables in nature.

Costs represent materials, direct labour and overheads incurred in bringing the inventories to their present condition and location.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and estimated selling costs. Provision is made for obsolete, slow moving or defective items where appropriate.

Financial instruments – classification and measurement

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

Financial assets comprise cash and cash equivalents, trade and other receivables from customers, derivative financial instruments and contingent consideration receivable. 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.

1. Basis of preparation and significant accounting policies continued

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 where access is constrained is classified as restricted cash. Bank transactions are recorded on their settlement date. All of the Group'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 Group'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, financing liabilities and contingent consideration payable. These are measured at initial recognition at fair value and subsequently at amortised cost, with the exception of contingent consideration payable which is measured at fair value through profit or loss. 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 consolidated income statement.

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

Invoice discounting

The Group used a non-recourse customer invoice discounting facility (CID facility) under which certain trade receivable balances were sold to the Group's relationship banks. The arrangement with the banks was such that customers remitted cash directly to the Group and the Group transferred the collected amounts to the banks. The trade receivables were sold without recourse to the Group, and therefore the trade receivable balance was derecognised from the Group's balance sheet at the point of sale to the bank. This facility was closed during the year ended 31 March 2023 and all amounts have been settled.

Financial instruments – impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on all receivable balances from customers measured at amortised cost using the simplified approach. Under this approach, the Group recognises a loss allowance based on lifetime ECLs at each reporting date. ECLs are calculated on the basis of historical credit loss experience, adjusted for forward-looking factors that incorporate macroeconomic conditions, for example changes in interest rates and inflation, and applied to customers with common risk characteristics, such as sector type (e.g. government or non-government).

For other receivables, ECLs are measured using those expected to arise in the 12 months subsequent to the balance sheet date.

For cash and cash equivalents, the Group does not currently anticipate any future credit losses given the high-quality credit rating of the financial institutions with which balances are held.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, including cross-currency interest rate swaps and forward foreign exchange contracts, to manage the Group's exposure to financial risks associated with interest rates and foreign exchange. Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value, determined by reference to market rates, at each balance sheet date and included as financial assets or liabilities as appropriate. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated income statement depends on the nature of the hedge relationship.

The Group presents derivative financial instruments as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Derivatives, which are set to mature or are expected to be realised or settled within 12 months, are presented as current assets or current liabilities.

The Group may designate certain hedging instruments including derivatives as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. On adoption of IFRS 9, the Group elected to continue to apply the hedge accounting guidance in IAS 39 *Financial Instruments: Recognition and Measurement*.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

Hedges are classified as cash flow hedges when they hedge the exposure to changes in cash flows that are attributable to a particular risk associated with either a recognised asset or liability or a forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity within the Group's translation and hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in the consolidated income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

I. Basis of preparation and significant accounting policies continued

Hedges of net investments in foreign operations

Hedges are classified as net investment hedges when they hedge the foreign currency exposure to changes in the Group's share in the net assets of a foreign operation. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the Group's translation and hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in the consolidated income statement. Gains or losses on the hedging instrument relating to the effective portion of the hedge accumulated in equity are reclassified to the consolidated income statement in the same way as exchange differences relating to the foreign operation.

Leases

The Group has various lease arrangements for properties (e.g. office buildings and storage facilities), vehicles and other equipment, including IT equipment and machinery. At inception of a lease contract, the Group 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 Group 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 consolidated income statement as they are incurred.

A right-of-use asset is capitalised on the consolidated 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 rate method to calculate the present value of future lease payments and is subsequently increased by the associated interest cost and decreased by lease payments made. The effective interest rate is based on the rate implicit in the lease or, where not available, the incremental borrowing rate. Lease payments made are apportioned between a capital repayment amount and an interest charge, which are disclosed within the financing and operating activities sections of the consolidated statement of cash flows respectively. 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 consolidated 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 Group assesses an insignificant penalty with reference to the wider economics of the lease, including any investment in non-transferable leasehold improvements which may result in an impairment charge should the lease be terminated.

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

Provisions and contingent liabilities

Provisions have been made for contract specific costs, onerous contracts, insurance exposures, legal claims, other property related commitments including dilapidations and pension related provisions which primarily relate to Section 75 employer debt liabilities.

Provisions are recognised when the Group 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 consolidated 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 finance cost.

Contract specific cost provisions are made when the Group expects to incur future remedial and rectification costs required to meet customers' contractual terms. Costs are estimated using either the work of external consultants or internal experts. The amount recognised as a provision represents management's best estimate and is inherently uncertain and could change materially over time. The provision is reviewed at least on a biannual basis for changes in cost estimate. Any change in cost estimate is recognised as a charge or a release to the provision when it occurs.

The insurance reserve relates to employers' and motor and fleet liabilities retained in the Group's self-insurance arrangement. The insurance reserve includes the full estimated value of the liability, gross of amounts expected to be recovered from the Group's insurer. Any related insurance reimbursement asset that is virtually certain to be received is separately presented gross within trade and other receivables on the consolidated balance sheet.

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 an outflow of resources is not probable, or the amount of the obligation cannot be measured reliably.

1. Basis of preparation and significant accounting policies continued

Onerous contracts

Onerous contract provisions (OCPs) arise when the unavoidable costs of meeting contractual obligations exceed the remuneration expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is lower of the cost of fulfilling a contract and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises both incremental costs and an allocation of other direct costs related to contract activities.

Where a customer has an option to extend a contract and it is likely that such an extension will be made, the expected net cost arising during the extension period is included within the calculation. However, where a profit can be reasonably expected in the extension period, no credit is taken on the basis that such profits are uncertain given the potential for the customer to either not extend or offer an extension under lower pricing terms.

Contingent assets

No assets are recognised and only a disclosure in the financial statements is made for contingent assets where an inflow of economic benefits is probable but not virtually certain. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Share-based payments

The Group operates a number of executive and employee share option schemes. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. For grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes model or the share price at grant date, and the corresponding expense is recognised on a straight-line basis over the vesting period based on management's estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

The own shares reserve in equity includes the shares owned by the Employee Benefit Trust and treasury shares. When shares are transferred to employees upon exercise of options and awards, the own shares reserve is reduced by the relevant cost or value.

Retirement benefit costs

The Group operates a number of defined contribution retirement benefit schemes for all qualifying employees. Payments to the defined contribution and stakeholder pension schemes are charged as an expense as the related service is provided.

In addition, the Group operates and participates in a number of defined benefit schemes. In respect of the schemes in which the Group makes contributions under Admitted Body status to clients' defined benefit schemes in respect of certain employees who transferred to the Group under Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE), the Group accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only.

For the defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date by qualified actuaries. Actuarial gains and losses on obligations, the return on scheme assets (excluding interest) and the effect of the asset ceiling (if applicable, excluding interest) are recognised in the consolidated statement of comprehensive income in the period in which they occur.

Defined benefit pension costs (including curtailments) are recognised in the consolidated income statement, in administrative expenses, while the net interest cost is recognised in finance costs.

The Group's net liability in respect of defined benefit schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount using the market yield on a high-quality corporate bond and deducting the fair value of any scheme assets. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme, where the Group has the unconditional right to the surplus or reductions in future contributions to the scheme. Assets recognised are adjusted for tax, where relevant.

The Group participates in four multi-employer defined benefit pension schemes. For three of these schemes, the Group's share of the assets and liabilities is minimal. The fourth scheme is the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Plumbing Scheme), a funded multi-employer defined benefit scheme. The Plumbing Scheme was founded in 1975 and to date has had over 4,000 employers. The Plumbing Scheme trustee has issued Section 75 employer debt notices in respect of the participation of Robert Prettie & Co Limited and Mitie FM Limited in the Plumbing Scheme (refer to Notes 21 and 32). Another Group company, Mitie Property Services (UK) Limited, continues to participate in the Plumbing Scheme and the Group accounts for its contributions as if they were paid to a defined contribution scheme. For schemes where sufficient information is not available to use defined benefit accounting, no liability is recognised on the consolidated balance sheet, however, the obligations are disclosed as contingent liabilities in Note 33.

Dividends

Interim dividends are recognised when they are paid and final dividends are recognised as a liability when authorised in a general meeting by shareholders. Dividend income, including from joint ventures and associates, is recognised on receipt.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS 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 Group's accounting policies

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

Revenue recognition

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

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

Some of the Group's contracts, including PFI contracts, contain variable consideration where management assesses the extent to which revenue is recognised. For certain contracts, key judgements were made on whether it is considered highly probable that a significant reversal of revenue will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Profit before 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 Group. 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 Group. Refer to Note 1, which details the Group's accounting policy for Other items.

Other items after tax of £36.9m were charged (2022: £79.8m) to the consolidated income statement for the year ended 31 March 2023. Included within the net charge were charges in respect of the implementation of the digital supplier platform of £2.8m which, in management's judgement, is a material programme delivering a step change in the Group's supplier chain management capabilities and therefore meets the Group's definition to be categorised as Other items. A complete analysis of the amounts included in Other items is detailed in Note 4.

Recoverability of trade receivables and accrued income

The Group has material amounts of billed and unbilled work outstanding at 31 March 2023. 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 Group recognises a loss allowance for expected credit losses (ECLs) on all receivable balances from customers using a lifetime credit loss approach and includes specific allowance for impairment where there is evidence that the Group 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 Group 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 Group has several lease contracts that include extension and termination options. Management applies judgement in evaluating whether it is reasonably certain the option to renew or terminate the lease will be exercised or not. That is, it considers all relevant factors that create an economic incentive for the Group to exercise either the renewal or termination option. After the commencement date, the Group 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.

Landmarc joint venture

The Group holds 51% of the equity shares in Landmarc Support Services Limited (Landmarc), a jointly controlled entity. The remaining 49% of the equity shares in Landmarc are held by a single third party. Management considers Landmarc to be a joint venture despite the Group having majority voting rights. This is because, under the terms of the shareholder agreement, joint agreement is required with the other party to pass resolutions for all significant activities. Accordingly, the Group does not control Landmarc and does not recognise it as a subsidiary.

The Group accounts for its investment in Landmarc using the equity method. See Note 15.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that 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 and various of its subsidiaries are, 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 Group recognised provisions at 31 March 2023 of £111.4m (2022: £117.0m). Further details are included in Note 21.

2. Critical accounting judgements and key sources of estimation uncertainty continued

Onerous contract provisions

Onerous contract provisions totalling £10.5m have been recognised at 31 March 2023 (2022: £13.2m). These primarily arose on the acquisition of Interserve.

Onerous contract assessments are performed by the Group at an individual contract level at each reporting date. Determining the carrying value of onerous contract provisions requires assumptions and complex judgements to be made about the future performance of the Group's contracts. The level of uncertainty in the estimates made, either in determining whether a provision is required, or in the measurement of a provision booked, is linked to the complexity of the underlying contract.

The major sources of judgement when measuring the level of provision to book are:

- the level of accuracy in forecasting future variable revenue and costs to complete the contract;
- the ability of the Group to maintain or improve operational performance to ensure cost assumptions are in line with expected levels, including contract specific key performance indicators (KPIs);
- identifying cost saving initiatives that are considered to be probable in terms of timing and scale; and
- expectations around the resolution of contract specific disputes and the likelihood of incurring future costs associated with remediation or reactive work.

The range of possible future outcomes in respect of judgements and assumptions made to determine the carrying value of the Group's onerous contract provisions could result in a material increase or decrease in the value of the provisions, and hence, on the Group's profitability in the next financial year. To mitigate this, management regularly compares actual contract performance against previous forecasts used to measure the onerous contract provisions and considers if revised judgements are required.

The Directors have assessed the range of possible outcomes on contracts requiring an onerous contract provision, based on facts and circumstances that were present and known at the balance sheet date. Sensitivities around the major sources of estimation uncertainty, as identified above, indicate a possible range of future outcomes on these contracts in the next financial year, ranging from a reduction in the provision of up to £5m to a further increase of up to £10m being recognised.

An onerous contract provision has not been recognised on a certain contract which made a loss of £8.4m in the year ended 31 March 2023 (2022: £8.7m) and has 18 years remaining on the contract. This contract was acquired as part of the acquisition of Interserve, and a detailed turnaround plan is in the process of being implemented. Based on the plan, including applying downside scenarios, management expects that the contract will return to profitability in the year ending 31 March 2026 and will record a cumulative profit for the remaining term of the contract.

Other contract specific provisions

In addition to the onerous contract provisions, the Group has recognised £38.8m of contract specific provisions at 31 March 2023 (2022: £43.1m). These have been recognised primarily to cover costs required to meet specific contractual obligations.

Within this total, £14.7m relates to a certain contract where a significant liability has been estimated in relation to a commercial dispute. Management sought external assistance at the time of Interserve's acquisition to value the potential risk exposure to the Group and has periodically updated this assessment. The actual exposure to the Group may differ from the amount provided at 31 March 2023 due to the compounding effect of multiple variables associated with the particular issues involved in the dispute. The value of the provision represents management's best estimate. Management considers that to the extent that it is agreed or determined that the Group has a liability, the assessed range of possible future outcomes could potentially lead to a reduction in the provision of up to £4m or a further increase of up to £9m being recognised, and other possible outcomes could increase the liability further. Management will continue to assess the value of the provision recorded in arriving at its best estimate of any potential resolution at each subsequent reporting date.

Provisions in relation to certain contracts are also subject to negotiation with the customers.

Measurement of defined benefit pension obligations

The net pension liability at 31 March 2023 was £0.2m (2022: £12.2m), which includes retirement benefit assets of £2.4m (2022: £1.6m).

The measurement of defined benefit obligations requires judgement. It is dependent on material key assumptions, including discount rates, life expectancy rates and future contribution rates. See Note 32 for further details and a sensitivity analysis for the key assumptions.

The Group also participates in four multi-employer defined benefit pension schemes, including the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Plumbing Scheme). The Group has recognised provisions of £21.7m at 31 March 2023 (2022: £21.7m) for Section 75 employer debts in respect of the participation of Robert Prettie & Co Limited and Mitie FM Limited in the Plumbing Scheme.

Deferred tax assets

The Group has recognised deferred tax assets of £20.4m (2022: £11.1m), which include £39.6m (2022: £34.1m) in respect of unused tax losses. The deferred tax asset on losses has been recognised on the basis that the Group will continue to make profits in the future against which the losses can be used. In order to support the recognition of the £39.6m deferred tax asset on losses, management has assessed the recovery of this asset with reference to the Group's three-year forecasts which in management's judgement is the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Management considers that a three-year period is appropriate as it is supported by the Group's strategic, budgeting and business planning cycles and is relevant to the duration of the Group's existing contracts with customers, which is typically around three years. It therefore represents a timeframe over which management considers that it can reasonably forecast the Group's performance. As a result, tax losses of £63.9m have not been recognised as at 31 March 2023 (2022: £87.2m).

Sensitivity analysis has been undertaken which shows that a 10% increase or decrease in profits over the forecast period would result in a £3m increase or decrease to the deferred tax asset respectively. If the deferred tax asset was to be based on two-year forecasts, the deferred tax asset would decrease by £10m, whereas if a four-year forecast was to be used, the deferred tax asset would increase by £9m.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

3. Business segment information

The Group manages its business on a service division basis. At 31 March 2023, the Group had eight reportable segments and the information, as reported, is consistent with information presented to the Board of Directors, which is the Group's Chief Operating Decision Maker. Revenue including share of joint ventures and associates, operating profit before Other items and operating profit margin before Other items are the primary measures of performance that are reported to and reviewed by the Board.

Segment assets and liabilities have not been disclosed as they are not reviewed by the Board.

Consolidated income statement information

	2023			2022		
	Revenue ¹ £m	Operating profit/(loss) before Other items ² £m	Operating margin before Other items ² %	Revenue ¹ £m	Operating profit/(loss) before Other items ² £m	Operating margin before Other items ² %
Business Services	1,171.6	67.5	5.8	1,522.0	107.5	7.1
Technical Services	1,154.1	34.1	3.0	972.9	30.0	3.1
CG&D	828.3	59.8	7.2	669.4	38.4	5.7
Communities	490.2	21.3	4.3	460.0	19.9	4.3
Specialist Services	410.9	34.9	8.5	372.5	32.5	8.7
Care & Custody	168.7	10.2	6.0	135.7	9.9	7.3
Landscapes	65.7	9.5	14.5	55.0	9.2	16.7
Waste	74.4	8.6	11.6	76.7	8.3	10.8
Spain	102.1	6.6	6.5	105.1	5.1	4.9
Corporate centre	–	(55.5)	–	–	(61.4)	–
Total from continuing operations	4,055.1	162.1	4.0	3,996.8	166.9	4.2
Document Management	–	–	–	25.5	2.8	11.0
Nordics and Poland	–	–	–	1.9	0.1	5.3
Total from discontinued operations	–	–	–	27.4	2.9	10.6
Total Group	4,055.1	162.1	4.0	4,024.2	169.8	4.2

Notes:

1. Revenue includes share of joint ventures and associates, of which £100.1m (2022: £85.1m) is included within CG&D and £10.0m (2022: £8.4m) within Communities.

2. Other items are as described in Note 4.

No single customer accounted for more than 10% of external revenue in the year ended 31 March 2023 or in the comparative year. The UK Government is not considered a single customer.

A reconciliation of segment operating profit before Other items to total profit before tax is provided below:

	2023	2022	
	Continuing operations and total Group £m	From continuing operations £m	From discontinued operations £m
Operating profit before Other items	162.1	166.9	2.9
Other items ¹	(45.1)	(94.8)	17.0
Net finance (costs)/income	(11.5)	(19.8)	0.1
Profit before tax	105.5	52.3	20.0

Note:

1. Other items are as described in Note 4.

3. Business segment information continued

Geographical segments

Revenue, operating profit and operating margin from external customers by geographical segment are shown below:

	2023			2022		
	Revenue ¹ £m	Operating profit before Other items ² £m	Operating margin before Other items ² %	Revenue ¹ £m	Operating profit before Other items ² £m	Operating margin before Other items ² %
United Kingdom	3,895.2	153.9	4.0	3,844.5	160.3	4.2
Other countries	159.9	8.2	5.1	152.3	6.6	4.3
Continuing operations	4,055.1	162.1	4.0	3,996.8	166.9	4.2
United Kingdom	–	–	–	25.5	2.8	11.0
Other countries	–	–	–	1.9	0.1	5.3
Discontinued operations	–	–	–	27.4	2.9	10.6
Total Group	4,055.1	162.1	4.0	4,024.2	169.8	4.2

Notes:

1. Revenue includes share of joint ventures and associates, of which £110.1m (2022: £93.5m) is included within the United Kingdom and £n1 (2022: £n1) in other countries.

2. Other items are as described in Note 4.

The carrying amount of non-current assets, excluding interest in joint ventures and associates and deferred tax assets, by geographical segment is shown below:

	2023 £m	2022 ¹ £m
United Kingdom	732.5	717.6
Other countries	16.0	14.8
Total	748.5	732.4

Note:

1. Trade and other receivables of £17.3m have been reclassified from current assets to non-current assets. See Note 1.

Supplementary information

	2023				2022			
	Depreciation of property, plant and equipment £m	Amortisation of intangible assets £m	Amortisation of contract assets £m	Other items ¹ £m	Depreciation of property, plant and equipment £m	Amortisation of intangible assets £m	Amortisation of contract assets £m	Other items ¹ £m
Business Services	1.6	–	–	0.9	1.9	2.3	–	17.6
Technical Services	1.3	0.6	0.3	10.8	0.8	0.7	1.0	21.1
CG&D	0.4	–	–	(0.8)	0.3	0.2	–	(3.5)
Communities	1.2	–	–	0.4	0.9	–	–	10.9
Specialist Services	2.4	–	1.0	0.6	2.5	–	0.7	3.1
Care & Custody	0.1	–	1.0	–	0.3	–	0.7	1.2
Landscapes	1.2	–	–	0.5	0.9	–	–	0.6
Waste	0.2	–	–	0.1	0.3	–	–	0.9
Spain	0.9	–	–	–	1.0	–	–	0.4
Corporate centre	36.2	28.6	–	33.2	35.0	24.0	–	45.6
Continuing operations	43.1	29.2	1.3	45.1	41.4	27.2	1.7	94.8
Social Housing	–	–	–	–	–	–	–	(4.0)
Document Management	–	–	–	–	0.2	–	–	(16.0)
Nordics and Poland	–	–	–	–	–	–	–	3.0
Discontinued operations	–	–	–	–	0.2	–	–	(17.0)
Total Group	43.1	29.2	1.3	45.1	41.6	27.2	1.7	77.8

Note:

1. Other items are as described in Note 4.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

3. Business segment information continued

Disaggregated revenue

The Group disaggregates revenue from contracts with customers by sector (government and non-government) and by contract duration (contracts with a duration from inception of less than two years, and contracts with a duration from inception of more than two years). Management believes this best depicts how the nature, timing and amount of revenue and cash flows are affected by economic factors. The following table includes a reconciliation of disaggregated revenue with the Group's reportable segments.

	2023					
	Sector ¹		Total £m	Contract duration for timing of revenue recognition		
	Government £m	Non-government £m		Less than 2 years £m	More than 2 years £m	Total £m
Business Services	347.4	824.2	1,171.6	177.9	993.7	1,171.6
Technical Services	262.4	891.7	1,154.1	205.7	948.4	1,154.1
CG&D	828.3	—	828.3	2.2	826.1	828.3
Communities	487.9	2.3	490.2	—	490.2	490.2
Specialist Services	278.4	132.5	410.9	63.2	347.7	410.9
Care & Custody	168.7	—	168.7	—	168.7	168.7
Landscapes	24.7	41.0	65.7	21.3	44.4	65.7
Waste	23.7	50.7	74.4	15.4	59.0	74.4
Spain	61.3	40.8	102.1	26.5	75.6	102.1
Continuing operations and total Group including joint ventures and associates	2,204.4	1,850.7	4,055.1	449.0	3,606.1	4,055.1
Less: joint ventures and associates ²	(110.1)	—	(110.1)	—	(110.1)	(110.1)
Continuing operations and total Group excluding joint ventures and associates	2,094.3	1,850.7	3,945.0	449.0	3,496.0	3,945.0

Notes:

- Sector is defined by the end customer on any contract. For example, if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.
- Revenue from joint ventures and associates includes £100.1m and £10.0m within the CG&D and Communities segments respectively.

	2022					
	Sector ¹		Total £m	Contract duration for timing of revenue recognition		
	Government £m	Non-government £m		Less than 2 years £m	More than 2 years £m	Total £m
Business Services	686.6	835.4	1,522.0	682.0	840.0	1,522.0
Technical Services	258.9	714.0	972.9	79.2	893.7	972.9
CG&D	669.4	—	669.4	0.7	668.7	669.4
Communities	452.1	7.9	460.0	18.2	441.8	460.0
Specialist Services	259.5	113.0	372.5	59.9	312.6	372.5
Care & Custody	135.7	—	135.7	—	135.7	135.7
Landscapes	20.0	35.0	55.0	18.5	36.5	55.0
Waste	31.0	45.7	76.7	14.1	62.6	76.7
Spain	72.8	32.3	105.1	27.3	77.8	105.1
Continuing operations including joint ventures and associates	2,326.5	1,670.3	3,996.8	840.0	3,156.8	3,996.8
Less: joint ventures and associates ²	(93.5)	—	(93.5)	—	(93.5)	(93.5)
Continuing operations excluding joint ventures and associates	2,233.0	1,670.3	3,903.3	840.0	3,063.3	3,903.3
Document Management	1.7	23.8	25.5	0.1	25.4	25.5
Nordics and Poland	—	1.9	1.9	—	1.9	1.9
Discontinued operations	1.7	25.7	27.4	0.1	27.3	27.4
Total Group excluding joint ventures and associates	2,234.7	1,696.0	3,930.7	840.1	3,090.6	3,930.7

Notes:

- Sector is defined by the end customer on any contract. For example, if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.
- Revenue from joint ventures and associates includes £85.1m and £8.4m within the CG&D and Communities segments respectively.

3. Business segment information continued

Transaction price allocated to the remaining performance obligations

The table below shows the secured forward order book for each segment at the reporting date with the time bands of when the Group expects to recognise secured revenue on its contracts with customers. Secured revenue corresponds to all fixed work contracted with customers and excludes the impact of any anticipated contract extensions, indexation and new contracts with customers.

	2023			2022		
	Less than 1 year £m	More than 1 year £m	Total secured revenue £m	Less than 1 year £m	More than 1 year £m	Total secured revenue £m
Business Services	554.8	787.3	1,342.1	638.8	805.5	1,444.3
Technical Services	482.6	678.0	1,160.6	443.9	779.9	1,223.8
CG&D ¹	503.8	1,263.3	1,767.1	346.3	502.8	849.1
Communities ¹	272.4	2,356.6	2,629.0	275.2	2,582.4	2,857.6
Specialist Services	173.7	396.8	570.5	194.7	484.4	679.1
Care & Custody	105.1	330.9	436.0	120.1	397.8	517.9
Landscapes	28.2	52.5	80.7	32.1	68.8	100.9
Waste	8.2	6.0	14.2	7.0	8.6	15.6
Spain	32.2	7.4	39.6	35.5	9.2	44.7
Continuing operations and total Group	1,987.3	5,482.0	7,469.3	1,898.9	5,155.0	7,053.9

Note:

1. Forward order book includes share of joint ventures and associates.

4. 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 Group.

The Group separately reports impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal related costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items as Other items, together with their related tax effect.

	2023			
	Restructure costs £m	Acquisition and disposal related costs £m	Other exceptional items £m	Total £m
Continuing operations and total Group				
Other items before tax	(16.6)	(25.1)	(3.4)	(45.1)
Tax	3.2	4.4	0.6	8.2
Other items after tax	(13.4)	(20.7)	(2.8)	(36.9)

	2022			
	Restructure costs £m	Acquisition and disposal related costs £m	Other exceptional items £m	Gain on disposal £m
Continuing operations				
Other items before tax	(10.9)	(89.3)	5.4	–
Tax ¹	2.1	(3.1)	(1.0)	–
Other items after tax	(8.8)	(92.4)	4.4	–
Discontinued operations				
Other items before tax	–	4.0	–	13.0
Tax	–	–	–	–
Other items after tax	–	4.0	–	13.0
Total Group				
Other items before tax	(10.9)	(85.3)	5.4	13.0
Tax ¹	2.1	(3.1)	(1.0)	–
Other items after tax	(8.8)	(88.4)	4.4	13.0

Note:

1. Includes £8.1m charge as a result of the increase in the rate of UK corporation tax from 1 April 2023. This primarily relates to the remeasurement of the deferred tax liability on the customer contracts and relationships intangible arising on the acquisition of Interserve. See Note 9.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

4. Other items continued

Restructure costs

The Group has been undertaking a major transformation programme involving the restructuring of operations to reposition the business for its next phase of growth. The costs are analysed below:

	2023 £m	2022 £m
Continuing operations and total Group		
Group transformation programme:		
Project Forté ¹	(8.7)	(10.2)
Target Operating Model ²	(7.9)	(0.3)
Property	–	(0.4)
Restructure costs	(16.6)	(10.9)
Tax	3.2	2.1
Restructure costs net of taxation	(13.4)	(8.8)

Notes:

- Project Forté was launched in 2019, primarily focusing on re-engineering the Technical Services business to modernise and optimise workflow processes. The project has been completed in FY23, and therefore no further Other items costs will be incurred. The project has improved both the customer experience and efficiency of internal operations. Cumulative costs of £40.1m have been recognised within the consolidated income statement and classified as Other items on Project Forté since its launch in 2019, of which £6.5m were non-cash costs.
- The Target Operating Model is the next phase of the Group's transformation, and includes the further outsourcing of back-office functions, consolidating systems and processes, and optimising the organisation structure. The programme is expected to complete by 31 March 2024.

The costs associated with the Group transformation programme include £6.9m of external consultancy costs (2022: £4.1m), fixed-term staff costs of £6.9m (2022: £5.2m) to manage and implement changes, redundancy costs of £2.1m (2022: £nil) and dual-run licence costs in relation to decommissioned operating systems of £0.7m (2022: £nil). In the year ended 31 March 2022, the Group also recognised a right-of-use asset impairment of £0.1m, other onerous lease costs of £0.2m and intangible asset impairments of £1.3m.

Acquisition and disposal related costs

	2023 Continuing operations and total Group £m	2022 Continuing operations £m	Discontinued operations £m	Total £m
Interserve acquisition related income/(costs) ¹	3.7	(2.4)	–	(2.4)
Interserve integration costs ²	(5.5)	(16.2)	–	(16.2)
Interserve completion accounts adjustment	–	(45.6)	–	(45.6)
Interserve amortisation of acquisition related assets ³	(16.7)	(19.1)	–	(19.1)
Total Interserve acquisition costs	(18.5)	(83.3)	–	(83.3)
Other amortisation of acquisition related intangible assets	(4.7)	(2.8)	–	(2.8)
Other acquisition transaction costs ⁴	(1.9)	(3.2)	–	(3.2)
Other disposal income ⁵	–	–	4.0	4.0
Acquisition and disposal costs	(25.1)	(89.3)	4.0	(85.3)
Tax	4.4	(3.1)	–	(3.1)
Acquisition and disposal costs net of taxation	(20.7)	(92.4)	4.0	(88.4)

Notes:

- Comprises a provision release of £1.2m for a certain pension scheme where the Group recognised a provision on the acquisition of Interserve for the scheme's exit payment, which has been settled during the year ended 31 March 2023 (see Note 21). Also includes a £0.7m release of an employer liability insurance provision created on the acquisition of Interserve where the Group anticipates no further claims. £0.9m professional fee accruals release and derecognition of a £0.9m pre-acquisition contractual liability originally recognised against goodwill. The year ended 31 March 2022 costs comprised professional fees of £2.5m and an additional provision in respect of parent company guarantees of £0.6m, partially offset by the release of certain pre-acquisition net payable amounts in respect of Interserve of £0.7m.
- Comprises £3.4m of redundancy costs (2022: £1.8m), staff related integration costs of £0.4m (2022: £3.1m) and professional fees of £1.7m (2022: £5.3m). In the year ended 31 March 2022, the Group also incurred dual running costs related to the transitional service arrangement of £1.9m, IT integration costs of £1.6m, software impairments of £1.4m, rebranding costs of £0.6m, other property related costs of £0.2m, right-of-use asset impairments of £0.1m and other integration costs of £0.2m.
- Includes £16.7m amortisation of customer contracts and relationships acquired with Interserve (2022: £16.7m). In the year ended 31 March 2022, amortisation of £2.4m was also charged with respect to customer contracts and relationships arising on the acquisition of Landmark Support Services Limited, which has been equity accounted. See Notes 13 and 15.
- Comprises professional fees of £1.7m (2022: £1.7m) and £0.2m of performance-based employment-linked earnouts and adjustments to deferred consideration (2022: £1.0m). The year ended 31 March 2022 also included fixed-term staff costs of £0.3m, other acquisition costs of £0.1m and redundancy costs of £0.1m relating to acquisitions other than Interserve.
- In the year ended 31 March 2022, the Group recognised other disposal income of £4.0m related to rectification works on property maintenance contracts associated with the disposal of the Social Housing business.

4. Other items continued

Gain on disposal

In the year ended 31 March 2022, a net gain on disposal of businesses of £13.0m was recognised in Other items, comprising a net gain of £16.0m in relation to the disposal of the Document Management business and a net loss on disposal of £3.0m in relation to the disposal of the Nordics and Poland operations. See Note 5 for further details.

Other exceptional items

	2023	2022
	Continuing operations and total Group £m	Continuing operations and total Group £m
Settlement of contractual disputes	–	9.8
Digital supplier platform ¹	(3.4)	(4.4)
Other exceptional items	(3.4)	5.4
Tax	0.6	(1.0)
Other exceptional items net of taxation	(2.8)	4.4

Note:

1. Costs of £3.4m (2022: £4.4m) incurred in the implementation of a new digital supplier platform, resulting in a step change in the Group's supply chain management capabilities. These comprise fixed-term staff costs of £2.4m (2022: £2.2m) and third-party implementation costs of £1.0m (2022: £2.2m). This implementation, which is transformational in nature, is expected to be completed during the year ending 31 March 2024. Cumulative cash costs of £7.8m have been recognised within the consolidated income statement and classified as Other items since its launch in 2022.

5. Discontinued operations and disposal of subsidiaries

Discontinued operations and disposal of subsidiaries in the year ended 31 March 2022

On 1 June 2021, the Group completed the sale of Mitie Norge AS, Mitie Sverige AB and Mitie Polska Sp z o.o. (together, the Nordics and Poland operations). On 30 September 2021, the Group completed the sale of Mitie Business Services Limited and Mitie Business Services UK Limited (together, the Document Management business). The results of the Nordics and Poland operations and the Document Management business were classified as discontinued operations at 31 March 2022.

The Group recognised a net loss on disposal of £3.0m in relation to the disposal of the Nordics and Poland operations and a net gain on disposal of £16.0m in relation to the disposal of the Document Management business.

	2022			
	Nordics and Poland £m	Document Management £m	Social Housing £m	Total £m
Total consideration	0.3	36.7	–	37.0
Net assets disposed ¹	(2.9)	(19.7)	–	(22.6)
Recycling of foreign exchange loss in reserves	(0.3)	–	–	(0.3)
Transaction costs	(0.1)	(1.0)	–	(1.1)
Net (loss)/gain on disposal of discontinued operations as reported in Other items (see Note 4)	(3.0)	16.0	–	13.0
Profit before tax before Other items	0.1	2.9	–	3.0
Other items (see Note 4)	–	–	4.0	4.0
Profit before tax	0.1	2.9	4.0	7.0
Tax	–	(0.6)	–	(0.6)
Profit for the year after tax	0.1	2.3	4.0	6.4
Total (loss)/profit for the year	(2.9)	18.3	4.0	19.4

Note:

1. Net assets disposed in the Nordics and Poland operations included goodwill of £1.4m and cash balances of £1.5m. Net assets disposed in the Document Management business included goodwill of £14.4m and cash balances of £4.6m.

Cash flows from discontinued operations

	2022			
	Nordics and Poland £m	Document Management £m	Social Housing £m	Total £m
Cash consideration	0.3	36.7	–	37.0
Cash disposed	(1.5)	(4.6)	–	(6.1)
Cash transaction costs	–	(1.0)	–	(1.0)
Disposal proceeds net of cash disposed and transaction costs	(1.2)	31.1	–	29.9

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

6. Operating profit

Operating profit includes the following expenses/(income):

Total Group	2023 £m	2022 £m
Depreciation of property, plant and equipment (Note 14 and Note 26)	43.1	41.6
Amortisation of other intangible assets (Note 13)	29.2	27.2
Amortisation of contract assets (Note 17)	1.3	1.7
Impairment of right-of-use assets (Note 26)	0.2	0.2
Impairment of other intangible assets (Note 13)	–	3.5
Loss on disposal of property, plant and equipment	0.1	0.5
Gain on disposal of businesses (Note 5)	–	(13.0)
Impairment loss recognised on trade receivables (Note 25)	1.3	1.5
Impairment loss recognised on accrued income (Note 25)	1.5	0.6
Reversal of impairment on accrued income (Note 25)	–	(1.3)

A detailed analysis of auditor's remuneration is provided below:

	2023 £'000	2022 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	299	252
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation – current year	3,475	2,933
Total audit fees – current year	3,774	3,185
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation – prior year	563	115
Total audit fees	4,337	3,300
Audit-related assurance services to the Group (interim review)	195	175
Other assurance services	11	9
Total non-audit fees	206	184
Total	4,543	3,484

7. Employees

The average number of people employed during the financial year was:

Number of people ¹	2023	2022
Technical Services	9,540	8,668
Business Services	30,747	38,501
CG&D	5,452	4,858
Communities	7,760	7,714
Specialist Services	7,688	7,531
Care & Custody	2,555	2,190
Landscapes	827	730
Waste	230	260
Spain	4,076	4,351
Corporate centre	133	130
Continuing operations	61,320	67,402
Nordics and Poland	–	17
Document Management	–	659
Discontinued operations	–	676
Total Group	61,320	68,078

Note:

1. Average number of people employed from the date of acquisition of businesses.

7. Employees continued

The total employment costs, including Directors, were:

	2023 £m	2022 £m
Wages and salaries ¹	1,776.0	1,928.4
Social security costs	163.5	143.7
Other pension costs	39.1	40.8
Share-based payments (Note 31)	17.3	18.6
Total	1,995.9	2,131.5

Note:

1. For the year ended 31 March 2022, wages and salaries were reduced by an amount of £9.5m, which represented UK Government grants received under the Coronavirus Job Retention Scheme. No Coronavirus Job Retention Scheme grants were received for the year ended 31 March 2023.

Executive and Non-Executive Directors' aggregate emoluments are shown below:

	2023 £m	2022 £m
Short-term benefits	3.0	3.6
Pension and other employment benefits	0.2	0.2
Share-based payments	5.6	5.5
Total	8.8	9.3

8. Finance costs and income

Finance costs	2023 £m	2022 £m
Interest on bank loans	2.2	4.3
Interest on private placement loan notes	5.9	6.1
Bank fees	1.1	4.7
Interest on lease liabilities (Note 26)	4.2	4.0
Unwinding of discount on provisions	0.2	–
Net interest on defined benefit pension scheme assets and liabilities (Note 32)	0.1	0.9
Total	13.7	20.0
Finance income	2023 £m	2022 £m
Bank interest and total	2.2	0.2

9. Tax

Total Group	2023 £m	2022 £m
Current tax	19.2	19.4
Deferred tax (Note 22)	(4.8)	2.2
Tax charge for the year	14.4	21.6
Continuing operations	14.4	21.0
Discontinued operations	–	0.6
Tax charge for the year	14.4	21.6

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

9. Tax continued

Corporation tax is calculated at 19% (2022: 19%) of the estimated taxable profit for the year. A reconciliation of the tax charge to the elements of profit before tax per the consolidated income statement is as follows:

	2023			2022		
	Before Other items £m	Other items ¹ £m	Total £m	Before Other items £m	Other items ¹ £m	Total £m
Total Group						
Profit/(loss) before tax	150.6	(45.1)	105.5	150.1	(77.8)	72.3
Tax at UK rate of 19% (2022: 19%)	28.6	(8.5)	20.1	28.5	(14.8)	13.7
Reconciling tax charges for:						
Non-tax deductible charges	(0.8)	0.3	(0.5)	–	9.0	9.0
Share-based payments	–	–	–	(0.6)	–	(0.6)
Gain on disposal of businesses	–	–	–	–	(2.5)	(2.5)
Impact of equity accounted investments	(1.6)	–	(1.6)	(1.7)	0.5	(1.2)
(Credit)/charge for losses not previously recognised	(5.3)	–	(5.3)	2.2	–	2.2
Overseas tax rates	(0.3)	–	(0.3)	(0.5)	–	(0.5)
Impact of change in statutory tax rates	–	–	–	(9.0)	8.1	(0.9)
Prior year adjustments	2.0	–	2.0	0.7	1.7	2.4
Tax charge/(credit) for the year	22.6	(8.2)	14.4	19.6	2.0	21.6
Effective tax rate for the year	15.0%	18.2%	13.6%	13.1%	(2.6%)	29.9%

Note:

1. Other items are as described in Note 4.

In addition to the amounts charged to the consolidated income statement: (i) a £1.1m credit for current tax (2022: £nil) and a £1.5m credit for deferred tax (2022: £3.8m charge) relating to remeasurements of retirement benefit liabilities have been taken directly to the statement of comprehensive income; in the prior year a £0.1m credit for deferred tax relating to hedged items was also taken directly to the statement of comprehensive income; and (ii) a £1.1m credit for current tax (2022: £nil) and a £4.9m credit for deferred tax (2022: £0.2m charge) relating to share options have been taken directly to equity.

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 this report.

10. Dividends

	2023 Pence per share	2023 £m	2022 Pence per share	2022 £m
Amounts recognised as distributions in the year:				
Final dividend for the prior year	1.4	19.5	–	–
Interim dividend for the current year	0.7	9.4	0.4	5.7
	2.1	28.9	0.4	5.7
Proposed final dividend for the year ended 31 March	2.2	28.7	1.4	19.5

Dividends are recognised as distributions in the year in which they are paid. Subject to approval at the Annual General Meeting on 25 July 2023, the final dividend for the year ended 31 March 2023 will be paid on 4 August 2023 to holders on the register on 23 June 2023. The ordinary shares will be quoted ex-dividend on 22 June 2023.

11. Earnings per share

The calculation of the basic and diluted EPS is based on the following data:

	2023	2022	
	Continuing operations and total Group £m	From continuing operations £m	From discontinued operations £m
Net profit before Other items attributable to owners of the parent	128.0	128.1	2.4
Other items net of tax ¹	(36.9)	(96.8)	17.0
Net profit attributable to owners of the parent	91.1	31.3	19.4
			Total Group £m
			130.5
			(79.8)
			50.7

Note:

1. Other items are as described in Note 4.

	2023 million	2022 million
Number of shares		
Weighted average number of ordinary shares for the purpose of basic EPS ¹	1,348.4	1,395.4
Effect of dilutive potential ordinary shares ²	132.9	143.2
Weighted average number of ordinary shares for the purpose of diluted EPS ^{1,2}	1,481.3	1,538.6

Notes:

1. The weighted average number of ordinary shares in issue during the year excludes those accounted for in the Own shares reserve.
2. The dilutive potential ordinary shares relate to instruments that could potentially dilute basic earnings per share in the future, such as share-based payments. The diluted earnings per share uses the weighted average number of shares adjusted for potentially dilutive ordinary shares, unless it has the effect of increasing the earnings per share.

	2023	2022	
	Continuing operations and total Group pence per share	From continuing operations pence per share	From discontinued operations pence per share
Basic earnings before Other items ¹	9.5	9.2	0.2
Basic earnings	6.8	2.2	1.4
Diluted earnings before Other items ¹	8.6	8.3	0.2
Diluted earnings	6.2	2.0	1.3
			Total Group pence per share
			9.4
			3.6
			8.5
			3.3

Note:

1. Other items are as described in Note 4.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

12. Goodwill

	£m
Cost	
At 1 April 2021	327.3
Arising on business combinations	22.3
Disposal of businesses	(15.8)
At 31 March 2022	333.8
Arising on business combinations ¹	11.0
At 31 March 2023	344.8
Accumulated impairment losses	
At 1 April 2021	32.5
At 31 March 2022	32.5
At 31 March 2023	32.5
Net book value	
At 31 March 2023	312.3
At 31 March 2022	301.3

Note:

1. The Group acquired P2ML, 8point8 and Custom Solar during the year ended 31 March 2023. Refer to Note 30. This balance also includes measurement period adjustments resulting in increases of £0.4m and £0.1m to the goodwill recognised in relation to the DAEL and Biotechure acquisitions respectively.

Goodwill impairment testing

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group tests goodwill at least annually for impairment or more frequently if there are indicators that goodwill may be impaired.

A summary of the goodwill balances and the discount rates used to assess the forecast cash flows from each CGU are as follows:

	Pre-tax discount rate %	Goodwill 2023 £m	Goodwill 2022 £m
Technical Services	12.3%	116.8	105.9
Business Services	14.7%	105.1	105.1
Communities	13.8%	81.0	81.0
Landscapes	12.8%	6.7	6.6
CG&D	13.2%	2.7	2.7
Total		312.3	301.3

Key assumptions

The recoverable amounts for each CGU are based on value-in-use, which is derived from discounted cash flow calculations. The key assumptions applied in value-in-use calculations are those regarding forecast operating profits, growth rates and discount rates.

Forecast operating profits

For all CGUs, the Group prepared cash flow projections derived from the most recent forecasts for the year ending 31 March 2024 and the Group's strategic plan to 31 March 2028. Forecast revenue and direct costs are based on past performance and expectations of future changes in the market, operating model and cost base including the impact of inflation.

Growth rates and terminal values

Medium-term revenue growth rates applied to the value-in-use calculations of each CGU reflect management's strategy for a period of five years. Terminal values were determined using a long-term growth assumption of 2.0% (2022: 2.0%).

Discount rates

The pre-tax discount rates used to assess the forecast cash flows from CGUs are derived from the Group's post-tax weighted average cost of capital, which was 9.8% as at the time of the Group's annual impairment review (2022: 7.8%). These rates are reviewed annually by external advisors and adjusted for the risks specific to the business being assessed and the market in which the CGU operates. All CGUs have the same access to the Group's treasury functions and borrowing lines to fund their operations.

Sensitivity analysis

A sensitivity analysis has been performed and management has concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill of any of the Group's CGUs.

13. Other intangible assets

	Acquisition related		Total acquisition related £m	Software and development expenditure £m	Total £m
	Customer contracts and relationships £m	Other £m			
Cost					
At 1 April 2021	321.1	14.3	335.4	61.9	397.3
Additions	–	–	–	20.2	20.2
Arising on business combinations	8.4	–	8.4	–	8.4
Disposals	–	–	–	(8.8)	(8.8)
Reclassifications	–	(3.4)	(3.4)	3.4	–
Effect of movements in exchange rates	–	–	–	0.1	0.1
At 31 March 2022	329.5	10.9	340.4	76.8	417.2
Additions	–	–	–	14.3	14.3
Arising on business combinations	8.7	–	8.7	–	8.7
Disposals	–	–	–	(0.3)	(0.3)
At 31 March 2023	338.2	10.9	349.1	90.8	439.9
Amortisation and impairment					
At 1 April 2021	94.5	10.6	105.1	31.2	136.3
Charge for the year	19.4	0.1	19.5	7.7	27.2
Impairments	–	–	–	3.5	3.5
Disposals	–	–	–	(8.8)	(8.8)
Effect of movements in exchange rates	–	–	–	0.1	0.1
At 31 March 2022	113.9	10.7	124.6	33.7	158.3
Charge for the year	21.3	0.1	21.4	7.8	29.2
Disposals	–	–	–	(0.3)	(0.3)
Effect of movements in exchange rates	–	–	–	0.1	0.1
At 31 March 2023	135.2	10.8	146.0	41.3	187.3
Net book value					
At 31 March 2023	203.0	0.1	203.1	49.5	252.6
At 31 March 2022	215.6	0.2	215.8	43.1	258.9

Customer contracts and relationships are amortised over their useful lives based on the period of time over which they are anticipated to generate benefits. These currently range over an average of eight years. Other acquisition related intangibles include acquired software and technology which are amortised over their useful lives, which currently range from three to ten years.

Following a review of the carrying amount of intangible assets, no impairment indicators have been identified and no impairment has been recorded in the year ended 31 March 2023 (2022: £3.5m).

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

14. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

	2023 £m	2022 £m
Owned property, plant and equipment	33.1	29.9
Right-of-use assets (Note 26)	123.8	114.0
Total	156.9	143.9

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

	Land and buildings £m	Plant and vehicles £m	Total £m
Cost			
At 1 April 2021	11.7	57.5	69.2
Additions	–	15.4	15.4
Disposals	(2.5)	(11.8)	(14.3)
Arising on business combinations	–	1.3	1.3
Disposal of businesses	(0.2)	(4.1)	(4.3)
Effect of movements in exchange rates	–	(0.1)	(0.1)
At 31 March 2022	9.0	58.2	67.2
Additions	–	10.9	10.9
Disposals	(0.4)	(3.9)	(4.3)
Arising on business combinations	–	1.2	1.2
Effect of movements in exchange rates	–	0.4	0.4
At 31 March 2023	8.6	66.8	75.4
Accumulated depreciation and impairment			
At 1 April 2021	8.0	36.9	44.9
Charge for the year	0.6	8.7	9.3
Disposals	(2.5)	(10.9)	(13.4)
Disposal of businesses	(0.1)	(3.8)	(3.9)
Effect of movements in exchange rates	0.3	0.1	0.4
At 31 March 2022	6.3	31.0	37.3
Charge for the year	0.6	8.1	8.7
Disposals	(0.4)	(3.7)	(4.1)
Effect of movements in exchange rates	–	0.4	0.4
At 31 March 2023	6.5	35.8	42.3
Net book value			
At 31 March 2023	2.1	31.0	33.1
At 31 March 2022	2.7	27.2	29.9

No impairment of property, plant and equipment has been recorded in the year ended 31 March 2023 (2022: £nil).

15. Interests in joint ventures and associates

The Group has interests in joint ventures and associates, which are all equity accounted entities. Landmarc Support Services Limited (Landmarc UK) and Sussex Estates and Facilities LLP (Sussex) are equity accounted entities that were material to the Group. All equity accounted entities provide facilities management services. Details of all joint ventures and associates are provided in Note 36.

Interests in joint ventures and associates

	Ownership %	Nature of relationship	2023 £m	2022 £m
Landmarc UK	51	Joint venture	7.9	10.5
Sussex	35	Associate	0.6	0.7
Other		Joint ventures	0.3	0.7
At 31 March			8.8	11.9

	2023			2022	
	Landmarc UK ¹ £m	Sussex ¹ £m	Other ¹ £m	Group share of joint ventures and associates £m	Group share of joint ventures and associates £m
At 1 April	10.5	0.7	0.7	11.9	11.0
Share of profit/(loss) before Other items	7.9	0.8	(0.4)	8.3	6.6
Share of profit – Other items ²	–	–	–	–	(2.4)
Share of other comprehensive (expense)/income	(2.4)	–	–	(2.4)	0.7
Dividends	(8.1)	(0.9)	–	(9.0)	(4.0)
At 31 March	7.9	0.6	0.3	8.8	11.9

Notes

1. Net assets/results of the entity multiplied by the respective proportion of the Group's ownership.
2. The Group's share of amortisation of customer contracts arising on business combinations was £nil for the year ended 31 March 2023 (2022: £2.4m).

Summarised statement of total comprehensive income (100%)

	2023				2022			
	Landmarc UK £m	Sussex £m	Other £m	Total £m	Landmarc UK £m	Sussex £m	Other £m	Total £m
Revenue	196.5	28.4	–	224.9	164.6	24.0	2.2	190.8
Group's share of revenue of joint ventures and associates	100.2	9.9	–	110.1	84.0	8.4	1.1	93.5
Depreciation and amortisation	(1.4)	–	–	(1.4)	(0.9)	–	–	(0.9)
Operating profit/(loss)	18.8	3.0	(0.9)	20.9	13.3	2.8	0.2	16.3
Finance income	0.3	–	–	0.3	0.1	–	–	0.1
Tax	(3.6)	(0.6)	–	(4.2)	(2.5)	–	–	(2.5)
Profit/(loss) for the year	15.5	2.4	(0.9)	17.0	10.9	2.8	0.2	13.9
Other comprehensive (expense)/income	(4.7)	–	–	(4.7)	1.3	–	–	1.3
Total comprehensive income/(expense) (100%)	10.8	2.4	(0.9)	12.3	12.2	2.8	0.2	15.2

Summarised balance sheet (100%)

	2023				2022			
	Landmarc UK £m	Sussex £m	Other £m	Total £m	Landmarc UK £m	Sussex £m	Other £m	Total £m
Non-current assets	5.8	–	–	5.8	10.7	–	–	10.7
Current assets	52.6	9.9	1.3	63.8	41.3	8.9	5.1	55.3
Current liabilities	(43.0)	(8.3)	(0.8)	(52.1)	(31.4)	(7.0)	(3.6)	(42.0)
Net assets (100%)	15.4	1.6	0.5	17.5	20.6	1.9	1.5	24.0
Group's share of net assets	7.9	0.6	0.3	8.8	10.5	0.7	0.7	11.9
The above includes the following:								
Cash and cash equivalents (100%)	35.4	5.3	1.3	42.0	28.7	7.4	0.4	36.5

The Group is not aware of any material commitments in respect of its interests in joint ventures and associates. There are no significant restrictions on the ability to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

16. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	450.8	386.3
Accrued income	278.9	239.7
Prepayments	40.2	30.4
Other receivables	40.4	55.4
Total	810.3	711.8
Included in current assets	786.8	686.7
Included in non-current assets	23.5	25.1
Total	810.3	711.8

Note:

1. Trade and other receivables of £17.3m have been reclassified from current assets to non-current assets. See Note 1.

Trade receivables at 31 March 2023 represent 31 days credit on sales (2022: 28 days).

The Group has discontinued the use of a non-recourse customer invoice discounting facility (CID) under which certain trade receivable balances were sold to the Group's relationship banks. As these trade receivables were sold without recourse, the Group derecognised them, and so they were not included within trade receivables. The amount of invoice discounting at 31 March 2022 was £44.5m.

Management considers that the carrying amount of trade and other receivables approximates their fair value.

Information about the Group's exposure to credit risk and its loss allowance against the balance of trade receivables, accrued income and other receivables is provided in Note 25.

17. Contract assets

	Pre-contract costs £m	Contract fulfilment costs £m	Total £m
At 1 April 2021	1.4	2.5	3.9
Additions	0.1	0.9	1.0
Amortisation	(0.8)	(0.9)	(1.7)
At 31 March 2022	0.7	2.5	3.2
Amortisation	(0.1)	(1.2)	(1.3)
At 31 March 2023	0.6	1.3	1.9
Included in current assets	0.2	0.9	1.1
Included in non-current assets	0.4	0.4	0.8
Total	0.6	1.3	1.9

Contract assets are amortised on a straight-line basis over the contract life which is consistent with the transfer of services to the customer to which the asset relates. Management has determined that no impairment of contract assets is required as at 31 March 2023 (2022: £nil).

18. Inventories

	2023 £m	2022 £m
Materials and total	13.5	11.9

19. Trade and other payables

	2023 £m	2022 £m
Trade payables	230.5	134.8
Other taxes and social security	123.0	117.7
Other payables ¹	22.7	57.2
Accruals	525.6	534.3
Total	901.8	844.0
Included in current liabilities	899.5	841.2
Included in non-current liabilities ²	2.3	2.8
Total	901.8	844.0

Notes:

- As at 31 March 2022, £20.0m cash was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022 and was included within current other payables at 31 March 2022.
- Non-current other payables mainly comprise contingent consideration and performance-based employment-linked earnouts arising on the acquisitions of Rock and Custom Solar. Refer to Note 30.

Trade creditors at 31 March 2023 represent 32 days credit on trade purchases (2022: 23 days).

Management considers that the carrying amount of trade and other payables approximates their fair value.

20. Deferred income

The significant changes in deferred income are as follows:

	2023 £m	2022 £m
At 1 April	116.1	114.9
Revenue recognised that was included in the deferred income balance at the beginning of the year	(83.7)	(58.6)
Increase due to cash received, excluding amounts recognised as revenue during the year	68.3	56.1
Arising on business combinations	2.4	3.7
At 31 March	103.1	116.1
Included within current liabilities	83.3	83.5
Included within non-current liabilities	19.8	32.6
Total	103.1	116.1

For any amounts which do not relate to specific contractual performance obligations, the income is deferred to the consolidated balance sheet and amortised over the period in which the contracted services are delivered to the customer.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

21. Provisions

	Contract specific costs £m	Insurance reserve £m	Pension £m	Dilapidations £m	Restructuring £m	Other £m	Total £m
At 31 March 2022 (as reported)	56.3	26.0	23.7	6.5	1.9	2.6	117.0
Adoption of amendments to IAS 37 ¹	1.1	–	–	–	–	–	1.1
At 1 April 2022	57.4	26.0	23.7	6.5	1.9	2.6	118.1
Additional provisions in the year	6.1	9.5	–	1.3	2.2	1.4	20.5
Released to the income statement	(5.3)	–	(1.2)	–	–	–	(6.5)
Unwinding of discount and changes in the discount rate	–	–	–	0.2	–	–	0.2
Utilised in the year	(8.9)	(9.3)	(0.8)	–	(1.6)	(0.3)	(20.9)
At 31 March 2023	49.3	26.2	21.7	8.0	2.5	3.7	111.4
Included in current liabilities	17.5	8.8	21.7	0.4	2.4	3.4	54.2
Included in non-current liabilities	31.8	17.4	–	7.6	0.1	0.3	57.2
Total	49.3	26.2	21.7	8.0	2.5	3.7	111.4

Note:

1. Contract specific provisions as at 1 April 2022 have been adjusted for the change in accounting policy for onerous contract assessments as a result of the amendment to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*. Refer to Note 1.

Contract specific costs

Contract specific costs provision of £49.3m (2022: £56.3m) comprises onerous contract provisions of £10.5m (2022: £13.2m) and other contract specific provisions of £38.8m (2022: £43.1m).

Onerous contracts are mainly in respect of certain long-term PFI contracts. It is expected that the majority of these provisions will be utilised over a number of years. Given the long-term nature of these contracts, the calculation of onerous contract provisions is a key source of estimation uncertainty. Key judgements used in the calculation of the provision and sensitivity to change in assumptions are set out in Note 2. The Group recognised additional provisions of £1.4m, released £0.4m and utilised £4.8m in the year with respect to onerous contract provisions.

Contract specific provisions have been made primarily to cover remedial and rectification costs required to meet clients' contract terms, and include a £14.7m provision relating to a significant liability risk on a certain contract which is subject to dispute, a £6.2m provision relating to a commercial settlement dispute for a certain contract, and £1.7m relating to costs of rectification works associated with certain property maintenance contracts of the discontinued Social Housing business. The value of these provisions reflects the single most likely outcome and is expected to be utilised over a maximum period of eight years. The remaining provision relates to other potential commercial claims, legal claims and rectification work for other contracts. During the year the Group recognised additional provisions of £4.7m, released £4.9m and utilised £4.1m of the contract specific provisions.

Insurance reserve

The Group retains a portion of the exposure in relation to insurance policies for employer liabilities and motor and fleet liabilities. Judgement is involved in assessing outstanding liabilities, the ultimate cost and timing of which cannot be known with certainty at the balance sheet date. The provision includes claims incurred but not yet reported and is based on information available at the balance sheet date. The provision is expected to be utilised over five years.

The insurance reserve of £26.2m is presented gross of an insurer reimbursement asset of £4.0m (2022: £6.5m), which represents the amount the Group is virtually certain to recover for claims under its insurance policies. The asset is presented as other receivables.

Pension

The pension provision balance at 31 March 2023 comprises £21.7m for Section 75 employer debt liabilities of Robert Prettie & Co Limited and Mitie FM Limited as a result of their participation in the Plumbing Scheme. This amount has been recorded as a current provision, however timing of outflows is dependent on agreement with the trustee of the Plumbing Scheme and may occur over a longer period than one year. See Note 32.

During the year the Group utilised provisions of £0.8m and released £1.2m for a certain pension scheme where the Group recognised a provision on the acquisition of Interserve for the scheme's exit payment, which has been settled during the year ended 31 March 2023.

Dilapidations

The provision for dilapidations 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 and is expected to be utilised in the next five years.

Restructuring

The restructuring provision as at 31 March 2023 includes £2.1m of provision where a detailed formal plan is in place and a valid expectation in those affected has been raised. The amount is expected to be utilised within the next year.

22. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon:

	Losses £m	Accelerated capital allowances £m	Retirement benefit liabilities £m	Intangible assets acquired £m	Share options £m	Short-term timing differences £m	Total ¹ £m
At 1 April 2021	29.8	15.7	12.2	(42.9)	2.1	2.9	19.8
Arising on business combinations	–	(0.2)	–	(2.0)	–	–	(2.2)
Disposal of subsidiary undertakings	–	(0.4)	–	–	–	–	(0.4)
Credit/(charge) to income statement	4.3	(1.6)	(5.8)	(7.8)	4.6	4.1	(2.2)
(Charge)/credit to equity and other comprehensive income	–	–	(3.8)	–	(0.2)	0.1	(3.9)
At 31 March 2022	34.1	13.5	2.6	(52.7)	6.5	7.1	11.1
Arising on business combinations	–	(0.2)	–	(2.1)	–	0.4	(1.9)
Credit/(charge) to income statement	5.5	(3.7)	(3.6)	4.1	0.6	1.9	4.8
Credit to equity and other comprehensive income	–	–	1.5	–	4.9	–	6.4
At 31 March 2023	39.6	9.6	0.5	(50.7)	12.0	9.4	20.4

Note:

1. Deferred tax liabilities of £50.7m (2022: £52.7m) are offset against deferred tax assets as they relate to income taxes levied by the same tax authority and the Group has the right to and intends to settle its current tax assets and liabilities on a net basis.

The Group has unutilised income tax losses of £222.3m (2022: £223.5m) that are available for offset against future profits. A deferred tax asset has been recognised in respect of £158.4m (2022: £136.3m) of these losses to the extent that it is probable that taxable profits will be generated in the future and be available for utilisation. When considering the recoverability of deferred tax assets, the taxable profit forecasts are based on the same information used to support the going concern and goodwill assessments. See Note 1 for more information on these forecasts and the methodology applied.

No deferred tax asset has been recognised in respect of losses of £63.9m (2022: £87.2m) because recoverability is uncertain. All losses may be carried forward indefinitely. Deferred tax has been calculated using tax rates that were substantively enacted at the balance sheet date. Refer to Note 9.

23. Cash and cash equivalents

	2023 £m	2022 £m
Cash and cash equivalents	248.3	345.2

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The Group operates cash-pooling arrangements with certain banks for cash management purposes.

As at 31 March 2023, included within cash and cash equivalents is £6.4m (2022: £17.5m) which is subject to various constraints on the Group's ability to utilise these balances. These constraints primarily relate to amounts held in project bank accounts and cash held through a joint operation, where cash is not available for use by the Group.

As at 31 March 2022, £20.0m was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022 and was not categorised as restricted cash. The carrying amount of the assets approximates their fair value.

24. Financing liabilities

	2023 £m	2022 £m
Bank loans – under committed facilities	7.2	7.1
Private placement notes	149.4	171.0
Lease liabilities (Note 26)	129.4	122.5
Total	286.0	300.6
Included in current liabilities	32.0	171.1
Included in non-current liabilities	254.0	129.5
Total	286.0	300.6

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

24. Financing liabilities continued

In October 2021, the Group signed a new £150m revolving credit facility and terminated the £250m facility which was set to mature in December 2022. The new facility expires in October 2026 following the exercise of an option to extend for a further year from October 2025 as approved by the lenders in September 2022.

In November 2021, the Group agreed, under a delayed funding arrangement, the issue of £120.0m of new US private placement notes in December 2022, avoiding any overlap with the £121.5m (comprising of US\$153.0m and £25.0m, and net of the £29.2m settlement of the cross-currency interest rate swaps in the same period) of notes that matured in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and have an average coupon of 2.94%.

The revolving credit facility and the US private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements. The Group was in compliance with these covenants as at 31 March 2023 and hence all amounts are classified in line with repayment dates.

At 31 March 2023, the Group had available £141.6m (2022: £141.5m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The weighted average interest rates paid during the year were as follows:

	2023 %	2022 %
Bank loans	2.9	2.4
Private placement notes	3.9	4.0

Private placement notes

The Group issued US\$153.0m and £55.0m of private placement notes on 13 December 2012, of which US\$153.0m and £25.0m matured in December 2022 and £30.0m is due to mature in December 2024. The Group has further issued £120.0m of new US private placement notes on 16 December 2022. The USPP notes are unsecured and rank pari passu with other senior unsecured indebtedness of the Group. The amount, maturity and interest terms of these USPP notes as at 31 March 2023 are shown below.

Tranche	Maturity date	Amount	Interest terms
12 year	16 December 2024	£30.0m	£ fixed at 4.04%
8 year	16 December 2030	£40.0m	£ fixed at 2.84%
10 year	16 December 2032	£40.0m	£ fixed at 2.97%
12 year	16 December 2034	£40.0m	£ fixed at 3.00%

25. Financial instruments

Classification

The Group's principal financial assets are cash and cash equivalents, trade receivables, accrued income and other receivables. The Group's principal financial liabilities are financing liabilities, trade payables, accruals and other payables.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expense) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

The vast majority of financial instruments are held at amortised costs. The classification of the fair value measurement falls into three levels, based on the degree to which the fair value is observable. The levels are as follows:

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from other observable inputs for the asset or liability;

Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data.

There have been no transfers between levels in the year.

25. Financial instruments continued

The Group held the following financial instruments at 31 March:

	2023 £m	2022 £m
Held at amortised cost		
Cash and cash equivalents (Note 23)	248.3	345.2
Trade receivables (Note 16)	450.8	386.3
Accrued income (Note 16)	278.9	239.7
Other receivables (Note 16)	39.4	48.7
Financing liabilities (Note 24)	(286.0)	(300.6)
Trade payables (Note 19)	(230.5)	(134.8)
Other payables (Note 19)	(22.2)	(54.4)
Accruals (Note 19)	(525.6)	(534.3)
Held at fair value through profit and loss (FVTPL)		
Other receivables (Note 16) ¹	–	6.0
Other payables (Note 19)	(0.5)	(2.8)
Hedging instruments at fair value through other comprehensive income (FVTOCI)		
Other receivables (Note 16) ²	1.0	0.7
Derivative financial instruments hedging private placement notes ³	–	19.6

Notes:

- At 31 March 2022 other receivables included the £6.0m which represented management's best estimate of the amount expected to be recovered by the Group through the completion accounts and other SPA mechanisms on the Interserve acquisition. This amount has been settled during the year ended 31 March 2023.
- Other receivables measured at FVTOCI of £1.0m (2022: £0.7m) relate to a defined benefit reimbursement asset. This is considered to fall under level 2 of the fair value hierarchy. See Note 32.
- The Group held a number of cross-currency interest rate swaps designated as cash flow hedges that matured in December 2022. The swaps were considered to fall into Level 2 and the fair values were estimated by discounting expected future cashflows incorporating various inputs including interest rate curves and forward rates from third party sources.

Risk management objectives

The Group's treasury department monitors and manages the financial risks relating to the operations of the Group. These risks include those arising from interest rates, foreign currencies, liquidity, credit and capital management. The Group seeks to minimise the effects of these risks by using effective control measures and, where appropriate, derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by Group policies and reviewed regularly. Group policy is to not trade in financial instruments. The risk management policies remain unchanged from the previous year.

Interest rate risk

The Group's activities expose it to the financial risks of interest rates. The Group's treasury function reviews its risk management strategy on a regular basis and will, as appropriate, enter into derivative financial instruments in order to manage interest rate risk.

Interest rate sensitivity

The interest rate sensitivity has been determined based on the exposure to interest rates on cash balances net of financing liabilities (excluding lease liabilities) at the balance sheet date. All financial liabilities, other than financing liabilities, are interest free.

If underlying interest rates had been 0.5% higher and all other variables were held constant, the Group's profit after tax for the year ended 31 March 2023 and reserves would increase by £0.4m (2022: £0.1m).

Foreign currency risk

The Group has limited exposure to transactional foreign currency risk from trading transactions in currencies other than the functional currency of individual group entities and some exposure to translational foreign currency risk from the translation of its foreign operations. The Group considers the need to hedge its exposures as appropriate and will enter into forward foreign exchange contracts to mitigate any significant risks.

The Group fully hedged the US dollar exposure on the principal and interest payments on private placement notes until settlement in December 2022 into pounds sterling using cross-currency interest rate swaps (see Hedging activities below).

At 31 March 2023 £24.1m (2022: £26.4m) of cash and cash equivalents were held in foreign currencies. Included in bank loans were £8.4m (2022: £8.5m) of loans denominated in foreign currency.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

25. Financial instruments continued

Liquidity risk

The Group monitors its liquidity risk using a cash flow projection model which considers the maturity of the Group's assets and liabilities and the projected cash flows from operations. Bank loans under committed facilities, which allow for appropriate headroom in the Group's daily cash movements, are then arranged. Details of the Group's bank facility can be found in Note 24.

The tables below summarise the maturity profile (including both undiscounted interest and principal cash flows) of the Group's financial liabilities:

Financial liabilities at 31 March 2023	Within one year £m	Between one and five years £m	After five years £m	Total £m
Trade payables	230.5	–	–	230.5
Other payables	20.4	2.3	–	22.7
Accruals	525.6	–	–	525.6
Financing liabilities	50.2	134.6	155.3	340.1
Financial liabilities	826.7	136.9	155.3	1,118.9

Financial liabilities at 31 March 2022	Within one year £m	Between one and five years £m	After five years £m	Total £m
Trade payables	134.8	–	–	134.8
Other payables	54.4	2.8	–	57.2
Accruals	534.3	–	–	534.3
Financing liabilities	189.6	111.6	24.4	325.6
Financial liabilities	913.1	114.4	24.4	1,051.9

Credit risk

The Group's credit risk is monitored on an ongoing basis and formally reported quarterly. The value of business placed with financial institutions is reviewed on a daily basis.

The Group's credit risk on liquid funds and derivative financial instruments is limited because the external counterparties are banks with high credit ratings assigned by international credit rating agencies and are managed through regular review.

The maximum exposure to credit risk on cash and cash equivalents at the balance sheet date is £248.3m (2022: £345.2m). At 31 March 2022, the maximum exposure to credit risk in relation to derivatives at the balance sheet date was £19.6m, being predominantly the fair value of interest rate swaps.

The Group's credit risk is primarily attributable to its receivable balances from customers. Before accepting a new customer, the Group uses external credit scoring systems to assess the potential customer's credit quality and define an appropriate credit limit which is reviewed regularly.

The maximum exposure to credit risk in relation to trade receivables and accrued income at the balance sheet date is the fair value of trade receivables and accrued income. The Group's customer base is large and unrelated and, accordingly, the Group does not have a significant concentration of credit risk with any one counterparty or group of counterparties.

The amounts presented in the consolidated balance sheet in relation to the Group's trade receivables, accrued income and other receivables balances are presented net of loss allowances. The Group performs an impairment analysis at each reporting period and measures loss allowances on receivable balances from customers at an amount equal to lifetime expected credit losses (ECLs) using both quantitative and qualitative information and analysis based on the Group's historical experience, and forward-looking information.

Other receivables are also subject to the impairment requirements of IFRS 9, the loss allowance is measured using those losses expected to arise in the 12 months subsequent to the balance sheet date. At 31 March 2023 a loss allowance of £6.2m (2022: £4.1m) was recognised in respect of other receivables.

The following tables provide information about the Group's exposure to credit risk and ECLs against customer balances:

	2023			2022		
	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Trade receivables						
Current (not overdue)	420.5	(2.4)	418.1	363.4	(1.3)	362.1
1-30 days overdue	25.4	(0.2)	25.2	16.4	(0.1)	16.3
31-60 days overdue	5.4	(0.1)	5.3	5.4	(0.1)	5.3
61-90 days overdue	2.0	(0.1)	1.9	1.6	(0.1)	1.5
More than 90 days overdue	10.8	(10.5)	0.3	11.4	(10.3)	1.1
Total	464.1	(13.3)	450.8	398.2	(11.9)	386.3

25. Financial instruments continued

	2023			2022		
	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Accrued income						
1-30 days overdue	225.4	(3.1)	222.3	202.6	(2.8)	199.8
31-60 days overdue	22.5	(0.2)	22.3	16.6	(0.1)	16.5
61-90 days overdue	11.4	(0.2)	11.2	9.4	(0.4)	9.0
More than 90 days overdue	31.2	(8.1)	23.1	21.2	(6.8)	14.4
Total	290.5	(11.6)	278.9	249.8	(10.1)	239.7

The following table provides the movement in the allowance for impairment in respect of trade receivables and accrued income:

	2023		2022	
	Trade receivables £m	Accrued income £m	Trade receivables £m	Accrued income £m
At 1 April	11.9	10.1	10.5	10.8
Impairment losses recognised	1.3	1.5	1.5	0.6
Reversal of impairment	–	–	–	(1.3)
Disposal of businesses	–	–	(0.1)	–
Acquisition of businesses	0.1	–	–	–
At 31 March	13.3	11.6	11.9	10.1

Capital management risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity. The capital structure of the Group consists of net debt per Note 27 and equity per the consolidated statement of changes in equity. The Group is not subject to externally imposed regulatory capital requirements.

Hedging activities**Derivative financial instruments – cash flow hedges**

The Group held a number of cross-currency interest rate swaps designated as cash flow hedges on US\$153.0m of private placement notes. Biannual fixed interest cash flows denominated in US dollars arising over the periods to December 2022 from the US private placement market are exchanged for fixed interest cash flows denominated in pounds sterling.

A fair value gain of £9.6m (2022: £5.1m gain) was recognised in other comprehensive income during the year. All cash flow hedges were assessed as being highly effective as at 31 March 2023 and no amounts (2022: £nil) relating to hedge ineffectiveness were recognised in profit or loss during the year.

On 16 December 2022, the Group repaid the US\$153.0m private placement notes and settled the cross-currency interest rate swaps.

The movement in the carrying value of derivative financial instruments at the balance sheet date was as follows:

	Hedging instrument		Hedged item	
	Cross-currency interest rate swaps £m	Forward foreign exchange contracts £m	Total £m	US\$ private placement notes £m
At 1 April 2021	14.6	(0.1)	14.5	(110.3)
Movements in cash flow hedges	5.0	0.1	5.1	(5.6)
At 31 March 2022	19.6	–	19.6	(115.9)
Movements in cash flow hedges	9.6	–	9.6	(9.9)
Settlement of derivative financial instruments	(29.2)	–	(29.2)	–
Repayment of private placement loan notes	–	–	–	125.8
At 31 March 2023	–	–	–	–

Hedge of net investment in foreign operations

Included in bank loans at 31 March 2023 was a borrowing of €9.5m (2022: €9.5m) which has been designated as a hedge of the net investment in the Republic of Ireland business of Mitie Technical Facilities Management Limited, and is being used to hedge the Group's exposure to foreign exchange risk on this investment. Gains or losses on the translation of the borrowing are transferred to other comprehensive income to offset gains or losses on the translation of the net investment.

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For the year ended 31 March 2023

26. Leases

	Properties £m	Plant and vehicles £m	Total £m
Right-of-use assets			
At 1 April 2021	37.2	56.4	93.6
Additions	15.4	33.8	49.2
Arising on business combinations	0.5	0.2	0.7
Disposal of businesses	(1.5)	–	(1.5)
Impairment	(0.2)	–	(0.2)
Modifications to lease terms and disposals	(2.8)	7.3	4.5
Depreciation	(6.3)	(26.0)	(32.3)
At 31 March 2022	42.3	71.7	114.0
Additions	1.0	40.7	41.7
Arising on business combinations	0.6	0.1	0.7
Impairment	(0.2)	–	(0.2)
Modifications to lease terms and disposals	0.5	1.5	2.0
Depreciation	(6.3)	(28.1)	(34.4)
At 31 March 2023	37.9	85.9	123.8
Lease liabilities		2023 £m	2022 £m
At 1 April		122.5	106.8
Additions		42.0	48.9
Arising on business combinations		0.5	0.7
Disposal of businesses		–	(1.5)
Modifications to lease terms and disposals		(1.1)	1.5
Interest expense related to lease liabilities		4.2	4.0
Repayment of lease liabilities (including interest)		(38.7)	(37.9)
At 31 March		129.4	122.5
Maturity analysis – contractual undiscounted cash flows		2023 £m	2022 £m
Less than one year		36.1	33.8
One to five years		87.0	76.8
More than five years		18.4	24.4
Total undiscounted lease liabilities		141.5	135.0
Lease liabilities in the consolidated balance sheet		129.4	122.5
Current		32.0	30.1
Non-current		97.4	92.4
Amounts recognised in the consolidated income statement		2023 £m	2022 £m
Depreciation of right-of-use assets		(34.4)	(32.3)
Short-term lease expense		(0.1)	(1.1)
Low-value lease expense		–	(0.1)
Operating profit impact		(34.5)	(33.5)
Interest on lease liabilities		(4.2)	(4.0)
Profit before tax impact		(38.7)	(37.5)
Amounts recognised in the consolidated statement of cash flows		2023 £m	2022 £m
Total cash outflow for capitalised leases ¹		38.7	37.9

Note:

1. Includes capital element of lease rental payments of £34.5m (2022: £33.9m) and interest payments of £4.2m (2022: £4.0m).

27. Analysis of net debt

	2023 £m	2022 £m
Cash and cash equivalents (Note 23)	248.3	345.2
Adjusted for: restricted cash and other adjustments ¹	(6.4)	(37.5)
Bank loans (Note 24)	(7.2)	(7.1)
Private placement notes (Note 24)	(149.4)	(171.0)
Derivative financial instruments hedging private placement notes (Note 25)	–	19.6
Net cash before lease obligations	85.3	149.2
Lease liabilities (Note 26)	(129.4)	(122.5)
Net (debt)/cash	(44.1)	26.7

Note:

1. Included within these amounts is restricted cash of £6.4m (2022: £17.5m). At 31 March 2022, £20.0m cash which was held across the Group's bank accounts in respect of the CID facility was also included, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022 and was not categorised as restricted cash.

	2023 £m	2022 £m
Reconciliation of net cash flow to movements in net debt		
Net (decrease)/increase in cash and cash equivalents	(97.9)	149.2
Decrease/(increase) in restricted cash and cash held on trust ¹	31.1	(18.8)
Net (decrease)/increase in unrestricted cash and cash equivalents	(66.8)	130.4
Cash drivers		
Proceeds from new private placement notes	(120.0)	–
Private placement notes repaid	150.8	–
Settlement of derivative financial instruments	(29.2)	–
Repayment of bank loans	4.1	–
Payment of arrangement fees	0.5	1.7
Capital element of lease rentals	34.5	33.9
Non-cash drivers		
Non-cash movement in bank loans	(0.4)	(2.0)
Non-cash movement in private placement notes and associated hedges	(0.3)	(0.7)
Non-cash movement in lease liabilities	(41.4)	(49.6)
Effect of foreign exchange rate changes	1.0	(0.3)
(Increase)/decrease in net debt during the year	(67.2)	113.4
Opening net cash/(debt)	26.7	(86.7)
Debt acquired as part of business combinations	(3.6)	–
Closing net (debt)/cash	(44.1)	26.7

Note:

1. Includes decrease in restricted cash of £11.1m (2022: £1.2m) and a decrease of £20.0m (2022: increase of £20.0m) in respect of the cash that was held across the Group's bank accounts at 31 March 2022 in respect of the customer invoice discounting (CID) facility where cash collected from the Group's customers was held on trust for the CID facility provider and was subsequently remitted to the CID facility provider by 5 April 2022.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

28. Share capital and share premium

	Ordinary shares		Share capital		Share premium	
	2023 Number million	2022 Number million	2023 £m	2022 £m	2023 £m	2022 £m
At 1 April	1,432.5	1,427.2	35.7	35.6	130.6	130.6
Issue of shares	1.6	5.3	–	0.1	0.9	–
Share buybacks	(68.8)	–	(1.7)	–	–	–
At 31 March	1,365.3	1,432.5	34.0	35.7	131.5	130.6

Each allotted and fully paid ordinary share of 2.5 pence is a voting share in the capital of the Company, is entitled to participate in the profits of the Company, and on a winding-up is entitled to participate in the assets of the Company. The Company has one class of ordinary shares, which carry no right to fixed income.

Share premium represents the premium arising on the issue of equity shares.

During the year, 1.6m shares were issued to satisfy options under the Group's SAYE employee share scheme, resulting in increases of £0.04m in issued share capital and £0.9m in share premium.

The Company purchased and cancelled 68.8m shares at an average price of 73 pence under the share buyback programme which was launched on 9 June 2022 and completed on 23 September 2022. The consideration of £50.2m for these shares, together with associated fees and stamp duty of £0.5m, utilised £50.7m of the Company's distributable profits. The cancellation of these shares led to a reduction of £1.7m in issued share capital and a corresponding increase in the capital redemption reserve (see Other reserves in Note 29).

29. Reserves

Merger reserve

The merger reserve represents amounts relating to premiums arising on shares issued subject to the provisions of Section 612 of the Companies Act 2006. During the year ended 31 March 2023, the realisation of the merger reserve included £170.3m related to intercompany loans that have been settled as qualifying consideration in connection with the rights issue during the year ended 31 March 2021, which utilised a cashbox structure.

Own shares reserve

The Group uses shares held in the Employee Benefit Trust (EBT) to satisfy conditional awards under the Group's LTIP, CSP, EDP, RSP and DBP share schemes and shares held in the SIP Trust to provide free shares and matching shares under the SIP scheme. During the year the trusts distributed 20.2m (2022: 5.2m) shares at a cost of £11.9m (2022: £5.0m) to satisfy awards under those schemes and 4.4m (2022: nil) shares were transferred by the EBT to the SIP Trust for the free shares provided to employees.

During the year the EBT acquired 47.9m shares through market purchases, with a further 2.2m shares committed, for a total consideration of £37.1m and the SIP Trust acquired 0.6m shares through market purchases for a total consideration of £0.4m. The purchase of these shares, together with associated fees and stamp duty amounting to £0.2m, has increased the own shares reserve by £37.7m and thereby reduced the Company's distributable profits.

The Company uses treasury shares to satisfy share options under the Group's ESOS and SAYE share schemes. During the year, 1.3m treasury shares were distributed at a cost of £3.0m to satisfy options under the Group's SAYE share scheme (2022: £0.8m) and nil (2022: 6.2m) treasury shares were transferred to the SIP Trust.

The own shares reserve at 31 March 2023 represents the cost of 63.2m (2022: 34.0m) ordinary shares in Mitie Group plc held for the purposes of the share schemes. In the year ended 31 March 2023, the £15.6m (2022: £5.8m) share-based payments movement in the own shares reserve includes:

- a £10.9m (2022: £2.2m) release to the share-based payment reserve in relation to share award exercises;
- a £4.0m (2022: £3.6m) transfer to retained profits which represents the difference between the option charge under IFRS 2 Share-based payments and the cost of shares used to satisfy the awards; and
- £0.7m (2022: £nil) of cash received from the exercise of SAYE options satisfied by the issue of treasury shares.

Other reserves

Other reserves include the share-based payments reserve of £33.7m (2022: £27.5m) and the capital redemption reserve of £2.6m (2022: £0.9m). The increase of £1.7m in the capital redemption reserve relates to the cancellation of the shares bought back by the Company. Refer to Note 28.

The share-based payments reserve represents credits in respect of the expense recognised during the vesting period for unexercised awards under the Group's equity-settled share schemes (see Note 31). In the year ended 31 March 2023, the £6.2m (2022: £13.9m) movement in the share-based payments reserve includes:

- the £17.3m (2022: £18.6m) share-based payment expense (Refer to Note 31);
- a £10.9m (2022: £2.2m) release in relation to share award exercises; and
- a £0.2m (2022: £2.5m) release to retained profits in relation to share awards which lapsed in the year.

29. Reserves continued

Hedging and translation reserve

The hedging and translation reserve includes balances arising on translation of the Group's foreign operations and in respect of net investment hedges of which the combined movement was a gain of £1.5m during the year (2022: £0.1m gain). A deferred tax credit of £nil (2022: £0.1m) has been recognised on these movements through other comprehensive income.

30. Acquisitions

Current year acquisitions

P2ML

On 1 April 2022, the Group completed the acquisition of the entire issued share capital of P2ML Ltd (P2ML), a specialist telecoms tower design house, for total cash consideration of £2.8m. P2ML has market leading expertise in providing design, construction, inspection and maintenance services for cellular telecoms infrastructure, enabling major network operators and tower owners to facilitate upgrades to their estates.

P2ML contributed £3.7m of revenue and £0.5m of operating profit before other items to the Group's results during the year ended 31 March 2023. Goodwill on the acquisition of P2ML represents the premium associated with acquiring the operations which are considered to expand Mitie's Telecoms acquisition, design and construction (ADC) capabilities.

The Group's final assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Customer contracts and relationships	–	1.0	1.0
Property, plant and equipment	0.1	–	0.1
Right-of-use assets	–	0.1	0.1
Trade and other receivables	0.6	0.2	0.8
Cash and cash equivalents	0.8	–	0.8
Trade and other payables	(0.5)	–	(0.5)
Lease liabilities	–	(0.1)	(0.1)
Deferred tax liabilities	–	(0.2)	(0.2)
Net identifiable assets acquired	1.0	1.0	2.0
Goodwill			0.8
Total cash consideration			2.8

The estimated fair value of trade and other receivables was £0.8m, which approximated the gross contractual amount.

8point8

On 3 May 2022, the Group completed the acquisition of the entire issued share capital of 8point8 Support Limited, 8point8 Training Limited and Vantage Solutions Limited (collectively 8point8) for total cash consideration of £8.0m. 8point8 is a leading provider of design and construction services in the United Kingdom, predominantly for mobile telecoms tower infrastructure.

8point8 contributed £18.8m of revenue and £1.3m of operating loss before Other items to the Group's results during the year ended 31 March 2023.

Based on estimates made of the full year impact if the acquisition had completed on 1 April 2022, Group revenue for the year would have increased by approximately £1.7m and operating profit before Other items for the year would have decreased by approximately £0.1m, resulting in total Group revenue of £3,946.7m and total Group operating profit before Other items of £162.0m.

Goodwill on the acquisition of 8point8 represents the premium associated with acquiring the operations which are considered to enhance Mitie's offering as a telecoms support services company.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

30. Acquisitions continued

The Group's final assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	Provisional fair value £m
Customer contracts and relationships	–	1.9	1.9
Property, plant and equipment	0.9	–	0.9
Right-of-use assets	–	0.5	0.5
Current tax asset	0.1	–	0.1
Inventories	1.6	(0.9)	0.7
Trade and other receivables	4.5	1.3	5.8
Overdrafts	(0.1)	0.1	–
Trade and other payables	(5.8)	(0.6)	(6.4)
Lease liabilities	–	(0.3)	(0.3)
Deferred income	(0.1)	(2.3)	(2.4)
Deferred tax liabilities	(0.2)	–	(0.2)
Net identifiable assets acquired	0.9	(0.3)	0.6
Goodwill			7.4
Total cash consideration			8.0

The fair value of acquired trade and other receivables is £5.8m. The gross contractual amount for trade and other receivables due is £5.9m, with a loss allowance of £0.1m recognised on acquisition.

Custom Solar

On 30 June 2022, the Group completed the acquisition of the entire issued share capital of Custom Solar Ltd (Custom Solar). Custom Solar is a solar power solutions company specialising in the development, design, installation and maintenance of solar power systems for public and private sector clients. Custom Solar's design and installation expertise, combined with Mitie's industry leading project management and mobile engineering offering, will support Mitie's ambition to be a leading provider of end to end green energy solutions.

The transaction consideration comprises an initial cash consideration of £7.8m.

Amounts totalling £2.6m payable to the former owners of the business have been treated as remuneration for post acquisition employment services because a condition of receiving the payment is the individual's continued employment within the Mitie Group. Consideration treated as remuneration for employment services has a maximum threshold of up to £4.4m (undiscounted) by the end of FY25, linked to performance targets. These payments are accrued over the period that the related employment services are received up until the point at which the consideration becomes payable. As at 31 March 2023, £0.8m was included in other payables relating to these transactions, the expense has been included in administrative expenses and classified as Other items within the consolidated income statement.

Custom Solar contributed £17.1m of revenue and £0.9m of operating profit before Other items to the Group's results during the year ended 31 March 2023.

Based on estimates made of the full year impact if the acquisition had completed on 1 April 2022, Group revenue and operating profit before Other items for the year would have increased by approximately £5.7m and £0.3m respectively, resulting in total Group revenue of £3,950.7m and total Group operating profit before Other items of £162.4m.

Goodwill on the acquisition of Custom Solar represents the premium associated with taking over the operations, which are considered to enhance the Group's ability to better deliver across the energy sector.

30. Acquisitions continued

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. Management continues to seek further information to complete accounting on the business combination within the 12-month measurement period. The provisional purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	Provisional fair value £m
Customer contracts and relationships	–	5.8	5.8
Property, plant and equipment	0.2	–	0.2
Right-of-use assets	–	0.1	0.1
Trade and other receivables	7.1	–	7.1
Cash and cash equivalents	1.2	–	1.2
Trade and other payables	(3.4)	–	(3.4)
Lease liabilities	–	(0.1)	(0.1)
Bank loans	(3.6)	–	(3.6)
Current tax liability	(0.3)	–	(0.3)
Deferred tax liabilities	–	(1.5)	(1.5)
Net identifiable assets acquired	1.2	4.3	5.5
Goodwill			2.3
Total cash consideration			7.8

The estimated fair value of trade and other receivables was £7.1m, which approximated the gross contractual amount.

Cash flows on acquisitions

	2023 £m	2022 £m
Cash consideration	18.6	29.7
Less: cash balance acquired	(2.0)	(4.8)
Net outflow of cash – investing activities	16.6	24.9

31. Share-based payments

The Group has seven equity-settled share schemes. The Group also has awarded performance-related bonuses for Executive Directors which are deferred in conditional shares under the Mitie Group plc 2010 Deferred Bonus Plan (DBP) and are accounted for as a share-based payment charge.

The Mitie Group plc Long Term Incentive Plan (LTIP)

The conditional awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management personnel. Where offered as options, the exercise price is £nil. The vesting period is generally three years, although some awards are subject to a holding period of up to a further two years. If the awards remain unexercised after a period of twelve months from the date of vesting, the awards expire. The awards may be forfeited if the employee leaves the Group. Before the awards can be exercised, performance conditions must be satisfied which are based on movements in a range of non-market measures over a three-year period.

Retention Share Plan (RSP)

The RSP was introduced in the year ended 31 March 2022. The conditional awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management personnel. Where offered as options, the exercise price is £nil. The vesting period is three years. If the awards remain unexercised after a period of ten years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the Group. There are no performance conditions attached to these awards.

The Enhanced Delivery Plan (EDP)

The EDP was introduced in the year ended 31 March 2021. The conditional awards of shares or the rights to acquire shares (the awards) are offered to a small number of key senior management personnel. Where offered as options, the exercise price is £nil. The vesting period is three years, and they are subject to a holding period of two additional years. If the awards remain unexercised after a period of twelve months from the date of vesting (but subject to the additional holding period), the awards expire. The awards may be forfeited if the employee leaves the Group. Before the awards can be exercised, performance conditions must be satisfied which are based on movements in non-market measures over a three-year period.

The Conditional Share Plan (CSP)

The conditional awards of shares or the rights to acquire shares (the awards) are offered to a small number of key senior management personnel. Where offered as options, the exercise price is £nil. The vesting period is determined at the discretion of the Remuneration Committee and is generally two or three years. If the awards remain unexercised after a period of ten years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the Group.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

31. Share-based payments continued

The Mitie Group plc Executive Share Option Scheme (ESOS)

The ESOS exercise price is equal to the average market value of the shares on the business day preceding grant or, in case the Remuneration Committee decides, the average market value of shares over a number of preceding business days (not to exceed 20). The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options may be forfeited if the employee leaves the Group. Before options can be exercised, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three-year period. No awards have been made under the ESOS since 29 June 2015.

The Mitie Group plc Save As You Earn scheme (SAYE)

The SAYE scheme is open to eligible UK-resident employees. The exercise price is not less than 80% of the market value of the shares, determined using either: the share price preceding the date on which invitations to participate in the scheme are issued or an average share price over five days preceding the invitation date. The vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the Group. An equivalent scheme is open to eligible Ireland-resident employees.

The Share Incentive Plan (SIP)

The SIP is open to eligible UK-resident employees. Under the scheme, eligible employees are invited to invest in partnership shares which are purchased in the market on their behalf and held in a separate UK trust. Since October 2021, one conditional matching share has been awarded for every two partnership shares purchased and has a holding period of three years. Matching shares are funded by way of market purchases. The Group also, from time to time, launches free share schemes under which all employees receive an allocation of shares at nil cost to the employee. The free shares have a holding period of three years.

Details of the awards and share options outstanding are as follows:

	2023	2022	2023	2022
	Number of conditional share awards (million)	Number of conditional share awards (million)	Number of share options (million)	Weighted average exercise price (p)
Outstanding at 1 April	107.5	65.3	68.0	55
Granted during the year	16.2	53.6	18.4	69
Lapsed during the year	(11.4)	(6.6)	(13.0)	66
Exercised during the year	(19.4)	(4.8)	(3.6)	65
Outstanding at 31 March	92.9	107.5	69.8	63
Exercisable at the end of the year			7.3	142

The Group recognised the following expenses related to share-based payments:

	2023 £m	2022 £m
Discretionary share plans	13.4	16.6
Non-discretionary share plans	3.9	2.0
	17.3	18.6

The share-based payment related expense charged to the consolidated income statement for the year is £17.3m (2022: £18.6m) and represents share-based payment transactions relating to discretionary and non-discretionary share plans. The share-based payments charge for the year is net of income statement credits of £0.7m (2022: £0.3m) for changes in assumptions relating to the likelihood of options vesting.

In the year ended 31 March 2023, £2.2m of dividend equivalents have been accrued in relation to outstanding share option awards (2022: £nil).

Dividend equivalents accrued under the share option schemes are forfeitable and will be paid after the vesting date when the share options are exercised.

The weighted average share price at the date of exercise for awards and share options exercised during the year was 73p (2022: 63p). The conditional share awards and share options outstanding at 31 March 2023 had exercise prices (other than nil in the case of the LTIP, CSP, EDP, DBP and the matching shares under the SIP) ranging from 26p to 131p (2022: 26p to 131p) and a weighted average remaining contractual life of 3.1 years (2022: 3.4 years). In the year ended 31 March 2023, options were granted in respect of the SAYE, LTIP, CSP, RSP and EDP schemes and awards of matching shares and 9.1m free shares were made under the SIP. The aggregate of the estimated fair values of those options granted and awards made was £15.7m (2022: £40.5m).

The fair value of options is measured by use of the Black-Scholes model.

The inputs into the Black-Scholes model are as follows:

	2023	2022
Share price (p)	34-151	34-151
Exercise price (p)	0-134	0-134
Expected volatility (%)	25-43	25-36
Expected life (years)	3	3-4
Risk-free rate (%)	(0.7)-3.3	(0.7)-1.4
Expected dividends (%)	0.0-2.7	0.0-2.7

32. Retirement benefit schemes

The Group has a number of pension arrangements for employees:

- Defined contribution schemes for the majority of its employees; and
- Defined benefit schemes which include a Group scheme and other smaller schemes.

The Group operates a number of defined contribution pension schemes for qualifying employees. The defined benefit schemes include the Mitie Group plc Pension Scheme (Group scheme) and three smaller schemes: MacLellan Group 2000 Retirement Benefit Scheme, THK Insulation Limited Retirement Benefits Scheme and Cyprus Provident Fund. Due to the size of the smaller schemes, the Directors present the results and position of these schemes within this Note within Other schemes with Admitted Body schemes, largely sections of Local Government pension schemes, in respect of certain employees who joined the Group under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) or through the acquisition of subsidiary companies. In addition, Interserve Scheme Part B (Landmarc) is held within interest in joint ventures and associates.

Defined contribution schemes

A defined contribution scheme is a pension scheme under which the Group pays contributions to an independently administered fund; such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once these contributions have been paid. Members' benefits are determined by the amount of contributions paid, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to take at retirement. As a result, actuarial risk (that pension will be lower than expected) and investment risk (that the assets invested in do not perform in line with expectations) are borne by the employee.

The Group's contributions are recognised as an employee benefit expense when they are due.

The Group operates four separate schemes: a stakeholder defined contribution plan, which is closed to new members; a self-invested personal pension plan, which is closed to new members; and two Group personal pension (GPP) plans. Employer contributions are payable to each on a matched basis requiring employee contributions to be paid. Employees have the option to pay their share via a salary sacrifice arrangement. The scheme used to satisfy auto-enrolment compliance is a master trust, The People's Pension.

During the year, the Group made a total contribution to the defined contribution schemes of £15.3m (2022: £14.8m) and contributions to the auto-enrolment scheme of £20.4m (2022: £21.5m), which are included in the consolidated income statement charge. The Group expects to make contributions of a similar amount in the year ending 31 March 2024.

Defined benefit schemes

Mitie Group plc Pension Scheme

During the year, a scheme transfer took place whereby the assets and liabilities of the Interserve Scheme Part C (Interserve scheme) were transferred into a segregated section of the Group scheme. The Group scheme now comprises two segregated sections: Part A (the Group section) and Part B (the Interserve section). The assets and liabilities of the two sections are ring-fenced, as such there is no change in the accounting treatment compared with the position when they were separate schemes.

The Group section provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their final pensionable pay.

The Group section closed to new members in 2006, with new employees able to join one of the defined contribution schemes.

The Group scheme is operated under the UK regulatory framework. Benefits are paid to members from the trust-administered fund, where the Trustee is responsible for ensuring that the scheme is sufficiently funded to meet current and future benefit payments. Plan assets are held in trust and are governed by pension legislation. If investment experience is worse than expected or the actuarial assessment of the scheme's liabilities increases, the Group's financial obligations to the scheme rise.

The nature of the relationship between the Group and the Trustee is also governed by regulations and practice. The Trustee must agree a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out, with the scheme's obligations measured using prudent assumptions (which are determined by the Trustee with advice from the scheme actuary). The most recent triennial valuation was carried out as at 31 March 2020.

The Trustee's other duties include managing the investment of the scheme's assets, administration of plan benefits and exercising of discretionary powers. The Group works closely with the Trustee to manage the scheme.

The latest Group scheme funding valuation as at 31 March 2020 indicated an actuarial deficit of £92.1m. As a result, the Group has agreed a deficit recovery plan with the trustees totalling £92.8m over seven years, which should eliminate the deficit if the funding assumptions materialise in practice. In this regard, £35.4m has been paid to 31 March 2023, which includes £13.9m paid during the year ended 31 March 2023.

The Interserve scheme was formed to take Support Services members transferred out of the Interserve Group Pension Scheme as part of the acquisition arrangements. The transfer was completed on 28 February 2020 via a flexible apportionment arrangement, which was approved by The Pensions Regulator.

The Group has an unconditional right to refund of surplus assuming the gradual settlement over time until all members have left the section. Accordingly, there is no restriction on the surplus.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

32. Retirement benefit schemes continued

Other defined benefit schemes

Grouped together under Other schemes are a number of schemes to which the Group makes contributions under Admitted Body status to clients' (generally local government or government entities) defined benefit schemes in respect of certain employees who transferred to the Group under TUPE. The valuations of the Other schemes are updated by an actuary at each balance sheet date.

For the Admitted Body schemes, which are largely sections of the Local Government Pension Scheme, the Group will only participate for a finite period up to the end of the relevant contract. The Group is required to pay regular contributions, as decided by the relevant scheme actuaries and detailed in each scheme's Contributions Certificate, which are calculated every three years as part of a triennial valuation. In a number of cases, contributions payable by the employer are capped and any excess is recovered from the entity that the employees transferred from. In addition, in certain cases, at the end of the contract the Group will be required to pay any deficit (as determined by the scheme actuary) that is assessed for its notional section of the scheme.

The Group made contributions to the Other schemes of £0.7m in the year (2022: £0.8m). The Group expects to make contributions of a similar amount in the year ending 31 March 2024.

Multi-employer schemes

As a result of acquisition activity and staff transfers following contract wins, the Group participates in four multi-employer pension schemes. The total contributions to these schemes for the financial year ending 31 March 2024 are anticipated to be £0.1m. For three of these schemes, the Group's share of the assets and liabilities is minimal.

The fourth scheme is the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Plumbing Scheme), a funded multi-employer defined benefit scheme. The Plumbing Scheme was founded in 1975 and to date has had over 4,000 employers. The Group has received a Section 75 employer debt notice in respect of the participation of Robert Prettie & Co Limited in the Plumbing Scheme.

As a result of the Interserve acquisition, the Group increased its participation in the Plumbing Scheme and the Group has received a Section 75 employer debt notice in respect of the participation of Mitie FM Limited.

Provisions of £21.7m were held at 31 March 2023 for Section 75 employer debts in respect of the participation of Robert Prettie & Co Limited and Mitie FM Limited in the Plumbing Scheme. See Note 21.

One Group company, Mitie Property Services (UK) Limited, continues to participate in the Plumbing Scheme. The Trustee has provided an estimate of £2.4m for the potential Section 75 debt in respect of the participation of Mitie Property Services (UK) Limited in the Plumbing Scheme, however no event has occurred to trigger this debt. As set out in Note 33, this potential exposure has been disclosed as a contingent liability.

Accounting assumptions

The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension schemes, as detailed below, are set after consultation with independent, professionally qualified actuaries.

The discount rate used to determine the present value of the obligations is set by reference to market yields on high-quality corporate bonds. The assumptions for price inflation are set by reference to the difference between yields on longer-term conventional government bonds and index-linked bonds. The assumption for increases in pensionable pay takes into account expected salary inflation, the cap at CPI, and how often the cap is likely to be exceeded.

The assumptions for life expectancy have been set with reference to the actuarial tables used in the latest funding valuations.

Principal accounting assumptions at balance sheet date

Principal accounting assumptions at balance sheet date	Group section/scheme		Interserve section/scheme		Other schemes	
	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %
Key assumptions used for IAS 19 valuation:						
Discount rate	4.75	2.75	4.80	2.80	4.80	2.80
Expected rate of pensionable pay increases	3.25	3.60	3.40	3.80	3.40	3.80
Retail price inflation	3.25	3.60	3.40	3.30	3.40	3.30
Consumer price inflation	2.50	2.85	2.90	2.85	2.90	2.85
Future pension increases	3.25	3.60	3.40	3.80	3.40	3.80
			Group section/scheme		Interserve section/scheme	
			2023 Years	2022 Years	2023 Years	2022 Years
Post retirement life expectancy:						
Current pensioners at 65 – male			87.5	87.6	86.0	86.2
Current pensioners at 65 – female			88.9	89.0	88.6	88.3
Future pensioners at 65 – male			88.5	88.7	87.0	87.3
Future pensioners at 65 – female			90.1	90.2	89.7	89.6

Life expectancy for the Other schemes is that used by the relevant scheme actuary.

32. Retirement benefit schemes continued

Sensitivity of defined benefit obligations to key assumptions

The sensitivity of defined benefit obligations to changes in principal actuarial assumptions is shown below.

	Impact on defined benefit obligations		
	Change in assumption	Increase/(decrease) in obligations %	Increase/(decrease) in obligations £m
Increase in discount rate	0.1%	(1.4)	(3.8)
Increase in retail price inflation ¹	0.1%	0.9	2.5
Increase in consumer price inflation (excluding pay)	0.1%	0.7	1.9
Increase in life expectancy	1 year	2.4	6.4

Note:

1. Including other inflation-linked assumptions (consumer price inflation, pension increases and salary growth).

Some of the above changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the Group scheme holds a proportion of its assets in UK corporate bonds. A fall in the discount rate as a result of lower UK corporate bond yields would lead to an increase in the value of these assets, mitigating the increase in the defined benefit obligation to some extent. The duration, or average term to payment for the benefits due, weighted by liability, is around 20 years for the Group scheme and around 19 years for the Interserve scheme.

Amounts recognised in financial statements

Amounts recognised in the consolidated income statement are as follows:

	2023				2022			
	Group section £m	Interserve section £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Current service cost	(0.2)	(0.8)	(1.5)	(2.5)	(0.2)	(0.9)	(2.0)	(3.1)
Past service cost (including curtailments)	-	-	-	-	-	-	(0.5)	(0.5)
Total administration expense	(0.9)	-	-	(0.9)	(0.4)	(0.3)	(0.1)	(0.8)
Amounts recognised in operating profit	(1.1)	(0.8)	(1.5)	(3.4)	(0.6)	(1.2)	(2.6)	(4.4)
Net interest income/(cost)	-	0.1	(0.2)	(0.1)	(0.8)	0.1	(0.2)	(0.9)
Amounts recognised in profit/(loss) before tax	(1.1)	(0.7)	(1.7)	(3.5)	(1.4)	(1.1)	(2.8)	(5.3)

Amounts recognised in the consolidated statement of comprehensive income are as follows:

	2023				2022			
	Group section £m	Interserve section £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Actuarial gains/(losses) arising due to changes in financial assumptions	79.5	11.1	22.8	113.4	20.1	0.3	(0.8)	19.6
Actuarial (losses)/gains arising from liability experience	(12.4)	(1.6)	1.1	(12.9)	(1.8)	(1.9)	-	(3.7)
Actuarial gains/(losses) due to changes in demographic assumptions	1.2	0.2	0.7	2.1	(1.3)	(0.8)	-	(2.1)
Movement in asset ceiling	-	-	(8.7)	(8.7)	-	-	(5.1)	(5.1)
Return on scheme assets, excluding interest income	(74.1)	(9.8)	(11.1)	(95.0)	6.5	0.7	5.5	12.7
Return on reimbursement asset ¹	-	-	0.2	0.2	-	-	0.7	0.7
Amounts recognised in consolidated statement of comprehensive income	(5.8)	(0.1)	5.0	(0.9)	23.5	(1.7)	0.3	22.1

Note:

1. Included within the consolidated statement of comprehensive income is £0.2m gain related to a reimbursement asset. The reimbursement asset is recorded within other receivables.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

32. Retirement benefit schemes continued

The amounts included in the consolidated balance sheet are as follows:

	2023				2022			
	Group section £m	Interserve section £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	170.3	24.2	77.1	271.6	231.0	32.6	87.0	350.6
Present value of defined benefit obligations	(169.6)	(22.5)	(71.0)	(263.1)	(238.3)	(31.0)	(88.4)	(357.7)
Surplus/(deficit) without restriction	0.7	1.7	6.1	8.5	(7.3)	1.6	(1.4)	(7.1)
Movement in asset ceiling	–	–	(8.7)	(8.7)	–	–	(5.1)	(5.1)
Net pension asset/(liability)	0.7	1.7	(2.6)	(0.2)	(7.3)	1.6	(6.5)	(12.2)

All figures above are shown before deferred tax.

Movements in the present value of defined benefit obligations were as follows:

	2023				2022			
	Group section £m	Interserve section £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
At 1 April	238.3	31.0	93.5	362.8	256.7	27.7	84.9	369.3
Current service cost	0.2	0.8	1.5	2.5	0.2	0.9	2.0	3.1
Interest cost	6.4	0.9	2.2	9.5	5.3	0.6	1.6	7.5
Contributions from scheme members	–	0.1	0.2	0.3	–	0.1	0.2	0.3
Actuarial (gains)/losses arising due to changes in financial assumptions	(79.5)	(11.1)	(22.8)	(113.4)	(20.1)	(0.3)	0.8	(19.6)
Actuarial losses/(gains) arising from experience	12.4	1.6	(1.1)	12.9	1.8	1.9	–	3.7
Actuarial (gains)/losses due to changes in demographic assumptions	(1.2)	(0.2)	(0.7)	(2.1)	1.3	0.8	–	2.1
Benefits paid	(7.0)	(0.6)	(1.6)	(9.2)	(6.9)	(0.7)	(1.0)	(8.6)
Settlement gain	–	–	(0.2)	(0.2)	–	–	(0.1)	(0.1)
At 31 March	169.6	22.5	71.0	263.1	238.3	31.0	88.4	357.7

The defined benefit obligations of the Group section/scheme are analysed by participant status as at the 31 March 2020 funding valuation date below:

	2023 £m	2022 £m
Active	3.1	2.2
Deferred	86.8	130.1
Pensioners	79.7	106.0
At 31 March	169.6	238.3

Movements in the fair value of scheme assets were as follows:

	2023				2022			
	Group section £m	Interserve section £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
At 1 April	231.0	32.6	87.0	350.6	215.3	30.7	80.8	326.8
Interest income	6.4	1.0	2.0	9.4	4.5	0.7	1.4	6.6
Actuarial (losses)/gains on assets	(74.1)	(9.8)	(11.1)	(95.0)	6.5	0.7	5.5	12.7
Contributions from the sponsoring companies	14.9	0.9	0.7	16.5	12.0	1.4	0.8	14.2
Contributions from scheme members	–	–	0.1	0.1	–	0.1	0.2	0.3
Expenses paid	(0.9)	–	–	(0.9)	(0.4)	(0.3)	(0.1)	(0.8)
Benefits paid	(7.0)	(0.5)	(1.6)	(9.1)	(6.9)	(0.7)	(1.0)	(8.6)
Past service cost (including curtailments)	–	–	–	–	–	–	(0.6)	(0.6)
At 31 March	170.3	24.2	77.1	271.6	231.0	32.6	87.0	350.6

32. Retirement benefit schemes continued

Fair values of the assets held by the schemes were as follows:

	2023				2022			
	Group section £m	Interserve section £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Equities	28.3	3.6	48.1	80.0	64.3	15.1	49.6	129.0
Government bonds	67.9	10.5	1.7	80.1	82.2	—	1.0	83.2
Corporate bonds	50.5	2.6	9.8	62.9	18.2	3.4	14.6	36.2
Property	3.4	1.8	10.6	15.8	9.4	2.5	13.9	25.8
Commodities	—	—	—	—	3.8	—	—	3.8
Diversified growth fund	9.5	5.1	1.5	16.1	23.0	11.1	3.4	37.5
Cash	10.7	0.6	5.4	16.7	30.1	0.5	4.5	35.1
Total fair value of assets	170.3	24.2	77.1	271.6	231.0	32.6	87.0	350.6

The investment portfolios are diversified, investing in a wide range of assets, in order to provide reasonable assurance that no single asset or type of asset could have a materially adverse impact on the total portfolio. To reduce volatility, certain assets are held in a matching portfolio, which largely consists of government and corporate bonds, designed to mirror movements in corresponding liabilities.

The property assets represent quoted property investments.

Risks and risk management

The Group scheme, in common with the majority of UK plans, has a number of risks. These areas of risk and the ways in which the Group has sought to manage them, are set out in the table below.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements:

Risk	Description
Asset volatility	The funding liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. The defined benefit obligation for accounting is calculated using a discount rate set with reference to corporate bond yields. The Group scheme holds a large proportion of its assets (27%) in equities and other return-seeking assets (principally diversified growth funds (DGFs) and property). The returns on such assets tend to be volatile and are not correlated to government bonds. This means that the funding level has the potential to be volatile in the short term, potentially resulting in short-term cash requirements, or alternative security offers, which are acceptable to the Trustee, and an increase in the net defined benefit liability recorded on the Group's balance sheet. Equities and DGFs are considered to offer the best returns over the long term with an acceptable level of risk and hence the scheme holds a significant proportion of these types of asset. However, the scheme's assets are well-diversified by investing in a range of asset classes, including property, government bonds and corporate bonds. The Group scheme holds 8% of its assets in DGFs which seek to maintain high levels of return whilst achieving lower volatility than direct equity funds. The allocation to return seeking assets is monitored to ensure it remains appropriate given the scheme's long-term objectives. The investment in bonds is discussed further below.
Changes in bond yields	Falling bond yields tend to increase the funding and accounting obligations. However, the investment in corporate and government bonds offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting obligations. In this way, the exposure to movements in bond yields is reduced.
Inflation risk	The majority of the Group scheme's benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the Group scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the Group scheme's obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the obligations.

Areas of risk management

Although investment decisions in the Group scheme are the responsibility of the Trustee, the Group takes an active interest to ensure that pension plan risks are managed effectively. The Group and Trustee have agreed a long-term strategy for reducing investment risk where appropriate.

Certain benefits payable on death before retirement are insured.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

33. Contingent liabilities

Contractual disputes, guarantees and indemnities

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

The Group is currently aware of a possible liability relating to a certain PFI contract. Management is in the process of investigating whether a liability to provide rectification works exists. At this stage of the investigation, no reliable estimate or likely timing of any possible liability, if it exists, can be determined at the reporting date.

The Company and its subsidiaries have provided performance and financial guarantees, issued by financial institutions on its behalf, amounting to £33.7m (2022: £29.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

Multi-employer pension schemes

When the Group (or a subsidiary of the Group) exits multi-employer pension schemes, pension legislation may require the Group to fund the Group's share of the total amount of net liabilities with a one-off cash payment (a Section 75 debt under the Pensions Act 1995).

The Group continues to have an exposure to Section 75 employer debts in respect of the participation of Mitie Property Services (UK) Limited in the Plumbing Scheme, which have been estimated at £2.4m by the Trustee, however no event has occurred to trigger this debt.

Employment claims

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

34. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note.

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company. During the year, the Group made donations and gifts in kind of £0.2m (2022: £0.2m) to the Foundation.

During the year ended 31 March 2023, the Group recognised revenue from transactions with joint ventures or associates of £5.8m (2022: £1.6m). The amount due from joint ventures and associates at the year end is £0.4m (2022: £0.4m) and £0.1m (2022: £0.2m) expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by joint ventures and associates.

The Group's key management personnel include the Executive Directors, Non-Executive Directors and members of the Mitie Group Executive (MGX). Details of the Directors' remuneration are included in Note 7. The remuneration for the other members of the MGX, including the share-based payments charge, is £9.4m (2022: £9.2m). No material contract or arrangement has been entered into during the year, nor existed at the end of the year, in which a Director had a material interest.

	2023 £m	2022 £m
Short-term employment benefits	3.7	4.0
Post-employment benefits	1.1	0.3
Share-based payments	4.6	4.9
At 31 March	9.4	9.2

All transactions with these related parties were made on terms equivalent to those that prevail in arm's length transactions.

No other transactions during the year ended 31 March 2023 meet the definition of related party transactions.

35. Events after the reporting period

On 6 April 2023, the Group announced that it had acquired the entire issued share capital of Linx International Group Limited, Arc Training International Limited, Perpetuity Training Limited and Tavcom Limited (collectively Linx International Group), a highly respected risk management consulting business which also provides technical and management training to the security industry. Total transaction consideration is £1.8m and the acquisition was funded from the Group's existing facilities. The initial accounting for the business combination had not been completed at the time the consolidated financial statements were authorised for issue. Measurement is underway of the fair value of the net assets acquired and any goodwill to be recognised as a result of the acquisition. Linx International Group will be integrated into the Business Services division.

On 18 April 2023, the Group announced its intention to undertake a £50m share buyback programme over the next 12 months.

On 2 May 2023, the Group announced that it had acquired the entire issued share capital of R H Irving Industrials Limited, a specialist in security services, building on the Group's position as the UK's leading intelligence and technology-led security provider. Total transaction consideration is £19.1m and the acquisition was funded from the Group's existing facilities. The initial accounting for the business combination had not been completed at the time the consolidated financial statements were authorised for issue. Measurement is underway of the fair value of the net assets acquired and any goodwill to be recognised as a result of the acquisition. R H Irving Industrials Limited will be integrated into the Business Services division.

36. Related undertakings

Subsidiaries

The companies set out below are those subsidiaries which were part of the Group as at 31 March 2023.

Company	Country of Incorporation	2023 % voting rights and ownership interest	2023 % nominal value owned
8Point8 Support Limited	United Kingdom	100%	100%
8Point8 Training Limited	United Kingdom	100%	100%
Bateman's Cleaning Services Limited ¹	United Kingdom	100%	100%
Bespoke Power Solutions Global Ltd ⁶	United Kingdom	100%	100%
Biotechure Limited ² (registration number 06297364)	United Kingdom	100%	100%
Broadreach Group Limited ⁴	United Kingdom	100%	100%
Building & Property Trustees Ltd ¹	United Kingdom	100%	100%
Care & Custody (Health) Limited ² (registration number 05881801)	United Kingdom	100%	100%
Central Window Cleaning Company Limited ⁴	United Kingdom	100%	100%
Cole Motors Limited ⁴	United Kingdom	100%	100%
CTI Power Limited ² (registration number 11181010)	United Kingdom	100%	100%
Custom Solar Ltd	United Kingdom	100%	100%
Esoteric Limited ² (registration number 04441008)	United Kingdom	100%	100%
First Security Group Limited ⁶	United Kingdom	100%	100%
Global Aware International Group Limited ⁶	United Kingdom	100%	100%
Global Aware International Ltd ² (registration number 06753723)	United Kingdom	100%	100%
Green Planet Design Ltd ⁶	United Kingdom	100%	100%
Industrial Services International Limited ⁶	United Kingdom	100%	100%
Insitu Cleaning Company Limited ² (registration number 01623889)	United Kingdom	100%	100%
Interserve Saudi Arabia LLC ⁴	Kingdom of Saudi Arabia	100%	100%
Jabez Holdings Limited ² (registration number 05129988)	United Kingdom	100%	100%
Knightsbridge Guarding Holdings Limited ⁴	United Kingdom	100%	100%
Knightsbridge Guarding Limited ⁴	United Kingdom	100%	100%
Lancaster Office Cleaning Company Limited ⁴	United Kingdom	100%	100%
Macdellan Group Limited ⁶	United Kingdom	100%	100%
Macdellan Integrated Services Limited ⁶	United Kingdom	100%	100%
Macdellan International Airport Services Limited ⁶	United Kingdom	100%	100%
Macdellan International Limited ² (registration number 03688689)	United Kingdom	100%	100%
Macdellan Limited ¹	United Kingdom	100%	100%
Macdellan Management Services Limited ² (registration number 03385466)	United Kingdom	100%	100%
Mitie (Defence) Limited	United Kingdom	100%	100%
Mitie (Facilities Services) Limited ¹	United Kingdom	100%	100%
Mitie (Facilities Services-Slough) Limited ² (registration number 00954121)	United Kingdom	100%	100%
Mitie Aviation Security Limited ⁴	United Kingdom	100%	100%
Mitie Building Services (UK) Limited ⁴	United Kingdom	100%	100%
Mitie Built Environment Limited ² (registration number 00972457)	United Kingdom	100%	100%
Mitie Care and Custody Limited ⁴	United Kingdom	100%	100%
Mitie Catering Services Limited	United Kingdom	100%	100%
Mitie Centro Especial de Empleo S.L.	Spain	100%	100%
Mitie Cleaning & Environmental Services Limited	United Kingdom	100%	100%
Mitie Cleaning Services Limited ¹	United Kingdom	100%	100%
Mitie Client Services Limited ⁶	United Kingdom	100%	100%
Mitie Company Secretarial Services Limited ¹	United Kingdom	100%	100%

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

36. Related undertakings continued

Company	Country of Incorporation	2023 % voting rights and ownership interest	2023 % nominal value owned
Mitie Deutschland GmbH	Germany	100%	100%
Mitie Dormant (No.1) Limited ⁶	United Kingdom	100%	100%
Mitie Dormant (No.2) Limited ⁶	United Kingdom	100%	100%
Mitie Engineering Services (Bristol) Limited ⁶	United Kingdom	100%	100%
Mitie Engineering Services (Guernsey) Limited	Guernsey	100%	100%
Mitie Engineering Services (Jersey) Limited	Jersey	100%	100%
Mitie Engineering Services (Northern Region) Limited ⁶	United Kingdom	100%	100%
Mitie Engineering Services (Wales) Limited ⁶	United Kingdom	100%	100%
Mitie Environmental Services Limited	United Kingdom	100%	100%
Mitie Facilities Management Limited ⁴	Ireland	100%	100%
Mitie Facilities Services S.A.	Spain	100%	100%
Mitie Fire Services Limited ⁶	United Kingdom	100%	100%
Mitie FM Limited	United Kingdom	100%	100%
Mitie France SAS	France	100%	100%
Mitie FS (UK) Limited	United Kingdom	100%	100%
Mitie Group Pension Scheme Trustee Company Limited ⁷	United Kingdom	100%	100%
Mitie Holdings Limited	United Kingdom	100%	100%
Mitie Hospital Services Limited ⁶	United Kingdom	100%	100%
Mitie Infrastructure Limited ^{8,9} (registration number 04387035)	United Kingdom	100%	100%
Mitie Integra Baleares S.L.	Spain	100%	100%
Mitie Integra Canarias S.L.	Spain	100%	100%
Mitie Integra S.L.	Spain	100%	100%
Mitie Integrated Services Limited	United Kingdom	100%	100%
Mitie International Limited ⁶	United Kingdom	100%	100%
Mitie Investments Limited ⁶	United Kingdom	100%	100%
Mitie Landscapes Limited	United Kingdom	100%	100%
Mitie Limited	United Kingdom	100%	100%
Mitie Managed Services Limited ¹	United Kingdom	100%	100%
Mitie Nederland B.V.	Netherlands	100%	100%
Mitie NI Limited	United Kingdom	100%	100%
Mitie PFI Limited	United Kingdom	100%	100%
Mitie Project Services Limited ⁶	United Kingdom	100%	100%
Mitie Property Services (UK) Limited ³	United Kingdom	100%	100%
Mitie Roofing Limited ³	United Kingdom	100%	100%
Mitie Schweiz GmbH	Switzerland	100%	100%
Mitie Scotgate Limited ⁶	United Kingdom	100%	100%
Mitie Security (Fire & Electronics) Limited ⁵	United Kingdom	100%	100%
Mitie Security (First) Limited	United Kingdom	100%	100%
Mitie Security (Knightsbridge) Limited	United Kingdom	100%	100%
Mitie Security Holdings Limited ⁶	United Kingdom	100%	100%
Mitie Security Limited	United Kingdom	100%	100%
Mitie Security Services Limited ¹	United Kingdom	100%	100%
Mitie Services (Retail) Limited ⁶	United Kingdom	100%	100%
Mitie Shared Services Limited	United Kingdom	100%	100%

36. Related undertakings continued

Company	Country of incorporation	2023 % voting rights and ownership interest	2023 % nominal value owned
Mitie Specialist Services (Holdings) Limited ² (registration number 03044401)	United Kingdom	100%	100%
Mitie Suomi Oy	Finland	100%	100%
Mitie T S 2 Limited ^{4A}	United Kingdom	100%	100%
Mitie Technical Facilities Management Holdings Limited ² (registration number 07094957)	United Kingdom	100%	100%
Mitie Technical Facilities Management Limited	United Kingdom	100%	100%
Mitie Technical Services Limited ² (registration number 02798048)	United Kingdom	100%	100%
Mitie Telecoms Assets Limited ² (registration number 08805053)	United Kingdom	100%	100%
Mitie Telecoms Limited ² (registration number 08267599)	United Kingdom	100%	100%
Mitie Telecoms Towers Limited ² (registration number 08811106)	United Kingdom	100%	100%
Mitie Telecoms Ventures Limited ² (registration number 08810983)	United Kingdom	100%	100%
Mitie Transport Services Limited ⁶	United Kingdom	100%	100%
Mitie Treasury Management Limited ³	United Kingdom	100%	100%
Mitie Trustee Limited ¹	United Kingdom	100%	100%
Mitie Waste & Environmental Services Limited ⁴	United Kingdom	100%	100%
Mitiefm (Holdings) Limited ² (registration number 04127829)	United Kingdom	100%	100%
Mitiefm Services Limited ² (registration number 02820560)	United Kingdom	100%	100%
P2ML Ltd	United Kingdom	100%	100%
Parkersell Limited ⁶	United Kingdom	100%	100%
Phoenix Fire Services Limited ⁶	United Kingdom	100%	100%
Phonotas Services Limited ⁶	United Kingdom	100%	100%
Procius Limited ² (registration number 04730672)	United Kingdom	100%	100%
R & D Holdings Limited ⁶	United Kingdom	100%	100%
Ramoneur Cleaning and Support Services Limited ⁴	United Kingdom	100%	100%
Retail Cleaning Services Limited ⁶	United Kingdom	100%	100%
Robert Prettle & Co Limited	United Kingdom	100%	100%
Rock Power Connections Ltd ² (registration number 08247808)	United Kingdom	100%	100%
Source Eight Limited ^{2A} (registration number 05004767)	United Kingdom	100%	100%
Source8 Africa Limited ³ (registration number 08743753)	United Kingdom	100%	100%
Source8 Delivery (Nigeria) Limited	Nigeria	100%	100%
SSD UK Limited ¹	United Kingdom	100%	100%
Tass (Europe) Limited ⁶	United Kingdom	100%	100%
Translimp Contract Services S.A.	Spain	100%	100%
UK CRBS Limited ² (registration number 03656962)	United Kingdom	100%	100%
Unique Cleaning Services Limited ⁶	United Kingdom	100%	100%
Utiyx Asset Management Limited ⁶	United Kingdom	100%	100%
Utiyx Asset Management Projects Limited ⁶	United Kingdom	100%	100%
Utiyx Broking Limited ⁶	United Kingdom	100%	100%
Utiyx Healthcare Energy Services Limited ² (registration number 06900475)	United Kingdom	100%	100%
Utiyx Holdings Limited ⁶	United Kingdom	100%	100%
Utiyx Limited	United Kingdom	100%	100%
Utiyx Risk Management Limited ² (registration number 04999392)	United Kingdom	100%	100%
Vantage Solutions Limited	United Kingdom	100%	100%
Vision Security Group Limited ² (registration number 03892575)	United Kingdom	100%	100%

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For the year ended 31 March 2023

36. Related undertakings continued

Company	Country of incorporation	2023 % voting rights and ownership interest	2023 % nominal value owned
Vision Security Group Systems Limited ⁶	United Kingdom	100%	100%
Waveambda Limited ¹ (registration number 11867837)	United Kingdom	100%	100%
Wealthy Thoughts Limited ² (registration number 03839703)	United Kingdom	100%	100%

Notes:

1. These subsidiaries were dormant during the year ended 31 March 2023 and will take the exemption from audit for the year (by virtue of Section 480 of the Companies Act 2006).
2. These subsidiaries have taken advantage of the audit exemption under Section 479A of the Companies Act 2006 for the period ended 31 March 2023. As such, Mitie Group plc has provided a guarantee against all debts and liabilities in these subsidiaries as at 31 March 2023.
3. Held directly by the Company.
4. The Company holds direct minority interest in these subsidiaries.
5. The Company has voting control of this subsidiary through direct interests in a class of shares representing fewer than 50% of the total issued share capital of the subsidiary.
6. These subsidiaries were in liquidation as at 31 March 2023.

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

Company	Registered office address
Central Window Cleaning Company Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Industrial Services International Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Interserve Saudi Arabia LLC ¹	PO Box 26982, Riyadh, 11595, Kingdom of Saudi Arabia
Mitie Building Services (UK) Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Mitie Centro Especial De Empleo S.L.	Calle San Miguel 25, Bajo 1, Azuqueca de Henares, 19200, Guadalajara, Spain
Mitie Deutschland GmbH	c/o Pinsent Masons Germany LLP, OTTOSTR. 21, 80333, Munich, Germany
Mitie Engineering Services (Guernsey) Limited	c/o MPR Private Clients Limited, PO Box 119, Martello Court, Admiral Park, St Peter Port, GY1 3HB, Guernsey
Mitie Engineering Services (Jersey) Limited	IFC 5, St Helier, JE1 1ST, Jersey
Mitie Facilities Management Limited	108 Q House, Furze Road, Sandyford, Dublin 18, Ireland
Mitie Facilities Services S.A.	Calle Juan Ignacio Luca de Tena, 8, 28027, Madrid, Spain
Mitie Fire Services Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Mitie France SAS	259 Rue St Honore, 75001, Paris, France
Mitie Hospital Services Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Mitie Integra Baleares S.L.	c/o Cala Blanca, Número 15, Poligono Son Fuster, 07009, Palma, Spain
Mitie Integra Canarias S.L.	c/o Luciano Ramos Diaz, 1, Local 2 Despacho 4 – S Cristobal Laguna, 38202, San Cristobal de la Laguna, Tenerife, Spain
Mitie Integra S.L.	Carretera Santa Creu do Calafell 81, Gave, 08850, Barcelona, Spain
Mitie Nederland B.V.	Javastraat 12, Rotterdam, Netherlands
Mitie NI Limited	Mitec Operations Centre, Unit 9B, First Floor, Silverwood Business Park, Silverwood Rd, Lurgan, Craigavon, Northern Ireland, BT66 6SY, United Kingdom
Mitie Schweiz GmbH	Brandschenkestrasse 90, CH-8027, Zurich, Switzerland
Mitie Scotgate Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Mitie Suomi Oy	c/o Oy Visma Services Infocon Ab, Pormestarinrinne 8, 00160 Helsinki, Finland
P2ML Ltd	35 Duchess Road, Rutherglen, Glasgow, Scotland, G73 1AU, United Kingdom
Phonotas Services Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Ramoneur Cleaning and Support Services Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Retail Cleaning Services Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Source8 Delivery (Nigeria) Limited	235 Ikorodu Road, Ilupeju, Lagos, Nigeria
Tass (Europe) Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Translimp Contract Services S.A.	Calle Juan Ignacio Luca de Tena, 8, 28027, Madrid, Spain

No subsidiaries have non-controlling interests that are material to the Group.

Note:

1. These subsidiaries were in liquidation as at 31 March 2023.

36. Related undertakings continued

Joint ventures and associates

The Group had the following joint ventures and associates at 31 March 2023.

Entity	Registered office address	2023 % voting rights and ownership interest	2023 % nominal value owned
Interserve Rezayat Company LLC ¹	Unit 6 and 7, Al Amani Center, Anas Bin Malik Road, Building number 2727, Additional number 8114, Riyadh, Postal Code 133, Kingdom of Saudi Arabia	50%	50%
Landmarc Support Services Limited ²	Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom	51%	51%
Pride (SERP) Ltd	Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom	50%	50%
Sussex Estates and Facilities LLP	Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom	35%	35%

Notes:

1. This entity was in liquidation as at 31 March 2023.

2. Landmarc Support Services Limited owns 49% of Landmarc Gulf Consultancy Management LLC, an entity whose registered office is in the United Arab Emirates.

Joint operations

The Group had the following joint operations as at 31 March 2023.

Joint operations	Country of incorporation	Principal activity	2023 % interest
OneAim	United Kingdom	Siteworks	50%

Company balance sheet

As at 31 March 2023

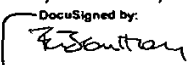
	Notes	2023 £m	2022 £m
Non-current assets			
Investments in subsidiaries	4	639.3	640.1
Other receivables	5	0.3	0.3
Deferred tax assets	6	5.6	2.8
Total non-current assets		645.2	643.2
Current assets			
Trade and other receivables	5	87.7	188.3
Current tax receivable	7	21.1	20.6
Cash and cash equivalents		1.1	1.6
Total current assets		109.9	210.5
Total assets		755.1	853.7
Current liabilities			
Trade and other payables	8	(45.2)	(42.7)
Provisions	9	(4.5)	(3.2)
Total current liabilities		(49.7)	(45.9)
Net current assets		60.2	164.6
Non-current liabilities			
Provisions	9	(10.6)	(7.5)
Total non-current liabilities		(10.6)	(7.5)
Total liabilities		(60.3)	(53.4)
Net assets		694.8	800.3
Equity			
Share capital	10	34.0	35.7
Share premium	10	131.5	130.6
Merger reserve	10	157.0	358.6
Own shares reserve	10	(59.0)	(36.9)
Other reserves	10	36.3	28.4
Retained profits ¹		395.0	283.9
Total equity		694.8	800.3

Note:

1. The loss for the financial year ended 31 March 2023 was £6.7m (2022: £15.3m).

The accompanying notes on pages 208 to 211 form an integral part of the financial statements.

The financial statements of Mitie Group plc, company registration number SC019230, were approved by the Board of Directors and authorised for issue on 7 June 2023. They were signed on its behalf by:

DocuSigned by:

 FEBAD03DFBES4E5...
Phil Bentley
 Chief Executive Officer

DocuSigned by:

 7C53DEA07E394E2...
Simon Kirkpatrick
 Chief Financial Officer

Company statement of changes in equity

For the year ended 31 March 2023

	Share capital £m	Share premium £m	Merger reserve £m	Own shares reserve £m	Other reserves £m	Retained profits/(losses) £m	Total equity £m
At 1 April 2021	35.6	130.6	358.6	(28.8)	14.5	306.2	816.7
Loss for the year	–	–	–	–	–	(15.3)	(15.3)
Total comprehensive expense	–	–	–	–	–	(15.3)	(15.3)
Transactions with owners							
Dividends paid	–	–	–	–	–	(5.7)	(5.7)
Issue of shares	0.1	–	–	(0.1)	–	–	–
Purchase of own shares	–	–	–	(13.8)	–	–	(13.8)
Share-based payments	–	–	–	5.8	13.9	(1.1)	18.6
Tax on share-based payments	–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners	0.1	–	–	(8.1)	13.9	(7.0)	(1.1)
At 31 March 2022	35.7	130.6	358.6	(36.9)	28.4	283.9	800.3
At 1 April 2022	35.7	130.6	358.6	(36.9)	28.4	283.9	800.3
Loss for the year	–	–	–	–	–	(6.7)	(6.7)
Total comprehensive expense	–	–	–	–	–	(6.7)	(6.7)
Transactions with owners							
Dividends paid	–	–	–	–	–	(28.9)	(28.9)
Purchase of own shares	–	–	–	(37.7)	–	–	(37.7)
Realisation of merger reserve ¹	–	–	(201.6)	–	–	201.6	–
Share buybacks ²	(1.7)	–	–	–	1.7	(50.7)	(50.7)
Share-based payments ³	–	0.9	–	15.6	6.2	(6.0)	16.7
Tax on share-based payments	–	–	–	–	–	1.8	1.8
Total transactions with owners	(1.7)	0.9	(201.6)	(22.1)	7.9	117.8	(98.8)
At 31 March 2023	34.0	131.5	157.0	(59.0)	36.3	395.0	694.8

Notes

1. The merger reserve represents amounts relating to premiums arising on shares issued subject to the provisions of Section 612 of the Companies Act 2006. During the year ended 31 March 2023, the realisation of the merger reserve included £170.3m related to intercompany loans that have been settled as qualifying consideration in connection with the rights issue during the year ended 31 March 2021, which utilised a cashbox structure.
2. The share buyback resulted in the purchase of 68.8m ordinary shares which have subsequently been cancelled during the year ended 31 March 2023. Refer to Note 28.
3. Includes £0.9m and £0.7m in respect of new shares and treasury shares respectively, which were issued on exercise of Save As You Earn share options.

Notes to the Company financial statements

For the year ended 31 March 2023

I. Basis of preparation and significant accounting policies

(a) Basis of preparation and accounting

Mitie Group plc (the Company) is a public company limited by shares, incorporated in the United Kingdom and registered in Scotland. The Company's financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. All amounts have been rounded to the nearest one hundred thousand pounds, unless otherwise indicated. The Group comprises the Company and all its subsidiaries.

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

In preparing its financial statements, the Company applies the recognition, measurement and disclosure requirements of 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.

The Company's financial statements have been prepared on the historical cost basis and on a going concern basis.

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

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- the statement of compliance with UK-adopted International Accounting Standards;
- disclosures in respect of capital management;
- the effects of new but not yet effective UK-adopted International Accounting Standards;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosures in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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

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

In accordance with Section 408(3) of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement.

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

(b) Significant accounting policies

The significant accounting policies and measurement bases adopted are the same as those disclosed in Note 1 to the consolidated financial statements, except as noted below, and have been applied consistently throughout the year and the preceding year, unless stated otherwise.

Investments

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

Financial instruments

Intercompany loans are all assessed as being repayable on demand. The impairment assessment of receivables is in accordance with IFRS 9.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on temporary differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Temporary differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on unremitted earnings of subsidiaries, joint ventures and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share-based payments

Details of the Company's equity-settled share schemes are provided in Note 31 to the consolidated financial statements. The costs of options and conditional awards over the Company's shares granted to employees of the Company's subsidiaries are accounted for as a capital contribution within the carrying value of investments in subsidiaries.

1. Basis of preparation and significant accounting policies continued

(c) Critical accounting judgements and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that 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:

Impairment of investments in subsidiaries

The carrying amounts of investments in subsidiaries have been disclosed in Note 4. Determining whether an investment is impaired may require an estimation of its recoverable amount. The recoverable amount involves an estimation of the future cash flows and the selection of appropriate discount rates in order to calculate present values.

2. Staff numbers and costs

There were no persons employed by the Company (including Directors) during the years ended 31 March 2023 and 31 March 2022. Information about the Directors' remuneration has been disclosed in the consolidated financial statements.

3. Auditor's remuneration

The auditor's remuneration for audit services to the Company has been disclosed in Note 6 to the consolidated financial statements.

4. Investments in subsidiaries

	£m
Cost	
At 1 April 2021	648.9
Additions	51.6
Capital contribution with respect to share-based payments	10.7
At 31 March 2022	711.2
Capital contribution with respect to share-based payments	10.6
At 31 March 2023	721.8
Impairment	
At 1 April 2021	69.4
Charge for the year	1.7
At 31 March 2022	71.1
Charge for the year	11.4
At 31 March 2023	82.5
Net book value	
At 31 March 2023	639.3
At 31 March 2022	640.1

Details of the Company's subsidiary undertakings have been disclosed in Note 36 to the consolidated financial statements.

The carrying amount of the Company's investments in subsidiary undertakings has been tested for impairment in accordance with IAS 36 Impairment of Assets. The carrying amount was compared to the asset's recoverable amount and was further assessed by reference to value-in-use if required. The value in use has been calculated based upon a discounted cash flow methodology using the most recent forecasts prepared by management. These forecasts cover the next five years with a terminal value using a long-term growth assumption of 2.0% (2022: 2.0%) and are consistent with those used for the Group's goodwill impairment assessment. The key assumptions for the value-in-use calculation are forecast revenue, direct costs, expectation of future changes in the market and discount rates. The pre-tax discount rates used to assess the forecast cash flows, ranging from 13.2% to 14.6%, have been derived from the Company's post-tax weighted average cost of capital, which was 9.9% at 31 March 2023 (2022: 7.8%). These rates are reviewed annually by external advisors and adjusted for the risks specific to the business being assessed and the market in which it operates.

As a result of this analysis, the Directors have determined an impairment of £11.4m (2022: £1.7m) was required to the Company's investment in Mitie Roofing Limited. All other investments had significant headroom and required no impairment.

An increase in the discount rate of 1% would not have resulted in a further impairment in the Company's investments (2022: £1.7m).

Notes to the Company financial statements continued
For the year ended 31 March 2023

5. Trade and other receivables

	2023 £m	2022 £m
Amounts owed by subsidiaries	56.3	156.0
Other receivables	26.0	32.4
Prepayments	5.7	0.2
Total	88.0	188.6
Current	87.7	188.3
Non-current	0.3	0.3
Total	88.0	188.6

Amounts owed by subsidiaries are repayable on demand. The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Included within amounts owed by subsidiaries above is £nil (2022: £92.0m) relating to interest-bearing loans (2022: at 5% per annum).

6. Deferred tax assets

	Accelerated capital allowance £m	Share-based payments timing difference £m	Total £m
At 1 April 2021	0.4	1.0	1.4
Credit to income statement	0.1	1.5	1.6
Charge to equity	–	(0.2)	(0.2)
At 31 March 2022	0.5	2.3	2.8
Credit to income statement	–	1.4	1.4
Credit to equity	–	1.4	1.4
At 31 March 2023	0.5	5.1	5.6

7. Current tax receivable

As at 31 March 2023, the Company held a current tax receivable of £21.1m (2022: £20.6m), comprising amounts owed by subsidiaries in relation to Group relief of £3.4m (2022: £3.4m), £16.1m (2022: £17.6m) of tax payments made on behalf of other Group entities and £1.6m (2022: £0.4m owed to tax authorities) owed by tax authorities.

8. Trade and other payables

	2023 £m	2022 £m
Trade payables	4.4	1.8
Amounts owed to subsidiaries	11.7	15.6
Other taxes and social security	3.9	3.0
Accruals	21.2	22.3
Other payables	4.0	–
Total	45.2	42.7

Amounts owed to subsidiaries are repayable on demand. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

9. Provisions

	£m
At 1 April 2022	10.7
Additional provisions in the year	9.3
Utilised in the year	(4.9)
At 31 March 2023	15.1
Current	4.5
Non-current	10.6
Total	15.1

Provisions were in respect of the insurance reserve. The Company retains a portion of the exposure in relation to insurance policies for employer liabilities and motor and fleet liabilities, and a claim typically settles over three to five years. This includes a provision for claims incurred but not yet reported and is based on information available at the balance sheet date.

10. Equity

Details of the Company's share capital, share premium, merger reserve, own shares reserve and other reserves have been disclosed in Notes 28 and 29 to the consolidated financial statements.

11. Dividends

Dividends payable have been disclosed in Note 10 to the consolidated financial statements.

12. Contingent liabilities

The Company enters into financial guarantee arrangements to guarantee the indebtedness of other companies within the Group. 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.

In addition, the Company and its subsidiaries have provided performance and financial guarantees, issued by financial institutions on its behalf, amounting to £33.7m (2022: £29.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

As disclosed in Note 36 to the consolidated financial statements, certain subsidiaries have taken advantage of the audit exemption under Section 479A of the Companies Act 2006 for the year ended 31 March 2023. A parent company guarantee has been provided for these companies under Section 479C of the Companies Act 2006.

13. Share-based payments

The Company has certain equity-settled share schemes as described in Note 31 to the consolidated financial statements.

14. Related parties

The Company makes management charges to its subsidiaries and receives dividends from its subsidiaries according to their ability to remit them. Other details of the Group's related party transactions have been disclosed in Note 34 to the consolidated financial statements.

The Directors are remunerated for their services to the Group as a whole. No remuneration was paid to the Directors specifically in respect of their services to Mitie Group plc for the years ended 31 March 2023 or 31 March 2022. Detailed disclosures of Directors' remuneration and share interests are given in the Directors' remuneration report on pages 116 to 130.

Under FRS 101, the Company is exempt from disclosing key management personnel compensation and transactions with other companies wholly owned by the Group. The Company had no other related party transactions during the year ended 31 March 2023 (2022: £nil).

Appendix – Alternative Performance Measures

The Group presents various Alternative Performance Measures (APMs) as management believes that these are useful for users of the financial statements in helping to provide a balanced view of, and relevant information on, the Group's financial performance.

In assessing its performance, the Group has adopted certain non-statutory measures which, unlike its statutory measures, cannot be derived directly from its financial statements. The Group commonly uses the following measures to assess its performance:

Performance before Other items

The Group adjusts the statutory income statement for Other items which, in management's judgement, need to be disclosed separately by virtue of their nature, size and incidence in order for users of the financial statements to obtain a proper understanding of the financial information and the underlying performance of the business.

These Other items include impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal related costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items. Further details of these Other items are provided in Note 4.

		2023 £m	2022 £m
Operating profit			
Operating profit from continuing operations	Statutory measures	117.0	72.1
Adjust for: restructure costs	Note 4	16.6	10.9
Adjust for: acquisition and disposal related costs	Note 4	25.1	89.3
Adjust for: other exceptional items	Note 4	3.4	(5.4)
Operating profit before Other items from continuing operations	Performance measures	162.1	166.9
Operating profit from discontinued operations	Statutory measures	-	19.9
Adjust for: acquisition and disposal related costs	Note 4	-	(4.0)
Adjust for: gain on disposal	Note 4	-	(13.0)
Operating profit before Other items from discontinued operations	Performance measures	-	2.9
Operating profit before Other items – Group	Performance measures	162.1	169.8

Reconciliations are provided below to show how the Group's segmental reported results are adjusted to exclude Other items.

	2023			2022		
	Reported results £m	Adjust for: Other items (Note 4) £m	Performance measures £m	Reported results £m	Adjust for: Other items (Note 4) £m	Performance measures £m
Operating profit/(loss)						
Segment						
Business Services	66.6	0.9	67.5	89.9	17.6	107.5
Technical Services	23.3	10.8	34.1	8.9	21.1	30.0
CG&D	60.6	(0.8)	59.8	41.9	(3.5)	38.4
Communities	20.9	0.4	21.3	9.0	10.9	19.9
Specialist Services	34.3	0.6	34.9	29.4	3.1	32.5
Care & Custody	10.2	-	10.2	8.7	1.2	9.9
Landscapes	9.0	0.5	9.5	8.6	0.6	9.2
Waste	8.5	0.1	8.6	7.4	0.9	8.3
Spain	6.6	-	6.6	4.7	0.4	5.1
Corporate centre	(88.7)	33.2	(55.5)	(107.0)	45.6	(61.4)
Total from continuing operations	117.0	45.1	162.1	72.1	94.8	166.9
Social Housing	-	-	-	4.0	(4.0)	-
Document Management	-	-	-	18.8	(16.0)	2.8
Nordics and Poland	-	-	-	(2.9)	3.0	0.1
Total from discontinued operations ¹	-	-	-	19.9	(17.0)	2.9
Total Group	117.0	45.1	162.1	92.0	77.8	169.8

Note:

1. The reported operating profit from discontinued operations comprises the profit before net finance income and tax of £nil (2022: £6.9m) and gain on disposal before tax of £nil (2022: £13.0m).

In line with the Group's measurement of profit from operations before Other items, the Group also presents its basic earnings per share before Other items for continuing operations. The table below reconciles this to the statutory basic earnings per share.

		2023 pence	2022 pence
Earnings per share			
Statutory basic earnings per share	Statutory measures	6.8	3.6
Adjust for: earnings per share from discontinued operations		—	(1.4)
Statutory basic earnings per share from continuing operations		6.8	2.2
Adjust for: Other items per share from continuing operations		2.7	7.0
Basic earnings per share before Other items from continuing operations	Performance measures	9.5	9.2

Performance excluding Covid-related contracts

Reconciliations are provided below to show how the Group's reported results are adjusted to exclude non-recurring short-term Covid-related contracts.

		2023 £m	2022 £m
Revenue from continuing operations			
Group revenue	Statutory measures	3,945.0	3,903.3
Adjust for: share of revenue of joint ventures and associates		110.1	93.5
Revenue including share of joint ventures and associates	Performance measures	4,055.1	3,996.8
Adjust for: revenue from short-term Covid-related contracts ¹		(15.3)	(448.5)
Revenue excluding short-term Covid-related contracts	Performance measures	4,039.8	3,548.3

Note:

1. Includes £14.5m (2022: £428.7m) attributable to the Business Services segment.

		2023 £m	2022 £m
Operating profit from continuing operations			
Operating profit	Statutory measures	117.0	72.1
Adjust for: Other items		45.1	94.8
Operating profit before other items	Performance measures	162.1	166.9
Adjust for: operating profit from short-term Covid-related contracts ¹		(7.1)	(59.6)
Operating profit excluding short-term Covid-related contracts	Performance measures	155.0	107.3

Note:

1. Includes £7.0m (2022: £59.6m) attributable to the Business Services segment.

Appendix – Alternative Performance Measures continued

Net (debt)/cash and total financial obligations

Net (debt)/cash is defined as the difference between total borrowings and cash and cash equivalents. It is a measure that provides additional information on the Group's financial position. Restricted cash which is subject to various constraints on the Group's ability to utilise these balances, has been excluded from the net (debt)/cash measure.

Total financial obligations (TFO) is defined as the Group's net (debt)/cash including the amount of invoice discounting under the Group's customer invoice discounting (CID) facility and the net retirement benefit liabilities. TFO represents all debt-like financing items the Group has made use of at the year end.

A reconciliation from reported figures is presented below:

		2023 £m	2022 £m
Net (debt)/cash			
Cash and cash equivalents	Statutory measures	248.3	345.2
Adjusted for: restricted cash and cash held on trust ¹	Note 23	(6.4)	(37.5)
Financing liabilities	Note 24	(286.0)	(300.6)
Derivative financial instruments hedging private placement notes	Note 25	–	19.6
Net (debt)/cash	Performance measures	(44.1)	26.7
Customer invoice discounting facility	Note 16	–	(44.5)
Net retirement benefit liabilities	Note 32	(0.2)	(12.2)
TFO	Performance measures	(44.3)	(30.0)

Note:

1. Included within these amounts is restricted cash of £6.4m (2022: £17.5m). Amounts at 31 March 2022 included £20.0m that was held across the Group's bank accounts in respect of the customer invoice discounting (CID) facility where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022.

The Group uses an average net debt measure as this reflects its financing requirements throughout the period. The Group calculates its average net debt based on the daily closing figures, including its foreign currency bank loans translated at the closing exchange rate for the previous month end. This measure showed average daily net debt of £84.3m for the year ended 31 March 2023, compared with £24.7m for the year ended 31 March 2022.

Free cash flow

Free cash flow is a measure representing the cash that the Group generates after accounting for cash flows to support operations and maintain its capital assets. It is a measure that provides additional information on the Group's financial performance as it highlights the cash that is available to the Group after operating and capital expenditure requirements are met. The table below reconciles net cash generated from operating activities to free cash inflow.

		2023 ¹ £m	2022 £m
Free cash flow			
Net cash generated from operating activities	Statutory measures	83.0	230.2
Add: net decrease/(increase) in restricted cash and cash held on trust		31.1	(18.8)
Interest received	Note 8	2.2	0.3
Dividends received from joint ventures and associates	Note 15	9.0	4.0
Purchase of property, plant and equipment	Note 14	(10.9)	(15.4)
Purchase of other intangible assets	Note 13	(14.3)	(20.2)
Disposal of property, plant and equipment		0.1	0.4
Capital element of lease rentals paid	Note 26	(34.5)	(33.9)
Free cash inflow	Performance measures	65.7	146.6

Note:

1. During the year ended 31 March 2023, management has updated its definition of free cash flow to exclude cash outflow on purchase of own shares. This is due to a change in management's policy on satisfying share awards to purchasing shares rather than issuing new shares and is consistent with the exclusion of cash outflow on share buy backs from free cash flow.

Earnings before interest, tax, depreciation and amortisation

Earnings from continuing operations before interest, tax, depreciation and amortisation (EBITDA) is a measure of the Group's profitability. EBITDA is measured as profit/(loss) before tax from continuing operations excluding the impact of net finance costs, Other items, depreciation of property, plant and equipment, amortisation and impairment of non-current assets and amortisation of contract assets.

		2023 £m	2022 £m
EBITDA			
Profit/(loss) before tax from continuing operations	Statutory measures	105.5	52.3
Add: net finance costs from continuing operations	Note 8	11.5	19.8
Operating profit from continuing operations		117.0	72.1
Add: Other items from continuing operations	Note 4	45.1	94.8
Operating profit before Other items from continuing operations		162.1	166.9
Add:			
Depreciation of property, plant and equipment	Note 14, 26	43.1	41.4
Amortisation of non-current assets ¹	Note 13	7.8	7.7
Amortisation of contract assets	Note 17	1.3	1.7
Impairment of non-current assets ¹	Note 13, 26	0.2	0.8
EBITDA	Performance measures	214.5	218.5

Note:

1. Excludes amounts classified in the consolidated income statement as Other items and amounts for discontinued operations.

Return on invested capital

Return on invested capital (ROIC) is a measure of how efficiently the Group utilises its invested capital to generate profits. The table below reconciles the Group's net assets to invested capital and summarises how the ROIC is derived.

		2023 £m	2022 £m
Net assets	Statutory measures	421.7	425.8
Add:			
Non-current liabilities		335.9	241.0
Current provisions	Note 21	54.2	54.7
Current private placement notes	Note 24	-	141.0
Deduct:			
Current derivative financial assets	Note 25	-	(19.6)
Non-current deferred tax assets	Note 22	(20.4)	(11.1)
Cash and cash equivalents	Note 23	(248.3)	(345.2)
Invested capital	Performance measures	543.1	486.6
Continuing operating profit before Other items		162.1	166.9
Tax¹		(24.3)	(21.5)
Continuing operating profit before Other items after tax¹		137.8	145.4
ROIC %²	Performance measures	25.4%	29.9%

Notes:

1. Tax charge has been calculated at the effective tax rate for the year on pre-tax profits before Other items for continuing operations of 15.0% (2022: 12.9%).

2. The ROIC metric used for the purposes of the Enhanced Delivery Plan (EDP) requires further adjustments under the detailed rules agreed with shareholders.

Shareholder information

Overview

HY24 interim results	23 November 2023
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Dividends

FY23 interim dividend (0.7p paid)	1 February 2023
FY23 final dividend (2.2p proposed):	
Ex-dividend date	22 June 2023
Record date	23 June 2023
Last date for receipt/revocation of Dividend	
Reinvestment Plan (DRIP) mandate	10 July 2023
Payment date	4 August 2023

Annual General Meeting

2023 Annual General Meeting	25 July 2023
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Registered office

Mitie Group plc
35 Duchess Road
Rutherglen
Glasgow
G73 1AU

Telephone: 0117 322 1322

Email: info@mitie.com

Website: www.mitie.com

Registered in Scotland under company number: SC019230

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Telephone: 0371 664 0300* +44 (0) 371 664 0300 (international)

* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Mitie online share portal

Mitie has a portal where shareholders can register and can then login to:

- access information on shareholdings and movements;
- update address details;
- view dividend payments received and register bank mandate instructions;
- sell Mitie shares;
- complete an online proxy voting form; and
- register for e-communications allowing Mitie to notify shareholders by email that certain documents are available to view on its website. This will further reduce Mitie's carbon footprint as well as reduce costs.

If you wish to register, please sign up at:

www.mitie-shares.com

Corporate website

This report can be downloaded in PDF from the Mitie website, which also contains additional general information about Mitie.

Please visit www.mitie.com



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Mitie Group plc

Registered Office
35 Duchess Road
Rutherglen
Glasgow
G73 1AU
UK

Head Office
The Shard
Level 12
32 London Bridge Street
London
SE1 9SG
UK

T: +44 (0) 330 678 0710

E: info@mitie.com

Registration number: SC019230

- More information
Visit our corporate website:
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