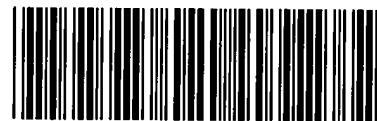


REGISTERED NUMBER: 02053619 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements for the Period 1 January 2020 to 30 November 2020
for
Mitie Security (First) Limited

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Mitie Security (First) Limited

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for the Period 1 January 2020 to 30 November 2020

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Mitie Security (First) Limited

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

DIRECTORS:

Mr P J G Dickinson
Mr S C Kirkpatrick
Mr J M Williams

SECRETARY:

Mitie Company Secretarial Services
Limited

REGISTERED OFFICE:

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

REGISTERED NUMBER:

02053619 (England and Wales)

AUDITORS:

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

Mitie Security (First) Limited

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

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

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

PRINCIPAL ACTIVITY

The company's principal activity is that of a provision of a range of security manpower and associated support services. The company is a wholly owned subsidiary of Mitie Specialist Services (Holdings) Limited, formerly Interserve Specialist Services (Holdings) Limited.

REVIEW OF BUSINESS

The Company's turnover for the period was £10,097k (31/12/19: £18,783k). The Company's operating loss from ordinary activities before taxation for the period was £1,171k (31/12/19: £1,114k). No dividends were proposed and paid during the period (31/12/19 £nil). No dividends are proposed.

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

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

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

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

Mitie Security (First) Limited

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

Key Financial and Non-Financial Performance Indicators

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

There is future workload for the Company of £20,414k (31/12/19: £36,924k). The Support Services division uses cash conversion as the principle KPI to assess business performance and prospects. The cash conversion KPI for 30/11/20 was 123% for the division (31/12/19: 156%), these figures demonstrate a consistent and strong cash generation performance which has been considered in the going concern review and in the ongoing management of the Company. The number of Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORS) in the Company for the period was nil (31/12/19: nil) and the Company employee voluntary turnover in the period has been 0% (31/12/19: 0%).

Mitie Security (First) Limited

Strategic Report

for the Period 1 January 2020 to 30 November 2020

PRINCIPAL RISKS AND UNCERTAINTIES

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

Strategic risks

COVID-19

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

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

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

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

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

The directors believe that this provides significant protections, both for the existing EU workforce within the company, but also will ensure that there is not a material impact on our ability to hire future talent. It is also important to note that the existing number of EU citizens working within the company is relatively small in proportion to other national groups.

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

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

FINANCIAL RISK MANAGEMENT

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

Mitie Security (First) Limited

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

Inflation risk

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

Liquidity risk

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

Finance risk

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

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

ENVIRONMENTAL IMPACT

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

ANTI-BRIBERY AND CORRUPTION

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

GOING CONCERN

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

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

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

Mitie Security (First) LimitedStrategic Report
for the Period 1 January 2020 to 30 November 2020

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

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

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

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

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

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

- Reviewing how the Group has traded since the impact of COVID-19 started, up to the end of March 2021 and in light of the continued easing of UK lockdown measures and anticipated economic recovery.
- All reverse stress test scenarios would require a very severe deterioration compared to the base case. For example, revenue would need to decline by approximately 20% in FY 21/22 compared to the base case, which is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that in a COVID-hit year, Mitie's revenue excluding Interserve declined by only 1.6% in FY20/21.

Mitie Security (First) Limited

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

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

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

EMPLOYEE INVOLVEMENT & DISABLED EMPLOYEES

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

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

ON BEHALF OF THE BOARD:

J M Williams

Mr J M Williams - Director

29 May 2021

Mitie Security (First) Limited

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

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

PRINCIPAL ACTIVITY

The principal activity of the company during the period continued to be that of the provision of a range of security manpower and associated support services.

Certain requirements of the Strategic Report, including the principal risks and uncertainties of the company, the S172 disclosures and going concern are not included within the report of the Directors as they are shown in the Strategic Report on pages 2-7.

DIVIDENDS

A final dividend of nil was declared and paid during the period (31/12/19: nil). No further dividends are proposed.

DIRECTORS

Mr J M Williams has held office during the whole of the period from 1 January 2020 to the date of this report.

Other changes in directors holding office are as follows:

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

Mr J P Flanagan ceased to be a director after 30 November 2020 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

Mitie Security (First) Limited

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors confirm that:

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

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

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

The directors are responsible for preparing the annual report in accordance with applicable law and regulations.

AUDITORS

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

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

ON BEHALF OF THE BOARD:

J M Williams

Mr J M Williams - Director

29 May 2021

Independent Auditors' Report to the Members of
Mitie Security (First) Limited

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

Independent Auditors' Report to the Members of
Mitie Security (First) Limited

Conclusions relating to going concern

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

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Independent Auditors' Report to the Members of
Mitie Security (First) Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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

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

Independent Auditors' Report to the Members of
Mitie Security (First) Limited

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

How we obtained an understanding of the legal and regulatory framework

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

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

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

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

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas of recognition of revenue; the completeness of contract accruals and associated contract costs; the completeness of contract related provisions and other legal claims and through management override of controls. We also considered the risk of fraud to be higher within the period impacted by the cyber breach described in the Strategic Report.
- Our audit procedures included:

Independent Auditors' Report to the Members of

Mitie Security (First) Limited

Making enquiries of management concerning the company's policies and procedures relating to the identification, evaluation and compliance with laws and regulations, the detection and response to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations. We also enquired with management and those charged with governance whether they were aware of any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected, or alleged fraud. We were informed of the cyber breach disclosed in Note 12 of the financial statements which may have resulted in non-compliance with GDPR regulation during the period.

- Gaining an understanding of the controls that management has in place to prevent and detect fraud;
- Challenging significant accounting assumptions, estimates and judgements made by management, including those relevant to the areas of contract accounting and associated provisions;
- Performing additional substantive testing over the completeness and accuracy of data recorded during the period impacted by the cyber breach;
- Using data interrogation software and our understanding of the company to identify and test large or unusual journal entries which may indicate a higher risk of fraud;
- Gaining an understanding of and testing significant identified related party transactions;
- Assessing the extent of compliance with the relevant laws and regulations as part of our audit procedures on the related financial statement item; and
- Performing audit procedures to consider the compliance of disclosures in the financial statements with applicable financial reporting requirements.

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

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

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

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

Knowledge of the industry in which the company operates; and

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

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

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

Independent Auditors' Report to the Members of
Mitie Security (First) Limited

Use of our report

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

Grant Thornton UK LLP

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

29 May 2021

Mitie Security (First) LimitedStatement of Total Comprehensive Income
for the Period 1 January 2020 to 30 November 2020

		Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
	Notes		
TURNOVER	3	10,097	18,783
Cost of sales		<u>(10,890)</u>	<u>(19,302)</u>
GROSS LOSS		(793)	(519)
Administrative expenses		<u>(378)</u>	<u>(595)</u>
OPERATING LOSS and LOSS BEFORE TAXATION	5	(1,171)	(1,114)
Tax on loss	6	<u>(182)</u>	<u>167</u>
LOSS FOR THE FINANCIAL PERIOD		(1,353)	(947)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>(1,353)</u></u>	<u><u>(947)</u></u>

The notes form part of these financial statements

Mitie Security (First) Limited (Registered number: 02053619)Balance Sheet
30 November 2020

	Notes	30/11/20 £'000	31/12/19 £'000
FIXED ASSETS			
Intangible assets	7	36	67
Tangible assets	8	<u>18</u>	<u>1</u>
		<u>54</u>	<u>68</u>
CURRENT ASSETS			
Debtors	9	21,167	17,879
Cash in hand		<u>52</u>	<u>2,645</u>
		21,219	20,524
CREDITORS			
Amounts falling due within one year	10	<u>(20,856)</u>	<u>(18,822)</u>
NET CURRENT ASSETS		<u>363</u>	<u>1,702</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>417</u>	<u>1,770</u>
CAPITAL AND RESERVES			
Called up share capital	11	50	50
Retained earnings		<u>367</u>	<u>1,720</u>
SHAREHOLDERS' FUNDS		<u>417</u>	<u>1,770</u>

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

J M Williams

Mr J M Williams - Director

The notes form part of these financial statements

Mitie Security (First) Limited**Statement of Changes in Equity**
for the Period 1 January 2020 to 30 November 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	50	2,667	2,717
Changes in equity			
Total comprehensive income	-	(947)	(947)
Balance at 31 December 2019	50	1,720	1,770
Changes in equity			
Total comprehensive income	-	(1,353)	(1,353)
Balance at 30 November 2020	50	367	417

The notes form part of these financial statements

Mitie Security (First) Limited

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

1. STATUTORY INFORMATION

Mitie Security (First) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

Mitie Security (First) Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operation and its principal activities are set out in the strategic report on pages 2 to 7.

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

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

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

Mitie Security (First) Limited

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

2. ACCOUNTING POLICIES - continued
Going concern

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

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

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

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

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

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

Mitie Security (First) Limited

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

2. ACCOUNTING POLICIES - continued

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

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

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

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

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

Mitie Security (First) Limited

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

2. ACCOUNTING POLICIES - continued

Critical accounting judgements and key sources of estimation uncertainty

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

Revenue recognition

The Company's revenue recognition policies are central to how the Company measures the work it has performed in each financial year.

Due to the size and complexity of the Company's contracts, the Directors are 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 accrued income and deferred income to recognise. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised. These judgements are inherently subjective and may cover future events such as the achievement of contractual performance targets and planned cost savings or discounts.

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

Recoverability of trade receivables and accrued income

The Company has material amounts of billed and unbilled work outstanding at 30 November 2020. Receivables are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any allowance for impairment, to ensure that amounts recognised represent the recoverable amount.

The Company recognises a loss allowance for 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 Company will not be able to collect amounts due from customers, subsequent to initial recognition. The Directors apply judgement on specific allowances for impairment based on the information available at each reporting date which includes an assessment of current disputes with customers over commercial positions, and where information suggests customers are facing significant financial difficulties.

Mitie Security (First) LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**2. ACCOUNTING POLICIES - continued**

The judgement on specific allowance for impairments on receivables at 30 November 2020 has included an assessment of COVID-19 impacts.

Accounting standards that are newly effective in the current period

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

Turnover

Turnover represents sales to United Kingdom customers, excluding value added tax, and all arises from the principal activities of the company. Turnover for such services is accounted for over time in the accounting period when services are rendered. Fee arrangements from services include fixed fee arrangements (where the customer pays a regular invoice to reflect the service provided), one-off additional fees for the performance of a specific service and certain variable fee arrangements which are dependent on achieving required KPIs.

For fixed fee arrangements, turnover is recognised based on the actual services provided to date as the provision and consumption of service occur simultaneously. Turnover for one-off additional fees are recognised when the associated performance obligations have been met (i.e. completion of service) and variable consideration is recognised using a most likely amount approach on a contract by contract basis. Variable consideration is only recognised in the accounts to the extent that it is highly probable that the amount will not be subject to a significant reversal when the uncertainty is resolved.

The company has determined that no significant financing component exists in respect of the service revenue streams. This has been determined because the period from when the service is rendered to the date the invoice is paid will be less than one year.

Computer software amortisation

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

	% per annum
Asset category	
Computer software	20-33.3%

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

Mitie Security (First) LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**2. ACCOUNTING POLICIES - continued****Tangible fixed assets**

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

	% per annum
Asset category	
Computer equipment	20-33.3%

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

Impairment of tangible and intangible assets

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

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

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

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

Mitie Security (First) Limited

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

2. ACCOUNTING POLICIES - continued

Taxation

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

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

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

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

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

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

Mitie Security (First) Limited

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

2. ACCOUNTING POLICIES - continued

Financial instruments

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

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

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

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

Provisions and contingent liabilities

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

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

Mitie Security (First) LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**2. ACCOUNTING POLICIES - continued****Leases**

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

3. TURNOVER

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

An analysis of turnover by geographical market is given below:

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
United Kingdom	<u>10,097</u>	<u>18,783</u>
	<u>10,097</u>	<u>18,783</u>

4. EMPLOYEES AND DIRECTORS**Employees**

	30/11/20 £'000	31/12/19 £'000
Staff costs during the period (excluding directors):	£'000	£'000
Wages and salaries	9,538	16,495
Social security costs	963	1,600
Other pension costs	<u>226</u>	<u>334</u>
	<u>10,727</u>	<u>18,429</u>

The average number of employees during the period was 605 (31/12/19 930).

Mitie Security (First) LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020

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

Director	Remunerated by	Disclosed by
S C Kirkpatrick	Mitie Limited	Mitie Limited
P J G Dickinson	Mitie Limited	Mitie Limited
		Mitiefm Services Limited
L Mawdsley	Mitiefm Services Limited*	
J Flanagan	Mitie FM Limited**	Mitie FM Limited
		Mitiefm Services Limited*
J M Williams	Mitiefm Services Limited*	

*formerly known as Interservefm Limited

**formerly known as Interserve (Facilities Management) Limited

5. LOSS BEFORE TAXATION

The operating loss is stated after charging:

	30/11/20	31/12/19
	£'000	£'000
Amortisation of intangible assets	31	24
Depreciation of owned fixed assets	1	2
Expenses relating to short-term lease rentals - other	42	62
*Auditors remuneration	-	-

* Audit fees of £4,491 have been borne by Mitiefm Services Limited for 30/11/20 (31/12/19:£5,302).

The lease costs shown in the statement of total comprehensive income are based on the usage of the asset by the company in the period. The lease commitment for future periods is disclosed in the accounts of the leasing entity as it is responsible for meeting this commitment.

Mitie Security (First) LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**6. TAXATION****Analysis of tax expense/(income)**

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
Current tax:		
Corporation Tax	-	(189)
Non UK Taxation	6	9
Prior year Tax Adjustment	<u>210</u>	<u>(2)</u>
Total current tax	<u>216</u>	<u>(182)</u>
Deferred tax:		
Deferred tax - current period	(21)	(20)
Deferred tax - prior period adjustment	<u>(13)</u>	<u>35</u>
Total deferred tax	<u>(34)</u>	<u>15</u>
Total tax expense/(income) in statement of total comprehensive income	<u>182</u>	<u>(167)</u>

Factors affecting the tax expense

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

	Period 1/1/20 to 30/11/20 £'000	Year Ended 31/12/19 £'000
Loss before income tax	<u>(1,171)</u>	<u>(1,114)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(222)	(212)
Effects of:		
Generation of unrecognised tax losses	216	-
Adjustment in respect of previous periods	197	34
Other permanent differences	1	-
Reduction in statutory tax rate on deferred tax balances	(16)	2
Non UK taxation	<u>6</u>	<u>9</u>
Tax expense/(income)	<u>182</u>	<u>(167)</u>

Mitie Security (First) LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**6. TAXATION - continued**

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. This change is no longer occurring and as a consequence a credit of £16k (2019: £Nil) has been included in the tax expense. The deferred tax asset at 30 November 2020 reflects this change.

7. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 January 2020	
and 30 November 2020	<u>188</u>
AMORTISATION	
At 1 January 2020	121
Amortisation for period	<u>31</u>
At 30 November 2020	<u>152</u>
NET BOOK VALUE	
At 30 November 2020	<u>36</u>
At 31 December 2019	<u>67</u>

8. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Computer equipment £'000	Totals £'000
COST			
At 1 January 2020	-	200	200
Additions	<u>14</u>	<u>4</u>	<u>18</u>
At 30 November 2020	<u>14</u>	<u>204</u>	<u>218</u>
DEPRECIATION			
At 1 January 2020	-	199	199
Charge for period	<u>-</u>	<u>1</u>	<u>1</u>
At 30 November 2020	<u>-</u>	<u>200</u>	<u>200</u>
NET BOOK VALUE			
At 30 November 2020	<u>14</u>	<u>4</u>	<u>18</u>
At 31 December 2019	<u>-</u>	<u>1</u>	<u>1</u>

Mitie Security (First) LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**9. DEBTORS**

	30/11/20 £'000	31/12/19 £'000
Amounts falling due within one year:		
Trade debtors	1,287	2,110
Amounts owed by group undertakings	19,437	15,057
Other debtors	-	48
Prepayments and accrued income	<u>288</u>	<u>543</u>
	<u>21,012</u>	<u>17,758</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>155</u>	<u>121</u>
Aggregate amounts	<u>21,167</u>	<u>17,879</u>

Deferred Taxation

	01/01/2020 £'000	Recognised in income £'000	30/11/2020 £'000
Tangible Fixed Assets	103	39	142
Other Timing Differences	<u>18</u>	<u>(5)</u>	<u>13</u>
	<u>121</u>	<u>34</u>	<u>155</u>

	01/01/2019 £'000	Recognised in income £'000	31/12/2019 £'000
Tangible Fixed Assets	128	(25)	103
Other Timing Differences	<u>9</u>	<u>9</u>	<u>18</u>
	<u>137</u>	<u>16</u>	<u>121</u>

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. This change is no longer occurring and as a consequence a credit of £16k (2019: £Nil) has been included in the tax expense. The deferred tax asset at 30 November 2020 reflects this change.

The company has £3,628k of tax losses (2019: £2,488k) upon which no deferred tax has been recognised.

Mitie Security (First) LimitedNotes to the Financial Statements - continued
for the Period 1 January 2020 to 30 November 2020**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30/11/20	31/12/19
	£'000	£'000
Trade creditors	194	249
Amounts owed to group undertakings	16,633	14,207
Corporation tax	580	488
Social security and other taxes	600	888
Other creditors	79	16
Accruals and deferred income	<u>2,770</u>	<u>2,974</u>
	<u>20,856</u>	<u>18,822</u>

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

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			30/11/20	31/12/19
Number:	Class:	Nominal value:	£	£
200	'A' Deferred Shares	£0.50	100	100
99,800	'B' Deferred Shares	£0.50	49,900	49,900
200	Ordinary Shares	£0.01	<u>2</u>	<u>2</u>
			<u>50,002</u>	<u>50,002</u>

The 'A' and 'B' deferred shares do not rank for dividends and carry no voting rights.

On liquidation of the Company, the holders of the deferred shares are not entitled to participate in a return of capital until the holders of the ordinary shares have received the sum of £1 million in respect of each share held and then only to the extent of £2 per share.

Retained earnings are the profits since inception generated by a company that are not distributed as dividends to the shareholders.

Mitie Security (First) Limited

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

12. CONTINGENT LIABILITIES

Cyber incident

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

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

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

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

Contractual disputes

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

Employment claims

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

Financial commitments

The Company has provided financial and performance guarantees, issued by financial institutions on its behalf, amounting to £nil as at 30 November 2020. At 31 December 2019, the Company gave guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings amounting to £321,832k.

Mitie Security (First) Limited

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

13. RELATED PARTY DISCLOSURES

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

14. ULTIMATE CONTROLLING PARTY

Mitie Specialist Services (Holdings) Limited, a company registered in England and Wales, is the company regarded by the directors as the immediate parent company.

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